

Britain: radio programme exposes corruption and theft in Iraq

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22 February 2005

On February 1, BBC radio's "File on 4" programme detailed the plundering of Iraq's oil by the US government, its allies and big business. Money that was supposed to be used to renew the infrastructure of the country and provide the country's population with the necessities of life was simply stolen.

The programme also reported on the release last month of an audit of the management of Iraq's oil revenues by the Coalition Provisional Authority (CPA). The survey, conducted by US government officials, found that an astonishing \$8.8 billion of Iraqi money remains unaccounted for. The US media largely buried the findings.

"File on 4" investigated what it described as the "negligence, waste, dodgy contracts and outright fraud" of the CPA, the US-led body that governed Iraq before the installation of Iyad Allawi's interim government last June.

Dr. Reinoud Leenders, of the International Crisis Group, stated bluntly at the beginning of the broadcast, "We can only guess how much disappears in private pockets. I really fear that Iraq reconstruction will turn into one of the biggest corruption scandals in history."

Colonel Charles Krohn, a former CPA spokesman, told the programme how huge hoards of cash were seized by the coalition. Describing the situation as "kind of a wild west thing," he claimed that early in the war, \$700-\$800 million was seized, with no accounts ever kept.

When Krohn raised concerns over this lack of accountability, he was told that it would take too long to count the collection and distribution of all the money. No one knows what has happened to the funds, which the colonel believes was given to local commanders to distribute in their area. No records were kept as to how these commanders used the cash.

Ginger Cruz, one of the US government auditors charged with monitoring coalition finances, told the BBC that in one instance \$1.4 billion—which weighed 14 tons and was shrink-wrapped into bricks of \$100 bills—was flown by helicopter from Baghdad to Erbil in the last days of the CPA's rule. The money was then driven to the Central Bank where it was

deposited without any receipt being issued.

The Kurdish regional government told "File on 4" that the money would be used to boost the local economy. Responding to a report in the *Financial Times* that Kurdish leaders had moved to transfer the cash into a Swiss bank account, the Kurdish prime minister admitted, "probably talks have been made."

The programme pointed out that one of the areas of greatest concern was in the awarding of reconstruction contracts. Dr. Isam al Khafaji, who worked with the US State Department before the war, described how businesses that were awarded contracts would subcontract out the work up to six times—allowing every layer to take their cut. In many cases, none of the firms ever began any of the contracted work.

"File on 4" focused on the case of the private US company Custer Battles, which received \$100 million worth of security contracts over a 13-month period. One of the contracts won by the company was to provide security to the distribution of the new Iraqi currency. Two whistleblowers allege that Custer Battles subcontracted out the work and then submitted false documents with inflated costs. According to the former employees' solicitor, Alan Grayson, Custer Battles set up shell companies in the Cayman Islands to facilitate this.

Grayson also told the BBC that the company found abandoned forklift trucks that had belonged to Iraqi Airways at Baghdad International Airport. The forklift trucks were painted and leased to a shell company Custer Battles created. The US government was then billed for the vehicles. Grayson alleged that the company has committed a total of up to \$50 million of fraud in Iraq.

According to Grayson, US authorities knew of the corruption. The two partners, Messrs. Custer and Battles, met with coalition representatives to discuss problems that had arisen. One of the partners inadvertently left a spreadsheet behind in the meeting room. Grayson told the programme that the spreadsheet showed that although Custer Battles had spent around \$3.5 million, they were billing the

US government for \$10 million. The company continued to receive contracts until September 2004, a year after the spreadsheet was discovered.

The US Department of Justice has refused to join the whistleblowers' action against the company. Grayson explained there were another 30 similar cases pending, many on a larger scale. Some of these cases are "under seal" and cannot be discussed. Grayson thinks the US Justice Department would be happy to see the case fail. He said that if it were "swept under the carpet...the better connected people will benefit from this directly as well, because if Custer Battles gets away with this then so will they."

The programme explained that there were two fundamental aspects of the Coalition's contracts that left Iraq's oil wealth open to waste—overcharging and fraud. Most early contracts were awarded without competition and many on the basis of "cost plus"—companies are paid their costs plus a percentage, so that the higher the costs the more profit is made.

The programme spoke to Marie de Young, who had worked as a logistics specialist for Halliburton, one of the Bush administration's favoured companies, formerly headed by Vice President Dick Cheney. De Young turned whistleblower to expose the practices she witnessed in Iraq.

De Young was told to "stop, cease and desist" her efforts to uncover what was going on. There was a "resistance to creating documents that would prove cost overruns or really inflated charges," she said. De Young also noted that there was no proper control of payments to subcontractors. "I was horrified to discover, when I went into detail, that they were asking us to sign off on contracts that weren't ours."

In his book *Iraq, Inc. A Profitable Occupation*, author Pratap Chattererjee quotes de Young: "The Halliburton corporate culture is one of intimidation and fear. I had been advised by subcontract administrators who quit the company that employees get moved around when they get too close to the truth. I personally observed and experienced this as a routine company practice. Ironically, other previous managers who tolerated bad practices were promoted to better paying jobs in Iraq or Houston or Jordan."

The programme approached Halliburton to ask for comment. The company refused but issued a statement denying the practices took place.

No doubt, some members of the US administration are concerned about the exposure of Halliburton's conduct. In an attempt to maintain credibility, a minority report has been issued by a Congressional Committee on Government Reform, which concluded that Halliburton overcharged for the fuel in Iraq by \$167 million, a mark-up of 90 percent. One energy expert said it looked like "highway robbery" to him. But none of this overcharge has been paid back, nor

have monies been withheld from Halliburton. The US army waived the necessity for documentation from Halliburton and it was "back to business as usual."

The BBC pointed out that the most serious charges against Halliburton concern bribery. A State Department document to the US Embassy in Kuwait reported complaints from a leading oil contracting company. It stated, "It is common knowledge in Kuwait that Halliburton officers are on the take; that they solicit bribes openly; that anyone visiting their sea-side villas at the Kuwait Hilton who offers to provide services is asked for a bribe."

Bribery charges have also been made against CPA officials. Claude Hanks-Drielsma, a British adviser to the Iraqi Governing Council, told the programme that some officials within the CPA demanded payment of up to \$300,000 before awarding contracts.

When asked on the programme how high in the Coalition the "failings" went, Chief of Staff, Ginger Cruz said it went right to the top, to CPA chief Paul Bremer. Bremer refused to be interviewed by "File on 4" but sent a letter to the auditors that insisted that normal accounting procedures could not be adhered to in the context of the war.

The conduct highlighted by the programme can only represent a fraction of the corruption and theft that continues to take place in Iraq. Such actions on the part of the occupying forces are the inevitable outcome of an illegal and predatory war. The imperialist attack on Iraq was a criminal act, from which all subsequent crimes have flowed.



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