

Gonzalez fumbles BNL probe, setup of Iraq

by Scott Thompson

House Banking Committee chairman Rep. Henry Gonzalez (D-Tex.) has made clear his laudable opposition to President George Bush's suicidal course of sending American soldiers to die for British Petroleum in the Persian Gulf. It was disappointing, therefore, when his Oct. 16 House Banking Committee hearings on loans to Iraq by the Atlanta branch of Banca Nazionale del Lavoro (BNL), failed to get at how the Persian Gulf crisis was triggered.

As *EIR* first documented (Sept. 21, 1990, "British economic warfare against Iraq triggered invasion against Kuwait"), it was British-orchestrated economic warfare culminating with a faked scandal around \$3 billion in loans from the Atlanta BNL, that shut off any hope for Iraqi post-war development. Combined with Kuwait's refusal of new development loans to Iraq and its plot to drive down oil prices, Iraq's invasion of Kuwait was the predictable outcome.

For a moment, it seemed as though Gonzalez would lift the lid off the Bush administration's complicity in this British-run BNL shutoff of development credit to Iraq, a faked scandal which reached its highpoint in October-November 1989. On Sept. 26, Attorney General Richard Thornburgh wrote Gonzalez urging that he cancel the hearings, because they might jeopardize "national security." On Oct. 6, FBI Director William Sessions seconded this view in a letter stressing that "ongoing criminal investigations" of the BNL might be jeopardized. These letters clearly indicate that the Bush administration is stonewalling on something; perhaps it is Bush's role in the economic warfare.

But instead of digging for this truth, Representative Gonzalez adopted an angle of inquiry based on the story put out in the London *Financial Times* last fall, that the BNL loans had gone to buy weapons, not to fund peaceful development projects.

"This is a sensational case," said Gonzalez. "Press reports and the Italian government have linked BNL financing to companies that sold armaments to Iraq over the past several years. At this time the Committee has no proof of that assertion, but at a minimum, the secret loans mentioned above increased Iraq's credit capacity and permitted Iraq to spend their scant hard currency on some of the very weapons that

are now aimed at our children."

Committee staffers said Gonzalez raised the issue in this way because he wanted to show that the Bush administration had backed the loans that bought Iraq the arms that might now kill American boys.

But the reality is that the Bush administration did something worse. Under British direction, it pulled the plug on Iraqi economic development, thereby putting tremendous pressure upon Iraq. And, through U.S. Ambassador to Iraq April Glaspie, the administration appeared to signal that it would treat an invasion of Kuwait as an internal affair among Arab nations.

One substantive issue Gonzalez hit upon, is that foreign banks operating on U.S. soil must meet all U.S. banking regulations. But if reregulation of U.S. banking is the issue, there are dozens of foreign banks running drug money laundromats here which should be investigated.

Iraq was squeezed

A glimmer of truth at the hearings was provided by Amb. Marshall Wiley, who is now president of the U.S.-Iraqi Business Forum. He described how Iraq was squeezed by economic warfare, triggered by the BNL scandal:

"In 1990, Iraq's cash flow situation worsened as oil prices dropped and Western governments became increasingly reluctant to provide credit guarantees for loans to Iraq. The Iraqi leadership apparently began to believe that Kuwait was conspiring with the United States and other Western governments to damage the Iraqi economy. They could not understand why a rich country like Kuwait would exceed its OPEC quota and drive down the price of oil unless it had a hostile intent towards Iraq. . . .

"The U.S. decision to suspend the issuance of CCC credit guarantees [food loans shut off by Congress after the BNL scandal surfaced] in January 1990, probably added to their suspicions of a hostile conspiracy. These suspicions were probably a factor in their final decision to invade Kuwait."

Wiley concluded by saying that the crisis need not end militarily and that regardless of how it is resolved, Iraq will be "an important economic factor in the Middle East. It has the land, the water, the resources, and the infrastructure required for rapid development, and has oil reserves needed to pay bills. . . . In brief, there is a natural 'fit' between the U.S. and Iraqi economies . . . if we decide such a relationship should be resumed."

It is too bad that Gonzalez, who has stated his opposition to a Persian Gulf War, did not explore how it was rigged by economic warfare, since an economic development program is the essential component of any lasting diplomatic solution in the Middle East. At present the Anglo-American Establishment is talking openly about North-South wars to loot raw materials and to reduce the darker-skinned populations—malthusian policies. Gonzalez should have challenged this insanity so that more wars do not result.