

Democrats Widen Iraq Policy Debate

By R. Jeffrey Smith
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The White House has struggled for about 2½ years to control Iraq-related disclosures that might embarrass President Bush or call into question his policy of supporting Saddam Hussein before Iraq's invasion of Kuwait, according to internal memoranda and other documents obtained by Congress.

In late 1989, a White House attorney conducted an irregular inquiry into a potentially embarrassing Atlanta bank scandal involving Iraqi officials. The counsel for the National Security Council last year convened a series of meetings at which officials plotted to restrict congressional access to Iraq-related information. Cabinet members this year made a number of private telephone calls to Capitol Hill in an effort to fend off congressional subpoenas for documents.

At the request of one congressman, the Justice Department since last August has been conducting a criminal investigation into one facet of the administration's damage-limitation effort: a decision in late 1990 to alter subpoenaed Commerce Department records on U.S. exports to Iraq, which participants say was done with the approval of a senior interagency group supervised by the White House.

"We did nothing wrong or illegal here," Bush said when he was asked on June 4 about his Iraq policy and the effort to manage the flow of information to Capitol Hill.

But all but one of the 21 Democrats on the House Judiciary Committee voted to tell Attorney General William P. Barr last week that they do not trust the executive branch to investigate its own conduct in the affair. They called for appointment of a independent counsel to investigate serious allegations of possible violations of federal criminal statutes by high-ranking officials, including some at the White House.

The election-year demand expands the debate over the administration's pro-Iraq policy before the war beyond whether Bush should have been tougher on Saddam to whether the administration has acted improperly in quashing independent scrutiny of Bush's position on halting a criminal investigation capable of provoking negative publicity about it.

Unlike many previous calls by members of Congress for an independent counsel, this one lacked detailed allegations of wrongdoing. It cited instead a "growing imperative . . . [created by] the willful and repeated failure of the executive branch to comply" with congressional demands for information that would fill in gaps and resolve apparent inconsistencies in the tangled history of policymaking about Iraq.

Although Barr has until July 24 to decide if the evidence warrants a preliminary investigation, many administration officials dispute the committee's claim that the administration has been uncooperative. Thousands of pages of highly classified documents, many containing embarrassing information, have been surrendered to Capitol Hill. House Banking Committee Chairman Henry B. Gonzalez has been reading some of them aloud on the House floor without regard to secrecy rules.

At the request of Rep. Sam Gejdenson (D-Conn.),

Chairman of the House Foreign Affairs subcommittee on international economic policy and trade, about a hundred documents from the Departments of State, Commerce, and Defense have been declassified and made public. White House officials have refused requests to

appear at congressional hearings, but lesser officials at various departments have answered legislators' questions for hours.

Moreover, no one would argue that the administration's effort to prevent embarrassment has succeeded. Bush last month acknowledged mounting congressional criticism, based on the disclosures so far, and said the pre-war policy of supporting Iraq, although well-intentioned, "didn't work."

The questions posed by the Judiciary Committee demand are whether more damning information about the administration's internal deliberations on Iraq remains to be disclosed, and whether only an independent counsel can be trusted to decide whether the administration's response to congressional inquiries extended beyond routine bureaucratic caution into outright illegality.

Democrats' suspicions have been aroused by the following incidents:

- The Commerce Department has acknowledged that officials altered a computer file pertaining to interagency deliberations about U.S. exports to Iraq, before it provided a subpoenaed printout of the file in December 1990 to the House Government Operations subcommittee on commerce, consumer, and monetary affairs chaired by Rep. Doug Barnard Jr. (D-Ga.).

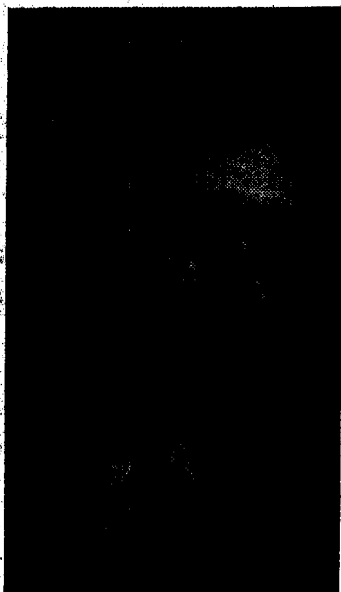
The computer printout was considered sensitive because it showed the United States from 1985 to 1990 had licensed 771 exports of technology capable of both civilian and military applications, including 162 with potential nuclear applications.

The alterations included removing references to interagency review of many export license applications, leaving an impression that the licenses were granted solely on the basis of Commerce Department review when they had also been approved by the Departments of State, Energy and Defense.

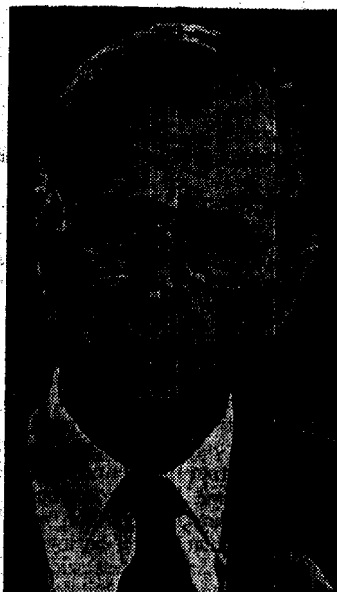
The alterations also wiped out indications that some departments initially opposed granting licenses for goods that could be used by Iraq for military applications, making it appear as if license approvals had fuller support than they did within the administration.

In other cases, Iraq's stated use for the equipment was ttered in what officials say was an attempt to play down potential military applications. Five approved licenses for exports of "vehicles designed for military use" worth \$1 million were listed in the records furnished to Barnard as "commercial utility cargo trucks" or "vehicles," for example. The trucks were never sent to Iraq.

to Include Issue of a Coverup



WILLIAM P. BARR
... deciding whether to investigate



PRESIDENT BUSH
... "we did nothing wrong or illegal"



REP. SAM GEJDENSON
... sought documents' declassification

But Assistant Attorney General W. Lee Rawls told the Judiciary Committee that the 11-month old probe is being pursued "vigorously and properly" and was delayed only by the "unavailability" of Kloske, who was overseas for an extended period but was recently located and interviewed by the FBI.

■ A former aide to presidential counsel Gray has acknowledged calling an assistant U.S. attorney from the White House in November 1989 about a sensitive Iraq-related bank scandal; creating what he and other officials now concede was the appearance of improper pressure on the attorney investigating the case, Gail McKenzie.

The scandal involved the funneling of \$5.5 billion worth of improper loans to Iraq through the Atlanta branch of the Italian-owned Banca Nazionale del Lavoro (BNL), some of which were guaranteed by the Agriculture Department so Iraq could buy food from the United States.

The aide, Jay Bybee, has said he cannot recall who ordered the inquiry, but said he remembers being concerned that the investigation might create "potential embarrassment to the White House" by implicating senior Iraqi officials at a time when the administration was preparing to approve \$1 billion worth of new loan guarantees.

White House inquiries in sensitive criminal matters are normally funneled through the Justice Department to avoid any appearance of pressure. But Bybee says he made at least one and possibly two direct calls in a hasty effort to decide if the counsel's office should "throw its body in front of this moving train," meaning the loan guarantee approval.

Bybee's call gave McKenzie an impression of official White House concern about the "embarrassment level" from the unfolding scandal, according to notes made by a Treasury Department attorney about a telephone conversation with her one day before the approval. McKenzie also told Justice Department attorney Peter Clark, a supervisor in the fraud section directing the investigation, about the calls several months later, prompting him to tell her to refer any future calls back to the department.

Gonzalez has charged that the White House contact was improper and raised other questions about whether the bank investigation was improperly hindered for political reasons. For example, classified documents provided to Congress state that five agencies pressured the Justice Department not to include Iraq's central bank in its indictment, partly because that would complicate "dealing" with the bank on lucrative reconstruction projects in the aftermath of the Iran-Iraq war.

A federal district judge who presided over court proceedings last month in which a BNL official pleaded guilty to 60 of 347 counts of conspiracy and fraud has expressed concern that only "a sanitized version" of the scandal will ever be made public without appointment of an independent counsel.

Rawls has defended the investigation and said the guilty plea was the best way to secure the defendant's cooperation in implicating "any other wrongdoers" in the BNL case. Bybee has stated that his calls were not meant to—and did not—pressure McKenzie.

■ Democrats have complained that the White House has directed an effort to mislead and obstruct their continuing probe, by withholding key documents and refusing to declassify politically sensitive memoranda such as a cable recounting a meeting between Saddam and five senators led by Minority Leader Robert J. Dole (R-Kan.) in July 1990.

Dennis E. Kloske, who was then undersecretary of commerce for export administration, told the Judiciary Committee in a written statement two weeks ago that each of the alterations was made at the request of other departments for the sole purpose of correcting errors in the department's data base. "All agencies agreed... [and] the interagency legal body sanctioned these modifications" following "intense legal and technical scrutiny" and "a tremendous amount of discussion within the administration," Kloske said.

But the Commerce Department's inspector general concluded last June that some of the changes were "unjustified and misleading," while many others were not supported by the records of individual licensing cases but reflected only the oral statements of officials who reviewed the documents shortly before they were surrendered to Barnard.

Iain Baird, director of the Commerce Department's Office of Export Licensing, told investigators that "there were meetings with the White House" to discuss the records, and Kloske said he spoke about them with a lawyer for the National Security Council, Nicholas Rostow, and with the office of White House counsel C. Boyden Gray. Commerce Department attorney Thomas Stillman has also stated that some of the alterations were discussed with the department's general counsel, Wendell L. Willkie II. But it remains unclear what role any of these officials had in approving the final changes.

Barnard has criticized the inspector general for not pursuing various leads and raised questions about the impartiality of the manager of the audit, a senior Commerce Department political appointee from 1983 to 1988. Barnard has also criticized the Justice Department for not moving more swiftly in its criminal investigation.