

Sen. Boren Calls For Inquiry Into False Report on BNL Case

Bank Scandal Statement Drafted by Justice Dept., CIA

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By R. Jeffrey Smith
Washington Post Staff Writer

The chairman of the Senate Select Committee on Intelligence yesterday said the attorney general should investigate why senior Justice Department officials last month provided a false report to a federal court about a politically sensitive bank scandal.

Sen. David L. Boren (D-Okla.) called for the inquiry after hearing two days of closed testimony from Justice Department and CIA officials involved in drafting the report, which he said had not provided an adequate explanation for it.

The two-page report was presented in Atlanta last month to district court Judge Marvin H. Shoob. It was meant to bolster the government's contention that the manager of the Atlanta branch of an Italian bank had virtually acted alone in making more than \$4 billion in illicit loans and loan guarantees to Iraq before the Persian Gulf War.

The CIA acknowledged Wednesday that the report, which was addressed to the Justice Department and signed by its acting general counsel, erroneously suggested the agency had no classified documents indicating that bank officials in Rome had authorized the illicit loans by the Atlanta branch of Rome-based Banca Nazionale del Lavoro (BNL).

Boren and other legislators have said that when the statement was drafted on Sept. 17, the CIA actually had three documents in its possession suggesting that Italian officials had authorized the loans, and that the CIA has since uncovered more such documents.

"It seems clear to me that both agencies had an understanding" that the statement to Shoob was incomplete and misleading to anyone who lacked access to the classified documents, Boren told reporters after yesterday's testimony from CIA General Counsel Elizabeth R. Rindskopf and Deputy Assistant Attorney General Laurence A. Urgenson.

Boren said the aim of the committee's own inquiry was partly to determine whether the Justice Department had attempted "to shape the reply of the intelligence community" to questions raised by the judge about the government's knowledge of Italian complicity in the illicit loans, so as to conceal such information.

Shoob had pressed the issue of potential Italian complicity while presiding over a sentencing hearing for the manager of BNL's Atlanta branch, Christopher H. Drogoul. After pleading guilty last summer to 60 counts of money laundering, tax evasion and fraud against BNL, Drogoul alleged in court testimony that the bank's senior ex-

ecutives in Rome had been aware of the illicit loans.

The government obtained the judge's permission to withdraw the plea agreement Oct. 1, one day after the CIA informed the Justice Department of the existence of some of the documents.

The allegation that officials in Rome were aware of the illicit loans was politically sensitive because the bank is owned by the Italian government, which also appointed the bank's top executives and feared at one point that the BNL scandal could possibly topple the government.

Internal BNL files reveal that senior Italian officials and bank representatives aggressively lobbied the Bush administration in the spring of 1990 to fend off a rumored indictment of the bank.

Justice Department officials, after asserting in January and February 1990 that Italian officials must have been known of the loans, have acknowledged that they dropped this claim by late summer, but denied their decision was prompted by Italian pressure.

Boren said, however, that "it seems strange to me [there was] an attempt to launch a prosecution based on the idea that one lone person [was] . . . able to move around millions of dollars for BNL without anyone else being involved." He said it was "inappropriate and premature" to talk about a potential government conspiracy to mislead the court, but added that "I find . . . some very troubling things" in the testimony so far.

Sen. John H. Chafee (R.I.), a Republican member of the committee, said to the contrary that "in the testimony we heard today, I don't find anything sinister involved. I think there was a sloppiness that took place . . . under considerable time pressures and strains" to produce the report for Shoob during the sentencing hearing last month.

Boren said the committee, which has insisted that administration witnesses testify under oath, planned to take depositions from others involved in drafting the report. He also noted that he and the committee's vice chairman, Sen. Frank H. Murkowski (R-Alaska), had been granted authority by committee members to issue subpoenas in the probe.

Paul McNulty, a spokesman for Attorney General William P. Barr, said last night "the department is considering what steps it should take on this [matter] and will take Senator Boren's suggestion into consideration."

McNulty said the department is already reviewing why the classified documents were evidently provided in 1989 to the FBI but not disseminated by the Justice Department to government prosecutors in Atlanta until last month.