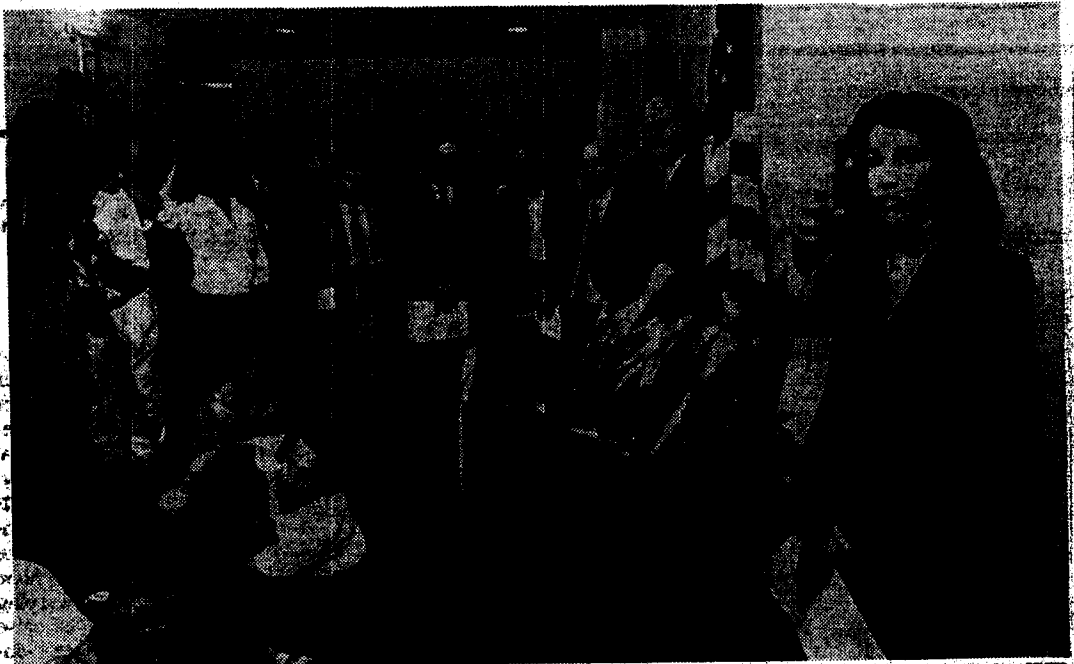


*R. M. G.*

*Clip*



Gerrilyn G. Brill, right, the acting U.S. attorney for the BNL case, answers questions at a news conference in Atlanta. REUTERS

# Judge Joins Call for Special Counsel

## After Guilty Pleas, Bank Ex-Official Is Evasive on Baghdad Loans

By Sharon LaFraniere  
Washington Post Staff Writer

ATLANTA, June 2—A federal judge today called for the appointment of a special prosecutor after the former Atlanta branch manager of an Italian-owned bank repeatedly dodged questions about how he made \$5.5 billion in unauthorized loans to Iraq.

Judge Marvin Shoob tried for more than 2½ hours to find out from Christopher Drogoul, the branch manager, whether any U.S. government officials or higher-ups at Banca Nazionale del Lavoro (BNL) knew of the "off the books" nature of his branch's massive loans to Iraq. Iraq used at least some of the money to arm itself militarily. The U.S. Department of Agriculture guaranteed \$1.25 billion of the loans, of which \$347 million is in default.

Drogoul denied any direct involvement by government or senior bank officials, but confounded the judge with vague hints that he had acted with their tacit approval. Drogoul said he would be more forthcoming with prosecutors once he had a chance to review documents.

Under a last-minute agreement accepted by Shoob today, Drogoul pleaded guilty to 60 of 347 counts of conspiracy and fraud. Prosecutors agreed to ask for leniency in sentencing, scheduled for Aug. 13, if Drogoul provides credible evidence that advances the investigation. He faces a maximum sentence of 390 years in prison, \$17.5 million in fines and \$1.8 billion in restitution.

Shoob's call for a special prosecutor is likely to bolster Democrats on the House Judiciary Committee as they approach a vote on the issue. While the judge praised the work so far of Assistant U.S. Attorney Gale McKenzie and other federal investigators, he said he feared only "a sanitized version" of the scandal would be made public.

Shoob, appointed to the bench by President Jimmy Carter, said Drogoul's attorney told him last week that Drogoul wanted to plead guilty to all 347 counts and disclose everything he knew about dealings with Iraq. When Shoob asked why prosecutors subsequently accepted a plea to fewer counts, McKenzie said they needed a guarantee they could interview Drogoul for weeks.

"This case ought to have a special prosecutor because I'm not getting the information from Mr. Drogoul," the judge declared.

The Justice Department's handling of the BNL case has come under increasing scrutiny in recent weeks, with the disclosure by Rep. Henry B. Gonzalez (D-Tex.) of a number of internal government memos suggesting the case may have been delayed for diplomatic reasons.

One memo to the Federal Reserve Bank and another Treasury Department document show McKenzie and then-U.S. Attorney Robert L. Barr had intended to seek a BNL indictment in early 1990. But the indictment against 10 BNL defendants, including Drogoul and several Iraqis, was not handed up until Feb. 28, 1991—one day after

President Bush announced a cease-fire in the war with Iraq.

In another memo, officials from Treasury, Defense, State and other agencies argued against indicting the government-owned Central Bank of Iraq, both because it was protected by sovereign immunity and because "it would be very difficult for the U.S.G. [U.S. government] to work with the bank were it indicted."

Gerrilyn G. Brill, acting U.S. attorney for the BNL case, said at a news conference today that foreign policy considerations neither delayed the indictment nor narrowed its scope. She said the charges were sought as quickly as the evidence was gathered, and the reason the Central Bank of Iraq was not indicted had to do with sovereign immunity protections, not diplomatic concerns.

At the hearing before Shoob, McKenzie tried to allay the judge's apparent suspicion that prosecutors plea-bargained with Drogoul to avoid public disclosures that could embarrass the U.S. government. She said nothing prohibited Drogoul from answering the judge's questions.

In a typical, befuddling answer, Drogoul, asked by the judge if any officials had approved of his actions in funneling the loans to Iraq, said: "I would honestly have to say no, with provisos. . . ." He did not elaborate.

# U.S. Plans \$1.8 Billion Saudi Military Sale

Associated Press

The Bush administration intends to sell Saudi Arabia \$1.8 billion worth of helicopters, missiles, rockets and small military vehicles, as well as support services for F-15 and F-5 fighter aircraft, the Pentagon announced yesterday.

Congress has been informed of the proposed sales and has 30 days to block them, but no such action is anticipated, officials said.

The sales include:

■ \$606 million for 362 Hellfire antitank missiles; 3,500 Hydra-70 bat-

tlefield rockets; 40 trucks known as HMMWVs, and a variety of spare parts, training, hangars and equipment for the 12 Apache gunship helicopters Saudi Arabia purchased during the buildup to last year's Persian Gulf War.

■ \$495 million for "contractor maintenance and training technical services" to support Saudi Arabia's fleet of F-15s. So far, the U.S. government has sold the Saudis 98 of the jet fighters, but only the less sophisticated A/B and C/D versions. Although the kingdom is interested in purchasing top-of-the-line F-

15Es, the issue has been put aside during this election year.

■ \$400 million in services to update the Saudi army's Ordnance Corps' logistics system. The purchase includes planning assistance, training at U.S. agencies and installations, financial services and construction.

■ \$223 million for eight UH-60 medical evacuation helicopters, spare engines, repair parts, support equipment and training.

■ \$157 million for maintenance, training and support for the Saudi fleet of F-5 fighter aircraft.

# Democrats Press for Iraq Aid Inquiry

## *Independent Prosecutor Could Embarrass Bush in Election Year*

By Thomas W. Lippman  
Washington Post Staff Writer

Senior House Democrats signaled yesterday that they will seek appointment of an independent prosecutor to investigate the Bush administration's dealings with Iraq before Iraq's invasion of Kuwait.

Such an investigation could be an acute election-year embarrassment for President Bush because it would probably focus on the roles of Clayton Yeutter, former agriculture secretary and now White House domestic policy chief, and Robert A. Mosbacher, former commerce secretary and now general chairman of the Bush reelection campaign. Both were in the Cabinet when their departments were providing aid to Iraq before the August 1990 invasion.

The Democrats said several committee investigations have unearthed enough information about misuse of the federal farm credit program to finance Iraqi arms purchases, alteration of key documents and apparent administration efforts to mislead Congress to warrant appointment of an independent counsel.

"I firmly believe that violations of federal criminal laws have occurred and that these violations will never be completely investigated or prosecuted unless an independent counsel is appointed," said Rep. Charlie Rose (D-N.C.), a senior member of the Agriculture Committee.

At a Judiciary Committee hearing

yesterday punctuated by partisan wrangling, Republicans accused Democrats of trying to "criminalize" flawed foreign policy decisions and playing election-year politics in an effort to embarrass Bush.

But Democrats insisted that their aim was to get to the bottom of decisions by several executive branch departments to back new loans to Iraq even after the country was clearly not creditworthy, alter Commerce Department documents to disguise exports of military technology and frustrate attempts by Congress to find out who was responsible. They complained at length that the Justice Department, far from vigorously investigating allegations of wrongdoing, is bottling up the inquiry and helping other departments conceal information.

"The Department of Justice is progressing from foot-dragging to stonewalling," said Banking, Finance and Urban Affairs Committee Chairman Henry B. Gonzalez (D-Tex.).

"Some will say we're playing politics," said Judiciary Committee Chairman Jack Brooks (D-Tex.), "but the administration's position only serves to inflame passions and . . . push the American people into deeper cynicism."

Under a law inspired by the Watergate scandal and designed to prevent the executive branch from investigating itself, a majority of members of either party on the House or Senate Judiciary committees can ask the attorney general to

appoint an independent counsel, often called a special prosecutor. The attorney general need not do so, but must explain such a decision in detail to the committees.

With the cigar-puffing Brooks presiding, yesterday's hearing was clearly stacked against the Bush administration. The only witnesses were Senate Agriculture, Nutrition and Forestry Committee Chairman Patrick J. Leahy (D-Vt.) and three senior House Democrats: Rose, Gonzalez and Rep. Doug Barnard Jr. of Georgia. All have conducted inquiries into the \$5 billion in loan guarantees extended to Iraq between 1983 and 1990 by the Commodity Credit Corp.

The loans were made through the Atlanta branch of the Italian-owned Banca Nazionale del Lavoro. At a federal court hearing in Atlanta yesterday, the branch's former manager, Christopher Drogoul, pleaded guilty to 60 counts of a bank fraud indictment. But U.S. District Judge Marvin Shoob, expressing the same frustration with his inability to obtain information as the congressional Democrats, joined the call for appointment of a special prosecutor.

Brooks said the committee will not decide whether to ask for appointment of an independent prosecutor until administration witnesses have an opportunity to testify. But committee Democrats said there is strong sentiment on their side to proceed, over Republican objections.