

Banca Nazionale del Lavoro scandal in Italy may have Irangate links

The Banca Nazionale del Lavoro (BNL), the huge Italian government-owned bank, has been embroiled since the beginning of September in a scandal which is shaking not only the Italian financial world, but which could also fit another piece into the puzzle of the Western networks that work in tandem with the Soviet Union to finance international terrorism and manipulate regional wars around the world. Investigations are still on-going, and one cannot as yet draw definite conclusions. But it seems more and more clear that BNL's subsidiary in Atlanta, Georgia was involved in a large undercover scheme to finance weapons trade with Iraq. In Italy, the BNL is also under investigation for financing weapons trade with Iran.

The facts that have emerged so far are the following. The Federal Bureau of Investigation in the United States, between Aug. 4-5, entered the offices of BNL's branch in Atlanta, Georgia, and under the direction of Agent David Rosario began a search of the bank's records. The FBI discovered that the director of the Atlanta subsidiary, a Lebanese named Chris Drogoul, had issued over 2,500 letters of credit totaling \$2.64 billion to Iraq, ostensibly to permit Iraq to import machinery and agricultural products from U.S. and European firms—all apparently without the knowledge of BNL's central office in Milan. All the operations between the Atlanta BNL and Iraq were found in entries on a personal computer owned by Drogoul, which he kept in his house for use as a sort of "parallel accounting" system.

The arrangement worked like this: Whenever Iraq had to reach an agreement with some foreign vendor, it would tell the vendor to ask the Atlanta BNL for financing. The bank subsidiary would take out short-term, high-interest loans from U.S. banks, and would issue long-term credits for the transactions with Iraq. Part of those credits, \$1.02 billion worth, were covered by the Iraqi central bank, while another \$700 million were covered by the U.S. Commodity Credit Corporation. The involvement of the CCC was made possible by means of a unique procedural loophole: Although the CCC is used primarily to finance export of U.S. agricultural products, the CCC has also the peculiarity, unlike the Import-Export Bank, of not being affiliated to the Union of Bern, which includes all the major foreign trade insurance institutions, all of which have agreed to block all large financing

with Iraq, which is considered unreliable.

It is said that the transactions under investigation had been arranged only in the course of the past two years. But the Iraqi embassy in Rome recently declared that the agreements with the BNL were already reached in 1982.

Bank directors must have known

The BNL is the largest Italian bank, with \$82 billion in total assets. It is 74.5% owned by the Italian Treasury Ministry, while another 22% is owned by public insurance and pension funds. The BNL was created by Mussolini's fascist regime during the 1930s as a means of supporting the cooperative system; in the postwar period it has remained under Socialist Party control. Until the scandal broke out, its president was Nerio Nesi, a member of the Socialist Party's "left" wing. Nesi resigned, and has been replaced by Giampiero Cantoni, another Socialist.

The amount of money involved in the BNL financing of Iraq is so big (the alleged exposure of the BNL Atlanta with Iraq is \$2.64 billion, compared with BNL's total foreign exposure of \$3.05 billion) that it is obvious that the whole scheme must have been known to the whole leadership of the bank—and not only to the local Atlanta director, as Nesi tried to assert when the scandal broke out. It is also difficult to imagine that BNL's major shareholder, the Treasury Ministry, did not know about it either. And the Bank of Italy, which exercises tight control over all banking activity, must have known, too.

The Italian press has speculated that the fact that the son of Bank of Italy director Azelio Ciampi is a director of the BNL in New York, which oversees the operations of the Atlanta branch, might have something to do with the Bank of Italy's benign attitude toward BNL's activities in the United States.

At the moment—conveniently for all who have been implicated in the scandal—the (already replaced) director of BNL in the Americas, Luigi Sardelli, has disappeared, and is now on the "wanted" list of the international police organization Interpol. Sardelli was the person directly responsible for Chris Drogoul in Atlanta, and is the one who "must know" how the whole operation came about. Until Sardelli is found, the recently resigned leadership of BNL in Rome can still try

to maintain their line that they did not know anything—even though Italian Treasury Minister Guido Carli has already admitted that the BNL people in Rome must have known something.

The Bulgarian connection

The network in which the Atlanta BNL office was involved included the Bulgarian state company Kintex, whose name acquired international fame when it arose in the context of the investigation of the attempted assassination of Pope John Paul II on May 13, 1981. At the time, Kintex was already being investigated as an important nodal point in the international drug and weapons networks. Chris Drogoul was introduced to Kintex by a United Kingdom-based Iraqi firm, Matrix-Churchill.

According to an article appearing in the Italian weekly *Panorama* on Sept. 24, Admiral Martini, the chief of the Italian military intelligence agency SISMI, warned already in 1988 that Iraq was making a lot of “purchases” (obviously of weapons), and was demonstrating an ability to spend large quantities of money.

Even if the technicalities of the functioning of the whole operation are still to be clarified, one can immediately see the similarities with the operations partially revealed during the course of the Irangate scandal in the United States—i.e., a big network working through big international banking conduits for the purpose of financing secret weapons deals which ultimately go for fueling the Middle East conflict.

Indeed, the two scandals may actually be two sides of one and the same operation. Just as it would be ridiculous to think that the Atlanta operation was unknown at some level in the Italian political leadership, it would be even more absurd to think that it was unknown to people in the U.S. administration. It was in the United States that Drogoul collected the money to be lent to Iraq. One large lender of money for the BNL Atlanta operation was reported to be one of the Morgan banks; it was the Commodity Credit Corporation which guaranteed large portions of the BNL credits to Iraq; and in addition to the list of Italian firms that might have been involved in the deals, the Italian press has reported that several U.S. firms were also involved, including General Motors.

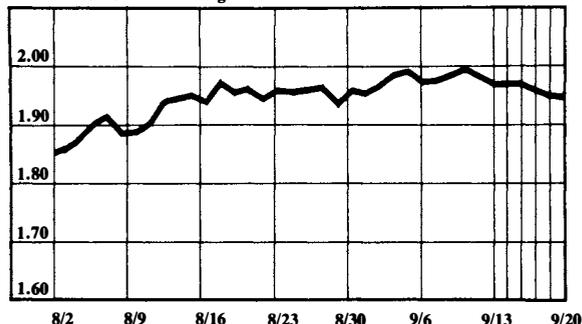
So it is difficult to believe the official explanation that the FBI only began the investigation after it had received an “anonymous tip.”

The question arises: Why was the operation blown, and why at this time? One explanation could be that it was in the period June-July that Gen. Michel Aoun launched his operation to free Lebanon from the Syrian occupation; Aoun seems to be supported by Iraq, and has been abandoned by the U.S. government in favor of Syria. Could it be that the intent of the scandal is to sabotage this crucial line of support for Lebanon, so as to speed up the establishment of a “Greater Syria” as part of U.S.-Soviet “New Yalta” arrangements?

Currency Rates

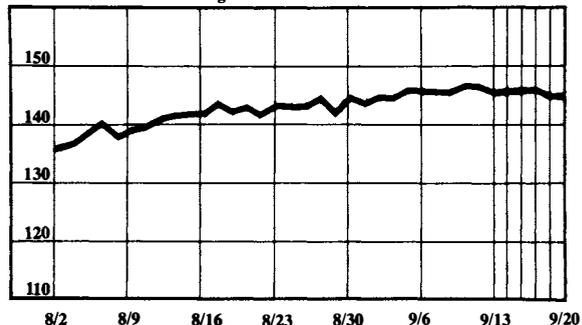
The dollar in deutschemarks

New York late afternoon fixing



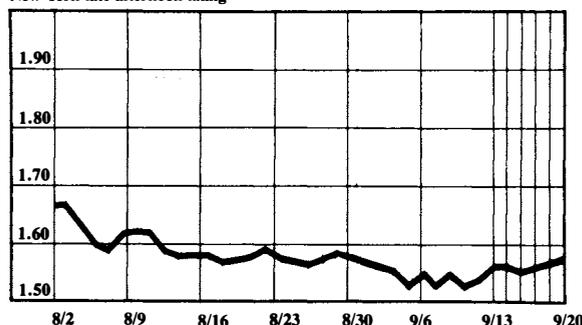
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

