

# 'Well-Connected' Jordanian Avoided U.S. Indictment in Iraqi Loan Fraud

*Businessman Had Links to King and Grain Exporters, Congress Told*

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The Justice Department decided last year not to indict a Jordanian businessman in a \$5 billion Iraqi loan fraud scheme after the State Department pointed out that he was "well connected" to the King of Jordan and to U.S. grain exporters, according to records made public in the House yesterday.

Government prosecutors had been planning to name the middleman, Wafai Dajani, as one of the defendants in a conspiracy to funnel billions of dollars in illegal bank loans to Iraq, but decided not to do so shortly before the indictment was returned on Feb. 28, 1991—the day allied forces were ordered to stop fighting in the Persian Gulf War.

In a secret internal memo that day, the State Department said it had "no objections" to indictment of any of the individuals on the prosecution's list, including Dajani, but it expressed reservations about proceeding against him in light of his connections.

Iraq received more than \$5 billion worth of what the government says were "unauthorized 'off book' loans and credit commitments" from the Atlanta branch of Italy's Banco Nazionale del Lavoro (BNL) between 1985 and 1989, including some \$900 million guaranteed by the U.S. Government's Commodity Credit Corp. Dajani's firms handled most of the CCC agricultural commodities once they arrived at the port of Aqaba in Jordan, according to Rep. Henry B. Gonzalez (D-Tex.), chairman of the House Banking Committee, who discussed the matter yesterday on the floor.

Gonzalez said Dajani also helped

obtain arms for Iraq from firms in Portugal and Cyprus. The Banking Committee, Gonzalez added, is investigating "whether or not the CCC commodities destined for Mr. Dajani's grain handling facility in Aqaba were diverted to pay for these weapons or others."

In its memo, the State Department noted that Dajani was a businessman, not a government official, but observed that "his brother is a former minister of the interior [in Jordan] and Wafai himself is considered well connected to the king and to U.S. grain exporters." The memo added that Dajani's "indictment would be seen as a further U.S. attempt to 'punish' Jordan" for siding with Iraq in the gulf war.

Gonzalez called the decision not to indict Dajani "probably the most blatant example of State Department intervention" in the case.

Justice Department officials said State's views had nothing to do with their decision not to indict Dajani last year. They said Dajani was still "a target" of their ongoing inquiries.

"If State expressed reservations about Dajani, that was not a factor in his being included in the indictment," said Gerrilyn Brill, chief of the criminal division of the U.S. Attorney's office in Atlanta.

In internal administration deliberations, the State Department along with the National Security Council continued to argue in favor of courting Iraq until shortly before the August 1990 invasion of Kuwait, despite disclosure of the BNL scandal in August 1989 and the strenuous misgivings of other government agencies about the extent of the fraud.

A confidential State Department report, for instance, about a meeting Oct. 13, 1989, with Agriculture

officials said there were 10 separate investigations underway of BNL-Atlanta's dealings. The memo said Agriculture expected "the investigation could 'blow the roof off the CCC,'" and added that chances were "more and more likely that CCC guaranteed funds and/or commodities may have been diverted from Iraq to third parties in exchange for military hardware."

"In the cases where adequate documentation exists," the memo went on, "CCC commodities can be traced as far as Jordan and Turkey, [but] in many cases it is not clear that they ever reached Iraq. Where documents indicate shipments arrived in Baghdad, the timing appears improbable—shipments arrive in Baghdad prior to arriving at interim ports.

"If smoke indicates fire, we may be facing a four-alarm blaze in the near future," the memo concluded.

The next month, at the urging of the State Department and NSC, the Agriculture Department approved a new \$1 billion CCC program for Iraq for fiscal 1990.

In a related matter, the Los Angeles Times reported yesterday that the United States has paid \$360.7 million to a Persian Gulf bank partly owned by Iraq to make good on CCC-guaranteed loans that Iraq left in default after the invasion. Senate Agriculture Committee Chairman Patrick J. Leahy (D-Vt.) called for an explanation in a letter to Agriculture Secretary Edward R. Madigan.

"At a time when we are all concerned that the government of Iraq continues to act in an outlaw fashion under the leadership of Saddam Hussein, I am very concerned that this payment sends a dangerous signal," Leahy wrote.