

U.S. Actions In BNL Case Criticized

Signs of Bank Fraud Ignored, Judge Finds

By R. Jeffrey Smith
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U.S. District Judge Marvin H. Shoob yesterday capped his 18-month scrutiny of a multibillion-dollar bank fraud case by criticizing the government for failing "to investigate seriously" whether officials in Rome knew of the bank's illicit loans to Iraq.

Shoob, who said he found numerous indications that the directors of Italy's Banca Nazionale del Lavoro (BNL) were aware of the loans by their branch in Atlanta, charged that the government had ignored these signs as part of "an effort to absolve" the bank's senior officials of complicity.

Shoob said the aim of the effort may have been to "avoid embarrassing a foreign government or to contain criticism of a failed foreign policy" by the United States in its dealings with Iraq before the Persian Gulf War.

Shoob made the harsh allegations as he accepted a request by the office of the U.S. attorney in Atlanta that he withdraw from presiding over the principal court case growing out of the BNL scandal. The government sought Shoob's withdrawal last week, arguing that Shoob's public criticisms of its conduct had undermined his impartiality.

The government has denied any political interference in prosecution of the case, which prosecutors have called the largest bank fraud in U.S. history.

Shoob said in a 15-page order that he could preside "with an open mind" over the court case, which involves allegations of fraud, tax evasion and money laundering by the director of BNL's Atlanta branch, Christopher Drogoul. But,

in a decision released by his office late yesterday, the judge confirmed that he has reached "certain preliminary conclusions" about Drogoul's activities and the government's handling of its investigation.

"It is apparent that decisions were made at the top levels of the United States Justice Department, State Department, Agriculture Department and within the intelligence community to shape this case," Shoob said. "Information may have been withheld from local prosecutors seeking to investigate the case or used to steer the prosecution away from indicting prominent or influential defendants."

Shoob cited what he called "daily revelations undermining the government's case against Drogoul" that emerged during a three-week hearing in his court on a plea agree-

ment Drogoul negotiated with the government last summer. That hearing was halted abruptly last Thursday when the government rescinded the plea agreement and requested Drogoul's trial next year.

These revelations, according to Shoob, included evidence in CIA documents made available to him that the intelligence community knew "a number of BNL-Rome officials supported Mr. Drogoul's activities." Also, the former head of BNL's North American regional office, Luigi Sardelli, offered what Shoob called "credible testimony showing that senior officials in Rome approved of or had knowledge of" the loans from Atlanta.

While Shoob's statement did not point to any particular evidence corroborating these allegations or proving that officials in Rome were aware of the activities, he said that "the sheer number of unusual circumstances" surrounding the case had caused him to reach these tentative conclusions.

Shoob said, for example, that some documents may have been shredded by BNL officials shortly after the government's raid on the Atlanta branch in August 1989.

Shoob also cited evidence from internal BNL files that the Italian ambassador to the United States met with senior State Department and Justice Department officials to fend off an indictment of the bank's Rome headquarters.

Relying on testimony during the sentencing hearing, Shoob said Justice Department officials had canceled a "necessary" trip by prosecutors to Italy and Turkey, where they were to interview bank officials and others familiar with the case. He also said the Agriculture Department, which turned out to have guaranteed some of BNL's illicit loans to Iraq, had "blocked" investigators' efforts to interview knowledgeable Iraqi officials.

A spokesman for the Justice Department declined comment on Shoob's statement. Gerrilyn Brill, the senior Atlanta-based government attorney in the case, said in a telephone interview that Shoob's conclusions about the case "are absolutely incorrect" and stemmed from his reliance "on erroneous and incomplete information" presented during the sentencing hearing by Drogoul's attorneys.