

The Lawyer Who Broke Open The Bank

8/13/91 Investigator Jack Blum, Baring the BCCI Scandal

By Phil McCombs
Washington Post Staff Writer

From the miasma of what has come to be called the Bank of Crooks and Criminals scandal emerges a quintessential Washington type, a somewhat pudgy figure of medium height, middle-aged, with strong eyeglasses—an unlikely combination of legal smoothie and rogue investigator in a beige suit. "The phone has *not stopped ringing*," says Jack Blum with satisfaction. "Every newspaper, radio and television station from here to Tierra del Fuego wants the story."

Koppel filmed him in his downtown Washington law office. So did "MacNeil/Lehrer." Most others he turned down.

In testimony Aug. 1 on BCCI (Bank of Credit and Commerce International) before Sen. John Kerry's (D-Mass.) Foreign Relations subcommittee on terrorism, narcotics and international operations, it was Blum who recounted the inside details of how the Senate investigation he headed—stumbling and frustrated at times, but dogged—finally helped bring about on July 29 the indictments by a New York grand jury against the bank and two of its officers on charges of fraud, money-laundering, bribery and theft.

And that, officials said, is just scratching the surface of a larger scandal involving drugs and international politics.

Accordingly, at his 50th-birthday party the weekend before last, Blum's friends held a roast and presented him with a bullet-proof vest. And they put up a sign, for potential assassins, at the entrance to their Annapolis neighborhood: "HE LIVES DOWN THERE," with an arrow.

What Blum described in his testimony was an alleged international criminal conspiracy of almost unbelievable proportions—beginning to dawn on the American consciousness now, but which, for a long time, Blum said, he could not get the Justice Department or other federal law agencies seriously interested in. He was joined at the witness table by former U.S. customs commissioner William von Raab in speculating on why.

"High-priced anesthesia" in Washington, was the way Blum put it after von Raab alleged that "influence peddlers" such as Clark Clifford, Robert Altman, Robert Gray and Frank Mankiewicz created an impression among senior U.S. officials "that BCCI was probably not that bad because all these good guys that they play golf with all the time were representing them."

"It's like the cesspool overflowing on the front lawn," said Blum, ever blunt and colorful in his own reassuring, plodding way.

See BLUM, D2, Col. 1

(Mankiewicz, who with Gray works for the public relations firm Hill and Knowlton, later issued a statement calling von Raab's testimony "incredibly irresponsible and totally false. Neither I, nor Robert Gray, nor anyone else from Hill and Knowlton ever contacted, on behalf of BCCI, anyone in the Department of Justice or . . . in the executive branch, or . . . on Capitol Hill." He also noted in a telephone interview that Blum had not named him or Gray in his testimony, adding, "I have no problem with Jack Blum at all.")

"Mr. Blum," said Sen. Alan Cranston (D-Calif.) at one point in the hearing, "I admire your courage in taking the risks that you took, knowing the sort of people that wouldn't like what you were up to."

Indeed, Blum's tale has its hair-raising moments—meeting a shady source in a warehouse near the Miami airport, attending an adversarial meeting in a Miami law office "where I was the only one in the room not wearing a weapon," entertaining a BCCI informer in his home after warnings from law enforcement friends that it could be dangerous. "And I said," he recounted in his testimony, "Why is that? And they said, 'These people are murderers, drug dealers, they are actually dealing in the narcotics, and you are taking a great risk.'"

Blum did it anyway, and got a lot of good information as a result.

"I've always assumed you take your chances doing whatever you do," he says easily in an interview in a Washington restaurant. "I've had a number of threats. I don't like to dwell on them."

The only child of a doctor and a teacher, Blum was born in the Bronx and grew up in Elizabeth, N.J., in a house his grandmother had lived in since 1902. He attended high school at an Orthodox yeshiva on the Lower East Side of Manhattan, and entered Bard College with the class of 1962. There, he came under the powerful influence of two refugees from Nazi Germany, philosophy professor Heinrich Bluecher and his wife, Hannah Arendt, whose "Origins of Totalitarianism" was already a classic, and who was then at work on "Eichmann in Jerusalem."

"I spent time in their apartment in New York, where W.H. Auden and Mary McCarthy were regular visitors," he recalls. "I remember they were so worried about Auden, because he lived this derelict life, so the two women went to the Lower East Side and cleaned his apartment."

Those experiences shaped him. "I

see the importance of the ure of the mind, of ideas, not material values." Now, "I feel almost like I'm in ancient Egypt, where people buried their wealth. When I saw a picture of the Potomac home of [First American President] Robert Altman, I thought of the

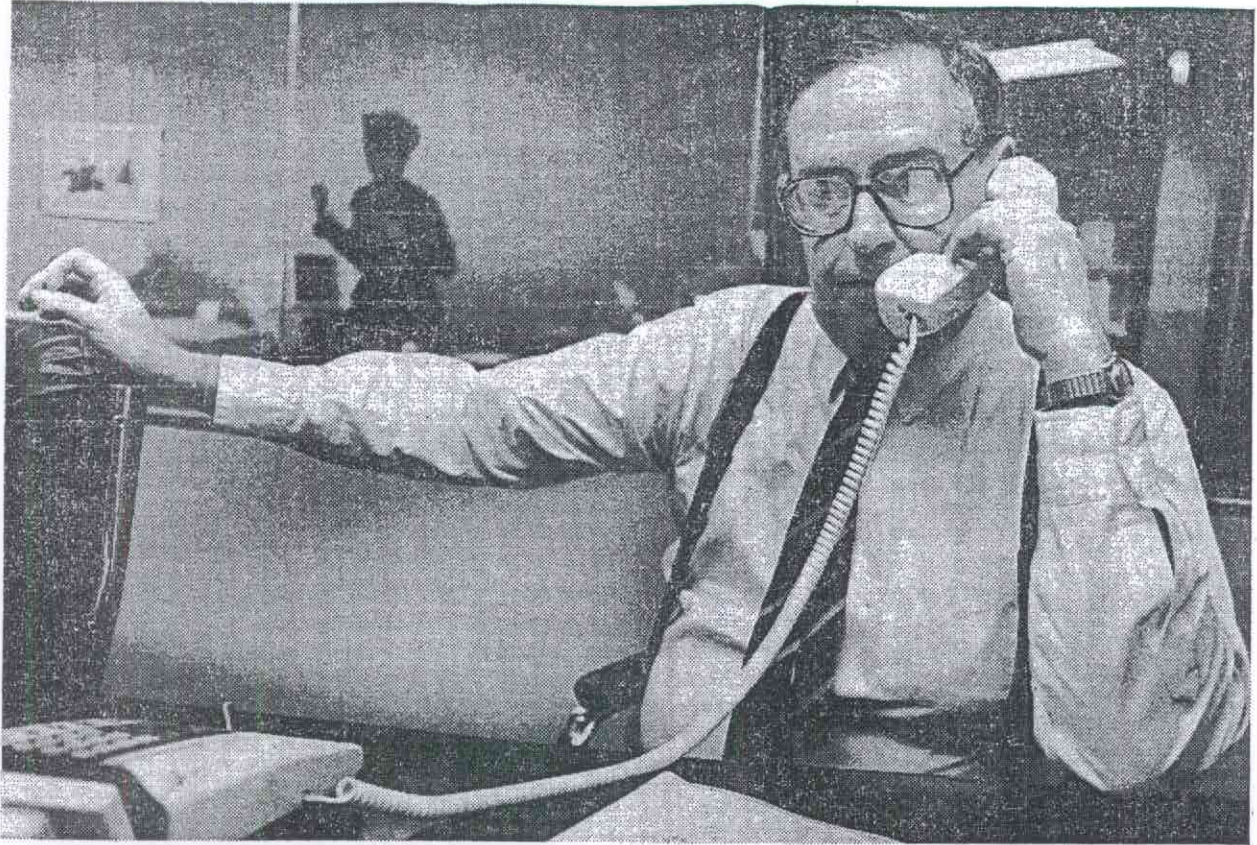
Chinese emperors. You have to ask, what are you doing here and why do the things you do, and is the fundamental thing the accumulation of wealth? And what are you going to offer your society? This is basic stuff. How did I wind up in a society that's forgotten how to revere its elders and care for its children, which has been the business of all mankind forever?"

Bluecher and Arendt urged him to think about what happened in Germany, "a country so civilized on one level, and so monstrous on another." He learned, he says, how evil comes on little by little, his professor drumming it in that "passivity and a willingness to accept each new affront as it comes along, incrementally, means that suddenly you find the whole monstrous mess in your lap because you've waited too long."

Like BCCI.

Blum originally wanted to be a muckraking journalist, and started his own weekly newspaper in college, but decided against it because he came to feel that journalism involves "a kind of perpetual adolescence, a reacting to everything as if it were fresh. I wanted to be an actor rather than an observer."

He went to Columbia Law School and then came to Washington in 1965, first working at the FCC and then quickly switching to antitrust investigation for Sen. Philip Hart. Later he probed ITT in Chile and Lockheed's overseas payments for Sen. Frank Church. He had returned to private practice when, several years ago, by happenstance, he first heard of the Pa-



Clockwise from top, lawyer Jack Blum, BCCI's London branch, and Sen. John Kerry meeting with Blum.
BLUM BY LUCIAN PERKINS—THE WASHINGTON POST, BUILDING BY REUTER; KERRY AND BLUM BY RAY LUSTIG—THE WASHINGTON POST

kistani-founded, Arab-owned and Luxembourg-based BCCI: An American banker said his bank didn't want anything to do with it.

Blum testified that he thought this "odd" at the time, and in the best gumshoe tradition "just stored the information in the back of my head."

In 1987, at Kerry's invitation, he came to the subcommittee to investigate the relationship between international drug trafficking and foreign policy. A strong Democrat, he says he thought it was "a good time to return to the Hill. Iran-contra was on the table. Reagan was out soon, and there seemed to be a break in the political wall I had faced for six years" of Republican hegemony in Washington.

One day in early 1988, he recalled in his testimony, a witness used a chart labeled "Noriega's Criminal Empire." And at the center of the chart, he had 'BCCI.' Suddenly, the information I had parked in the back of my head years before became relevant. And I began to seek out more information about BCCI."

By "luck," he found a senior BCCI officer who told him, "You have to understand, the business of this bank is dealing with roughly 3,000 high-net-worth criminal clients, that most of the other activity, the branch activity, the myriad corporations, is not real banking business for them." There were delays in issuing subpoenas—a federal investi-

gation in Tampa might otherwise have been jeopardized, Blum was told—until mid-1988, but when they came out the impact was stunning.

Blum received a call from an unidentified woman in London. Talk to Ali Akbar, she said. Blum called Akbar, who turned out to work for BCCI. Talk to Mr. Awan, he said. It was Awan who came to Blum's home and, in an eight-hour interview, made it "clear that this bank was a major criminal enterprise."

Things really heated up from there, according to Blum's testimony. The intense lobbying in Washington. BCCI officials allegedly revving up their shredding machines. And Blum's frustration as the work of the committee closed down in October 1988 because of the approaching presidential election, with the end of his own contract and his approaching return to private practice.

"We ran out of time," says Blum. "... The only option was to turn what we knew ... over to federal authorities."

Who, in the time-honored tradition, "said they'd be back in touch, and there was no further contact at that point."

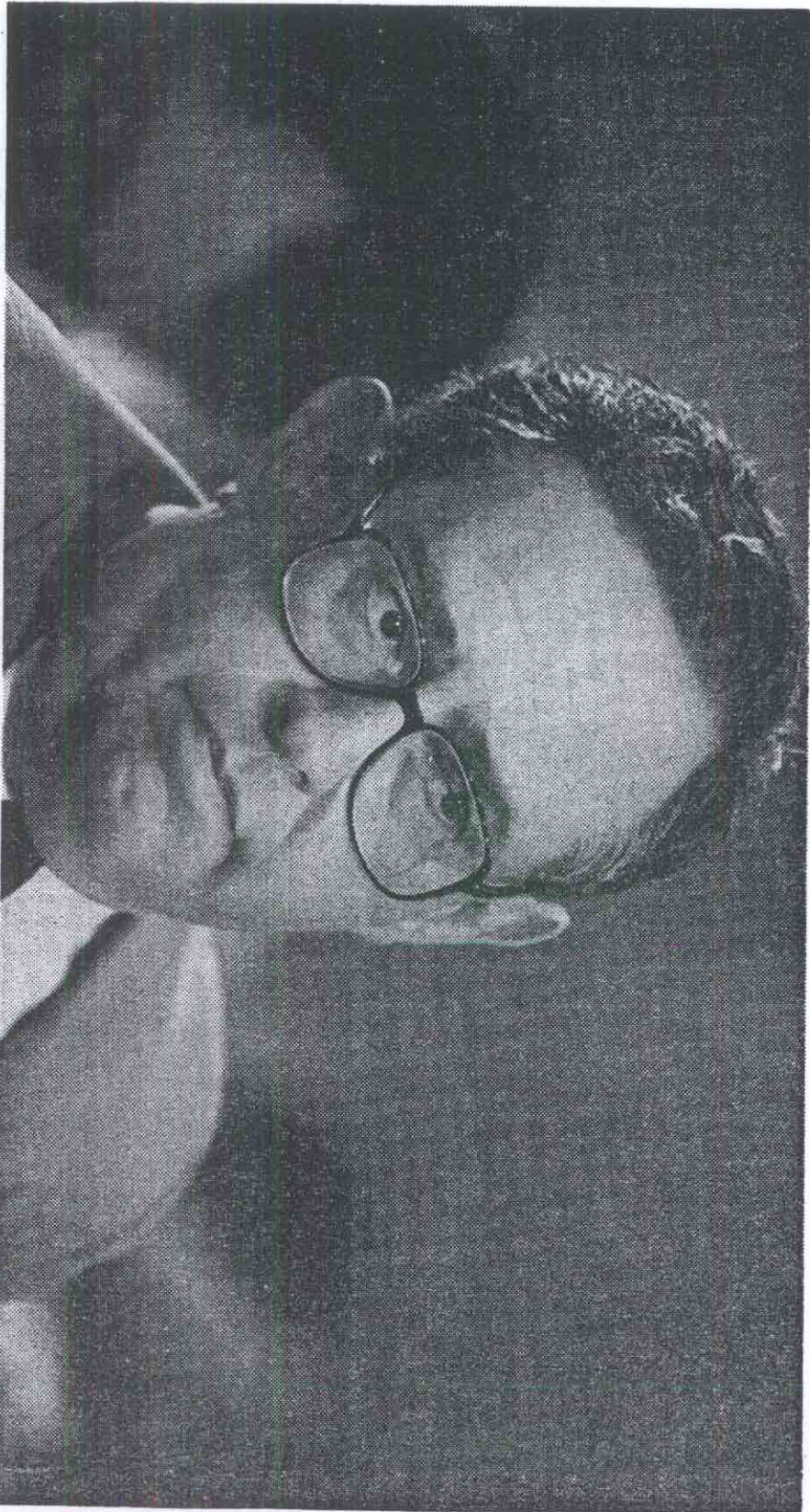
As he was packing up the contents of his desk, Blum received another hot tip and followed it, debriefing a key source for three days in the Embassy Suites Hotel near the Miami airport. Customs and IRS agents had wired the room, and had trouble because "Embassy Suites uses cinder block between

rooms, and you can't drill through cinder block to run a wire through the wall."

The resulting taped material was shocking—involving, among other things, the use of the bank to purchase First American Bankshares in Washington—and Blum offered the witness and the material to the Justice Department. Then, he testified, "I waited for something to happen. [There was] no follow-up. And I began to worry that something was very wrong with this case."

In early 1990, federal prosecutors in Tampa obtained a guilty plea from two BCCI divisions and five bank officials to

Jack Blum, who headed a Senate investigation into BOCL.



BY RAY LUSTIG — THE WASHINGTON POST

gation," Blum testified. "He finished out the piece that I couldn't."

Modesty becomes. For his part, Mike Cherkasky, Morgenthau's chief of investigations, is wild with praise for Blum. Cherkasky says his office wasn't working on BCCI at the time, "and Jack Blum literally walked into my office in March of '89, and after talking to him it was like my head was spinning, and I didn't think we could do it. He told the story that is now literally occupying hundreds of investigators and reporters, and he substantially told that story in March of '89. I marched him into Morgenthau's office to meet with Morgenthau and John Moscow [deputy chief of investigations], and they hit it off right away. He didn't bring any documents, but in the early part of the case Jack was an enormous resource. He was the guy who started it."

Meanwhile, Blum had returned to private practice at Lobel, Novins, Lamont & Flug in Washington, working for banks and other international clients who needed advice on how to combat corruption. And—what the heck—he ran in the Democratic congressional primary in 1990 against Rep. Tom McMillen in Maryland's 4th District, winning 12 percent of the vote in a campaign that cost him less than \$1,000—all his own money.

"I got totally disgusted that McMillen got elected and turned his office into a funding operation," Blum says. "He got a huge amount of money from bank-related PACs, when he's on the Banking Committee." McMillen had responded to all this, during the campaign, by finding "a certain cynicism to Jack's position that members of Congress can be bought and sold. I think I have represented the district well on a variety of issues, and the voters will show confidence in me."

They did.

Which bothers Blum not a whit. "I was totally unknown," he says with a smile, "and I tormented him, and inflicted a lot of pain, I hope."

charges of laundering money from drug dealers. BCCI paid a \$14 million fine, but, Blum testified, he was "personally infuriated. I had taken what I considered to be considerable risk and gone to I thought great length to put serious evidence in front of the Department of Justice. The agents knew . . . well knew, that there was more to this case."

As a precaution, Blum had already approached New York District Attorney Robert M. Morgenthau with the sensational material, and Morgenthau had run with it, declaring the case "the largest bank fraud in world history."

"Morgenthau really did the investi-