

# Email indicates Cheney involved in Halliburton deal in Iraq

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This week's issue of *Time* magazine cites a recently released Pentagon email indicating that Vice President Dick Cheney was directly involved in the selection of Halliburton for a major contract in Iraq. Cheney was the CEO of Halliburton until he left the company in 2000 to join the Bush campaign.

The article—"The Paper Trail: Did Cheney Okay a Deal?"—quotes an email sent by an official for the Army Corps of Engineers, saying that the contract for construction of oil pipelines in Iraq was approved by Under Secretary of Defense for Policy Douglas Feith "contingent on informing WH [White House] tomorrow. We anticipate no issues since action has been coordinated w VP's [Vice President's] office." The Army Corps of Engineers is responsible for allocating contracts, and thus the email suggests that Halliburton was awarded the deal in coordination with Cheney's office.

The email—dated March 5, 2003—was obtained by Judicial Watch, a conservative group that has joined in lawsuits against Cheney over the vice president's secretive negotiations in formulating the administration's energy policy. The contract was given to Halliburton three days later without any bids from other companies. In total, Halliburton has contracts in Iraq potentially worth over \$17 billion.

Cheney has previously denied any involvement in the contract process, telling NBC's Tim Russert in September 2002, "I have absolutely no influence of, involvement of, knowledge of in any way, shape or form of contracts led by the Corps of Engineers or anybody else in the federal government." A Cheney spokesman denied that the email implied any direct involvement of Cheney. Rather, what was involved was simply a "heads-up" to the vice president about a potentially controversial decision that had already been made.

Cheney continues to receive deferred compensation from Halliburton. Last year he received \$178,437. He is

also reported to hold more than 433,000 stock options in the company, which he received as part of the \$20 million "golden parachute" he was given upon resigning as CEO in 2000.

Regardless of the level and extent of Cheney's direct involvement in the Halliburton deal, the new email highlights an important fact about the war in Iraq and the subsequent "reconstruction": the companies that are benefiting from the billions of dollars being spent every month have the closest ties with the individuals responsible for launching the war.

This is true of no company more than Halliburton, which has long and intimate ties with the political establishment. The company began to rely on government contracts for much of its work beginning in the early 1990s. During the first Bush administration, then Defense Secretary Cheney commissioned Halliburton to examine the feasibility of privatizing much of the logistic operations carried out by the military, such as transportation, construction and meal services.

A few years after the Clinton administration came to power Cheney joined Halliburton as its CEO, where he worked to increase the company's military contracts through its subsidiary KBR. In particular, KBR secured a contract for work in the Balkans. During and after the war launched against Serbia, this deal came to be worth several billion dollars.

Since then, Halliburton has won contracts in Central Asia, Guantanamo Bay and now Iraq—where the US government goes to war, so goes Halliburton, pulling in billions of dollars in the process. Most of these contracts are awarded on a cost-plus basis, meaning the company charges the cost of their services plus a fixed profit margin—generally 3 percent or higher. They therefore have an interest in inflating costs: every dollar overcharged is an extra dollar and three cents going directly to profits. This produces a perfect environment

for corruption, bribery and insider-dealing.

In recent months, the company has been accused of overcharging on much of its work in Iraq. This is not, however, the first sign of corruption carried out by Halliburton. It was accused of overcharging during the mid-1990s and again for its work in the Balkans—during the time when Cheney was in charge. While the Pentagon has at various times announced investigations, nothing has been done to curb the practices. Everyone, of course, has a share, and the investigations are intended mainly as a public relations maneuver to quiet criticism.

The pattern is repeating itself. In one deal that has recently attracted attention, Halliburton gave a subcontract to provide fuel to a Kuwaiti company with close ties to the country's ruling family. The company overcharged on the fuel by \$61 million, and Halliburton was eventually forced to fire two employees for taking bribes worth up to \$6 million in the deal.

Rex Wempfen of the US Chamber of Commerce in Iraq noted that there was a political component to the deal: "It was part of the Kuwaitis' diplomatic price for supporting the war." That is, in return for Kuwait's support for the American-led war, a company with close connections to the Kuwaiti ruling family was given a subcontract by a company with close connections to the American ruling elite, thus entirely blurring the lines between politics and big business.

Since Halliburton will be repaid for all its costs, it does not need to worry about subcontractors overcharging—overcharging by both Halliburton and its subcontractors is funded directly by the American government, and ultimately by the American population. In the same issue of *Time* quoted above, another article entitled "The Master Builder" quotes Henry Bunting, a former employee for Halliburton who handled its contracting business, as noting, "We were not looking for the best price [from subcontractors]. The supervisors said time and again, 'Don't worry about the price, Halliburton will get reimbursed.'"

In the case of the Kuwaiti fuel transport subcontract, the Army Corps of Engineers facilitated the corruption by taking the extraordinary step of waving the requirement that the subcontractor provide detailed cost and pricing data. The waiver was granted *after* preliminary findings by the Defense Contract Audit Agency suggested that the government was being overcharged.

Then in May, the Pentagon suspended payment on \$160 million to KBR for dining services provided to American personnel. Earlier this year, Halliburton admitted to

overcharging on its dining contracts by \$6 million—it charged for meals that were never eaten and never cooked.

It is impossible to overestimate the boon that the war in Iraq has been for Halliburton. *Time* reporter Jyoti Thottam notes, "Why would a company like Halliburton, which, after all, runs a successful oil-field-services business far removed from Iraq, agree to stay there? Profits. Iraq contracts have added \$5.7 billion to Halliburton's revenues since January 2003, accounting for almost all the company's growth at a time when it was struggling with \$4 billion in asbestos claims. The fact is, war is one of Halliburton's specialties."

The war in Iraq was launched for many different reasons—the geopolitical interest of the US ruling elite in controlling the Middle East and its oil resources, the attempt to distract from the growing social crisis within the United States—however there is a very real element of direct corruption and profiteering.

More than most companies—which hedge their bets by giving to both political parties—Halliburton has traditionally sent an overwhelming majority of its lobbying funds to the Republicans. In the 2000 presidential election cycle, for example, Halliburton spent \$536,765 on contributions, with 97 percent going to the Republican Party.

The *Boston Globe* noted in March 2004 that the amount of money spent by Halliburton on lobbying costs dropped sharply after the Bush administration took office in 2001. While the company had spent \$1.2 million lobbying Congress and the executive branch in 1999 and 2000, the figure dropped to just \$600,000 during 2001 and 2002. James Thurber, a professor at American University, noted, "They're already in; they don't need to lobby anymore."



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