

Bush bunch scurrying to bury evidence of BNL coverup

by Edward Spannaus

After months of resistance, Attorney General William Barr appointed a not-so-independent counsel on Oct. 16 to investigate the Bush administration's handling of the case of the Banca Nazionale del Lavoro (BNL). All indications are that this action is just another Bush "damage control" measure intended to attempt to contain the fallout from the BNL case and to suppress the internecine warfare raging among the CIA, the FBI, and the Department of Justice (DOJ).

Barr's appointment of former federal Judge Frederick B. Lacey as an "in-house" independent counsel immediately drew fire from congressional leaders who have been calling for the appointment of an independent counsel (special prosecutor) under the Ethics in Government Act.

Rep. Jack Brooks (D-Tex.), chairman of the House Judiciary Committee, called Lacey a "hand-picked appointee," and Lacey's position a "glorified extension of the Justice Department itself."

Rep. Henry Gonzalez (D-Tex.), the chairman of the House Banking Committee who initiated the BNL probe, charged that Barr "is still hiding behind the same old stone wall" and said he should resign as Attorney General.

Sen. David Boren (D-Okla.), chairman of the Senate Intelligence Committee, said the appointment was "not a satisfactory substitute for an independent counsel appointed by the court."

And on Oct. 19, the eight Democrats on the Senate Judiciary Committee said in a letter to Barr that the appointment of Judge Lacey was inadequate, and that the outcome of any internal DOJ investigation would be "suspect" in light of the conflicting testimony from CIA and DOJ officials, and the public dispute between the DOJ and the FBI.

Who is Frederick Lacey?

"Independence" does not seem to be one of independent counsel Lacey's strong suits, especially with regard to the Justice Department, as well as the FBI and the intelligence community. For one, Lacey sat on the super-secret Foreign Intelligence Surveillance Court from 1979 to 1985, which routinely approves wiretap requests from the FBI and other intelligence agencies in "national security" cases.

In 1969 and 1970, Lacey was the U.S. Attorney in New

Jersey, and was succeeded by Herbert Stern. The Lacey-Stern gang prosecuted 79 labor leaders and politicians in New Jersey in conjunction with the FBI. This was the precursor to the infamous Abscam-Brilab frameup cases 10 years later. More recently, Lacey was the court-appointed administrator of the Teamsters, after that union was broken by a Justice Department Racketeering Influenced and Corrupt Organizations (RICO) suit, and then he became one of three members of the Independent Review Board (IRB) which dictates who can and cannot be union officers. Former FBI Director William Webster is another member of that board.

Lacey is also close to Webster's successor as FBI director, William Sessions. In an Oct. 16 press conference, Lacey said he had discussed his appointment with Sessions, and said Sessions told him "they would welcome me with open arms." At the conclusion of the press conference a question was asked: "Judge Lacey has expressed his unreserved affection and admiration and respect for Judge Sessions. May we ask you, in light of recent reports, whether your confidence in Director Sessions remains full?" Lacey replied: "It remains as it has been. I talked to him last night, as a matter of fact. . . . He and I were working on a joint problem last night."

What is the real BNL coverup?

The true story of BNL is that there are multiple layers of coverup involved here. The fundamental issue is the Reagan and Bush administration's policy in the Persian Gulf—which involved arming *both* Iran and Iraq.

Most coverage of the BNL case has given the impression that the BNL case is about "illegal loans to Iraq." The truth is that there was nothing illegal as such about the loans made by BNL to Iraq. Indeed, the loans were encouraged by the Bush administration and many were backed by U.S. government credits from the Department of Agriculture's Commodity Credit Corp. and the U.S. Export-Import Bank.

The alleged "fraud" revolved around the contention that the Iraqi loans were supposedly unauthorized by BNL headquarters in Rome, and were carried on a separate set of books by the Atlanta branch office. Thus, the principal charge against BNL Atlanta, Georgia branch manager Christopher

Drogoul is that he defrauded his own bank!

There are also secondary charges that bribes and payoffs were involved—not an unusual occurrence for business transactions in the Middle East. Then there are tax evasion charges—always the last refuge of a prosecutor looking to make a “safe” case. This, as we shall see, was a theory constructed for political, not legal, reasons.

At the point that the FBI raided BNL’s Atlanta offices and shut down the bank in the fall of 1989, Bush administration policy was to assist Iraq with loans and credits for agriculture and other commodities. Nothing wrong with that. In truth, Iraq was at that point perhaps the most progressive and democratic state in the Arab Middle East. After the end of the eight-year Iran-Iraq war, Iraq launched an aggressive economic development program, and even its critics had to admit that it had a higher degree of religious freedom than any other state in the area—including Israel. Iraq was an absolute paragon of freedom compared to Kuwait and Saudi Arabia, the states which the United States was supposedly protecting in the 1991 Persian Gulf war.

But besides economic assistance, U.S. policy had also been to covertly provide military assistance to Iraq during the war, ranging from tactical intelligence to military hardware. But, first, the United States had built up Iran, through massive arms and matériel shipments to Iran (via Israel) in 1981-82. This was a consequence of both the secret agreements which constituted the Reagan-Bush campaign’s “October Surprise” deal (to delay the release of American hostages by Teheran until after the 1980 elections) in the summer and fall of 1980, as well as a continuation of the Carter-Brzezinski policy of overthrowing the Shah and building up Islamic fundamentalism.

So after arming Iran, the U.S. government then began building up Iraq to even the contest. This is the thread that connects “Irangate” and “Iraqgate,” which reflects the evil Kissingerian “balance of power” geopolitical perspective for the Middle East. This policy greatly contributed to the prolonged, bloody war between the two states.

(It is therefore not surprising to find that Henry Kissinger was a member of BNL’s international advisory board from 1985 through June 1991—even after the indictment of low-level operatives in early 1991.)

That BNL’s operations were integral to this policy is shown by: 1) At the time of the raid on BNL’s Atlanta offices in 1989, BNL was under investigation in Italy for illegal arms shipments to Iran, and 2) After the shutdown of BNL-Atlanta, BNL headquarters in Rome renegotiated at least \$2 billion of the supposedly “unauthorized” loans with Iraq.

‘An isolated case’

Following the August 1989 raid, the threat of possible indictment of high-level BNL officials triggered an immediate response from BNL officials in Rome, and from the Italian government, which owns 75% of BNL.

BNL officials in Rome retained a high-powered team of U.S. lawyers and advisers, including former U.S. Attorneys General William P. Rogers and Griffin Bell, and the recently departed chief of the DOJ Fraud Section, William C. Hendricks III, to advise them and to lobby the administration. Italy’s ambassador to the United States, Rinaldo Petrignani, met Bush’s then-Attorney General Richard Thornburgh. The BNL strategy, as devised by Hendricks, was to treat the problem as “an isolated case in only one branch.”

Soon, the local prosecutors in Atlanta were being barraged with calls from the State, Treasury, and Justice departments, as well as from Bush’s White House Counsel C. Boyden Gray.

Among the things that the Atlanta prosecutors were told is that they could trigger major foreign policy and financial crises if they were to indict BNL itself or high-level officials. Italian officials feared that a seizure of the bank’s assets under U.S. racketeering laws could bring down the Andreotti government; and high U.S. officials apparently warned that an indictment of the bank could cause a crisis in world currency markets.

Under this pressure, the indictment was limited to the activities of the BNL Atlanta branch, centered on charges that branch manager Christopher Drogoul defrauded the parent bank by keeping a second set of books. Secondary charges included the failure to report the loans to bank regulators, bribery, and tax evasion.

What is now emerging is that the CIA had evidence in 1989 that BNL officials in Rome knew about the Atlanta loan scheme. The CIA had also passed this intelligence along to the FBI. When this information began to emerge during the three-week sentencing hearing of Drogoul in September, the finger-pointing began, as the CIA and DOJ accused each other of being responsible for the failure to disclose all the relevant information.

At this point, the coverup of the coverup began.

Bush is now caught on the horns of a double dilemma. A year after the disclosure of the “unauthorized” loans to Iraq by BNL, George Bush was hit with the sudden realization that Saddam Hussein—whose government was being aided by U.S. government-backed commodity and export credits—was actually the “New Hitler.” Thus the need to minimize the assistance given to Iraq.

In the midst of his reelection campaign, his administration’s suppression of evidence about BNL-Rome was pouring out from the Atlanta sentencing hearings and from statements by Representative Gonzalez. Soon, everyone was running for cover and trying to get out of the crossfire. Whether Bush wins or loses in November, this appears to be one scandal which is not going to go away soon. Besides high-ranking DOJ and CIA officials, others who could be subject to prosecution on obstruction-of-justice charges could be Kissinger’s associates Lawrence Eagleburger and Brent Scowcroft.