

# Bechtel awarded Iraq contract: War profits and the US “military-industrial complex”

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On April 17 the US Agency for International Development (USAID) awarded a contract worth \$680 million to Bechtel Corp., a private company with close ties to the Republican Party and the Bush administration.

The outcome of a secretive bidding process open only to a select group of American corporations, the contract is the latest and largest in a series of windfalls for corporate America following the overthrow of the Saddam Hussein regime.

The areas covered by the contract include the rehabilitation of Iraq's power, water and sewage systems that were destroyed in the bombing campaign, rehabilitation of airports, and the dredging of the Umm Qasr port. Bechtel's future work in the country will also likely include repair and reconstruction of hospitals, schools, government buildings and irrigation and transportation systems.

Bechtel stands to gain much more than the initial contract. USAID officials have indicated that the final price tag will run into the tens of billions of dollars. Much of this work—which includes operations in nearly every important area of the country's infrastructure—will go to Bechtel and its subcontractors. “This has never been done before—an American corporation rebuilding an entire foreign country,” noted Daniel Brian, Executive director of Project of Government Oversight, which is based in Washington DC.

Previous contracts included a multi-billion dollar deal secured by Halliburton, a company previously headed by Vice President Dick Cheney. The cost-plus-profit contract was awarded without competition to Halliburton's subsidiary, Brown & Root, which was also one of the six original contenders for the contract awarded to Bechtel. Brown & Root eventually opted out of the bidding process after charges of favoritism were raised. Cheney still receives up to \$1 million a year from Halliburton as part of his severance package.

Other American corporations that have won contracts include Research Triangle Institute, which will receive up to \$167 million for work in local governance services, and Creative Associates International, which won a \$62.2 million contract to rebuild Iraq's devastated educational system.

All of these costs will initially be paid by American taxpayers, who will also pay for the bombs used to destroy Iraqi infrastructure in the first place. The rest of the burden will fall on the Iraqi people, as the US loots the country's oil resources to pay off the huge corporate contracts.

In an attempt to answer charges of political favoritism, USAID spokesman Luke Zahner argued, “The reality is that there are only a few companies that can handle a contract of this size.” There is a grain of truth in this. A handful of giant companies dominates the market for contracts like that awarded to Bechtel, and all of them have political connections. In addition to Halliburton, the other major competitor is Fluor Corp., which has on its board a former head of the National Security Agency and deputy director of the CIA, in addition to other military ties.

During last month's anti-war demonstrations, Bechtel headquarters in San Francisco was targeted by protesters who saw the company as a

critical part of the military-industrial complex that is closely aligned with the Bush administration. The company is the 17th largest defense contractor in the country. Between October, 2001 and September, 2002, the Defense Department paid Bechtel \$1.03 billion, nearly 10 percent of Bechtel's total revenue of \$11.6 billion in 2002.

The Center for Responsive Politics, a government watchdog organization, reports that all six companies that were originally allowed to bid for the contract are heavy donors to American politicians, particularly to the Republican Party. Combined, they gave \$3.6 million between 1999 and 2002, 66 percent to Republicans. Bechtel itself contributed \$1.3 million of this.

But Bechtel's connections extend far beyond campaign contributions. The company has operated for decades as a halfway house for Republican politicians and military officials heading both into and out of government service.

One of Bechtel's senior vice presidents is Jack Sheehan, who is also a member of the Defense Policy Board, which advises Secretary of Defense Donald Rumsfeld. Right-wing forces closely aligned with Rumsfeld dominate the defense board. Its former head was Richard Perle, a vociferous advocate of war in Iraq who was forced to resign as chairman when conflicts of interest relating to his connection with telecommunications giant Global Crossing were revealed last month.

Sheehan is responsible for Bechtel's petroleum and chemical operations, and oversees the execution and strategy for the company's activities in the Middle East, Europe, Africa and Southwest Asia. He is a retired four-star general who served as commander-in-chief of US Atlantic Command until 1997. He also served as a special advisor for Central Asia in the Clinton administration.

Bechtel's chairman and CEO, Riley Bechtel, was appointed by Bush to the Export Council, which advises the president on international trade issues.

George Shultz served as the president of Bechtel for seven years, in between his posts as Nixon's treasury secretary and Reagan's secretary of state. After leaving government, Shultz again joined Bechtel, taking a seat on the company's board of directors, a post he still holds today. Shultz chairs the advisory board of the Committee for the Liberation of Iraq, a right-wing outfit that was critical in manufacturing a justification for the war.

Caspar Weinberger was Bechtel's general counsel from 1975 to 1981, before joining the Reagan administration as secretary of defense.

The list goes on. The head of USAID, Andrew Natsios, was at one time the director of Boston's Big Dig project, a multi-billion-dollar construction operation run by Bechtel and another firm. William Casey, who served as chairman of the Securities and Exchange Commission under Nixon, head of the Export-Import Bank under Ford, and head of the CIA under Reagan, was a former Bechtel consultant. Richard Helms, Nixon's CIA director, was another Bechtel consultant, as was Nixon's Treasury Secretary, William Simon.

These are only the most prominent of Bechtel's political connections. In his book, *Friends in High Places: The Bechtel Story*, Leon McCartney documents the close ties that emerged between Bechtel and the CIA during the 1950s. Former CEO Steve Bechtel had close ties with then-CIA Deputy Director Allen Dulles, and he served as the CIA's liaison with the Business Council and other organizations linked to the intelligence agency. According to McCartney, Bechtel had a hand in the overthrow of Mossadeq in Iran and Sukarno in Indonesia, placing the company in a good position to do business with the pro-American dictatorships installed in their stead—at the cost of hundreds of thousands of workers' lives.

Thus, Bechtel's exploitation of political connections and war for purposes of profit is not of recent vintage. The company began working in the Persian Gulf during World War II, and since that time Bechtel has played an important role in constructing pipelines and other infrastructure for US-backed regimes in Saudi Arabia and Bahrain, among others.

After the first gulf war in 1991, the company won a contract—which, according to some allegations, was greased with a payoff to the Kuwaiti monarchy—to carry out much of the cleanup work. The deal was worth an estimated \$2 billion.

But the most revealing episode involves the Aqaba oil pipeline scheme, first reported by investigative journalists Jim Vallette, Steve Kretzmann and Daphne Wysham of the Sustainable Energy & Economy Network and the Institute for Policy Studies. The report, "Crude Visions: How oil interests obscured U.S. government focus on chemical weapons use by Saddam Hussein," published in March 2003, details the integrated attempt of the Reagan administration and Bechtel to secure the construction of an oil pipeline from Iraq to Jordan.

The negotiations were at their apex from 1983 to 1985, a period of ferocious fighting in the Iran-Iraq war. During this time the Iraqi regime used chemical weapons against Iranian forces, something subsequently cited as a justification for the overthrow of Saddam Hussein. At that time, however, the U.S. government showed little concern over the Iraqi regime's use of so-called weapons of mass destruction.

On the contrary, Bechtel was among 24 American companies and 80 German companies that reportedly supplied Hussein with chemical, biological and nuclear weapons or equipment during this time. This is according to the Berlin newspaper *Tageszeitung*, which obtained parts of the uncensored version of Iraq's weapons declaration submitted to the UN in December of last year. The US seized the original report and deleted all references to private firms before handing over the document to other UN Security Council members. Bechtel was cited as one company that provided chemical weapons technology.

The Reagan administration, and especially Secretary of State George Shultz (the former Bechtel president) and Donald Rumsfeld, then special envoy to the Middle East and now secretary of defense, were vigorously negotiating with Hussein for an oil pipeline to be constructed by Bechtel. The pipeline was designed to free up Iraqi oil and help to undermine the power of the Iranian regime of Ayatollah Khomeini.

The project was discussed in detail at meetings between Rumsfeld, Iraqi Deputy Prime Minister Tariq Aziz and Saddam Hussein in December 1983. Rumsfeld reported that Iraq was interested in the idea, but was concerned about the vulnerability of the proposed pipeline to attacks by Israel.

There followed a flurry of activity on the part of operatives in the American government, including then-Undersecretary of State for Political Affairs Lawrence Eagleburger, who is now on the board of directors of Halliburton, to ensure financing for the project and gain Israeli cooperation. On December 22, 1983, Eagleburger approved a memo urging the Export-Import Bank to begin financing Iraq, which he hoped "would signal our belief in the future viability of the Iraqi economy and secure a US foothold in a potentially large export market."

This pressure succeeded, and in June of 1984, the Ex-Im Bank approved

\$484.5 million for the project. The Overseas Private Investment Corporation, another government credit agency, also took interest in the plans. Support from these institutions was a way to indicate that the pipeline had the support of the government, without requiring that Congress approve the project.

Bechtel attempted to deal with the problem of Israeli cooperation through the intervention of Swiss billionaire Bruce Rappaport, who was a friend of Shimon Peres, the Labor Party leader and then-prime minister of Israel. According to Independent Counsel James McKay, who in 1985 opened an investigation into the role of Attorney General Edwin Meese in the project, "Mr. Rappaport insisted in his discussions with Bechtel that...Israel would require a quid pro quo for a written security guarantee."

McKay's report continued: "[Rappaport] then negotiated with Bechtel an exclusive oil-lift agreement including a 10 percent discount [for Rappaport]. It would generate substantial profits for him, a portion of which he intended to pay to Israel..."

In a letter to Meese, Rappaport indicated that, though "it would be denied everywhere...a portion of these funds will go directly to Labor," that is, into the coffers of the Israeli Labor Party.

In the course of his negotiations, Rappaport obtained the services of two more pillars of American imperialism, James Schlesinger and William Clark. Schlesinger is a former director of the CIA and served as secretary of defense under Nixon and Ford. Clark served in the Reagan administration as national security advisor and then secretary of the interior until 1985.

The Vallette report notes: "In a project where the lines between corporation and government were often obscure, Clark obliterated them. While Rappaport was paying him, Clark apparently represented himself to the Iraqis as being on government business."

Independent Counsel McKay's investigation into Meese, which encompassed other breaches of financial and ethical regulations, eventually led to the attorney general's resignation in May of 1986.

The Bechtel project for the Aqaba oil pipeline eventually fell through, when Hussein decided to reject it.

The Vallette report, written before the invasion of Iraq began, ended by noting: "Bechtel's long quest for a lucrative oil deal with Iraq may finally, after two decades of diplomatic efforts, be solved by brute force."

While the motives driving the war extend beyond the immediate interests of one company, the decision to award Bechtel the largest reconstruction contract is an indication of the complete integration of the interests of corporate America with the political establishment, and the predatory aims that motivated the illegal and bloody attack on Iraq.



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