

# Iraq fraud arrests expose criminality of US occupation

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The arrest this week of a private contractor and a former US government official in connection with a multimillion-dollar contract-rigging and bribery scandal has exposed a piece of the corruption and criminality that is pervasive in America's continuing military occupation of Iraq. It has likewise offered a glimpse of the layer of con men and profiteers who have flooded into the country in the name of reconstruction and democracy.

Formally charged on Thursday were Philip H. Bloom, a US expatriate entrepreneur, and Robert J. Stein Jr., a former employee of the US-run Coalition Provisional Authority (CPA), which ruled Iraq from April 2003 until June of last year.

According to court papers outlining the charges against the pair, Stein accepted \$546,000 in bribes from Bloom during the first six months of last year in exchange for steering more than \$13 million in reconstruction contracts to the Romanian-based businessman. Another unidentified US occupation official, who also took bribes from Bloom, is cooperating with federal prosecutors.

The criminal conspiracy hatched by Bloom and Stein involved submitting phony bids to ensure that reconstruction contracts went to Bloom's companies. Much of the money was funneled to the offshore capitalist in parceled-out contracts worth less than \$500,000—the top amount that Stein could award without facing scrutiny from senior CPA officials and auditors. Other money was doled out in \$15,000 amounts, a category meant for covering expenses.

Among the contracts steered to Bloom was the construction of a library in Karbala. Investigators found that the work done by his company failed to meet the terms of the deal. The library was not provided Internet service as specified in the contract, and furniture was substandard.

Bloom paid off the occupation official by wiring more than a quarter of a million dollars into a bank account in the name of Stein and his wife, according to the criminal complaint. Another \$140,000 went to buy real estate for the Steins in North Carolina, and tens of thousands were sent to buy cars and jewelry and pay for home improvements.

Bloom even sent one \$200 payment, the government affidavit specifies, to pay an installment to a federal court in Louisiana on a restitution sentence handed down from a previous fraud conviction against Stein.

The CPA official—given control over \$100 million in reconstruction funds covering all of south central Iraq—had been convicted in 1996 on federal fraud charges and sentenced to eight

months in prison and \$45,000 in restitution to a financial institution.

The *New York Times* interviewed another of Stein's former employers—Grundy Marine Construction Co. in Ponte Vedra Beach, Florida. The company's vice president, Pete Karuk, told the newspaper that Stein falsified payrolls and made out false billing invoices relating to a construction job at an Air Force base. According to Karuk, the company lost \$1.5 million as a result and has gone to the authorities over the incident.

"This guy is a thief," Caruk said. "He's a con artist and a crook."

Officials in Washington were unable to explain how a convicted swindler was hired to oversee tens of millions of dollars worth of reconstruction contracts in occupied Iraq. The Pentagon, which controlled the CPA, said it was investigating the matter, while a spokesman for the special inspector general for Iraq reconstruction explained that the hiring took place before the inspector general's office was set up.

The reality, however, is that people were hired for the CPA not on the basis of competence—nor, apparently, even a clean criminal record—but rather based on their political loyalty to the Bush administration and ideological agreement with the neo-colonial aggression against Iraq. It is hardly a surprise that such a criminal enterprise attracted criminal elements.

As for Bloom, according to an adulatory biography posted on one of his company's web sites, he got his start in business as an area manager for PepsiCo in Eastern Europe in the 1960s and 1970s. He then got involved, the biography says, in "an offshore manufacturing facility of electronic assemblies. He controlled a workforce of 3,000 and his clients included the US government and the American-Haitian Chamber of Commerce," a citation that suggests Bloom made his early fortune by exploiting starvation-wage labor under the Duvalier dictatorship.

With the collapse of the Stalinist regimes in Eastern Europe, Bloom moved to Bucharest, where he "became a specialist in privatization and investment banking consulting." Founding Global Business Group, he became involved in privatization deals that involved the wholesale looting of state property.

In characterizing Bloom, the biography states: "Bloom is possessed of an uncanny knack for finding business, almost psychic in nature. Vanquished former rivals may petulantly describe how 'he can smell opportunity in the air,' but if this conjures up images of a fierce jungle hunter or an ocean predator,

then the comparison may be more accurate than expected. You might say that Bloom ‘hunts’ business with an ambition and tenacity that rivals the most formidable safari.”

It is the latest incarnation of Bloom’s company—GBG Logistics—that was unleashed upon occupied Iraq. No doubt, like other profiteers, he could “smell opportunity in the air,” mixed with the scent of burning flesh.

Those like Bloom—and far bigger corporate predators—had grand ambitions at the outset of the Iraq occupation. These were summed up in Order 39 issued by the CPA in 2003 and signed by Washington’s proconsul L. Paul Bremer. The decree called for the wholesale privatization of Iraqi state enterprises and the removing of all limits on foreign investment and profit taking.

Similarly, the major US-based energy conglomerates saw the invasion as opening up the possibility of exploiting Iraq’s oil reserves, the second largest in the world.

The bitter war of resistance against the US occupation, however, has dashed these hopes, making foreign investment virtually impossible and disrupting Iraqi oil production.

Instead, the opportunities for profit came through fraud and outright theft, which, by all indications, have been on a scale without precedent in history. The money embezzled has come from both the more than \$20 billion appropriated by Washington and the billions of dollars more in Iraqi oil revenues that fell under the control of US officials. It was the latter, money taken from Iraq’s oil sales, that provided the illicit funds for Bloom and Stein.

More criminal charges will be forthcoming, according to US authorities.

Last May, the special inspector general for Iraq reconstruction found that the south central regional reconstruction office in Hillah, where Stein worked, “cannot properly account for or support \$96.6 million in cash and receipts.”

One unnamed US official familiar with the investigation told NBC news at the time, “The worse-case scenario is that someone took it home.”

The scandal in Hillah, however, is hardly an exception. In January of this year, the inspector general’s office conducted an audit that disclosed that \$8.8 billion in Iraqi reconstruction funds couldn’t be accounted for. Lack of record keeping, the office reported, “left auditors with no guarantee the money was properly used.”

Halliburton, which managed to secure more than \$11 billion worth of no-bid contracts, has been repeatedly accused of profiteering. Earlier this month, a United Nations watchdog agency demanded that Washington reimburse the Iraqi government \$208 million in overcharges paid out of Iraqi oil revenues to a subsidiary of the corporation for contracts to provide fuel products and repair oil infrastructure.

The International Advisory and Monitoring Board for the Development of Iraq issued a statement based on its audit of Halliburton’s charges, saying it “recommends that amounts disbursed to contractors that cannot be supported as fair be reimbursed expeditiously.”

Another high-profile company, Custer Battles LLC, is being sued by two of its former employees—supported now by the Justice Department—on charges that they set up shell companies in the

Cayman Islands to submit false bills to the government for private security contracts. The alleged fraud involved tens of millions of dollars.

Ronald Dwight, who worked as a US advisor to the Iraqi Transportation Ministry in early 2004, told the *New York Times* Thursday, “There were a lot of unscrupulous people pretending to be patriots there who were trying to get contracts for their friends.”

Frank Willis, a former senior official in the CPA, told a Senate panel earlier this year that Iraq was a “free fraud zone” and testified that he had witnessed fellow officials take \$2 million in currency from a safe and stuff it into a contractor’s sack.

In announcing the criminal charges Thursday, US Assistant Attorney General Alice Fisher issued a statement declaring: “The reconstruction of Iraq is, and must be, built on a foundation of integrity and honest business dealings. The Department of Justice will pursue and prosecute anyone who attempts to exploit this vital process for their own personal or financial gain.”

Ms. Fisher’s high-minded statement notwithstanding, “integrity” is hardly the first word that one would associate with Iraqi reconstruction. If what the Justice Department said were truly the case, one would have to anticipate the imminent arrest of both top government officials and the leading executives of major industries—beginning with Vice President Dick Cheney and his successor as CEO of Halliburton.

Cheney has seen the value of his Halliburton stock options soar to \$9.5 million as the price of shares in the company he formerly headed has tripled since the war began. Halliburton’s current CEO David Lesar has seen his own stock holdings increase by \$78 million since the 2003 invasion.

From the beginning, the Iraq war has been a predatory exercise aimed at furthering the profit interests of the American oligarchy. Bloom and Stein are just bit players in this operation.

Speaking to a captive audience of military personnel at Elmendorf Air Force Base in Alaska earlier this week, Bush declared: “A time of war is a time of sacrifice.... Each loss of life is heartbreaking. The best way to honor the sacrifices of our fallen troops is to complete the mission.”

But the reality is that only some are sacrificing, while others—the financial elite for whom Bush speaks—are enjoying a windfall. The lives of 2,085 soldiers—most of them young people from working class backgrounds—have been sacrificed, while thousands more have been maimed in order to boost the profits of companies and line the pockets of corrupt officials. This is a war crime, just as surely as the killing and wounding of hundreds of thousands of Iraqi civilians.



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