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Spies and Bankers

LONDON—Modern spying is more cloak and bankbook than cloak and dagger. The big secrets of the CIA, MI-5 and perhaps even the KGB now involve their bankers, not their assassins.

Two banking scandals, one here and one in America, pierce the hidden financial core of the espionage business. Both scandals are centered on the Persian Gulf. Taken together, as they should be, these scandals will cost American taxpayers and British depositors billions of dollars when the final accounting is done.

The close relationship between bankers and spies is a necessary one. Like you or me, spies have a lot of bills to pay. But they must frequently pay them in odd, scary or merely surreptitious ways to odd, scary or merely surreptitious people in faraway places. To buy or rent these people, it takes money, skill and discretion—but mostly money.

It also takes the benign neglect of banking regulators and other government officials who turn a blind eye to fishy balance sheets and hidden cash flows that would normally trigger audits and fraud investigations. Spies need bankers, and bankers need friends in high places.

William Casey understood that, and he used his time as Securities and Exchange Commission chairman under Richard Nixon as an apprenticeship to become Ronald Reagan's spymaster. And Robert Gates, Casey's

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would-be successor once-removed, has frequently said that the agency must improve its understanding of finance and economics.

A curiously worded denial by the CIA of accusations that it had close working relations with the Luxembourg-based, Arab-owned Bank of Credit and Commerce International (BCCI) that helped underwrite arms shipments to Iran, Iraq or both, raises new questions. The agency was not involved in any "unlawful use" of the fraud-infested BCCI, according to the denial published

wrote privately months ago to government officials to describe the BCCI scam. The bank's auditors, Price Waterhouse, compiled a report in March, 1990—that's right, 1990—listing in detail fraudulent loans and other fake transactions with the rich Arab businessmen who set up the bank.

Nothing was done about the letters or the auditors' report. The money kept coming in and then flowing out to a bunch of reverse Robin Hoods, who lined their pockets with money from the poor. Many BCCI depositors are from developing nations. Britain's financially struggling municipal governments put more than \$200 million in BCCI to earn its higher interest rates.

Reading the list of the Persian Gulf Hood Robins that the Price Waterhouse report fingers is a trip down memory lane for me. I had come across several of the scandal's key characters when I was living in Beirut in the mid-1970s and working on a series about Arab money men.

The intriguing aspect—then and now—is the close connections the oil-money entrepreneurs had to Western intelligence services and to arms merchants who pocketed billions of government-financed weapons sales. There seemed to be a seamless web of money and influence, and a pervasive odor of corruption, linking them all in a world in which everything was for sale.

BCCI's aggressive pursuit of deposits in Panama from drug traffickers suggests an internationalization of the Middle East pattern in the 1980s. How BCCI flourished under a leader named Manuel Noriega, whose name just may be familiar to the CIA and to George Bush, is outlined in detail in a book recently published in Panama by Daniel Gonzalez, the former deputy manager of BCCI there.

The same pattern of official benign neglect toward odd banking practices is present in the Banco Nazionale del Lavoro (BNL) scandal in the United States.

The Atlanta branch of the Italian bank continued to underwrite Iraqi credit in the United States long after a prudent banker would have stopped or would have been stopped by alert bank regulators. The Bush administration continued to push doing business with Iraq long after Saddam Hussein's destructive regional ambitions had bankrupted his country. A serious congressional investigation should find out why these things happened.

The banking and spying joint ventures have grown into monsters, corrupting both free enterprise and espionage. The CIA is off on the same track again as it tries to make up for lost time by hastily recruiting Iraqi agents to help depose Saddam.

At first, the agency put on its payroll Iraqi dissidents of uncertain ability and integrity. The agency seemed to be buying up people simply because they were for sale and the United States had the money. But the operation is becoming more professional as it expands. Despite its corrupting experience in mutual manipulation with the banks, the CIA is learning that espionage is among the problems that are not solved by throwing money at them.

here by The Financial Times.

Well, nothing is illegal until it is so proven in court. The CIA public affairs wordsmiths were predictably silent on the presumably "lawful" use the CIA made of a bank that was seized by British authorities this month after allegedly defrauding depositors around the world of \$4 billion.

The British press and the opposition Labor Party are having a field day with new disclosures that alarmed BCCI employees