

FBI to Probe Handling of BNL Report

Justice Dept. Release of CIA Account to Bank Case Judge Questioned

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The FBI opened its own investigation yesterday of the Justice Department's decision to disclose a CIA report, which lawmakers and administration officials later termed incomplete and misleading, about illicit loans to Iraq by an Italian bank.

The investigation ordered by FBI Director William S. Sessions parallels an internal CIA probe begun Wednesday into the intelligence agency's report last month about the scandal involving the Atlanta branch of Banca Nazionale del Lavoro (BNL).

The new inquiry suggests widening

concern within the Bush administration about congressional allegations of official misconduct regarding the preparation of the CIA report and its release to U.S. District Judge Marvin H. Shoob, who was then presiding over a criminal case growing out of the bank scandal in Atlanta.

Sen. David L. Boren (D-Okla.), chairman of the Senate Select Committee on Intelligence, urged Attorney General William P. Barr on Friday to begin the probe after two days of testimony to the committee by senior CIA and Justice Department officials produced what Boren called "very troubling" signs that both agencies knew when they re-

leased it that the CIA report was misleading.

The CIA report was meant to defend the Justice Department against charges that it mishandled its investigation of the BNL scandal, which threatened at one point to interfere with the administration's policy of aiding Iraqi President Saddam Hussein before the Persian Gulf War by financing Iraq's purchases of U.S. food.

The Bush administration guaranteed some of BNL's loans to Iraq, and the United States could incur losses of up to several billion dollars because Iraq has defaulted on the loans.

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FBI Opens Probe of Justice Dept.

BANK, From A1

Boren yesterday criticized the CIA anew for distributing what he termed another inaccurate statement that was part of the agency's attempt to explain its role in the affair. The CIA statement yesterday was meant to rebut news reports that its officials, speaking to Boren's committee behind closed doors last week, had accused the Justice Department of pressuring the intelligence agency into disseminating information that CIA officials knew was misleading.

"CIA officials who testified said there was no pressure from Justice to mislead anyone, and no intent on the part of the CIA to mislead or

provide incorrect information," the agency's statement said.

The statement appeared to be carefully crafted to avoid denying what Boren and other officials said was secret CIA testimony before the committee that Justice Department officials had urged release of the report without clarifications the intelligence agency was seeking.

"I do not believe that the CIA statement gives a full and complete picture of the testimony . . . the committee has received," said Boren, who generally is considered sympathetic to the intelligence agency. "I hope they will be more careful in the future to make sure that their public statements are more complete."

The two-page CIA report at issue was addressed to government prosecutors in Atlanta and signed by the CIA's acting general counsel. It was drafted by the CIA at the Justice Department's request to bolster the government's longstanding contention that Christopher P. Drogoul, the manager of BNL's Atlanta branch, acted alone in making the illicit loans.

Drogoul was charged in the case and pleaded guilty, but prosecutors later withdrew from the plea agreement, and his trial is expected to start sometime next year.

The CIA acknowledged Wednesday, after prodding by Boren and intelligence committee vice chairman Sen. Frank H. Murkowski (R-Alaska), that the report erroneously

Use of CIA's Bank Scandal Report

implied the agency had no classified documents in its possession suggesting the illicit loans were authorized by officials at BNL's headquarters in Rome.

CIA officials have since conceded they had three such documents when the report was drafted. They said they have since discovered more. The documents are considered politically sensitive because the Italian government, which owns BNL and appoints its directors, has consistently denied the bank knew of the illicit loans.

An official who has seen the documents said they "provided some pretty darn good leads that don't appear to have been followed up" during the government's extensive

18-month investigation into the scandal.

Boren was particularly critical yesterday of the CIA's failure in its latest statement about the affair to mention some secret testimony by agency officials. The officials testified that they had sought to issue a statement which Boren said "would have given a much more accurate picture to the public about what the CIA knew of the BNL matter and when they knew it."

Boren said "there was testimony that the Justice Department discouraged the CIA from issuing the clarifying statement."

Justice Department spokesman Paul J. McNulty denied that Justice Department officials had

sought to issue a misleading report. But he confirmed yesterday that Assistant Attorney General Robert S. Mueller III had "rejected this draft [clarifying] statement as being inadequate and unacceptable" during Mueller's conversation with an assistant general counsel at the CIA.

McNulty said the clarifying statement, which the CIA had wanted the Justice Department to issue, said that CIA documents did not permit "the definitive conclusion" that BNL officials in Rome were aware of the loans. McNulty said Mueller "could not accept" that assertion because the evidence of Italian complicity "doesn't even come close to definitiveness."