

Expanding Halliburton probe confirms Bush administration is most corrupt in US history

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30 October 2004

On the eve of the 2004 presidential election, allegations about the corrupt relationship between the Bush administration and Halliburton Corp., the company formerly run by Vice President Richard Cheney, have taken center stage once again. Press reports Friday said that the FBI has expanded an ongoing investigation into contracts obtained by Halliburton's subsidiary, Kellogg Brown & Root (KBR), in Iraq and Kuwait.

The FBI sought an interview with Bunnatine H. Greenhouse, a senior Army civil servant who objected to the KBR no-bid contract and complained that it represented preferential treatment. The Army gave KBR a secret \$7 billion contract to restore Iraq's oil fields just before Bush ordered the invasion of Iraq in March 2003.

Greenhouse is the chief contracting officer for the Army Corps of Engineers. In a letter to acting Army Secretary Les Brownlee on October 21, she said that Army officials had not justified the no-bid award by satisfying procedural requirements such as showing that KBR had "unique attributes" that no other contractor could match. She also charged that her repeated complaints were ignored, and that the Army allowed KBR officials to sit in on Pentagon meetings at which the awarding of contracts was discussed.

The letter charges that "employees of the U.S. government have taken improper action that favored KBR's interests," according to citations published in the press. Greenhouse said she "experienced repeated interference with her role" as chief monitor of Corps of Engineers contracts.

Greenhouse's lawyer said that his client, who still works at the Pentagon, was seeking the protection of whistleblower provisions to block retaliatory actions such as demotion or firing. Greenhouse was threatened with demotion earlier this month.

Tensions within the Army Corps of Engineers apparently reached the breaking point on October 8, when the Corps gave Halliburton a one-year \$165 million extension on a contract to provide food, fuel and other supplies for US forces stationed in the Balkans. According to an account in the *Los Angeles Times*, which obtained a copy of the contract document, Greenhouse wrote on the proposal, "I cannot approve this," and made other written comments protesting the award. Greenhouse did not sign the final approval of the extension, as required. Instead, her assistant, Lt. Col. Norbert Doyle, signed it.

Greenhouse apparently felt that with so many investigations underway into KBR overcharging the US military or engaging in bribery and other corrupt practices, the Corps should not simply rubber-stamp an extension of the KBR contract in the Balkans, first awarded during the 1999 US assault on Serbia. The contract is being expanded to cover the entire continent of Europe, including newly established US bases in Romania, Bulgaria and Hungary.

The Halliburton subsidiary has been hit with a series of complaints of overcharging and otherwise mishandling its contracts as the principal supplier of food, fuel and other materiel to the US invasion and

occupation force in Iraq. It also faces investigations by the Justice Department and the Securities and Exchange Commission over potentially illegal and corrupt dealings in Nigeria and Iran.

This is not the first time that top Pentagon officials appointed by George W. Bush have overruled career civil service professionals to award contracts to Vice President Cheney's old firm. In the fall of 2002, an Army lawyer objected to the initial Iraq-related contract for KBR, \$1.9 million to draw up a plan for operating the country's oil infrastructure after a war. While tiny in relation to the huge oil field recovery and military supply contracts doled out later, this award was critical because it gave KBR an edge over any potential competitor. The Government Accountability Office later determined that the Army lawyer had been right.

Greenhouse herself objected at several points in the subsequent contracting process: when KBR placed a bid for the oil-field recovery contract whose specifications it had drawn up in the pre-war planning process; when the Army Corps of Engineers invited KBR officials to meetings where they were discussing the contract awards; and when the Pentagon proposed to make the "sole-source" no-bid contract for five years, longer than she believed necessary. Each time she was overruled.

Last December, after the first press reports about overcharging on KBR contracts to supply fuel to the military in Iraq, Army Corps contracting officer Mary Robertson found two alternative fuel suppliers who would offer a better price, but Halliburton refused to buy from them, insisting on continuing its exclusive relationship with the Kuwaiti-owned Altamnia. In a letter to KBR, Robertson protested, "Since the U.S. government is paying for these services, I will not succumb to the political pressure from the [Kuwaiti government] or the U.S. Embassy to go against my integrity and pay a higher price for fuel than necessary."

Over the past year, one revelation after another has ensued, demonstrating not only that Halliburton/KBR has enjoyed privileged access to Pentagon contracts, but that the Bush administration has done everything in its power to block any review of this corrupt relationship with Cheney's former company.

* In December 2003, Pentagon auditors uncovered a overcharge of \$61 million by KBR on a contract to supply fuel for the military in Iraq. Halliburton was also suspected of overcharging by \$67 million on food for military mess halls in Kuwait and Iraq.

* In January 2004, Halliburton repaid \$6.3 million in overcharges and kickbacks for fuel contracts in Kuwait.

* In February 2004, the Pentagon announced that Halliburton would repay it for \$27 million in KBR overbilling for meals served to troops at five military bases in Kuwait and Iraq. The meals were never delivered.

* In March 2004, the Pentagon requested the Justice Department join the probe of overbilling, a strong indication that potential criminal fraud charges were at issue.

* In June 2004, *Time* magazine obtained and made public an internal Army Corps of Engineers e-mail from March 2003, reporting that the

initial contract award to Halliburton had been “coordinated” with the office of Vice President Cheney.

* Later in June, press reports confirmed that a Bush political appointee, Michael Mobbs, was the Pentagon official who decided to award the initial planning job to KBR which facilitated its selection for the subsequent \$7 billion implementation contract.

* In July 2004, a federal grand jury subpoenaed records of Halliburton’s subsidiary in the Cayman Islands, as part of an investigation into illicit dealings with Iran.

* In August 2004, a Pentagon audit found that \$1.8 billion by KBR for work in Iraq was inadequately documented and potentially unjustified. The Pentagon initially said it would withhold 15 percent of scheduled payments to KBR pending the result of an investigation—the usual procedure in such cases—but reversed the decision two days later.

* In September 2004, a federal judge in Dallas rejected a proposed \$6 million settlement of a lawsuit by Halliburton stockholders charging the company with accounting fraud, suggesting that the penalty was far too small.

The month of October has seen one report after another about dubious or plainly corrupt ties between Halliburton and various federal agencies, some of them directly mediated by Vice President Cheney’s staff. These revelations underscore one reason for the ferocity of the Bush campaign in the November 2 election. Should Bush and Cheney fail to retain the White House—and thus lose the power to block and suppress the myriad investigations into corrupt contracting—dozens of individuals, right up to the topmost levels of the administration, will face trial, conviction and imprisonment.

On October 13, the *Los Angeles Times* ran a detailed analysis of the Nigeria bribery scandal, which could lead to criminal charges against Cheney from his tenure as Halliburton CEO from 1995 to 2000. Halliburton became part of the four-company consortium building a huge natural gas complex in Nigeria when it acquired Dresser Corp. in 1998, merging Dresser’s construction subsidiary M.W. Kellogg with its own construction arm Brown & Root, to form Kellogg Brown & Root.

Kellogg’s boss, Jack Stanley, was a key figure in the alleged scheme to funnel \$180 million in bribes to Nigerian military ruler Sani Abacha, routed through a complex series of shell corporations in Gibraltar and Switzerland, to gain the lucrative contract, ultimately worth more than \$5.2 billion. Cheney installed Stanley as the head of the merged KBR. US authorities are now investigating whether Halliburton violated the Foreign Corrupt Practices Act. Cheney would be legally liable if he knew that illegal payments were being made in 1998 and 1999, while he was CEO.

On October 14, the *Times* followed up with a report on apparent Bush administration favoritism towards Halliburton in the regulatory field, through a series of actions that boosted a drilling technique known as hydraulic fracturing, devised by Halliburton, despite environmental concerns. The technique involves the injection of liquid chemicals, including gasoline, napalm, crude oil and other toxic substances, into oil wells, to force out greater quantities of petroleum than can be recovered by ordinary drilling.

The Bush administration has intervened to oppose efforts to regulate hydraulic fracturing under the Safe Drinking Water Act, authorizing an EPA study declaring that the technique poses no threat to drinking water. At least one EPA career civil servant has sought whistleblower protection and filed a complaint with the agency’s inspector general and Congress over that decision. Weston Wilson, an environmental engineer with 30 years experience, charged that the finding was not supported by science and that a current Halliburton employee sat in on the review panel that approved it.

A lawsuit brought by a group of Alabama residents living near a Halliburton well challenged hydraulic fracturing and won a 1997 Appeals Court decision ordering the EPA to regulate the practice under the

drinking water law. Action on this decision has been repeatedly stalled, and the issue was ultimately referred to the Bush administration’s energy task force—headed by former Halliburton CEO Cheney. Not surprisingly, the panel sided with the energy industry and overruled the EPA. The US Department of Energy issued a statement declaring hydraulic fracturing vital to the US economy and proposing its exemption from regulation. Language to that effect was inserted in the Bush administration’s energy legislation, which failed to pass Congress last year.

The decision of a high-ranking civil servant to publicly challenge the Halliburton-Cheney connection demonstrates the shattering impact of the crisis in the US occupation of Iraq on the entire Pentagon apparatus. Questions have been raised about Halliburton’s sweetheart deals in Iraq for nearly two years, both by the media and by congressional Democrats, but only sporadically and ineffectively. The investigation has remained bottled up in the Pentagon inspector general’s office. Greenhouse’s October 21 letter has likewise been referred to this office, headed by Republican lawyer Joseph Schmitz.

The chief of staff in Schmitz’s office is L. Jean Lewis, a right-wing Republican Party loyalist who first came to public notice—and notoriety—as an anti-Clinton activist in the Whitewater investigation more than a decade ago. Lewis was named to the \$118,000-a-year job in 2002, as a reward for her role in instigating the charges linking Bill and Hillary Clinton to the failed Madison Guaranty, an Arkansas S&L she was responsible for investigating as an employee of the Resolution Trust Corporation.

Lewis filed a criminal referral in September 1992, trying unsuccessfully to provoke an RTC and FBI investigation of the Clintons on the eve of the 1992 presidential election. The Little Rock FBI office concluded there was no evidence of criminal wrongdoing and said that Lewis’s efforts to initiate such a probe were a blatant effort to influence the outcome of the vote. More than a year later, Lewis’s charges were taken up again by congressional Republicans and became the initial pretext for the series of investigations that led to Clinton’s impeachment.

There is a clear and obvious difference in the way that the American political establishment has handled the Halliburton and Whitewater affairs. In the first instance, the Clintons’ loss of money on a small, failed real estate venture more than a decade old was leveraged into a massive scandal warranting a probe costing \$50 million, culminating in impeachment. In the second case, a real, ongoing corrupt relationship, involving influence peddling worth billions of dollars—perhaps the most blatant corruption in the long history of political corruption in the United States—has been largely downplayed. Certainly, there have been no suggestions that Cheney warrants impeachment, or that his long-running effort to block disclosure of the proceedings of his energy task force constitutes a cover-up.



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