

April 29, 1992

C-Span Network
400 N. Capital Str.
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Washington D.C. 20001

Dear Sir:

On your Journal Roundtable on Friday.
Could you discuss the Lavoro Scandal.
Also, where will it lead to.

Thank you.

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Essay

WILLIAM SAFIRE

Bush's Lavoro Scandal

LOS ANGELES
A specter is haunting the Bush Administration — the specter of the Lavoro Scandal.

Four billion dollars, one-fourth of it guaranteed by the U.S. Government, flowed through the corrupt Atlanta branch of an Italian bank in the late 80's to finance Saddam Hussein's war machine.

The Atlanta bank used U.S. guarantees to borrow money to buy grain, but the Iraqis redirected the ships to Iron Curtain countries where our grain was bartered for weapons.

As the huge scam began to unravel in late 1989, the Bush Justice, State and Agriculture Departments impeded the investigation. The reason: Mr. Bush did not want to embarrass Iraq, a nation he was persuaded would be his key to stability in the Middle East.

The policy blunder in the appeasement years — 1989 and 1990 — is now obvious. Still hidden is the extent to which the Bush Administration manipulated the prosecution to avoid embarrassment to Saddam and more recently to itself.

While the Senate slept, House Banking Committee Chairman Henry Gonzalez — at first dismissed by the White House and the media as a harmless blowhard — subpoenaed many damning classified documents. On March 2, 9 and 20 of this year, he stunned stonewalkers by making the documents public.

No such revelation of material improperly labeled "secret" has been placed in the Congressional Record since Senator Mike Gravel placed the Pentagon Papers in that publication. But like Poe's purloined letter, the remarkable revelations have gone unremarked. Items:

1. The documents show that State knew in 1989 that an Iraqi front firm, Matrix Churchill, was skimming money. Incredibly, Bush Justice later appointed the lawyer for that firm to be U.S. Attorney in Atlanta. The case languished; an indictment ready to be handed up in 1990 was delayed for a full year — for political purposes.

2. Key co-conspirators went undicted: Kamal Hassan, Saddam's son-in-law, and Wafai Dajani, the grain shipper close to Jordan's King Hussein. Justice was obstructed by officials carrying out Mr. Bush's disastrous National Security Directive No. 26 of October 1989.

3. In a conversation with Iraq's Tariq Aziz on Oct. 6, 1989, the secret minutes show James Baker obsequiously asking Saddam's man to overlook Congressional and media suspicions of an arms buildup: "Regarding

technology, the Secretary admitted the U.S. does have concerns about proliferation, but they are worldwide concerns" — not directed at Iraq.

4. The evidence shows that despite knowledge of Iraqi deceit, George Bush's obsession with the need to appease the Iraqi dictator drove Agriculture wrongfully to extend an additional half-billion credits — which the U.S. taxpayer was later required to pay.

5. In the cover-up, the Bush Administration apparently misled Congress about sharing intelligence with Saddam Hussein in 1989 and 1990.

Senator Boren's Sept. 19, 1991, report for the Select Committee on Intelligence on the nomination of Robert Gates for C.I.A. chief states: "Intelligence sharing continued on a sporadic basis until 1988 when the war

Obstructing justice for Iraq.

between Iraq and Iran ended."

That is directly contradicted by a State Department "option paper" for Brent Scowcroft, dated May 16, 1990, signed by J. Stapleton Roy, in the Gonzalez papers:

"Intelligence Cooperation: Intelligence exchanges have waned since the Gulf War cease-fire. PRO: They still provide Iraq with limited information on Iranian military activity that would be missed. CON: Ending this contact would close off our very limited access to this important segment of the Iraqi establishment." Ten weeks later, with current U.S. intelligence in hand, Iraq invaded Kuwait.

That suggests that C.I.A.'s cooperation with Saddam's thugs was not ended in 1988, as Mr. Gates presumably assured the Senate. It "waned" but continued — finding-free — well into the Bush appeasement years of 1989 and 1990. Senate Intelligence oversight failed.

The Lavoro financial scandal erupted during a period of diplomatic appeasement. When the invasion of Kuwait ended Mr. Bush's appeasement, he covered up the financial scandal lest it reveal the extent of his previous appeasement.

The Democrats have their election-year Watergate, but only Henry Gonzalez of San Antonio understands it. House Judiciary should disregard independent prosecution now. □

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