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Chapter 2
Ambitions of Empire

We will actively work to bring the hope of democracy, development, free markets, and free trade to every corner of the world.

—President George W. Bush,
National Security Strategy of the United States of America,
September 17, 2002

The failure to prepare for tomorrow's challenges will ensure that the current Pax Americana comes to an early end.

—The Project for the New American Century, September 2001

Historically, Americans have considered themselves vehemently anti-Empire. Remember how the worst name that Ronald Reagan could give the Soviet Union was "The Evil Empire"? We have never liked to think of ourselves as either living in— or in pursuit of—an Empire. Clearly, this attitude has quite a bit to do with our roots as a nation born from revolution against an Empire and as a people whose heritage links them to every continent on the planet. Historian Arthur Schlesinger recently wrote: "The imperial dream has encountered consistent indifference and recurrent resistance through American history. The record hardly sustains the thesis of a people red hot for Empire."[2] It seems, however, that "the people" have been left out of the discussion in which advocates of the Bush Agenda have decided not only that America *is* an Empire, but that this is a position that should be embraced, expanded on, and defended using any and all means available.

Typical of the pro-Empire crowd is a piece written in 2003 by Robert D. Kaplan, prominent conservative and correspondent for the *Atlantic Monthly.* "It is a cliche these days to observe that the United States now possesses a global empire," he says. "It is time to move beyond a statement of the obvious. ... So how should we operate on a tactical level to manage an unruly world? What are the rules and what are the tools?"[3] Kaplan then provides a list of ten rules for governing the world. Kaplan's query demonstrates his support for a United States that is not just a mere lone superpower, but rather a lone superpower with imperial designs. The latter is a nation that intends to use its unique status to influence, control, and rule over other nations and people, even over the entire world—in other words, an *Empire.*

For his part, President Bush was so concerned about what "the people" were thinking, as a rising tide of supporters and critics alike referred to his government as an Empire, that he was forced to proclaim in his 2004 State of the Union Address that the United States did not even have "ambitions of Empire," much less an existing one. He repeated the very same claim one year later in the 2005 State of the Union, explaining that "the United States has no right, no desire, and no intention to impose our form of government on anyone else. That is one of the main differences between us and our enemies. They seek to impose and expand an Empire of oppression. . . ."

Someone must have failed to share the president's purported anti-imperialist leanings with the White House human resources office, as the building was teeming with people who specifically defined their twenty-first century agenda as the creation of a *Pax Americana.* The term is a reference to the *Pax Romana* and the belief that the Roman Empire brought peace to the world by establishing such a militarily and economically dominant Empire that no nation in the world sought to challenge its hegemony. Sadly, for both the United States and the world, a *Pax Americana* is exactly what the Bush administration is after. Bush is pursuing "an Empire of oppression"—one economy at a time.

PAX AMERICANA

> The assemblies of the people were for ever abolished, and the emperors were delivered from a dangerous multitude, who without restoring liberty, might have disturbed, and perhaps endangered, the established government.
>
> —*Edward Gibbon,* The Decline and Fall of the Roman Empire, *1788*[4]

The leading ranks of the Bush administration are littered with men who have written and spoken frankly about their pursuit of a *Pax Americana.* They appear to have reserved use of the actual term for their period of exile: those long dark years from 1993 through 2000 when Bill Clinton was president and they were pushed out of office and sequestered in groups such as the Project for the New American Century. The ideas of *Pax Americana* provide the theoretical justification for what would eventually emerge as the Bush Agenda—simply put: overwhelming and expansive U.S. military and economic global dominance to ensure world peace. In reality, this agenda is far less noble than it may initially appear, as was the *Pax Romana.* The Bush administration is certainly interested in military and economic dominance and in expanding its field of domination, but its goal is more accurately described as ensuring that it gets what it wants and has its interests met. Those interests, in turn, align more with key U.S. corporate players than with either the American public or world peace.

While world peace is the broad selling point, the war on terror provides the immediate justification for the Bush Agenda. However, the roots of the agenda were planted well before the twin towers were even a sparkle in Osama bin Laden's eye. There are three documents, which, building on one another, culminate in the Bush Agenda. They are the 1992 "Defense Planning Guidance," the 2000 "Rebuilding America's Defenses: Strategy, Forces and Resources for a New Century," and the 2002 "National Security Strategy of the United States of America." Each follows the model of *Pax Americana* to justify ever-increasing military budgets and more exacting economic demands. Each is ostensibly a military planning document, but the administration of President George W. Bush adds a new twist—making corporate glob-alization policy a specific tool of national security strategy, on par with military defense as a weapon of war. While the military aspects of these documents have been widely reviewed, the economic policies have received scant public attention.

While the documents span more than twenty-five years and four administrations, the authors have remained remarkably consistent. New adherents have been brought on board and leadership roles have been swapped, but overall, it is clear that the formulation of the Bush Agenda is the culmination of decades of work, ideas, and planning by a relatively small group of people. While they may not agree on everything, these individuals agree on enough to pool their resources and set out their own rules for governing the world.

PAX ROMANA

For anyone who believes that (1) the United States is or could be an Empire; (2) this is or would be a good thing; and (3) America should be the best Empire it can be, the pursuit of a *Pax Americana* is a logical goal. It is worth taking a moment, however, to see if the *Pax Romana* is truly worth emulating—particularly in the manner envisioned by the Bush Agenda adherents.

Pax Americana refers to *Pax Romana,* "the Roman Peace." This term is used to describe the 200-year period from 27 bce, when Rome transitioned from a Republic to an Empire with the ascent of Augustus Caesar, until the death of Marcus Aurelius in 180 ce. It was a period of relative stability *within* the Empire compared to the century of civil wars that both preceded and followed it. The constant deadly civil wars over who would rule Rome and whom Rome would rule were briefly held at bay.

One aspect of the *Pax Romana* to which the adherents of the Bush Agenda seem particularly drawn is best described by Edward Gibbon in *The Decline and Fall of the Roman Empire.* More than two hundred years after its publication, it remains one of the best-known histories of the era and required reading for all political science majors. Gibbon writes, "The terror of the Roman arms added weight and dignity to the moderation of the emperors. They preserved peace by a constant preparation for war; and while justice regulated their conduct, they announced to the nations on their confines that they were as little disposed to endure as to offer an injury."[5]

This idea of a beneficent yet all-powerful Empire, supported by the most menacing military in the world, recoiled in peace but always on the ready to strike in war, resonates throughout the writings and statements of Bush Agenda adherents—as does the supposition that this form of Empire is the ultimate guarantor of peace in the world. The adoption of *Pax Romana* by the supporters of the Bush Agenda is troubling on many counts. For one, the transition from Republic to Empire was far from benign.

C. Octavian, Julius Caesar's adopted son and heir, became Augustus Caesar in 27 bce and was in effect, if not in name, Rome's first emperor. *Pax Romana* is most often equated with the reign of Augustus. His power was absolute and covered every aspect of Roman life. However, Augustus was also a shrewd politician who understood that the facade of representative government would have to be maintained to keep the wealthy political class in check. Therefore, Augustus maintained the senate, but purged it of all opponents, retaining mainly those whom he had personally appointed. The senate then took an oath of allegiance to Augustus and granted him authority of tribune for life. Only death parted Augustus from the seat of power that he held for over forty years. Feigning modesty, he refused his father's deification and instead took the title "Son of a God," while permitting the people to worship "his genius."

Augustus "saved the Empire, but in the long run spelled the death of representative institutions," explains historian Steven Kreis. "Augustus never did away with these institutions; he merely united them under one person—himself. He was consul, tribune, chief priest of the civic religion and the public censor. He ruled by personal prestige: he was *princeps* (first citizen among equals) and *pater patriae* (father of the country). He was the supreme ruler, the king, the emperor and his authority *(auctoritas)* was absolute."[6] Thus, the "republican" government went on much as before, only, as Gibbon explains, rather than represent the people, the government answered solely to Caesar. Not unexpectedly, subsequent emperors, lacking Augustus's skill and restraint, blatantly and brutally abused their unqualified power, bringing about the demise of the Empire.

Democracy was not the only ideal that was sacrificed to maintain the Empire; freedom took quite a beating as well. Rome ran on slave labor and limited citizenship. In fact, the number of slaves increased dramatically during the reign of Augustus and continued to increase for almost two centuries thereafter. At the time of Claudius (41-54 ce), it is estimated that the number of slaves was roughly equal to the total number of free inhabitants of the Empire.[7] Fathers could—and did—sell their children into slavery. Toward the end of the period, as the number of slaves decreased, laws were written to distinguish more clearly between classes of "freedmen" and the wealthy "exempt from the humiliating procedures and punishments to which the [lower income] were subjected."[8]

Advocates of the *Pax Romana* conveniently ignore the brutality that was required to establish the Empire in the first place. They also look past the violence that continued during

Augustus's reign against those who did not wish to be under his yoke. Resistance, although less frequent than during other periods of the Empire, did occur and was brutally quelled. Furthermore, the maintenance of peace with Rome's neighbors was a two-way street. After a crushing defeat and the loss of three legions in Germania, Augustus demanded a halt to further military annexations. He adopted a strict policy of border security—rather than imperial expansion—which remained essentially unaltered for the remainder of Roman history (the one notable exception being the invasion of the province of Britain). Thus, the *Pax Romana* was dependent on an Empire that was no longer imperial. Few nations had reason to challenge an Empire that did not pose a threat.

Advocates of the Bush Agenda appear to have dispensed with the non-imperial nature of "peace" in favor of using the military to secure access to resources around the world and to spread their particular models of democracy and freedom. Just as the *Pax Romana* was a period of Romanization, so they envision a period of Americanization. And while they may not speak of literally annexing new nations, in the age of globalization, political and economic acquiescence no longer requires full imperial overthrow—as Michael Hardt and Antonio Negri so aptly explain in their 2000 book, *Empire.*

The second element of the Pax *Romana* to which the Bush team is drawn is the emperor's ownership of the Empire's resources. All those living within the confines of the Empire were required to pay taxes to Rome and make their resources—human, natural, and physical—fully available. Much of the ongoing resistance to the Empire therefore took place in areas rich in mineral wealth and not inclined to part with it, such as Gallica in the northeast of Hispania with its gold mines.

There is at least one economic aspect of the *Pax Romana* that the Bush team has rejected: the tremendous commitment made by Augustus to public works. Rather than focus vast percentages of wealth on military expansion, as the Bush administration has done, Augustus invested in the public. This aspect was likely the key to the Empire's internal peace. Augustus built and expanded water aqueducts so that they reached all the regions of the city, including the poorest. He built theaters, temples, bridges, public housing, public baths, roads, and more. He also invested in intellectual endeavors; many of the theoretical and philosophical works that are considered the canon of most academic institutions in the world were written at that time. The Bush administration, however, has reduced federal spending, on the modern-day American equivalents of vital public needs, such as affordable public housing, health care, child care, programs to address hunger and poverty, as well as funding for universities and the arts.

The adoption of *Pax Americana*—either in name or in theory—by the advocates of the Bush Agenda may ultimately amount to little more than an intellectual diversion: It allows the administration to justify policies best described as "what's good for America is good for the world" in a slightly more digestible framework. Bush Agenda supporters argue that an unrivaled American superpower is in the best interest of the entire world because only such a superpower can guarantee world peace. Thus, any nation that stands against the interests of the United States is an enemy of peace. By this logic, everything that the United States does to support its own wealth, power, and growth is inherently best for the world and therefore cannot be challenged. As President Bush said on November 4, 2004 upon his reelection, "Our military has brought justice to the enemy, and honor to America. Our nation has defended itself, and served the freedom of all mankind."

Pax Americana justifies unilateral leadership, unlimited defense spending, a perpetual state of war, a disregard for democracy and freedom in their truest forms, and global economic dominance. In other words, it offers a grand justification for the Bush Agenda.

INTRODUCING THE AUTHORS: CHENEY, WOLFOWITZ, KHALILZAD, LIBBY, EDELMAN, AND POWELL

The clearest early rendering of the ideas that would become the Bush Agenda took shape in the 1992 "Defense Planning Guidance" (DPG), which was one of the final products of the George H. W. Bush administration (1989-1993): It provides much of the Bush Agenda's military framework. The DPG is a classified, internal planning guide for the Pentagon prepared approximately every two years. It is not intended for public consumption. It describes America's overall military strategy and represents "guidance" from the president and the secretary of defense to the four military services on how to prepare their budgets and forces for the future.

The 1992 DPG was written by six men who served in the administrations of both Bush presidents: Dick Cheney, Paul Wolfowitz, Zalmay Khalilzad, Scooter Libby, Eric Edelman, and Colin Powell. These men, together with later authors of key Bush Agenda documents, have known and worked with each other, shared and sculpted ideas, and refined their positions for well over a quarter of a century.

Vice President Dick Cheney, Defense Secretary Donald Rumsfeld (a later author), and World Bank President and former Deputy Defense Secretary Paul Wolfowitz have worked together in the administrations of Presidents Richard Nixon, Gerald Ford, Ronald Reagan, George H.W. Bush, and George W. Bush. Over the years, Cheney, Rumsfeld, and Wolfowitz have increasingly demonstrated a commitment to the combined forces of absolute U.S. military dominance and corporate -expansion that have found their fulfillment in the Bush Agenda.

At age twenty-eight, Cheney began his government career as Rumsfeld's assistant in the Nixon and then the Ford White Houses, , eventually replacing his mentor as Ford's chief of staff when Rumsfeld became defense secretary. Under Ford, Cheney established his cold-warrior credentials as a steadfast opponent to detente with the Soviet Union. In fact, the only administration official credited with being more opposed to detente at the time was Rumsfeld. When the Republicans lost the White House in 1977 to Jimmy Carter, Cheney moved to the House of Representatives, while Rumsfeld went to work for multinational pharmaceutical company, G.D. Searle, eventually becoming its CEO. Cheney maintained a consistent conservative voting record for eleven years as Wyoming's sole member of Congress.

Wolfowitz, who also began his government service in the Nixon administration at the Arms Control and Disarmament Agency, was increasingly focusing his attention on two highly interrelated issues: U.S. dominance over oil in general, and U.S. dominance over the Middle East in particular. In fact, Wolfowitz has shown a greater commitment to these twin modes of building the *Pax Americana* than to any particular party affiliation. Thus, unlike most of his fellow authors, Wolfowitz continued his government career working in President Carter's Pentagon.

In 1977, two years before Saddam Hussein even became Iraq's leader, Wolfowitz conducted the first extensive study of the need for the United States to defend the Persian Gulf and U.S. access to its oil against an Iraqi invasion of Kuwait and Saudi Arabia. Then, in 1981, as Ronald Reagan's director of policy planning at the State Department, Wolfowitz focused his department on three areas: East-West relations, security of non-Communist nations, and Western oil supplies in the Persian Gulf region.[9] In 1982, Wolfowitz told a reporter that the United States regards the whole Mediterranean region as part of its "strategic access" zone to the Middle East and that the Soviet invasion of Afghanistan proved that Soviet forces could reach the Persian Gulf "merely by driving there," while the United States is 10,000 miles away and needs to secure its access to the "world's major oil producing region."[10] In 1989, under the administration of George H.W. Bush, Wolfowitz ordered a review of U.S. foreign policy toward the Persian Gulf that focused on how the United States would defend the oil fields of Saudi Arabia against an attack from Iraq.[11]

Wolfowitz has worked with U.S. Ambassador to Iraq Zalmay Khalilzad for more then twenty years in pursuit of greater access to the region's oil. In 1984, Khalilzad began his government service in a one-year State Department fellowship with Wolfowitz that turned into a full-time position, extending through the Reagan administration. An Afghan-American, Khalilzad served as a State Department adviser on the Soviet War in Afghanistan, when administration policy was to supply arms and other forms of support to the Afghan mujahideen, including Osama bin Laden and other al-Qaeda members. Khalilzad was also Reagan's adviser on the Iran-Iraq war, when administration policy was direct economic engagement with Saddam Hussein, indirect arms sales, and direct military intelligence to aid Hussein in the war against Iran.

Wolfowitz also brought on board Scooter Libby, who was chief of staff to Vice President Cheney until he resigned in October 2005 after being indicated on two counts of perjury, two counts of making false statements to federal investigators, and one count of obstruction of justice for his alleged role in publicly disclosing the identity of covert CIA operative Valerie Plame. Wolfowitz had been Libby's political science professor at Yale, so when Wolfowitz called Libby in 1981 to invite him to work for the State Department, Libby agreed. Rounding out "Team Wolfowitz" is Deputy Defense Secretary Eric Edelman. Edel-man also joined the Reagan State Department in 1981, eventually serving as special assistant to Secretary of State George Shultz. Edelman proceeded to serve in every successive administration, including as assistant deputy undersecretary of defense for Wolfowitz in the Bush Sr. administration, when he helped draft the Defense Planning Guidance (DPG).

Cheney returned to the White House in 1989 to serve as defense secretary, while Rumsfeld, who had originally sought to run against Bush for the Republican nomination, chose to continue his now highly profitable career as multinational corporate CEO. Khalilzad and Libby also served as deputies for Wolfowitz for the drafting of the 1992 DPG.

The final lead author of the 1992 DPG is former Secretary of State Colin Powell, whose theories supply its military muscle. Throughout his political career, Powell has steadfastly argued that a world peace that serves U.S. interests is wholly dependent on the creation and maintenance of absolute U.S. global military superiority. As Reagan's national security affairs adviser from 1986 to 1989, Powell advocated for a superior U.S. military to outflank the Soviet threat, declaring in 1989, "We have to put a shingle outside our door saying, 'Superpower Lives Here.' "[12] Powell's views did not alter after the collapse of the Soviet Union, when, as twelfth chairman of the Joint Chiefs of Staff under Bush Sr. (and for nine months under President Clinton), he argued that the United States must remain the preeminent military power in order to ensure the peace and shape the emerging new world order in accordance with American interests. In 1992, Powell told the House Armed Services Committee that the United States must "deter any challenger from ever dreaming of challenging us on the world stage." Everyone should know that "there is no future in trying to challenge the armed forces of the United States."

Unlike the rest of the Bush Agenda team, however, Powell has steadfastly opposed an imperial use of the U.S. military, making him more of a contributor to what would eventually emerge as the Bush Agenda than an adherent to its philosophy. Yet, his role in advocating for the second invasion of Iraq and seeing it to fruition—even if he was only "following orders"—makes Powell an active participant in the *application* of the Bush Agenda as well.

President George H. W. Bush is missing from the list of 1992 DPG authors, even though his approval allowed it to move from draft to final product. That the final document did not emerge until the final days of his administration demonstrates that it was not an absolute reflection of the president's priorities. There are areas of the 1992 DPG, particularly its focus on oil, which reflect his interests. President George H. W. Bush made his personal fortune from the oil business and devoted much of his career to expanding the rights of private industry in the energy sector. For example, as vice president, Bush chaired President Reagan's energy sector deregulation and regulatory relief task forces. Then, in 1992, he earned the title "The Energy President" from former Enron CEO Kenneth Lay, likely due to his 1992 Energy Act, which mandated the deregulation of electricity, obliged utilities to carry privately marketed electricity, and permitted states to deregulate retail electricity.[13] In the end, however, the senior George Bush was less imperial than his subordinates, causing many to regard the DPG as a failed attempt by Cheney, Wolfowitz, and the others to steer the administration in a direction that it was not otherwise going.

THE BIRTH OF THE BUSH AGENDA: THE 1992 DEFENSE PLANNING GUIDANCE

As defense secretary and the senior Pentagon policy analyst, respectively, Dick Cheney and Paul Wolfowitz are rightly considered the fathers of the 1992 DPG. In March 1992, a draft copy of the DPG was leaked to the press. The reason for the leak, according to Barton Gellman of the *Washington Post,* was that "inside the U.S. defense planning establishment, there were people who thought this thing was nuts.... That's why they talked to me, and that's why they talked with the *New York Times*."[14] The full draft of the DPG was never made public. However, the portions reprinted on March 8, 1992, in the *New York Times* provide ample insight into the ultimate intent of the DPG's authors.

The 1992 DPG was the first document to lay out America's role in a post-Soviet world—a world in which America was suddenly the sole superpower. In response, the public and Congress, including Senators Robert Byrd and Edward Kennedy, demanded a "peace dividend." They argued that, because the country was no longer at war, it was no longer necessary to spend as much on military defense; more money should go toward paying for vital domestic needs that had been long neglected due to the demands of the Cold War. For example, in 1991, Senator Kennedy proposed legislation that would take $210 billion from defense over seven years to pay for universal health insurance and education and job programs.

The authors of the draft DPG disagreed. They called for the continuation of the war economy, including maintenance of existing troop levels and expansion of U.S. security commitments abroad. They envisioned a world in which the peace dividend was translated into the creation of a superpower so militarily and economically dominant that no other nation would even strive to compete against it, now or in the future.

As written in the draft DPG, they envisioned a system where "the world order is ultimately backed by the U.S." The United States would "show the leadership necessary to establish and protect a new order that holds the promise of convincing potential competitors that they need not aspire to a greater role or pursue a more aggressive posture to protect their *legitimate interests.* Second, in the non-defense areas, we must... discourage them [the advanced industrial nations] from challenging our leadership or seeking to overturn the *established political and economic order.* Finally, we must maintain the mechanisms for deterring potential competitors from *even aspiring* to a larger regional or global role" (emphasis added).

At the time it was written, Senator Joseph R. Biden Jr. called the draft DPG "literally a *Pax Americana."* Moreover, the senator argued, "It won't work. You can be the world superpower and still be unable to maintain peace throughout the world."[15]

With the military victory of the 1991 Gulf War under their belts but the frustration of leaving Saddam Hussein in power still haunting them, the drafters set out an aggressive unilateral preemptive military agenda for the future. The 1992 draft DPG states that the overall objective of the United States in the Middle East is "to remain the predominant outside power in the region and preserve U.S. and Western access to the region's oil."

The draft DPG rejects alliances with other countries in favor of coalitions or "ad hoc assemblies," marking, at minimum, a historic political shift toward unilateralism. An alliance is a close association formed to advance *common interests,* whereas a coalition is defined as a *temporary* grouping. While the alliance implies shared goals and a long-term commitment, the coalition is situational, pragmatic, and short-term. Since World War I, the United States has referred to "alliances" with other nations to describe an ongoing commitment to the achievement of shared interests. The 1992 draft DPG marks the first formal departure from such a stance, but it would not become actively applied to administration *policy* until the administration of George W. Bush used the term the *coalition of the willing to* describe those nations involved in the invasion of Iraq.

The 1992 draft DPG also adopts the use of preemptive war. Like "coalitions," "preemption" did not become administration policy until George W. Bush became president. Preemption also marks a historic shift in national policy. For sixty years, the stated national security policy of the United States was "containment." Containment was adopted initially as the strategy for defeating the Soviet Union. Rather than engage the USSR militarily through, say, an invasion, the United States sought to isolate it, starve it of political, economic, and even social support, and stop it from spreading its influence to other nations. After the fall of the USSR, the strategy continued and was applied to other nations believed to threaten the interests and/or security of the United States. Preemption, however, is a strategy by which the United States may act militarily and unilaterally if necessary, to ensure that a potential threat does not become an actual threat. In other words, the military is not only used to contain or even deter a threat, but, through active engagement, to actually preempt it from taking form.

There was a strong negative outcry when the draft 1992 DPG was leaked to the public. Some of the gravest concerns were raised by foreign country governments who had considered themselves allies of the United States but now feared they had somehow become rivals. In response, the draft was reworked—this time, the more forceful *Pax Americana* language was expunged—and intentionally "leaked" to the press. Just to be on the safe side, however, Cheney withheld the final version until after the 1992 presidential elections were decided. In January 1993, just prior to the inauguration of President Bill Clinton, the newly titled "Defense Strategy for the 1990s" was released. Then, as vividly described by David Armstrong in *Harper's,* "Cheney and company nailed [it] to the door on their way out" of the White House.[16] None of the underlying theses of the original draft 1992 DPG were changed.

Before the DPG -drafters reunited in 1997 to establish a virtual Bush government in waiting with the Project for the New American Century, each man pursued the ideas enshrined in the DPG in his own way. Cheney considered a run for president against Bill Clinton. In 1993 and 1994, he formed a Political Action Committee, which included Thomas Cruikshank, CEO of the Halliburton Corporation, the Texas-based energy services giant, and Stephen Bechtel, president of California's Bechtel Corporation, the largest engineering company in the world. The "Cheney for President" buttons he distributed are still highly sought after; the same, however, was not true of his candidacy. Cheney did not despair; in 1995, he accepted his first job in the private sector in more than twenty years as president and CEO of Halliburton.

Paul Wolfowitz left the government as well. Apparently, President Clinton did not satisfy his increasingly aggressive agenda for Iraq, the Middle East, and their oil. Wolfowitz spent the next eight years as dean v of the Johns Hopkins School of Advanced International Studies justifying the first Gulf War and advocating on behalf of a second. This time, Wolfowitz argued, the result would include the overthrow of Saddam Hussein and the implementation of a pro-U.S. government. Typical of his many Op-Eds, congressional testimony, speeches, and articles on the subject is his piece in the spring 1994 issue of the *National Interest,* in which he writes, "Saddam will remain a threat to all the governments that supported us and particularly to the Arab Gulf States.. . .The United States and the entire industrialized world have an enormous stake in the security of the Persian Gulf, not primarily in order to save a few dollars per gallon of gasoline but rather because a hostile regime in control of those resources could wreak untold damage on the world's economy, and could apply that wealth to purposes that would endanger peace globally."

Zalmay Khalilzad founded the Center for Middle Eastern Studies at the Rand Corporation, a leading Washington DC conservative think tank, a position that allowed him great intellectual and political freedom. Not content merely to talk about expanding U.S. control over foreign oil, Khalilzad served as a paid adviser for the California-based Unocal Oil Corporation (purchased by Chevron in 2005). In the mid 1990s, he conducted risk analyses for Unocal on a proposed 890-mile, $2-billion, 1.9-billion-cubic-feet-per-day natural gas pipeline project, which would have extended through Turkmenistan, Afghanistan, and Pakistan. Khalilzad's work brought him "into direct discussions with Afghanistan's Taliban and even led him to advocate publicly in support of the regime. In 1996, he penned a *Washington Post* Op-Ed titled "Afghanistan: Time to Reengage," in which he argued "The Taliban does not practice the anti-US, style of fundamentalism practiced by Iran.... We should ... be willing to offer recognition and humanitarian assistance and to promote international economic reconstruction. ... It is time for the United States to reengage [the Taliban]."[17] In 2001, the *Washington Post* reported, "Four years ago [December 1997] at a luxury Houston hotel, oil company adviser Zalmay Khalilzad was chatting pleasantly over dinner with leaders of Afghanistan's Taliban regime about their shared enthusiasm for a proposed multibillion-dollar pipeline deal."[18]

Of course, what they really wanted was to be back in the White House. In 1996, they tried and failed with the presidential campaign of Republican Senator Bob Dole. Donald Rumsfeld served as Dole's national campaign chairman, and Paul Wolfowitz was his principal deputy for foreign policy. Dole's 1996 defeat marked the beginning of a tide change: It was necessary to circle the wagons and develop a solidly Republican vision to carry the party in 2000.

THE BUSH WHITE HOUSE IN WAITING: THE PROJECT FOR THE NEW AMERICAN CENTURY

The Project for the New American Century (PNAC) was established in 1997 as an advocacy group dedicated to the proposition that "American leadership is good both for America and for the world." The signatories to the Project's original statement of purpose include six people who served in both Bush administrations: Dick Cheney, Paul Wolfowitz, Scooter Libby, Zalmay Khalilzad, Peter Rodman, and Paula Do-briansky. Five others served both Bush presidents in either formal or advisery positions: Richard Perle, Eliot Cohen, Francis Fukuyama, Dan Quayle, and Henry S. Rowen. In addition, Donald Rumsfeld, Robert Zoellick, Elliott Abrams, and Richard Armitage have all signed key Project letters. Former and current directors of PNAC include, respectively, U.S. Ambassador to the UN John Bolton and former vice president of Lockheed Martin and author of the 2000 Republican Party foreign policy platform, Bruce P. Jackson.

Through PNAC, Cheney et al. put forward their foreign policy objectives without the normal restraint placed on those who are actually public servants. The results are letters, statements, and reports that do away with the usual niceties of public discourse and go straight to the jugular. The Project's seminal report is the September 2000 "Rebuilding America's Defenses: Strategy, Forces and Resources for a New Century"—the second on our list of three key Bush Agenda documents.

"Rebuilding America's Defenses" declares that the primary strategic goal of the United States in the twenty-first century is to "preserve *Pax Americana."* In fact, the phrases "Pax Americana" and the "American peace" are used nineteen times in all, more if you count the variations to the theme, such as "America's global leadership, and its role as the guarantor of the current great-power peace," or my personal favorite, "the benevolent order," to be secured by American leadership.

The 2000 "Rebuilding America's Defenses" specifically builds on the 1992 DPG, which, the authors argue, "provided a blueprint for maintaining U.S. preeminence, precluding the rise of a great power rival, and shaping the international security order in line with American principles and interests.. .. The basic tenets of the DPG, in our judgment, remain sound."[19]

While the bulk of the eighty-plus-page report is focused on expanding America's armed forces, military might is not the only consideration. The authors explain that "American containment strategy did not proceed from the assumption that the Cold War would be a purely military struggle ...; rather, the United States would seek to deter the Soviets militarily while defeating them economically and ideologically over time." The authors indicate that America's superpower status comes from the combination of its military might, technological know-how, and its possession of the "world's largest economy." They also state that America's "political and economic principles are almost universally embraced" and that the "challenge for the coming century is to preserve and enhance this 'American peace.'" U.S. economic dominance is therefore to be neither trifled with nor ignored.

Military and economic dominance do not come cheap. The authors propose a $15 billion to $20 billion *increase* in total defense spending *annually.* After all, the 1990s were nothing more than a "decade of defense neglect," a wrong that PNAC was prepared to correct if only it could find an American president to carry its mantel. PNAC succeeded with George W. Bush. As we will see, many of the core aspects of what became the Bush Agenda are found in this paper—for example, the ouster of Saddam Hussein in Iraq and the maintenance of a permanent military presence in the Middle East, the definition of the Axis of Evil, the critical importance of a missile defense system and the strengthening of U.S. nuclear weapon capacity, and the willingness to act preemptively to defend America's interests, particularly in the Middle East.

The authors explain that "the United States has for decades sought to play a more permanent role in Gulf regional security. While the unresolved conflict with Iraq provides the immediate justification, the need for a substantial American force presence in the Gulf transcends the issue of the regime of Saddam Hussein." The problem of Iraq may have "transcended" Hussein, but the first step toward resolving the conflict was still Hussein's removal. Thus, on December 1, 1997, the cover of the conservative *Weekly Standard* magazine carried the headline Saddam must *go*—a how-to guide in bold, black, capital letters, covering a full three-fourths of the otherwise yellow and red page. The lead article, "Overthrow Him," was coauthored by Khalilzad and Wolfowitz.

In January 1998, three years before the "War on Terror," PNAC released an open letter to President Clinton, calling for the removal of Saddam Hussein's regime from power.[20] The letter argued that diplomacy had failed and military engagement was required. In particular, it focused on the threat Hussein posed to "a significant portion of the world's supply of oil." Among the signatories were Donald Rumsfeld, Paul Wolfowitz, Richard Perle, Zalmay Khalilzad, Robert Zoellick, and John Bolton.

In 2000, PNAC's report established the Axis of Evil by explaining that "adversaries like Iran, Iraq and North Korea are rushing to develop ballistic missiles and nuclear weapons as a deterrent to American intervention in regions they seek to dominate." The report places Iran next in the shooting order after Iraq: "Over the long-term, Iran may well prove as large a threat to U.S. interests in the Gulf as Iraq has. And even should U.S.-Iranian relations improve, retaining forward-based forces in the region would still be an essential element in U.S. security strategy given the longstanding American interests in the region."

Clearly, these men of power and influence were not satisfied with sitting on the sidelines, writing letters, drafting reports, and writing opinion editorials. They wanted to be back in the White House. While Robert Dole did not pan out, their second try did.

Prior to his 2000 Presidential victory, George W. Bush had spent six years in government service as governor of Texas, nine years as owner of the Texas Rangers Baseball Team, and eleven years as an oil company executive. His affiliation with the DPG/PNAC crowd in-eludes his father, of course, and his commitment to and deep connections with corporate America—particularly the oil and energy sectors. Bush began his professional career following in the footsteps of his father—literally in the same building. As his father had done in the 1950s, Bush launched his oil career from an office in the aptly named Petroleum Building in Midland, Texas. Bush founded two oil companies: Arbusto ("bush" in Spanish) in 1977 and Bush Exploration a few years later. In between, he made an unsuccessful run for the U.S. Congress. One reason Bush lost was because his opponent painted him as an East Coast transplant rather than a true

Texan. After all, Bush was born in Connecticut, and he returned to the East Coast at age fifteen to attend the prestigious Phillips Andover Academy in Massachusetts, followed by college and business school at Yale and Harvard, respectively. As a result of his loss, Bush vowed that he "would never be out-Texaned again" in his political career.[21]

In 1984, Spectrum 7 Energy Corporation bought out Bush's oil companies. Although both of Bush's companies had failed, they were purchased and Bush was retained as Spectrum 7's chairman and CEO likely due to the fact that his father had recently become vice president of the United States. Spectrum 7, which owed more than $3 million in debts by 1986, was saved through a merger with Harken Energy, which retained Bush as a board member and consultant.[22] Tapping into his many friendly and profitable connections to the Saudi royals, Bush raised $25 million for Harken by bringing Saudi real estate tycoon Sheikh Abdullah Taha Bakhsh onto the board. Harken subsequently received a gas and oil exploration contract with Bahrain in 1989.[23]

After working on his father's presidential campaign as liaison to the religious right, Bush began his second career as an owner of the Texas Rangers baseball team in 1989. When he sold his shares in 1998, he earned more than $14.5 million in profit. In the interim, he was elected governor of Texas in 1994 and again in 1998.

Bush's policies as governor deeply favored corporations and the wealthy. For example, in 1999 Houston overtook Los Angeles as the smoggiest U.S. city. This was due in part to Bush's decision to allow Texas's more than 800 oil refineries and chemical plants (which were contributing 900,000 tons of pollution annually) to choose whether or not they would comply with the state's clean air regulations, rather than requiring them to do so. Bush cut taxes on corporations and individuals and increased policies directing financial benefits to both. As a result, by 2000, Texas ranked forty-ninth among states in overall taxes collected and fiftieth in per capita state spending. Economic inequality overall in Texas rose dramatically during Bush's tenure as the incomes of those at the top soared and those in the middle and bottom either stagnated or dropped. Texas then joined Louisiana and New York as the three states with the worst income inequality in the nation.[24]

Bush was very good to the oil and energy sectors, and they, in turn, were very good to him. Kenneth Lay and the Houston-based energy services company, the Enron Corporation, were Bush's all-time career patrons, contributing more money than any individual and company to his political campaigns. That is, before Enron was found guilty of defrauding its investors, including the State of California, of billions of dollars, which led to the company's 2001 bankruptcy and Lay's 2004 indictment on eleven counts of securities fraud (for which he is currently standing trial).

In fact, Bush had an unprecedented ability to raise money for his campaigns. Charles Lewis of the Center on Public Integrity put it this way: "George W. Bush has altogether redefined the parameters of political fundraising," shattering all previous fundraising records in 1999 to 2000 and again in 2003 to 2004.[25]

George W. Bush certainly had the right connections and the right politics, but, if there were any doubts that he belonged in the *Pax Americana* brotherhood, he put them all to rest with his 2002 National Security Strategy,

THE BUSH AGENDA ARRIVES: THE 2002 NATIONAL SECURITY STRATEGY

> Free markets and free trade are key priorities of our national security strategy.
>
> —President George W. Bush, National Security Strategy of the United States of America, September 17, 2002

With the interlopers out of office, an administrative reunion took place when the Bush family returned to the Oval Office on January 20, 2001. But times had changed, and so had presidents. Young George brought back his father's court but lost his father's restraint. The radical policies that eventually emerged picked up where the 1992 DPG left off and gave the Project for the New American Century its presidential herald. George W. set himself apart in at least one key arena—by elevating economic policy into a tool of war on par with soldiers, missiles, and jets. He specifically united military and corporate globalization policy into one mighty weapon of Empire.

Some aspects of the Bush Agenda can be found in the first year of George W.'s administration—including, most notably, an aggressive unilateralism demonstrated by the withdrawal from the Anti-Ballistic Missile Treaty with Russia; opposition to the Comprehensive Test Ban Treaty, which bans nuclear test explosions; and rejection of both the International Criminal Court and the Biological and Toxin Weapons Convention protocols. In addition, the administration immediately sought to expand U.S. military dominance in space with the continuation of Reagan's expensive space-based missile defense program. However, it was the events of September 11, 2001, that led President Bush and his administration to consolidate their ideas into one document and release it for public consumption.

Instead of writing a new classified Defense Planning Guidance, the president released the very public September 2002 National Security Strategy of the United States of America. The document itself conies bearing the presidential seal and a three-page introductory letter personally signed by Bush. Officially, the National Security Strategy (NSS) has just one author, President George W. Bush, though Condoleezza Rice, as national security adviser, is also recognized as a lead contributor. Unofficially, the document's authors include Cheney, Wolfowitz, Rumsfeld, Khalilzad, and the rest of the DPG/ PNAC crowd. The NSS is less an internal policy-planning document than a statement from the president to the American people that lays out his national security agenda, which is, in fact, almost as much about corporate globalization as it is about war. The National Security Strategy is the third and definitive document that establishes the Bush Agenda.

The National Security Strategy begins by declaring, once and for all, that the Cold War is over and the United States has won. This victory is interpreted to mean that "our way" is not only the right way but also the only way for the entire world: "The great struggles of the twentieth century between liberty and totalitarianism ended with a decisive victory of the forces of freedom—and a single sustainable model for national success: freedom, democracy, and free enterprise." The National Security Strategy adds, "We will actively work to bring the hope of democracy, development, free markets, and free trade to every corner of the world." If, for the moment, we take at face value that America's way is "freedom, democracy, and free enterprise," it becomes clear that the goal of the NSS is Americanization of the world, using the American model of government and the American model of economics.

In keeping with the 1992 DPG and the 2000 Project for the New American Century report, the National Security Strategy maintains that superpower status is not a reason to sit on our laurels. Quite the opposite: It is the reason for increased military strength to dissuade others from challenging U.S. supremacy. Furthermore, U.S. military strength is good for all because it guarantees peace: "The unparalleled strength of the United States armed forces and their forward presence, have maintained the peace in some of the world's most strategically vital regions." Thus, the benevolent American order is established and justified in the following statements: "It is time to reaffirm the essential role of American military strength. We must build and maintain our defenses beyond challenge. .. . Our forces will be strong enough to dissuade potential adversaries from pursuing a military build-up in hopes of surpassing, or equaling, the power of the U.S. ..The great strength of this nation must be used to promote a balance of power that favors freedom.. . .[The aim] is to help make the world not just safe but better." The *Pax Americana* is at hand.

If this argument for *Pax Americana,* best characterized as perpetual war for perpetual peace, seemed slightly suspect one year after the fall of the Soviet Union, it is now far more dubious in light of the fact that the United States is and has been the world's sole superpower for well over a decade. The National Security Strategy alludes to the possibility that Russia could reemerge as a threat and places India and China in the "potential rival" category, even as it lists all three countries as current allies. What, then, is the new justification for perpetual war? It is, of course, September 11 and the War on Terror. Unlike the Cold War, the War on Terror targets no single country or even group that threatens us. Instead, the United States must fight "shadowy networks of individuals," against whose threats we must be prepared to act "before they are fully formed" and for an "uncertain duration."

In order to fund a military that has the capacity to fight a phantom menace anywhere at any time, or everywhere all of the time, the annual U.S. defense budget under Bush (as reported by the U.S. Department of Defense comptroller) has steadily skyrocketed. Bush's first defense budget, at $317 billion in 2002 (set prior to September 11, 2001) was larger than those of the next twenty-five nations combined. The budgets steadily increased from there to $355 billion in 2003, $368 billion in 2004, $416 billion in 2005, and $419 billion in 2006. The price tag for the War on Terror itself goes even higher, in addition to the wars in Afghanistan and Iraq, as all three wars have been funded separately from the defense budget through supplemental spending bills to the amount of some $300 billion by 2006.

The National Security Strategy describes the *Pax Americana* military rattlesnake, coiled but always ready to strike: "This nation is peaceful, but fierce when stirred to anger." Unilateral preemptive action is now our due. America "will not hesitate to act alone, if necessary, to exercise our right of self-defense by acting preemptively. . . . The greater the threat, the greater is the risk of inaction—and the more compelling the case for taking anticipatory action to defend ourselves, even if uncertainty remains as to the time and place of the enemy's attack." As discussed earlier, the adoption of preemption is a radical shift in formal U.S. policy. Senator Edward Kennedy, squaring off against yet another Bush presidency, said that Bush's preemptive doctrine amounted to "a call for 21st century American imperialism that no other nation can or should accept."[26]

What Bush has proposed and since put into practice in Iraq is more than preemption; it is prevention. The distinction marks the difference between a legal and an illegal act of war. A preemptive war, allowed by international law under specified circumstances, is a war against a threat that is unquestionably imminent—the proverbial "troops massing at the border." They have not yet fired their first bullet, but it is obvious that they are about to do so. The United States has always reserved the right to defend itself militarily against such a threat. What has since been dubbed the "Bush Doctrine" of preemption marks a massive departure from the accepted definition of preemption in two ways.

First, there is a difference between maintaining the right to engage the military and stating that it is the national security policy of the United States to act preemptively against possible threats. The latter indicates a significantly lowered threshold for the use of the military, as opposed to other modes of defense, such as diplomacy. Second, what the National Security Strategy describes and what Bush put into practice in Iraq is not preemption. It is a preventive war. Prevention is a response to a *possible* or *potential* threat that could emerge at some point in the future from somewhere. Again, the threshold is lowered even further and the requirement for objective evidence of an imminent attack (e.g., troop movements) is altogether discarded. International law does not authorize preventive war because virtually any state can argue that someone somewhere is possibly thinking of doing it harm.

Six months before the invasion of Iraq, President Bush laid out his case for war in the National Security Strategy, although he named the country only once. He first argued that the newest threat faced by the United States is from terrorists and rogue states that brutalize their own people, display no regard for international law, threaten their neighbors, callously violate international treaties, are determined to acquire weapons of mass destruction, sponsor terrorism around the globe, reject basic human values, and hate the United States and everything for which it stands. He then explained:

> At the time of the Gulf War, we acquired irrefutable proof that Iraq's designs were not limited to the chemical weapons it had used against Iran and its own people, but also extended to the acquisition of nuclear weapons and biological agenda. In the past decade North Korea has become the world's principal purveyor of ballistic missiles and has tested increasingly capable missiles while developing its own WMD arsenal. These states' pursuit of, and global trade in, such weapons has become a looming threat to all nations. We must be prepared to stop rogue states and their terrorist clients before they are able to threaten or use weapons of mass destruction against the US and our allies and friends.

The rest of the military agenda is now well known. It includes North Korea and Iran as looming threats, the need for an advanced missile defense program, and a focus on increasing American nuclear power and weaponry. What is new about the National Security Strategy is the position it accords to corporate globalization policy as a weapon of war.

Trading in Freedom

Marie von Clausewitz released *Votn Kriege (On War)* in 1832, the year following the death of her husband, the book's author. Born in Prussia in 1780, Major General Carl von Clausewitz joined the Prussian army at the age of twelve and spent his entire life in military service. The last sixteen years of his life were spent writing his magnum opus, *On War.* In the last one hundred and fifty years, one would be hard-pressed to find a text of military theory more highly read, quoted, and used as the basis of national military strategy.

In a 2002 article in *Foreign Affairs,* Defense Secretary Rumsfeld quotes Clausewitz to explain how the Bush administration places economic policy on par with military operations as tools of war: "Wars in the twenty-first century will increasingly require all elements of national power: economic, diplomatic, financial, law enforcement, intelligence, and both overt and covert military operations. Clausewitz said, 'War is the continuation of politics by other means.' In this century, more of those means may not be military." With this quote, Rumsfeld defines a central tenant of the Bush Agenda: Economics is a weapon of war. With Clausewitz as a guide, economics should be considered a very serious weapon indeed.

Much of what is frequently referred to as the "Powell Doctrine" is more accurately attributed to Clausewitz, particularly the idea that war should be fought using force that is overwhelming and disproportionate to that used by the enemy. Clausewitz called it "utmost use of force" in war. If you are going to fight, then fight big and always fight to win: "For in such dangerous things as War, the errors which proceed from a spirit of benevolence are the worst.. . . War is an act of violence to compel the enemy to fulfill our will... all depends on our overthrowing the enemy, disarming him, and on that alone."[27]

Thus, if the Bush administration is going to fight wars with economics and finance as its weapons, it must fight to overthrow the enemy's existing order and replace it with its own models of free trade, free markets, and free enterprise.

The uniting of corporate globalization policy and military warfare is crystallized in the 2002 National Security Strategy. Unlike the earlier documents in which economic policy is mentioned mainly as an afterthought to military strategy, President Bush devotes a full one-third of his national security agenda to defining his global economic strategy. In fact, freedom itself is defined in economic—that is, free trade— terms: "If you can make something that others value, you should be able to sell it to them. This is real freedom." According to the president, the United States is now working to build a world that "trades in freedom." Apparently, the price for freedom is adoption of a corporate globalization economic model.

Under the heading, "Ignite a New Era of Global Economic Growth Through Free Markets and Free Trade," the National Security Strategy provides a list of policies that the administration will advance with other countries to loosen government regulations on corporations. They include: legal and regulatory policies; policies that encourage business investment, innovation, and entrepreneurial activity; tax policies—"particularly lower marginal tax rates that improve incentives for work and investment"; "sound fiscal policies to support business activity"; and, of course, free trade.

Specific proposals are saved for the president's free trade agenda. A comprehensive corporate globalization agenda, in which policies that free American corporations abroad are used as tools for advancing the administration's national security interests, clearly emerges as a central component of Bush's National Security Strategy. The president calls for completion of the WTO negotiations, which began in Doha, Qatar, in November 2001, completion of regional trade initiatives such as the Free Trade Area of the Americas, completion of a list of specific bilateral trade agreements, and renewal of Fast Track.

There is a special focus on "enhanced energy security ... by working with our allies, trading partners, and energy producers to expand the sources and types of global energy supplied, especially in the Western Hemisphere, Africa, Central Asia, and the Caspian region." Conspicuously absent from this list, and from President Bush's entire National Security Strategy document, is the focus on access to Middle Eastern oil that is so prominent in the first two Bush Agenda documents. This absence is explained by the president's use of the NSS to advance a move toward war against Iraq just six months in the future. Like his father, George W. Bush appears to have realized that the American public is not swayed by arguments for wars fought for oil. However, wars fought in the name of overthrowing dictators and terrorists wielding weapons of mass destruction, particularly those said to be pointing at the United States or its close allies, are more palatable.

The National Security Strategy's focus on corporate globalization policy is not to the exclusion of issues such as health care, hunger, education, HIV and AIDS, worker protections, and the environment (particularly climate change). To the contrary, all are mentioned, and free trade is offered as the best tool to address each vital issue. As President Bush regularly argues and which the National Security Strategy repeats several times, "Free trade and free markets have proven their ability to lift whole societies out of poverty." Particular attention is paid to promoting the connection between trade and development policy in order to "strengthen property rights, competition, the rule of law, investment, the spread of knowledge, open societies, the efficient allocation of resources, and regional integration—all leading to growth, opportunity, and confidence in developing countries."

The National Security Strategy criticizes existing international development policy, particularly that of the World Bank, for not advocating strenuously enough for free trade policies. It then points to the 2002 UN International Conference on Financing for Development held in Monterrey, Mexico, where Bush introduced the Millennium Challenge Account (MCA). The Monterrey conference was unique in that criticism of corporate globalization seemed to come from everywhere. For example, Joseph Kahn, the principal trade reporter at the *New York Times* wrote, "Rather than an unstoppable force for development, globalization 'now seems more like an economic temptress, promising riches but often not delivering."[28]

President Bush joined in the criticism at Monterrey, and his conclusion was that the World Bank and IMF were too weak in their application of free trade policy and that they coddled "corrupt regimes." President Bush announced that the United States would demonstrate a new way of providing aid. In addition to its continued financial support of the World Bank and IMF, the United States would begin to disperse development aid through the MCA under the authority of the State and Treasury Departments. The MCA, the president explained, would "tie greater aid to political and legal and economic reforms." The reforms offered were the very same free trade policies described earlier.

The president returns to the MCA in his National Security Strategy. After recommending that the World Bank provide grants of aid rather than loans (an excellent suggestion), the NSS reiterates the president's bottom line: "Trade and investment are the real engines of economic growth. Even if government aid increases, most money for development must come from trade, domestic capital, and foreign investment." The United States will therefore give aid to those governments that adhere to its political and economic policies (i.e., non-corrupt regimes) particularly policies that support free trade.

Just three years after the 2002 National Security Strategy was written, President Bush appointed Deputy Defense Secretary Paul Wol-fowitz to head the World Bank and Undersecretary of State for Arms Control and International Security John Bolton as U.S. Ambassador to the United Nations. In addition, he made U.S. Trade Representative Robert Zoellick undersecretary of state. Wolfowitz and Bolton now apply military strategy directly to international development aid and to the economic, social, and political decisions of the United Nations, while Zoellick more readily applies corporate globalization policy to the State Department's activities. The Bush Agenda's military-economic hybrid is in full force.

The three documents discussed here reveal the Bush Agenda as the culmination of a radical conservative agenda for a *Pax Americana,* which its proponents have been waiting to implement, some for well over a decade and others for more than thirty years. If Empires have one thing in common, it is their inevitable collapse. With the *Pax Romana* as a model, we in America can expect an increasingly undemocratic, brutal, and self-destructive government to take hold of our nation prior to its fall. George W. Bush has made a new mark on the *Pax Americana* legacy by adding corporate globalization policy to its arsenal arguing that "free trade" will bring increased "freedom." Over the past fifty years, the record of such policies has in fact been the opposite: increased inequality, economic instability, and even violence.

Chapter 4
The Corporations

BECHTEL, CHEVRON, HALLIBURTON, AND LOCKHEED MARTIN

> As the CEO of Halliburton Energy Services, the board of directors doesn't sit me down and say "John, make this a better planet." They want us to make and create wealth for our shareholders and employees. So the only way we can adopt a sustainability agenda is it must create sustainable wealth for all our shareholders.
>
> —John Gibson, Halliburton president and CEO, February 2004

Corporate globalization continues as a model, despite the devastation it is known to cause, for one very simple reason: It works—only not in the way that its advocates promise. It has successfully restricted the ability of governments and communities all over the world to regulate the activities of multinational corporations. As a result, these companies have been freed to scour the globe in search of the cheapest locations to produce, the most abundant natural resources, and the most business-friendly governments. Under the theory of "what is good for corporations is good for everyone," laws the world over, including in the United States, have been rewritten specifically to benefit corporate growth and profit. The result is an unprecedented shift in global economic power from countries to corporations and a concurrent concentration of wealth in the hands of an ever-shrinking group of the ultra-wealthy and powerful.

In many ways, corporations have supplanted governments as the dominant economic force in the world. In 2002, corporations represented fifty-two of the hundred largest economies in the world.[2] The sales of the largest 200 corporations are growing faster than overall global economic activity. The largest corporations (by revenue) are heavily concentrated in the United States. According to *Forbes* magazine, in 2005, 75 of the 200 largest corporations were U.S.-based— more than the next three nations combined: Japan (28), France (21), and Germany (20). Therefore, if corporate globalization worked not only to make corporations rich but also to make *everyone* better off, as its advocates promise, we would expect its benefits to be most evident in the United States. The theory is that wealth generated by these companies should trickle down the American economic ladder, lift the poor out of poverty, and spread wealth across the nation. The reality is that the wealth being generated by the companies is locked firmly at the top. The rich are getting richer and the poor are not only getting poorer but are also increasing in number. In fact, since 1983, the only segment of the U.S. population that has experienced large wealth gains is the richest 20 percent.[3]

Just compare CEO pay to that of the average worker. Twenty years ago, U.S. corporate CEOs earned on average forty-two times more than production workers. Today, they earn a whopping *431 times more*.[4] Put another way, if the average production worker's pay had kept pace with that of CEOs, he or she would be taking home more than $110,000 a year instead of less than $28,000. Likewise, the average minimum wage earner would be taking home over $23 an hour instead of $5.15. Imagine what one could do with an extra $18 an hour— perhaps afford a better place to live, child care during work hours, or health insurance for the entire family.

Instead, in 2004, while seventy-six more Americans became billionaires, poverty increased (both the number of poor people and their percentage of the total population), real median earnings of full-time workers fell, median household income fell, fewer people had health insurance, and more people were living in poverty even though they had jobs.[5] How do low pay and no health insurance translate in real-life terms? The 2005 UN Human Development Report found that the infant mortality rate in the United States is comparable to that in Malaysia—a country with a quarter the income. The UN report also found that infant death rates are higher for black children in Washington, DC, than for children in Kerala, India.

Inequality as a result of corporate globalization policy is not restricted to the United States; it is a growing global phenomenon. Professor Robert Wade of the London School of Economics, the most respected economist following this trend, reported in the *Economist* magazine, "Global inequality is worsening rapidly. ... Technological change and financial liberalization result in a disproportionately fast increase in the number of households at the extreme rich end, without shrinking the distribution at the poor end... .The richest 10 percent pulled away from the median, while the poorest 10 percent fell away from the median, falling absolutely and by a large amount."[6] Corporate globalization persists as a model, therefore, because it works for a specific group of people.

Of course, when it comes to the distribution of benefits between corporations and governments, or between CEOs and the rest of us, it can be very difficult to determine where one group ends and the other begins with the Bush administration. The president, vice president, and the secretaries of the U.S. Defense, Energy, Treasury, and Commerce Departments are all former corporate CEOs. The secretaries of the U.S. State, Labor, Housing and Urban Development, and Transportation Departments are all former corporate executives or directors.

The oil sector is prominently represented in both the Bush Agenda and the Bush administration. It is worth repeating that, for the first time in American history, the president, vice president, and secretary of state are all former energy company officials, and the only other U.S. president to come from the oil or energy business was George W. Bush's father. More specifically, both the president and vice president are former chief executives of Texas-based oil services companies with deep financial and political ties to the Middle East. Furthermore, both the president and secretary of state have more experience as oil executives than they do as public servants. Prior to his 2000 presidential election, George W. Bush had spent eleven years in the oil business and just six in government service. Similarly, before she became Bush's national security adviser, Condoleezza Rice had spent ten years on the board of directors of Chevron, but less than three working for the government. Of these three people, only Vice President Cheney can claim more experience in the government than as an oil company executive, with some thirty years as a federal employee versus five years as CEO and president of the world's largest oil services company, Halliburton. The defense industry is also well represented in the Bush administration—particularly Lockheed Martin, which boasts no fewer then • sixteen current and past executives and directors (including the vice president's wife) who have served in George W. Bush's administration. The construction industry also has a strong presence, most notably the Bechtel Corporation, with key Bechtel executives—including company CEO Riley Bechtel—situated in influential positions in the administration.

Chevron, Halliburton, Lockheed Martin, and Bechtel represent three key pillars of the Bush Agenda: oil, war, and building the infrastructure of corporate globalization. As detailed in the next chapters, not only have their past and present executives directly shaped the Bush Agenda, but the companies continue to profit from its implementation today. '

For example, while Cheney was secretary of defense for George H.W. Bush, his Defense Department paid the Halliburton Corporation $9 million to study whether the military's logistics services should be privatized. After Halliburton determined that the services should be privatized, it was awarded the first privatization contract. Three years later, Cheney became CEO of Halliburton. From this position, he advocated for war against Iraq while his company simultaneously conducted at least $73 million of work for Hussein. As vice president, he has ushered the country into war against Iraq, while Halliburton has received U.S. government contracts in Iraq worth nearly $ 11 billion to perform services privatized under Cheney's watch. Halliburton's stocks have tripled since the Iraq invasion. Cheney is a stockholder of both Halliburton and Lockheed Martin shares.

Bruce Jackson, an executive at Lockheed Martin from 1992 to 2002, is described as "the nexus between the defense industry and the neoconservatives. He translates us to them, and them to us."[7] In 2000, while still at Lockheed Martin, Jackson authored the Republican Party foreign policy platform. In 2002, Jackson cofounded the Committee for the Liberation of Iraq which lobbied for the overthrow of Saddam Hussein—a policy that was ultimately followed by President George W. Bush. Lockheed Martin's stocks, like Halliburton's, have tripled since the invasion. The company has also seen an $11 billion increase in sales and contracts worth more than $5.6 million to perform work for the U.S. Air Force in Iraq.[8] Today, Jackson is a director of the Project for the New American Century.

George Shultz served as the president and director of the Bechtel Company from 1974 to 1982. After leaving Bechtel, he became President Ronald Reagan's secretary of state. At the State Department, he worked forcefully to increase economic ties between the United States and Iraq in general and specifically on behalf of an oil pipeline from Iraq to Jordan that Bechtel would build. After leaving the State Department, Shultz aggressively advocated for war against Iraq as the chairman of Jackson's Committee for the Liberation of Iraq. Today Shultz is back at Bechtel as *a* director, where he is enjoying the company's nearly $3 billion in Iraq reconstruction contracts. Shultz is also a former member of the board of the Chevron Corporation, and he played a large role in securing a seat on this board for Condoleezza Rice.

Condoleezza Rice was once George H.W. Bush's National Security Council director of Soviet and East European affairs, where she helped draft corporate globalization policy for the newly liberated Soviet Union. Next, she sat on the board of directors of Chevron, where she was the principal expert on Kazakhstan during a period in which the company moved aggressively into the Caspian region, thanks in large part to economic policies she helped to write. She also chaired Chevron's Committee on Public Policy when Chevron was one of the only U.S. oil companies with a contract to sell Iraqi oil under the United Nation's oil-for-food program with Hussein. Today, she is the secretary of state, as Chevron moves into position to take advantage of new radically opened Caspian, Afghani, and Iraqi oil sectors. Already, 2004 and 2005 marked the most profitable years in Chevron's 126-year history.

Oil is a common thread linking all four companies. Each owes its roots and a good deal (in some cases, all) of its longevity and fortunes to oil—from their mutual beginnings in the California oil boom, which was made possible by high tariffs on, imported oil, to their more recent histories in Iraq. Each company traces its corporate history approximately one hundred years back to a pioneering founding father who discovered his calling at the dawn of the twentieth century in California. Each company has grown, thrived, and survived using a similar formula: a knack for mergers, acquisitions, and consolidations; a revolving door with the U.S. government, allowing the companies to both write and be rewarded by U.S. legislation; a mastery of international trade; an apparent tendency to ignore laws that do not serve the companies' interests; and a willingness, in the words of Dick Cheney, to "go where the oil is" regardless of the political, social, economic, or environmental impacts of the pursuit.

These histories reveal a pattern of destructive, even deadly, corporate behavior that strongly contradicts the claim that increased corporate globalization, particularly less government regulation of corporate activity, is in the public interest. In the previous chapter I posited the question, "What happens when foreign investment does come to a country?" The answer provided in this chapter is that without strong government regulation, and even in spite of it, the results can be disastrous.

IN THE BEGINNING, THERE WAS OIL

> . . . that he may bring out of the earth oil to make a cheerful countenance.
>
> —*Psalm 104:15*[9]

For thousands of years, oil has literally oozed out of the rocks of North America and of the Middle East: thus the name, petroleum—"rock oil." The many varied uses of petroleum are well documented in the Bible, *Stories from the Thousand and One Arabian Nights,* Native American histories, and from the inscriptions of the earliest civilizations. Industrial, medicinal, and household uses for petroleum—everything from paving roads, construction, illumination, and weapons of war to beautifying the skin—were discovered centuries ago, Native American tribes in California, such as the Yokuts, Chumash, Achomawi, and Maidu, used oil to glue and waterproof arrows, hatchets, knives, canoes, and baskets. They even used oil to create dice for gambling. As described by Edwin Black in his tome, *Banking on Baghdad: Inside Iraq's 7,000-Year History of War, Profit, and Conflict,* Babylon's ziggurats and its towers of Babel were built of bricks coated in oil. Sargon -the Great and Moses the Prince are said to have been sent floating down the river as infants in cradles sealed with oil.

Just as history credits Columbus for "discovering" America, histories of oil in both North America and the Middle East give white men the credit for discovering the substance whenever and wherever they successfully laid down a pipe to pump it out of the ground. While Daniel Yergin's book, *The Prize,* provides the best and most important history of oil, it is nonetheless typical of this tendency: "Oil had, at last, been struck in Persia," when the British pumped it out of the ground on May 26, 1908. The time was 4:00 a.m., and the place was the Masjid-i-Suleiman No. 1 well, in present-day Iran. What the British and the European Americans can rightly be credited for is discovering methods for turning oil into a substance that could be extracted out of the ground in large enough quantities to service external markets—in other words, international trade.

Just as the British were successfully drilling for oil in Persia, California was in the midst of its great oil boom.

THE CALIFORNIA OIL BOOM

> The "forest" that you see are oil derricks, all drilled in the 1920s.
>
> —*Caption on photograph of Signal Hill, Long Beach, California, 1930*

Fortunately for people with an interest in tracing U.S. corporate histories, those companies that have been around for a century or more have a tendency to produce big glossy coffee table books and sophisticated websites complete with videos, interactive timelines, and old photographs that depict the trials and tribulations of their exciting creation stories. Each narrative combines equal parts truth, drama, and tall tale. The opening paragraph of Chevron's corporate history is a good example:

> Petroleum pioneers Demetrius Scofield arid Frederick Taylor of the California Star Oil Works, a Chevron predecessor, took aim at Pico Canyon, a remote portion of the rugged Santa Susana Mountains. In September 1876, driller Alex Mentry succeeded in striking oil in Pico . No. 4, despite rattlesnakes, wasps, mud and underbrush. The first successful oil well in California, Pico No. 4 launched California as an oil-producing state and demonstrated the spirit of innovation, ingenuity, optimism and risk-taking that has marked the company ever since.

The truth is that the first productive oil well in California was drilled in 1865, eleven years prior to Scofield and Taylor's discovery, and the company that found it was Union Matolle Company in California's Central Valley, not California Star Oil Works. In addition, Demetrius Scofield, in his three piece suits, starched white collars, and delicately groomed mustache, appears to have had more in common with President Bush's campaign finance "pioneers" (those who raised $100,000 and more for his 2000 campaign) than with pioneers of America's frontier age.

However, Scofield and Taylor did play a lead role in bringing the oil boom to California, and subsequently California's oil boom to the world, and in laving the groundwork for the other corporate founding fathers to emerge in California over the course of the next forty years. Before their company became Chevron, the California Star Oil Works was acquired by the Standard Oil Trust, which created Standard Oil of California, a company that remained one of the world's most important oil corporations for nearly a century.

Scofield and Taylor's discovery is officially considered part of a California "boomlet" that quickly fizzled at the end of the 1860s. It was followed by the California oil boom thirty years later. Neither oil boom would have taken place if California's early settlers had not learned from the Native tribes that the gooey substance seeping out of the ground made good sealant for wagon wheels. According to legend, ' Edward L. Doheny, an unsuccessful gold and silver prospector, and Charles A. Canfield, his .mining partner, were in the downtown area of Los Angeles in 1892 when Doheny saw a cart with its wheels coated in tar. When he asked the owner of the cart where the substance came from, the man pointed to the northeast. Doheny and Canfield followed his finger and "discovered" the Los Angeles Oil Field near present day Dodger Stadium by "dipping the sharpened end of a eucalyptus tree" into the ground.[10] Theirs was the first well to strike oil in Southern California. The boom was on.

California's oil production grew rapidly and in staggering amounts—from less than half a million barrels per year in 1893 to twenty-four million in 1903. For the next twelve years, California led U.S. oil production to such a degree that in 1910, the state's oil output was larger than any foreign nation and accounted for 22 percent of total world production.[11]

In the 1920s, three new major oil fields also began producing. The largest was Signal Hill, whose development in 1921 involved unearthing the Sunnyside Cemetery on Willow Street. Relatives were "reimbursed" with royalty checks for oil drawn from the land that once held their deceased family members.

The success of California's oil boom is due in large part to the protection from foreign competition that the young industry received from the federal government. Like so many other business sectors in the United States and around the world, the oil industry's early development was made possible by tariffs. During the early years of the oil boom, there was widespread fear that the government would eliminate the tariffs placed on imported oil—allowing less expensive foreign oil to flow in and wipe out the newly budding domestic industry. Therefore, oil company executives came together and successfully lobbied the government not only to maintain the tariffs but to double their value. Protected from outside competition and able to develop, experiment, and grow, the oil industry blossomed. One could easily argue that none of the four companies profiled in this book would exist today without such industrial tariffs. These are the very same types of tariffs that the advocates of the Bush Agenda wish to eliminate all around the world today.

One by one, the corporate founding fathers staked their claims in California. In 1904, Warren Bechtel was drawn to San Francisco from Peabody, Kansas, to begin work in construction. In 1912, brothers Allan and Malcolm Loughhead used the wealth that they and their benefactors generated in the oil boom to found the Alco Hydro Aeroplane Company in Santa Barbara. The same year, the Loughhead brothers' future partner, Glenn Martin, got his airplane company off the ground in Los Angeles. Both companies benefited significantly from the oil industry's adoption of aerial surveillance and, of course, the abundance of fuel. In 1918, Erie Halliburton made his way from Memphis, Tennessee, to Los Angeles to work in the oil services industry.

CHEVRON CORPORATION

Chevron is the second largest oil company in the United States (after ExxonMobil), the sixth largest company in the country, the fifteenth largest in the world, and the fifty-second largest economy on the planet. In 2001, Chevron merged with longtime partner Texaco, and for four years went by the combined name "ChevronTexaco." When it purchased Texaco, Chevron also acquired the history of Texaco's founding father, "Buckskin Joe" Cullinan.

Buckskin Joe, the "rough-hewn forceful leader" of the Texas Fuel Company, stands in sharp contrast to Chevron's Scofield. As described by Daniel Yergin, Buckskin earned his name because "his aggressive, abrasive personality and his drive to get a job done reminded those who worked for him of the rough leather used for oil field gloves and shoes."

When Beaumont, Texas, became the home of the Texas oil boom on January 10, 1901, Buckskin Joe soon followed. The same year, he founded the Texas Fuel Company. In 1959, the company adopted the name Texaco. Four years after its 2001 merger with Chevron, Texaco's name was dropped from the corporate title, which reverted back to "Chevron" in May 2005.

An entire book could be devoted to the century-long series of mergers and acquisitions that led to the present day behemoth known as Chevron. However the most important transition may be the one most skimmed over in Chevron's own corporate history: the break-up of John D. Rockefeller's Standard Oil Trust in 1911.

If one person can be given credit for taking down one of the most powerful corporations in history, it is Ida Tarbell. In 2002, the U.S. Postal Service issued a stamp commemorating Tarbell exactly one hundred years after she published the first of her nineteen-part series, *History of the Standard Oil Company.* The stamp features a black-and-white photograph *of* Tarbell looking straight at the camera, in white blouse, bow tie, and a smart round hat atop her black hair. Tarbell is one of the most important journalists of the twentieth century, and certainly one of the century's most famous women. Her blistering two-year-long expose revealed the destructive and illegal practices of both John D. Rockefeller and his Standard Oil Company and helped to bring about the monopoly's ultimate downfall.

Tarbell's series ran in *McClure* magazine from 1902 to 1904. As she explains in the preface to the collected edition, she wrote the series "in order that *[McClure* s] readers might have a clear and succinct notion of the process by which a particular industry passes from the control of the many to that of the few." Standard Oil was chosen "for obvious reasons. ... It is the most perfectly developed trust in existence; that is, it satisfies most nearly the trust ideal of entire control of the commodity in which it deals." Tarbell brought the full weight of public knowledge to bear on the monopoly practices that Standard used to take over and control the U.S. oil industry. She saved some of her harshest criticism for Mr. Rockefeller himself: "Now, it takes time to secure and to keep that which the public has decided is not for the general good that you have. It takes time and caution to perfect anything which must be concealed. It takes time to crush men who are pursuing legitimate trade. But one of Mr. Rockefeller's most impressive characteristics is patience."

The public was not only convinced by Tarbell's words, it was moved to action. Demands that the government reign in Standard's power and break up the monopoly spread quickly across the country. An onslaught of suits and cases were brought against the company, including a 1906 federal suit brought by the Roosevelt administration charging Standard under the Sherman Antitrust Act of 1890. In 1909, the federal court ruled in favor of the government and ordered the dissolution of Standard Oil, and in May 1911, the U.S. Supreme Court upheld the ruling. Standard Oil was dissolved into some thirty-five smaller companies, dubbed "Baby Standards," including Standard Oil of California (SoCal).

While Chevron's history begins in California, it certainly does not end there. As the hunt for oil spread first beyond California's border and then America's, Chevron went with it. The quest has taken Chevron to virtually every corner of the globe, where it has worked with some of the world's most notorious and brutal governments and dictators, including Saddam Hussein. In fact, Chevron has maintained one of the longest and most profitable U.S. corporate histories with Iraq—a relationship that has grown significantly stronger since the 2003 invasion (as discussed in later chapters).

Chevron's vice president and general council, Charles James, served in the Departments of Justice of both George W. and George H.W. Bush. However, Chevron has the far more important honor of being the only oil company in the world that can count the former U.S. national security adviser and current secretary of state as a former director: Condoleezza Rice served on Chevron's board from 1991 to 2001. It is well known that Rice was so important to Chevron that it named an oil tanker in her honor. Less well publicized is that she served as head of the Committee on Public Policy and that her tenure coincides with a time when Chevron made disastrous policy decisions for which it is still being held to account. Chevron's activities in Nigeria provide a crucial example of these policy choices.

Bowoto v. ChevronTexaco

Nigeria is Africa's largest oil producer and the world's sixth largest exporter of oil. Like Iraq, Nigeria receives more than 95 percent of all government income from the sale of oil. And as in Iraq, foreign governments and oil companies have spent decades designing military, economic, and political policies to control that oil. Chevron has operated in Nigeria since the 1960s and today extracts some half a million barrels of oil per day.

Oil extraction is considered one of the most environmentally harmful industries in the world, and neither Nigeria nor Chevron offers an exception. For example, Chevron's operations include gas flaring from facilities located alongside populated villages. *Gas flaring* refers to burning flames of gas that shoot hundreds of feet into the sky from oil facilities, releasing a fiery cocktail of toxic substances into the air. Such flaring is virtually banned in the United States, but in Nigeria, the flares light the sky day and night, causing massive air pollution and severe illness.

Chevron has been accused of frequent oil spills from its operations and of using dredging techniques, which have salinized the fresh water supply, destroyed riverbeds and the natural ecosystem, and caused erosion such that several villages are on the verge of collapsing into the ocean. In other areas, silt causes the water level to drop too low for boats to travel or fish to survive, leaving many Nigerians without fresh water supplies or a means to support themselves.[12]

The demands of communities across Nigeria have been small in comparison to the damage done. Generally, they ask Chevron to clean up its mess, stop gas flaring, and to provide water wells, jobs, and electricity in the communities in which the company operates. Rarely are these demands met, and protests are thus as common in Nigeria as the gas flares.

In 1999, a case was brought against Chevron for the 1998 deaths of protestors at one of the company's Nigerian facilities and for the 1999 destruction of two Nigerian villages by soldiers in Chevron helicopters and boats. The charges were brought by Nigerian plaintiffs under the U.S. Alien Tort Claims Act, which permits suits in U.S. courts against individuals or corporations that commit international human rights violations anywhere in the world, if that person or corporation resides in or visits the United States. The case is set to go to trial in October 2006.

According to the plaintiffs' attorneys, a group of Nigerians went to Chevron's offshore Parabe Platform to demand that company officials meet with community elders on shore.[13] They demanded that Chevron clean up its operations and support the communities in which it operates by offering local people jobs and providing assistance with vital public services such as water, electricity, and schools. The local people claim not to have carried weapons, whereas

Chevron's security officers were armed. After three days, when negotiations seemed to be progressing, the protestors agreed to leave the platform the next morning and informed Chevron of their intentions. In the early morning of May 28, 1998, the day the protestors planned to leave, Chevron-leased helicopters carrying soldiers and Chevron representatives approached the platform. The soldiers opened fire on the protestors before the helicopters landed. Two protestors were killed and others wounded, one of whom was shot and then bayoneted. According to plaintiffs, the leader of the protest was taken away by the soldiers and later tortured when he refused to sign a confession stating that he was "a pirate." Chevron representatives in Nigeria later admitted to reporters that Chevron's helicopters were used and that the company's head of security was on board during the attacks.[14]

Seven months later, on January 4, 1999, in apparent retaliation for the Parabe incident, plaintiffs claim that Chevron-leased helicopters carrying Chevron representatives flew over the fishing villages of Opia and Ikenyan and opened fire.[15] The helicopters were followed by Chevron-leased boats filled with soldiers who attacked the villages. The assaults left at least seven people dead and both villages almost completely burned to the ground. Many people were injured, and some remain missing to this day. Virtually everyone from these villages lost a home, boat, or other possessions in the fires.

Although Chevron does not deny that the killings and destruction took place, the company argues that its Nigerian subsidiary, not the parent company, is to blame and that the Nigerians were not peaceful, but were "kidnappers and extortionists who held 175 people hostage for three days while [Chevron Nigeria] vainly tried to negotiate with them." Chevron says the attacks on the villages were "in response to a violent insurrection" in 'which Chevron "was literally caught in the crossfire."[16]

Chevron has tried several arguments (all of which have failed) to have the case heard only in Nigeria. The most disturbing argument, in my mind, is the company's claim that the Nigerians cannot sue because the shooting of unarmed protestors who are trespassing does not violate international law. Rather, the company argues, such actions are only illegal under domestic Nigerian law and therefore should be argued in Nigerian courts against Chevron's Nigerian subsidiary. Fortunately, the court disagreed, finding that "torture and summary execution are two categories of conduct that unquestionably constitute a violation of most any norms of international law."[17]

In the most recent ruling, in, March 2004, a federal judge in San Francisco found that Chevron can be held liable for acts of its Nigerian subsidiary on the grounds that it aided and abetted the subsidiary in its actions and that the subsidiary acted as Chevron's agent, although the judge dismissed the claims that Chevron could be held directly liable for these acts.

In 2003, undeterred by the lawsuits, protests, documentation of gross human rights abuses and environmental destruction, the World Bank rewarded Chevron with $75 million in investment insurance and $50 million in direct financial support for a gas pipeline that the company plans to build from Nigeria to Benin, Ghana, and Togo. The completion date is sometime in 2006.

Protest at "Slave" Terminal

The photograph published by the *Associated Press* on July 17,2002, conveys an image that is nothing short of joyous: Some twenty-five women dancing, legs caught in midair, and arms lifted above their waists. They are smiling so broadly that you can see their teeth and almost hear their laughter. A blast of vibrant color jumps off African skirts, shirts, dresses, and headscarves in every conceivable hue. In stark contrast to this scene is the multimillion-dollar Chevron oil export terminal and dockyard sitting dormant directly behind them. The women are celebrating their victory after ten days of protest at the Chevron facility at Escravos terminal in the southern Delta of Nigeria. More than 650 women participated in the protest, some as old as ninety, and many carrying babies and toddlers. Together, they brought the facility, which normally exports half a million barrels of oil a day, to a complete standstill. They threatened to strip naked in a traditional gesture of shaming men if a satisfactory deal was not reached. Fortunately, it did not come to that. The women called an end to their protest when Chevron agreed, in writing, to meet their demands to hire twenty-five local villagers, build schools, and provide electricity and running water to their villages, which sit in the shadow of the terminal.

A giant gas flare greets visitors as they approach the Escravos terminal. *Escravos* means "slave" in Portuguese. The terminal earned its name in the seventeenth century as a slave collection point sitting at the southern tip of Nigeria on the Gulf of Guinea.[18] The protest at Escravos was just one of a wave of protests led by women across Nigeria in July and August of 2002 that were specifically targeted at Chevron facilities. These protests, in each instance peaceful, lasted until Chevron agreed to meet the women's demands for local jobs, clean drinking water, electricity, schools, and clinics. When their demands were met, the women left as peacefully as they arrived.

After forty-five years of operating in Nigeria, Dick Filgate, an executive at Chevron's San Ramon, California headquarters told the BBC, "We now have a different philosophy, and that is to do more with communities."[19] These are rare victories in a country where public protest against oil facilities are common, but the result is much more often violent repression and even murder, as in the Parabe Platform incident described earlier. What set these protests apart was that the participants were women.

Dennis Ojogor, an unemployed mechanical engineer, explained that the women's protest was a last-ditch effort after the men's protests had all ended in failure: "It used to be the men who did the protesting.

But the police and soldiers would use guns, chains and whips to drive us out," Ojogor said. "So now it is the women who have taken action. They cannot be touched."[20] Ojogor's sentiments were tragically premature.

A few weeks later, on August 8, 2002, over 3,000 Isekiri, Ijaw, and Urhobo women protesteB at the gates of the operational headquarters of both Chevron Nigeria Ltd. and Shell Petroleum Development Company. Chevron Nigeria is a joint venture between the state-owned Nigerian National Petroleum Company and Chevron; it is through this subsidiary that Chevron conducts all of its Nigerian operations. An Amnesty International report provides a detailed account of what took place. When the women arrived at the gates of the company headquarters, they were met by mobile police and soldiers who had emerged from inside of the corporate compound. The women sat down in front of the gates, peaceful and unarmed. According to Amnesty, with neither provocation nor warning, the security forces attacked. They threw tear gas, shot their guns in the air, and beat the women where they sat. Elisabeth Ebido, a forty-five-year-old Isekiri community leader, said she was beaten repeatedly with the back of a gun by four members of the security force leaving deep wounds on her arms and legs.

The women were brutally dispersed without being given the opportunity to speak with a single representative of either oil company or the government. In a letter to Amnesty International, Chevron Nigeria Ltd. wrote, "Chevron does not have a statement relating to the issue of a few women who came to the front of our office on 8 August. . . . We were not aware of the repression by a combined force of the mobile police and the army as you referenced."

Such stories are not limited to Chevron's activities. When the company purchased Texaco, it not only gained the legacy of "Buckskin Joe"—it also acquired Texaco's lawsuits.

Aguinda v. Chevron

Carmen Perez traveled for two days by bus from La Primavera in the Amazonian jungle of Ecuador to Quito, the nation's capital. In Quito, she boarded a plane and traveled for sixteen hours until she reached San Francisco. From there, she rode in a minivan full of American human rights and environmental activists for one hour to San Ramon, a thoroughly unremarkable California suburb dotted with strip malls, industrial parks, and track housing. Carmen probably noticed the giant Whole Foods and Borders Bookstore before she saw the small, unmarked guardhouse on the other side of Bollinger Road. When she noticed that the guardhouse sat on "ChevronTexaco Way," she would have realized that she had finally reached her destination.

Chevron's headquarters is not visible from Bollinger Road, and -there is no sign in front marking its existence. The building lies back beyond leafy trees, rolling green lawns, and a black iron fence that disappears off into the distance—giving the distinct impression that if you were to follow the fence you would end up right back where you began, in front of the small unmarked guardhouse. This is where I met Carmen. We stood on a freshly cut, watered lawn in front of the guardhouse at 7:00 a.m.

We were joined by Humberto Piaguaje, a leader of the Secoya people who had also made the long journey from Ecuador, as well as others from Burma, Mexico, and from across the Bay Area, including nearby Richmond and San Ramon, who had come to make the impacts of Chevron's activities on their community known. A few members of the local media were filming the police officers blocking the sidewalk to the distant and as yet unseen corporate headquarters. We were all gathered here for the 2005 Chevron annual shareholders meeting.

Carmen and Humberto had been specifically invited by a small group of shareholders who were offering a resolution at the meeting for an economic assessment of Chevron's activities in Ecuador. Carmen is the elected community delegate and U.S. spokesperson to the *Asemblea de Afectados por las Operaciones Petroleras de Chevron,* the Assembly of People Affected by the Petroleum Operations of Chevron. Her community is involved in a historic $6 billion lawsuit against Chevron brought in May 2003 by five indigenous groups and eighty Ecuadorian communities. The lawsuit, *Aguinda v. Chevron,* demands recompense for the destruction of their homes, health, environment, and livelihoods.[21]

Carmen is a health-care worker in a region believed to house the worst oil-related environmental disaster in the world. The amount of crude oil that has been dumped in and around her home in the Sucumbios Province is alleged to be roughly thirty times more than the amount spilled in the Exxon Valdez disaster off the coast of Alaska in 1989. Carmen is the president of the Amazon Health Foundation in an area where dozens of communities suffer from severe health crises, including shockingly high incidences of leukemia, lymphoma, cervical, stomach, larynx, liver, and bile duct cancer.[22] She is the vice president of the Parents' Association in an area where children are regularly born missing fingers, limbs, and internal organs. This is an area where an alleged 627 open toxic waste pits and antiquated waste facilities pollute rivers and streams that more than 30,000 people depend on for drinking, bathing, and fishing. She is the mother of six children, each of whom suffers from skin and throat infections from drinking and bathing in contaminated water.

Ecuador began receiving IMF loans in 1961. Although details of these loans have not been made public, it is safe to assume that Ecuador's status as an IMF loan recipient helped pave the way for Tex-aco's entrance into the country. Texaco received a concession for an area three times the size of Manhattan. From 1964 to 1992, the company built and operated oil exploration and production facilities in the northern region of the Ecuadorian Amazon. Indigenous communities were removed from their land to make way for the oil facilities, as were more than one million hectares of ancient rainforest. According to the suit, rather than install the standard environmental controls of the time for reinjecting toxic drilling waters back into the ground, Texaco dumped 18.5 billion gallons of toxic waste directly into the rainforest. The result is an exploding health crisis among the region's indigenous and farmer communities. Before Texaco came to Ecuador, Humberto's tribe, the Secoya, numbered in the thousands. Today, because of contamination, forest loss, and displacement, the tribe has dwindled to just 350 members.

When *New York Times* columnist Bob Herbert contacted Chevron in October 2005 to ask about the case, he was told by a spokesperson that "the billions of gallons of waste that was dumped 'wasn't necessarily toxic.' "[23] "We've done inspections," the spokesperson told Herbert. "We've done a deep scientific analysis, and that analysis has shown no harmful impacts from the operations. There just aren't any."

But the spokesman's contention, which is also Chevron's main defense in the case as it makes it way through Ecuadorian court, is looking more and more dubious. Chevron claims that Texaco remediated many of its former sites in the mid-1990s. However 98 percent of the water samples taken by Chevron's own scientists and presented as evidence at court from eighteen of its former well sites contained toxins at such high levels that they violate Ecuadorian laws—laws that are weaker than industry standards. For example, at "Sacha 6," a former Texaco well site reportedly remediated by the company in 1996, every one of the fourteen water samples presented by Chevron to the court was in violation of Ecuadorian law.[24] None of the claims made by the plaintiffs have been dismissed by the court and a decision in the trial is expected by early 2007.

A few weeks prior to Chevron's 2005 shareholders meeting, the *New York Times* published an article with the headline, "Big Oil's Burden of Too Much Cash." The article began, "Flush with cash, the world's giant oil companies find themselves in a paradoxical position—they are making more money than they can comfortably spend."[25] Now merged with Chevron, the company's profits had nearly doubled from $7.2 billion in 2003 to $13.3 billion in 2004. Chevron CEO David O'Reilly personally received over $10 million in total compensation for the year. Carmen had plenty of suggestions for how the company could spend that money.

Chevron's shareholders probably do not remember Carmen. Though they saw her at the meeting, they never heard about her journey or learned why she was there. Chevron CEO O'Reilly did not allow her to speak. Ten minutes before the scheduled close of the meeting, O'Reilly abruptly shut down the microphone and stopped the meeting before Carmen had a chance to begin. Denied the ability to speak to the shareholders and members of the board, Carmen spoke to us outside on Chevron's front lawn.

HALLIBURTON CORPORATION

Halliburton is the largest oil-and-gas services company in the world. It employs more than 100,000 people in over 120 countries, with over 7,000 clients. In 2002, Halliburton split into two parts: Kellogg Brown & Root (KBR), its engineering and construction arm, and Halliburton Energy Services Group, which performs virtually every conceivable service to the energy industry and provides nearly two-thirds of Halliburton's total revenue and more than 80 percent of its operating income.

Halliburton grew through mergers, acquisitions, and friends in high places, but its origins trace back to one "simple man, fiercely struggling to escape poverty, doggedly pursuing his piece of America's manifest destiny"—Erie Palmer Halliburton. Just as California reached the height of its oil boom, Erie Halliburton and his wife Vida arrived in Los Angeles. In 1918, Erie took a job driving a truck for the Perkins Oil Well Cementing Company, owned by Almond Perkins. Almond Perkins had patented a new method for oil well cementing. Erie liked the idea so much that he stole it and headed off for Texas to establish his own company, the New Method Oil Well Cementing Company. Perkins caught up with Halliburton and sued. Erie settled the suit but kept the method and made his early fortune from it. In 1924, Erie and Vida moved to Oklahoma and incorporated as the Halliburton Oil Well Cementing Company.[26]

The Texas oil boom that fueled Halliburton's rise also created the market for Brown & Root. In the early 1900s, brothers George and Herman Brown were building roads in Texas. Their financial backing came from Herman's brother-in-law, Dan Root. Dan had little involvement in the company, but his name stuck. In 1962, Halliburton purchased Brown & Root, allowing it to function as a nearly autonomous construction arm. Brown & Root became one of the nation's largest construction companies, due in large part to its exceptionally close and mutually beneficial relationship with former Texas senator and U.S. president, Lyndon Johnson. In fact, for most of its history, Brown & Root was considered the "Democrat's construction company," while Bechtel was the company of the Republicans.

While Dick Cheney, a solidly conservative Republican who was the CEO of Halliburton from 1995 to 2000, slowly changed the political bent of the company, he was not deterred from profiting quite handsomely from the Democratic administration of Bill Clinton. Cheney's success may ultimately lie in the fact that while the White House was controlled by a Democrat, the Congress, and even more important, the House Appropriations Committee, was controlled by Republicans. In addition, Cheney transformed Halliburton into a "virtual Pentagon," moving not only a sizeable amount of the federal budget but also a large number of Pentagon staff to the company. As retired Air Force Colonel Sam Gardiner once noted, Cheney "doesn't see the difference between public and private interest."[27] Cheney nearly doubled Halliburton's U.S. government contracts, from $1.2 billion in 1995 to $2.3 billion at the time of his departure. Cheney also increased the amount of U.S. taxpayer loans and loan guarantees Halliburton received from the U.S. Export-Import Bank and the Overseas Private Investment Corporation, which ballooned from $100 million in the five years before Cheney's arrival to about $1.5 billion on his watch.

Cheney brought several former Pentagon officials and friends of the Bush Family with him to Halliburton:

- **Joe Lopez,** a retired four-star admiral and former aide to Defense Secretary Cheney, came to Halliburton in 1999 and became senior vice president of government operations at KBR.
- **Dave Gribbin,** former assistant to Congressman Cheney and Cheney's Chief of Staff at the Pentagon, was Halliburton's vice president for government relations and its chief lobbyist from 1996 to 2000 when he returned to the White House with Vice President Cheney.
- **Charles Dominy,** a retired three-star general and a former commander at the U.S. Army Corps of Engineers, began working for Halliburton in 1995 and replaced Gribbin as Halliburton's chief lobbyist in 2001.
- **Lawrence Eagleburger,** former president of Kissinger Associates, George H.W. Bush's secretary of state, and a former board member of Dresser Industries, served on Halliburton's board from 1998 to 2003.
- **Ray Hunt** of Dallas-based Hunt Oil Company, who provided financial support to the presidential candidacies of both George Bushes and was appointed to George W. Bush's Foreign Intelligence Advisory Board, joined Halliburton's board in 1998 and continues to serve today.

In addition, Halliburton has benefited from the services of at least three men with important connections to the current Bush administration:

- **CJ. "Pete" Silas,** who served on George W. Bush's Transition Energy Advisory Team, joined Halliburton's board in 1993 and remained until 2005.
- **Kenneth Derr,** former Chevron CEO, joined the board in 2001 and remains today.
- **Kirk Van Tine,** is a recent addition to Halliburton's team as a registered lobbyist. He was George W. Bush's general counsel and then Deputy Secretary of the Department of Transportation and a former partner with Baker Botts Law Firm.

In 1998, Halliburton purchased Dresser Industries, adding more than just a "major provider of integrated services and project management for the oil industry" to its repertoire. This purchase also bought a key connection to the Bush family, as Kevin Phillips documents in *American Dynasty: Aristocracy, Fortune, and the Politics of Deceit in the House of Bush.* Former Senator Prescott Bush, George W. Bush's grandfather, ran the W.A. Harriman Company, which financed the reorganization of Dresser Industries in the late 1920s. Prescott Bush then represented W.A. Harriman on Dresser's board for more than twenty years, from 1930 to 1952. When 'George H.W. Bush needed a job in 1948, he went to Dresser. In 1988, Dresser Industries purchased M.W. Kellogg, a company that creates technology for petroleum refining and petrochemical processing and performs engineering and construction services.

When Cheney purchased Dresser Industries, Halliburton inherited asbestos claims ultimately involving more than 400,000 people. In January 2005, Halliburton made a $4.7 billion payment to settle these cases. To protect its assets from the asbestos litigation, Halliburton reorganized by splitting its operations into Halliburton Energy Services Group and KBR, and then placed KBR under bankruptcy protection.

President George W. Bush and Vice President Cheney's relationship with Dresser Industries and its asbestos troubles might shed some light on the president's odd decision to use his 2005 State of the Union Address to make an appeal for the embattled asbestos industry. In the opening minutes of his speech, even before he mentioned the "purple fingers" of Iraqis who had just voted in national elections, President Bush told Congress, "Justice is distorted, and our economy is held back by irresponsible class actions and frivolous asbestos claims." The U.S. government classifies asbestos as a known carcinogen. It is banned in thirty countries and few people consider it a topic that wins votes in America's heartland. It seems the president may have been stumping for an old family ally, a company from which the vice president also continues to receive anywhere from $180,000 to $1 million annually in deferred compensation.

Halliburton in Nigeria

> The problem is that the good Lord didn't see fit to always put oil and gas resources where there are democratic governments.
>
> *—Dick Cheney, Halliburton CEO, 1996*[2B]

Halliburton has 'no fewer than thirteen offices in Nigeria and actively participates in both oil and natural gas projects across the country. Chevron has regularly hired Halliburton to build its Nigerian oil facilities. For example, in April 2005, KBR agreed to build Chevron's Agbami offshore drilling facility, about 220 miles off Lagos in the Gulf of Guinea. Halliburton reports that the Agbami field is one of the ten largest discoveries of oil in the world in the past decade. The deal was signed with KBR rather than the company's Nigerian affiliate because the civilian government of President Olusegun Obasanjo had recently approved a decision by the Nigerian House of Representatives to ban Halliburton Energy Services Nigeria from bidding on all new contracts.

The ban was implemented in September 2004 after Halliburton Nigeria was found negligent for allowing two highly sensitive radioactive devices to disappear from its Nigerian operations, which led to widespread fears of a potential terrorist attack. The devices, used to take measurements in oil wells, mysteriously reemerged in Germany at a steel recycling plant in Bavaria. Halliburton refused to explain how the devices ended up in Bavaria and then would not return them to Nigeria, sending them instead to the United States.[29]

The Nigerian government also cited Halliburton's refusal to cooperate in a $180 million bribery investigation as a reason for implementing its ban on the company. In 2003, Halliburton admitted that its employees paid $2.4 million in bribes to Nigerian government officials in 2001 and 2002 to "obtain favorable tax treatment," according to the company's SEC filing.[30]

Halliburton fired several of its employees as a result. The SEC is currently conducting its own investigation of the case.

The new bribery investigation is potentially even more damning to Halliburton not only because the amount of the alleged bribe is seventy-five times larger but also because Vice President Cheney may ultimately be tried in the case. The case involves Africa's largest construction project, the $12 billion Bonny Island liquefied natural gas complex off the coast of Nigeria. Halliburton's KBR is the lead company in a consortium working on the project under the name TSKJ. KBR's TSKJ partners are Technip SA of France, Snamprogetti SpA of Italy, and Japan Gasoline Corp. of Japan. TSKJ has won all the major contracts to build the Bonny Island complex, which will be among the largest plants of its kind in the world on its completion in 2007.

The U.S. Department of Justice, the SEC, a French magistrate, and the Nigerian government are each conducting criminal investigations into Halliburton's admission that its employees "discussed bribing public officials in Nigeria in order to secure a multibillion-dollar contract there" and "may" have actually paid $180 million in bribes to Nigerian government officials from 1995 to 2002 to win an $8.1 billion contract.[31]

The Nigerian House of Representatives voted in early September 2004 to summon Halliburton CEO David Lesar to respond to allegations that his company bribed government officials. The Nigerian parliament also issued a report accusing Halliburton of playing "hide-and-seek games" with Nigerian officials rather than assisting in the case.[32] The French magistrate, Reynaud Van Ruymbeke, has signaled his desire to subpoena Vice President Cheney as a witness in his investigation into the bribery charges.[33] Ruymbeke has the authority to charge Cheney under an international convention against "the corruption of foreign public officials in commercial negotiations" adopted in 1997 by the Organization for Economic Cooperation and Development (OECD) and implemented as law in France in 2000. Both the United States and France are members of the OECD and therefore the convention applies equally to both nations. Each investigation into the scandal remains ongoing.

In addition to facing bribery charges, Halliburton, like Chevron, has been accused by Nigerians of using murder to protect its oil interests. Only one Nigerian, however, has had his accusation recounted in the American media. Oronto Douglas is Nigeria's leading environmental and human rights lawyer and the founder of Nigeria's Earth Rights International. Among his many other credentials, Douglas served as a defense lawyer for famed human rights activist Ken Saro-Wiwa. Saro-Wiwa was ultimately hanged on November 10, 1995, with eight other Nigerian activists for their leadership roles in the nonviolent struggle of the Ogoni people against Shell Oil Corporation and the Nigerian military dictatorship of Sani Abacha. The "Ogoni Nine," as they are called, were found guilty of what have since been widely proven to be false charges of murder in a "kangaroo court." Though Douglas was arrested and tortured for his activism in the 1990s, he remains publicly active in his work on behalf of the people of Nigeria.

I was fortunate enough to meet and work with Douglas on several occasions and in as many countries. Douglas is short, boisterous, and kind, and he always seems to be smiling. Douglas' face is worn and scarred, making him appear older then his thirty-nine years. His energy, however, is that of a much younger man, and his optimism is that of someone who has learned the hard way that pessimism is a luxury. In August 2000, Douglas told reporter Doug Ireland about the alleged killing of Gidikumo Sule, a young man from the Opuama village in the Niger Delta, at the hands of the Nigerian Mobile Police in July 1997. According to Douglas, Sule participated in the seizure of a Halliburton barge in protest of the company's failure to meet its own commitment to employ local youths. Douglas told Ireland that Sule was unarmed when he was killed. Douglas explained, "The Mobile Police are paid for by the oil companies, both under the military dictatorship of General Abacha we had then and the civilian dictatorship we have now [in 2000], and deploying them is always done at the oil companies' request. We call them the 'Kill and Go' squads, because they can kill and go away with no questions asked. At

Opuama, the order to open fire was given by Halliburton officials. Their lives were not threatened ..." Douglas told Ireland that he was also looking into incidents in which Halliburton officials ordered what he calls "brutal repression" of peaceful protesters near Warri and Gbaruamata leading to the "serious injury" of four people.[34]

Since speaking with Ireland, Douglas became the state information minister of the Obasanjo government—the first democratic government in Nigeria after sixteen years of corrupt and brutal dictators. Douglas has not pursued his accusations against Halliburton. For its part, Halliburton has never commented on the charges.

Halliburton in Iran

As comptroller of New York City, William Thompson is one of the most successful and noticeable advocates for a newly emerging form of activism—pension holder action. In total, U.S. state-run pension investments amount to approximately *$7 trillion.* The owners of this stock are increasingly using their influence to demand fundamental change in the behavior of U.S. corporations. William Thompson manages the largest state pension, New York City's $82 billion in pension funds—a sum greater than New York City's entire budget of $54 billion in 2005. When New York City's police and firefighters discovered that their pension funds were being used to support the government of Iran, they turned to Thompson for help.

Iran is one of the three points on President Bush's "Axis of Evil" and a country that the president has charged with supporting acts of terrorism against the United States. New York City's pensions are heavily invested in Halliburton, which, among other companies, has been working in Iran for over a decade and most likely in direct conflict with U.S. law.

U.S. companies are barred- from doing business with Iran under the 1996 Iran-Libya Sanctions Act. However there is a loophole. The law does not ban foreign subsidiaries of U.S. corporations from working with Iran, as long as the subsidiaries do not employ U.S. citizens and are not simply a front for the parent company. The U.S. Department of Justice, a federal grand jury in Texas, and the SEC have each launched formal investigations to determine if Halliburton's work in Iran is in conflict with the Act.

In 1998, while he was CEO of Halliburton, Cheney personally lobbied the Senate, seeking special relief for Halliburton from the Iran-Libya Sanctions Act. Two years later, Cheney publicly argued that American companies should be allowed "to do the same thing that most other firms around the world are able to do now, and that is to be active in Iran. We're kept out of there primarily by our own government, which has made a decision that U.S. firms should not be allowed to invest."[35] If nothing else, Cheney's opposition to sanctions was consistent. A decade earlier, while serving in the House, Cheney twice voted to oppose sanctions against the apartheid government of South Africa.

While Cheney lobbied against sanctions, a Halliburton subsidiary was actively at work in Iran. *The Middle East Economic Digest* reported in 2000 that oil "industry suppliers such as Halliburton are already openly selling to Tehran through subsidiaries." In 2004, CBS News estimated that Halliburton sold about $40 million a year worth of oil field services to the Iranian government through its subsidiary, Halliburton Products and Services, Ltd., which is registered in the Cayman Islands.

In December 2004, Thompson submitted a shareholder's resolution calling on Halliburton to review and justify its Iranian operations. Halliburton tried to keep the resolution from ever reaching its shareholders, but the SEC denied its request, drawing even more attention to Halliburton's Iranian activities—including the attention of the CBS news program *60 Minutes.*

In January 2004, *60 Minutes* correspondent Lesley Stahl traveled to the Cayman Islands to visit Halliburton Products and Services. She found a mailbox, but no office or employees. She was told that mail for the subsidiary was rerouted to Halliburton headquarters in Houston. Halliburton responded that, while registered in the Cayman Islands, the subsidiary was run out of Dubai. So, *60 Minutes* went to Dubai, where they found the subsidiary sharing an office, a phone, and a fax line with none other than Halliburton—the parent company, directly under the control of executives in Houston.

A federal grand jury in the Southern District of Texas subsequently opened a criminal investigation and issued a subpoena requesting company documents. At the same time, Halliburton announced plans to start work with two Iranian companies, the Oriental Kish and Pars Oil and Gas Company, on a natural gas project in Southern Iran. This announcement brought even more opposition from shareholders, members of Congress, the public, and the media. Finally, in January 2005, citing business conditions in Iran, Halliburton announced it would not enter into any new contracts there. The announcement did not go far enough for William Thompson, who asked for and subsequently received a commitment from Halliburton in writing. On March 23, 2005, Halliburton submitted a letter to Thompson stating, "Halliburton will take appropriate corporate action to cause its subsidiaries to not bid for any new work in Iran." However, Halliburton has not agreed to end its current work in Iran, insisting that it will maintain "existing contracts and commitments which the subsidiaries have previously undertaken" there.

THE BECHTEL GROUP

> We are not in the construction and engineering business. We are in the business of making money.
>
> —*Steve Bechtel Sr., president, Bechtel Company*[36]

Today, Bechtel is the largest engineering and construction firm in the United States and one of the largest in the world, with more than 22,000 projects in 140 nations on all seven continents. Its projects include petroleum and chemical plants, nuclear power and weapons facilities, oil pipelines, mining and metal projects, water privatization, and more.

But back in 1891, "The Bechtel Group" had a better chance of becoming a pop music sensation than a construction company. At age nineteen, Warren Bechtel left his home and his parents in Peabody, Kansas, to hit the road with his slide trombone and a "ladies dance band." The group toured dance halls across the Midwest, but apparently with little success, because Warren returned home within a year to begin looking for steadier work. It would take another fifteen years, one wife, three sons, a move to San Francisco, and the Great San Francisco Earthquake of 1906 to jolt Warren into the business that would define his family for generations to come. After the quake, Warren purchased a Model 20 Marion, a steam shovel originally developed to dig the Panama Canal, splashed W.A. BECHTEL CO. across the cab, and proclaimed himself in business.[37]

The Bechtel Group was, is, and likely always will be a private family-owned and family-run business. It has already passed from father to son through four generations of Bechtels. When Warren died in 1933, control of the company went to Steve, his middle son. Steve passed it to Steve Jr., who turned it over to Riley—which brings us to today.

The War on Terror has been very good for the Bechtel men and their company. *Forbes* magazine estimated both Steve Jr. and Riley Bechtel's personal wealth in 2005 at $2.4 billion apiece. They tied as the 109th wealthiest men in the United States and the 258th wealthiest in the world. Company revenue has grown steadily over the past three years from $11.6 billion in 2002 to $16.3 billion in 2003 and to $17.4 billion in 2004.

Bechtel's connections to the current Bush administration include:

- **Riley Bechtel,** whom President Bush appointed in 2003 to the President's Export Council, which advises the president on international trade issues;

• **Ross Connelly,** an employee of Bechtel for over two decades, who has served for more than four years as president and CEO of the U.S. government's Overseas Private Investment Corporation, which provides U.S. taxpayer assistance to U.S. corporations operating overseas;

• **Retired General Jack Sheehan,** a senior Bechtel vice president who served on the Defense Policy Board advising Donald Rums-feld; and

• **Daniel Chao,** a Bechtel vice president appointed in 2002 to the advisory committee for the U.S. government's Export-Import Bank, which provides loans, loan guarantees, and other U.S. taxpayer financing for U.S. companies operating abroad.

For more than one hundred years, Bechtel has made its home in San Francisco where, in recent decades, it has been the subject of constant public protests. These protests grew increasingly large and media grabbing as opposition to Bechtel's involvement in the Iraq War spread. In 2004, Bechtel announced that it was moving its headquarters to Bethesda, Maryland, in order to be closer to its largest client— the federal government. Almost two years later, however, while Bechtel has greatly enlarged its operations in Bethesda, its corporate headquarters remain in San Francisco.

Bechtel owes much of today's profits, as well as profits of yesterday, to its century-long connection to the Republican Party. That connection runs so deep that there is an entire book devoted to the topic, *Friends in High Places: The Bechtel Story* by Laton McCartney. Bechtel has worked hand in hand with the U.S. government to write policies that have ensured the company's growth and profits. A prime example is Bechtel's move into the nuclear industry.

Bechtel Goes Nuclear

> Nobody doubted that nuclear energy could work. The real question was, could anyone make a profit in it?
>
> —Bechtel 1898-1998: Building a Century[38]

Today, Bechtel is one of the world's largest purveyors of nuclear power, having a hand in the design or construction of forty-five nuclear power plants in twenty-two states in the United States and more than 150 plants worldwide. The company estimates that it has built 40 percent of the U.S. nuclear capacity and 50 percent of nuclear power plants in the developing world.

Bechtel played its part from the very beginning of the nuclear age. It built heavy water storage plants for the Manhattan Project, the program that developed the atomic bomb, and it helped build the "doomsday town," a full-sized model city built in the Nevada desert to test the impact of a nuclear bomb on a typical mid-sized American city. In 1949, Bechtel built the first nuclear reactor test station in Idaho Falls, Idaho.

Bechtel was most interested, however, in making nuclear power both commercial and profitable. Arguably, the world might not even have commercial nuclear power if it were not for Bechtel. One of Bechtel's first opponents in this endeavor was President Truman, who argued that nuclear energy "was.too important a development to be made the subject of profit-seeking." Bechtel responded by supporting Dwight Eisenhower's successful 1953 presidential bid and was quickly rewarded for its efforts. In 1954, President Eisenhower passed the Atomic Energy Act, allowing the Atomic Energy Commission (AEC) to issue licenses to private companies to build and operate nuclear power stations. That same year, Bechtel founded the National Power Group to invest in and support research to demonstrate the potential for commercial uses of nuclear power. The group came with a $1 million membership fee. In 1957, President Eisenhower named John McCone head of the AEC. Twenty years earlier, Bechtel and McCone had founded the Bechtel-McCone Corporation, which in 1938 brought on Ralph Parsons, forming the Bechtel-McCone-Parsons Corporation, until the three eventually split amicably during and after World War II.

During McCone's confirmation hearing, Ralph Casey of the General Accounting Office discussed the profiteering of Bechtel-McCone and other companies during the war. Casey declared, "At no time in the history of American business, whether in wartime or in peacetime, have so many men made so much money with so little risk, and all at the expense of taxpayers, not only of this generation but of generations to come."[39]

McCone would prove to be an incredible ace in the hole for Bechtel. His first action as head of the AEC was to recommend that federal subsidies be paid to utilities for the construction of prototype nuclear plants. He then appointed three executives from Standard Oil of California to study his recommendation. Not surprisingly, their study called for a "vigorous [government supported] development program." Bechtel became one of the largest beneficiaries of this program. McCone also recommended that the federal government stop buying uranium from foreign sources and instead obtain it exclusively from U.S. companies. Finally, in 1969, President Nixon reversed two decades of U.S. policy by allowing commercial businesses to produce and sell enriched uranium, including plutonium. Weapons-grade nuclear material was now in private hands and for sale.

That same year, Bechtel built India's first commercial nuclear power plant in Tarapur, sixty miles north of Bombay. Clifford Beck, the director of the Government Liaison-Regulation Office of the U.S. Atomic Energy Commission, was dispatched to India in 1972 to report on the plant. Beck found a facility beset with fundamental structural and engineering problems. He reported "substantial" leaks in fuel shipments, haphazard storage of radioactive materials, and a high amount of local contamination.[40] Although the plant was originally designed for operation by only 250 workers at a time, Beck discovered that, in the three years since the facility had been completed, more than 1,300 employees had received their maximum allowable doses of radiation and had been replaced with new employees. In the 1976 maiden issue of *Mother Jones* magazine, Paul Jacobs interviewed Beck and reported that, when Beck returned to AEG headquarters in Maryland, he told his colleagues, "Tarapur is a prime candidate for disaster."

Jacobs also reported that further studies of Tarapur revealed radioactivity along the Arabian Sea's shoreline up to forty kilometers from the plant and in the bodies of local people who ate fish. Indian physicists charged Bechtel with building a faulty facility. In 1973, nearly one year after Beck's initial report, Bechtel sent one of its own engineers to investigate the plant. The engineer uncovered fundamental problems with both design and construction. The amount of waste generated exceeded the plant's capacity for proper disposal. The network of pipes, pumps, and valves leaked so badly that the engineer described it as "a sieve." A full 3,000 to 4,000 gallons of radioactive waste leaked daily from one section of the plant alone. Up to 1,500 workers had suffered extremely high radiation doses, and during one refueling outage in May 1973, 400 people suffered severe exposure.

The problems at Tarapur raised red flags all across the United States because Bechtel had produced all of its reactors in "cookie-cutter" fashion. A design flaw in one meant a design flaw in all. According to one report, Bechtel may in fact have "botched plant construction all over the United States."[41] For example, Bechtel's San Onofre nuclear generating station, which lies about 450 miles from my home, was installed *backward* and two miles from a fault line reportedly overdue for an earthquake. In the words of Mark Massara of the local Sierra Club, San Onofre is "an unequivocal environmental and economic disaster."[42]

Back in India, the Indian government used Bechtel's Tarapur plutonium to join the nuclear weapons club, setting off its first detonation in May 1974. This detonation led the U.S. government to regulate strictly the global distribution of uranium enrichment technology. However, after President Reagan took office in 1981 and appointed Bechtel's president, George Shultz, secretary of state and Kenneth Davis, Bechtel's vice president of nuclear development, undersecretary of energy, U. S. government policy was reversed and U.S. nuclear fuel and technology were once again made available worldwide. Bechtel quickly made lucrative deals with Japan, Brazil, China, Mexico, and Argentina, which included technology for making weapons-grade plutonium. Reagan, reportedly through Shultz's coaxing, reduced the restrictions for licensing international nuclear plant construction as well.[43] Bechtel was an immediate beneficiary, receiving generous U.S. government backing to bring commercial nuclear power to the world.

Bechtel in Kentucky

In 1997, the Bechtel-Jacobs Engineering Co., a joint venture between Bechtel and Jacobs Environmental Management Company, won a $2.5 billion five-year contract to manage cleanup operations in three government-owned uranium enrichment sites, including the Paducah, Kentucky, and Oak Ridge, Tennessee, Gaseous Diffusion Plants.

Under intense criticism of its work, Bechtel-Jacobs' Paducah and Portsmouth contracts were allowed to expire on May 31, 2005, and the company was replaced. In 1999, the U.S. Department of Energy conducted an investigation into Bechtel-Jacobs' performance at the plant, which produces enriched uranium for nuclear weapons, submarines, and commercial power plants. The agency concluded that "The current radiation protection program and some elements of worker safety programs do not exhibit the required levels of discipline and formality. . . . Further, there has been little progress in reducing or mitigating site hazards or sources of environmental contamination. Weaknesses in hazard controls are evident. . . oversight has not been sufficient, and communication with stakeholders and workers has not been comprehensive and responsive to stakeholder needs."[44]

Kentucky's congressional delegation expressed its concern. U.S. Senators Jim Bunning and Mitch McConnell, along with U.S. Congressman Ed Whitfield, told a local Kentucky newspaper that Bechtel-Jacobs was spending too much money "on paperwork and too little on cleanup."[45] Local residents were also worried. Ronald Lamb, who lived two miles from the Paducah facility, said of Bechtel, "My father died of cancer, my next door neighbor died with cancers behind both eyes. Seventeen people have died of cancer in the thirty houses on the next street and they are still studying what to do?"[46]

Criticism is not limited to Bechtel-Jacobs' negligence at the Paducah facility. On March 29, 2000, former Bechtel-Jacobs employee Pamela Gillis Watson told the U.S. Senate Government Affairs Committee, "My own experiences over the past two years as an employee of the Bechtel-Jacobs Company have solidified my belief that the Department of Energy and its contractors [Bechtel-Jacobs]—past and current—have perpetrated a massive betrayal of the workers, the public, and the environment."[47] Watson was an employee at the Oak Ridge, Tennessee, Gaseous Diffusion Plant for ten years. She told the Committee that "Bechtel-Jacobs' management has gutted medical services.... I was told that Bechtel Jacobs even laid off the K-25 occupational medicine physician, who was one of the only advocates for the sick workers."

In her testimony, Watson recounted that, in 1998, she began reporting a number of health and safety violations, instances of fraud, waste, and abuse, and information security concerns about the diffusion plant to Bechtel-Jacobs management. Watson explained that at first she was ignored. When she persisted, she was told by her supervisor to "lay low" because "management was going to try to get her." After she took her complaints directly to the Department of Energy, she was told by a senior manager that he could no longer "do anything to help" her because her complaints had created a stir among senior management. In October 1999, she filed another health and safety complaint with the Department of Energy and was fired the following month. Watson says that her concerns were proved correct when the complaint was judged valid by the company and then resolved years later.

After providing her testimony, Watson disappeared from the public eye. I tried in vain to reach her, but I was able to talk with a Bechtel-Jacobs spokesperson in Oak Ridge who told me that "the matter was resolved in 2000 to the mutual satisfaction of the parties. Ms. Watson withdrew her complaint."[48] Dennis Hill, Bechtel-Jacobs' Media Relations spokesman, told me that when its contract expires the company will not only leave Oak Ridge but also will cease to exist altogether— having been created for the sole purpose of administering its Gaseous Diffusion Plant contracts.

Bechtel v. the Cochabamba Water Warriors

Cochabamba is the third largest city in Bolivia with 850,000 residents. In late 1999, the World Bank; required that Bolivia privatize Cochabamba's water in return for reduction of its debts. Bechtel—one of the top ten water privatization companies in the world—won the contract through a Bolivian subsidiary, *Aguas del Tunari.* Bechtel has interests in over two hundred water and wastewater treatment plants worldwide and has privatized systems in countries as diverse as Estonia, Ecuador, the Philippines, and Bulgaria.

Immediately after Bechtel took over the Cochabamba water system, and before any of the promised investments in infrastructure were made to improve or expand services, the company raised the price of water. The average water bill increased by 100 percent, while some families received bills that were a full 300 percent higher. Families earning the minimum wage of $60 per month suddenly faced water bills of $20 per month. As a result, many were simply forced to do without running water. Furthermore, not only did Bechtel increase prices, but the same law that privatized the water system also privatized any collected water, including rainwater collected in barrels and used for washing and irrigating plots of land and water collected via aqueducts used to irrigate farms.

In December 2000,1 flew to Cochabamba as part of a delegation of international trade and globalization specialists. My hosts were Marcela and Oscar Olivera, brother and sister members of *La Coordinadora de Defensa delAguayde la Vida,* the Coalition in Defense of Water and Life, a network of citizens and organizations that formed to demand fairness in the delivery of the city's water. They told me what happened next.

La Coordinadora first went to Bechtel and demanded a reduction in prices. Bechtel told them to talk to the government. Then they went to the government and were told to talk to the World Bank. They went to the World Bank and were told to talk to Bechtel. *La Coordinadora* held a public referendum to determine the best next steps. The majority of the people voted for the cancellation of the contract with Bechtel. When this demand was met with silence from government officials, the citizens went on a citywide strike, blocked roads, marched, and sat down in the streets. Bechtel waited while the Bolivian government defended Bechtel's right to privatize by sending armed military troops into the streets to disperse the crowds. At least one seventeen-year-old boy was shot and killed and hundreds more were injured, but the people persisted.

Marcela described how her brother was among those taken by the government from their homes, blindfolded, hands bound behind their backs, and placed onboard a helicopter. Fully expecting to be assassinated, they were relieved when the blindfolds were removed to find themselves instead in a prison camp in the jungle. I met indigenous women from rural Bolivia who had marched for miles into the city of Cochabamba to sit down in front of *Aguas Del Tunari* and the Bolivian government in protest. They sat for days and nights on end without moving. I saw a ninety-year-old woman who suffered deep flesh wounds from police beatings in response to her peaceful sit-in. These women told stories of the quiet support they received from the wealthy women living in the city who, under the cover of night, brought home-cooked meals, warm blankets, and water to help ensure the success of the protest.

On April 10, 2000, the Bolivian government canceled Bechtel's contract. Bechtel left but then immediately launched a $25 million lawsuit against the Bolivian government for profits that it claims it would have earned through the privatization of Cochabamba's water. It is suing through a foreign investment agreement much like the Multilateral Agreement on Investment, a bilateral investment treaty between Bolivia and the Netherlands. The United States does not have such a treaty with Bolivia, so Bechtel established a holding company in the Netherlands in order to enact the suit. The suit is still pending at the International Centre for the Settlement of Investment Disputes, which happens to be housed at none other than the World Bank.

The people of Cochabamba have established a new publicly run water system. The new company has had considerably greater success than both Bechtel's system and the one that predated it. While not perfect, it provides water more universally, equitably, and of a higher quality than Bechtel's effort.

LOCKHEED MARTIN CORPORATION

Following Lockheed Martin's corporate history is a little like taking a voyage through humankind's evolution from innocence to increasing self-destruction. Lockheed Martin began with a miraculous invention—one of the first airplanes in the world, designed and flown in 1909 by Glenn Martin in Santa Ana, California. Just six years later, Martin was costarring alongside silent movie legend Mary Pickford and his Model T plane in *A Girl of Yesterday.* For one year, he even merged his company with the Wright brothers to form Wright-Martin Aircraft, but returned to his own company in 1917. Martin Marietta was established in 1961 when the Glenn L. Martin Company merged with American-Marietta Corp., a supplier of building and road construction materials.

The Loughhead brothers, Allan and Malcolm, formed the Alco Hydro Aeroplane Company in 1912. One year later, they designed and flew their own wood and fabric seaplane over the San Francisco Bay. In 1926, they decided it was best to have a name customers understood, so they set up shop in Hollywood as the Lockheed Aircraft Company, using the phonetic spelling of their last name. From there, one can trace through these two companies just about every significant moment in flight history—from the Lindberghs to Amelia Earhart to the first walk on the moon. One can also trace virtually every major advance in weapons technology—from airplanes to fighter jets, ships to submarines, and ballistic to nuclear weapons.

Lockheed and Martin Marietta merged in 1995 to form Lockheed Martin, which has become the largest military contractor in the United States and the largest arms exporting company in the world. With more than 135,000 employees worldwide, Lockheed Martin produces an astonishing array of weapons, but its specialty is the fighter jet. In 2001, it was awarded the world's largest weapons contract to date, a $200 billion deal to build the Joint Strike Fighter, a "next-generation" combat jet "designed to set new standards for lethality," according to Lockheed. Lockheed describes its F/A-22 Raptor as the herald of the "era of U.S. air dominance against all ground and air-based threats." The company also makes the Patriot Advanced Capability 3 missile, which "uses hit-to-kill technology to destroy its targets, and was selected principally for the extremely high lethality the missile delivers" in the 2003 Iraq War (an earlier generation of the Patriot missile hit only one out of ten of its targets in the first Gulf War,[49] a fact rarely noted on the *CNN* newscasts watched by most Americans at the time). Lockheed designs the majority of the Terminal High Altitude Area Defense (THAAD) missile defense system, known as "Star Wars." The program has failed on virtually all of its trial runs at a cost of some $4 billion to U.S. taxpayers. Lockheed also produces a multiple warhead long-range nuclear missile called the Trident II Submarine Launched Ballistic Missile.

The War on Terror has been extremely profitable for Lockheed Martin. In the past five years, Lockheed's stocks have more than tripled in value while it's sales increased by almost $13 billion. Lockheed Martin spokesman Thomas Jurkowsky told the *New York Times* that the company's success came from the "changed geopolitical landscape" in which Lockheed Martin helped the Pentagon "meet the demands that have been placed on it by providing a broad range of advanced technologies and capabilities."[50] Lockheed's 2005 earnings were just over $37 billion, while in 2004, it earned nearly $35.5 billion. The Arms Trade Resource Center determined that almost 80 percent of Lockheed's 2004 earnings were paid for by U.S. taxpayers. In fact, if you paid your taxes last year, you effectively handed $159 of it over to Lockheed. Moreover, the Resource Center found that in 2002 Lockheed paid so few taxes that it was effectively taxed at just 7.7 percent, compared to the average American's tax rate of about 20 to 35 percent.[51]

To understand why Lockheed has had such dramatic success since 2000, it is useful to describe the company's umbilical attachment to the Bush administration. Lynne Cheney, the vice president's wife, served on Lockheed's board of directors from 1994 to 2000. Bruce Jackson, a former vice president of Lockheed, served in the administration of George H.W. Bush, drafted the 2000 Republican Party foreign policy platform, cofounded the Committee for the Liberation of Iraq, and is a current director of PNAC. Until he was elected Governor of Mississippi in 2003, Haley Barbour was a Lockheed lobbyist and the former chairman of the Republican National Committee. In addition to these three, at least thirteen of the company's current and past executives and directors have served in the administration of President George W. Bush:

- **E.G. Pete Aldridge Jr.** serves as chair of President Bush's Commission on the Implementation of the U.S. Space Exploration Vision. He served as the U.S. undersecretary of defense from May 2001 to May 2003, where he conducted major weapon system acquisitions and research. He currently sits on Lockheed Martin's board of directors.
- **Everet Beckner,** a former Lockheed Martin vice president, served as the deputy administrator for defense programs at the Department of Energy from February 2002 to April 2005.
- **James O. Ellis Jr.** retired in July 2004 as admiral and commander of U.S. Strategic Command, Offutt Air Force Base, Nebraska. He was responsible for the global command and control of U.S. strategic forces or USSTRATCOM. He currently sits on Lockheed Martin's board of directors.
- **Gordon England,** a former vice president of Lockheed Martin from 1993 to 1995, is the acting U.S. deputy defense secretary (awaiting Congressional approval) and current secretary of the navy.
- **Stephen J. Hadley** is the assistant to the president for national security affairs. From 1977 to 2001, Hadley was a partner at the law firm of Shea & Gardner, which represented Lockheed Martin.
- **Michael P. Jackson,** a former chief operating officer (COO) of Lockheed Martin, is the deputy secretary of the U.S. Department of Homeland Security.
- **Norman Mineta,** a former vice president at Lockheed Martin from 1995 to 2000, is the U.S. secretary of transportation. He helped create the Transportation Security Administration, which has awarded at least seven contracts to Lockheed Martin worth some $626 million.
- **Anthony Principi,** a former senior vice president of Lockheed Martin, was named by President Bush as chairman of the Defense Base Closure and Realignment Commission. He served as secretary of veterans affairs from 2001 to 2005.
- **Otto Reich,** former Lockheed Martin lobbyist, was secretary of state for western hemisphere affairs from 2003 to 2004.
- **James M. Loy,** a current member of Lockheed Martin's board of directors, served as the first deputy secretary of homeland security from 2003 until 2005. Prior to this position, Loy served in a variety of capacities at the Transportation Security Administration, including undersecretary for security.

- **Joseph Ralston,** a current member of Lockheed Martin's board of directors, completed a thirty-seven-year career in the U.S. Air Force in 2003, culminating with the position of commander of U.S. European Command and Supreme Allied Commander Europe, NATO. In this post, Ralston oversaw training assistance for Operation Enduring Freedom and commanded daily missions in the War on Terrorism.
- **Peter Teets** was the undersecretary of the U.S. Air Force from 2001 until 2005. Prior to his resignation, Teets served briefly as acting secretary of the air force. He began working at Martin Marietta in 1963 and served as COO of Lockheed Martin from 1997 to 1999.
- **Michael Wynne,** a former vice president of Lockheed Martin from 1994 to 1997, is undersecretary of defense for acquisition, technology, and logistics.

Many of these men have served in acquisition, design, and research roles for both the federal government and Lockheed Martin, leading directly to contracts and profits for the company.

10,000 Kentucky Workers v. Lockheed Martin

Jim and Terri Hutto made a disturbing discovery in the summer of 1999. Someone had buried three radioactive barrels in their backyard. A Department of Emergency Services worker who came to test the barrels found high levels of radioactive contamination not only on the drums but also on Jim's hands and shoes.[52] Jim and Terri live in Paducah, Kentucky, just three miles from the Paducah Gaseous Diffusion Plant. Senator Chuck Grassley has called the plant "the site of some of the worst environmental contamination anywhere in the country."[53]

Martin Marietta operated the Paducah plant for fourteen years before Lockheed Martin took over from 1984 to 1999. Workers at the plant made a discovery similar to Jim and Terri's when, one day, they noticed a tarlike substance in the tracks left by a truck near the plant. After poking around, they discovered more ooze, which led them to "a burial ground for radioactive debris just north of the plant. The waste was barely hidden under a thin layer of soil in a grassy lot."[54] Two lawsuits have been brought against Lockheed Martin for its operation of the facility. The first involves 10,000 former workers of the plant in a $10 billion case against Lockheed Martin and each of the additional companies that ran the plant during its forty-seven years in operation. The companies have been charged with "egregious health physics violations involving workers" at the facility.

The second lawsuit is against Lockheed Martin alone. The case was originally brought by the Natural Resources Defense Council (NRDC), an NRDC scientist, and three Paducah plant employees. After the case grew to $1 billion, which made it one of the nation's largest environmental whistleblower lawsuits in history, the NRDC retained an outside firm, Egan & Associates, P.C. The case was brought in 1999 under the whistleblower provisions of the False Claims Act, which allows private parties to sue on behalf of the federal government if they believe the defendant submitted false claims for federal funds. In this case, Egan & Associates argues that Lockheed obtained approximately $1 billion from the U.S. government fraudulently, because it disposed of radioactive waste illegally and violated federal regulations concerning worker health and safety.

The reports of worker exposure to radioactive material are shocking. For example, workers from the plant told the NRDC that they 'worked in "a black fog, breathing in visible clouds of uranium and plutonium contaminated dust."[55] The contaminated dust was so thick that it coated the floor, their skin, and even their teeth. Al Puckett, a retired Paducah worker, told the *Washington Post* in 1999 that workers would brush black powder or green uranium dust off their food at lunchtime: "They told us you could eat this stuff and it wouldn't hurt you." To dramatize the point, he said, "Some supervisors 'salted' their bread with green uranium dust." At the end of the day, the dust went home with the workers and "we frequently discovered that our bed linens would be green or black in the morning, from dust that apparently absorbed into our skin," Jenkins said.[56]

Jenkins' description is from the 1970s, before Lockheed's time. While conditions certainly improved in the 1980s, more stringent rules were not formally adopted until 1989. Plaintiffs in the case say that conditions did not improve until the 1990s, and that even then they did not improve nearly enough.

According to the *Washington Post,* Charles Deuschle, a health physics technician who began working at Paducah in 1992 and is an employee in the lawsuit against Lockheed, said that surveys discovered radioactive contamination in the plant's cafeteria in the 1990s: "I saw conditions that would never have been tolerated in any other nuclear location where I have worked." Internal plant surveys included in the suit found high levels of radiation on street surfaces, manhole covers, loading docks, and in locker rooms as recently as 1996. Workers were not even told about the risks associated with plutonium at the plant until around 1990, when Lockheed (then Martin Marietta) officials held a meeting with union officials. However, one union member told the *Post* that the company's focus was exclusively on cleanup, not on worker health and safety.

The Department of Energy (DOE) conducted an audit of safety practices at the plant in 1990 and found scores of deficiencies in radiation monitoring and worker protection. According to the *Post,* the audit team found that "Paducah failed to properly monitor radiation to workers' internal organs—even though plant managers had been repeatedly warned to do so. Radiation-measuring equipment was either missing or not properly calibrated, the report said, and workers weren't being tested for the kinds of radiation known to exist at Paducah."

In 1988, a county health inspector found technetium and chemical carcinogens from the plant in a farmer's well. Lockheed posted creeks and ditches with warning signs in the early 1990s, but the signs did not refer to plutonium or radioactivity. Instead, some warned of possible contamination with cancer-causing chemicals; others merely cautioned against eating local fish. Finally, the 1990 DOE audit cited inadequate controls over waste disposal and a system for tracking contamination that amounted to "word of mouth" between managers.[57]

Thus, charges against Lockheed in the second lawsuit include illegal storage, dumping, and disposal of radioactive waste, false reporting of plutonium and other contamination, and illegal placement of radioactive metals into commerce. The suit says that contaminated waste streamed out of the plant for years, exposing workers to dangerous levels of radiation. Some waste was even dumped in woods and abandoned buildings in a nearby state wildlife area.

The George W. Bush administration sat on the case against Lockheed for three full years. Finally, in both anger and frustration, Senator Chuck Grassley of Iowa wrote to Energy Secretary Spencer Abraham in August 2002 to demand an explanation. The senator made clear his concern that the reason why the case was collecting dust was because of the close relationship between the Bush administration and Lockheed Martin; he demanded to know "whether any relationships with Lockheed Martin may be slowing, or stalling, your department's pace in reaching a resolution in this matter expeditiously." He pointed out that "the previous Energy Secretary personally apologized to the Paducah workers, so why the delay?"

One year later, the Energy Department agreed to move the case forward, allowing the Justice Department to join the case against Lockheed on the charges that the company submitted false statements to the Energy Department and government regulators regarding radioactive waste; that wastes were improperly disposed of in landfills at the Paducah plant; and that Lockheed's storage and disposal of the wastes violated the Resource Conservation and Recovery Act. However, the Bush administration would not intervene on the allegations that Lockheed improperly exposed workers to radiation hazards. Both cases are pending.

Lockheed Martin Faces Antiwar Protests in Sunnyvale, California

They started to arrive at 5:30 a.m. on April 22, 2003. On this gray, cold, rainy Northern California morning, the signs welcoming them to "Sunnyvale" only added insult to injury. But the U.S. military war veterans, former Lockheed Martin employees, students, scientists, and concerned citizens were not easily dissuaded. At the appointed time, they fanned out across the three entrances and sat down in the roads. The Lockheed Martin facility in Sunnyvale, California, was to be shut down for the day. Over the course of the day, some 600 people would participate in the peaceful protest. Shahrzad Rose Roome told reporters, "We are shutting down Lockheed Martin in order to stop the production and use of illegal weapons of mass destruction. Weapons being used against the Iraqi people in an unjust, illegal, and amoral U.S. invasion. To stop the war, we must stop the military-industrial complex driving the war."[58]

The protest was led by a self-appointed citizens weapons inspection team, who announced that they "were unable to find weapons of mass destruction in Iraq, but we did find them right here in Sunnyvale.” The members of the informal team explained that the "Sunny-vale facility produces the Trident II nuclear missile and the Star Wars Ballistic Missile Defense System." In addition, the team noted Lockheed's manufacture of the key tactical strike weapons used in the 2003 war against Iraq, including air to surface and cruise missiles such as the AGM-142 and HAVE LITE air to ground missiles, AUP and BLU-109 conventional "bunker buster" missiles, and the JASSM long range conventional air to ground missiles.

Local residents expressed outrage against the toxic contamination that Lockheed had brought to Sunnyvale. They explained that Lockheed was found guilty by the California State Health Services Department of illegal storage and treatment of hazardous wastes at the Sunnyvale location, including toxic leaks and removal of hazardous waste pipelines, for which the company was forced to pay $1.3 million in fines. They also discussed reports of massive water contamination reaching storm drains and toxic plumes in shallow and deep ground-water under the site.

The protestors held "die-ins," lying across the road to create a visual representation of the causalities caused by Lockheed's weapons of war—deaths which are rarely, if ever, shown on television. The Brass Liberation Orchestra played music while participants handed out literature that explained the protest to Lockheed Martin employees and Sunnyvale residents. The day ended when some fifty of the protestors blocking the roads were arrested and the organizers of the event, the Bay Area's Direct Action to Stop the War, knew that their message had been heard: In order to stop the war, the war machine would have to be "unplugged at its roots."

Understanding the Bush Agenda requires understanding the corporations behind and within it. Bechtel, Chevron, Halliburton, and Lockheed Martin are intimately entwined with the Bush administration and its policies. Like the members of the Bush administration, the companies owe all or much of their fortunes and longevity to the oil industry. However, whether operating in Nigeria, Ecuador, India, Bolivia, Kentucky, California, or elsewhere, the histories and activities of each company proves that, while corporate globalization policy benefits some, it is extremely costly for countless numbers of people and communities in the United States and around the world.

Of course, the influence of each company is not limited to the current Bush administration, or even to the U.S. government. The histories of Bechtel, Chevron, Halliburton, and Lockheed Martin in the Middle East generally and Iraq in particular, are the focus of the •following chapter. Each company has worked in or with Iraq for decades, successfully lobbying the Reagan and George H. W. Bush administrations to expand economic relations with Iraq and the regime of Saddam Hussein. Executives with each company then joined with the George W. Bush administration in the drumbeat for war against Hussein and the 2003 invasion of Iraq, and have since profited greatly from the invasion.

Chapter 6
The Economic Invasion of Iraq

> The U.S. invasion of Iraq was not preemption; it was—like our war on Mexico in 1846—an avaricious, premeditated, unprovoked war against a foe who posed no immediate threat but whose defeat did offer economic advantages.
>
> —*Michael Scheuer, former senior CIA al-Qaeda expert and author,* Imperial Hubris[1]

Imagine that the United States is currently under a foreign military occupation. The foreign occupiers have thrown out the Constitution, the Amendments to the Constitution, and the Bill of Rights. They have actively and publicly participated in the writing of a new constitution to replace all three. There will be a popular vote on the new constitution, although its contents have not been made public and our elected officials have not seen the final version. Some of the contents have been leaked in the press, but the leaks are contradictory. Three days before the vote, a small handful of leaders—not all elected and at least one who represents the foreign occupier—meet and make changes to the constitution. That same day, a paper copy written several weeks earlier is made available to the public. However, there are only enough copies for less than one-third of eligible voters. Few legal experts have read or analyzed it, so those voters lucky enough to get a copy must decipher its meaning on their own. Political and religious leaders who feel some confidence about the larger points of the constitution advise their followers how to vote based on their limited knowledge. You know it is a critical vote that will impact every aspect of your life, so you go to the polls and cast your ballot.

This was the situation faced by the Iraqi public when, on October 15, 2005, 9.8 million people voted in a national referendum on a new constitution for Iraq. Around the world, the image used to capture the . event was of Iraqi women, heads covered with the traditional Muslim Hejabb, smiling broadly and raising their freshly dyed purple fingers in a now iconic sign of success. When asked, most Iraqis said they were casting their votes in a spirit of hope, for a chance at change—any sort of change. Few, however, were voting on the actual content of the constitution. As described earlier, three days before the vote, U.S. Ambassador, and long-time Bush Agenda stalwart, Zalmay Khalilzad and a select handful of Iraqi leaders rewrote key provisions of the constitution. That same day, five million paper copies of an earlier draft were distributed among Iraq's 15.5 million eligible voters. Without access to adequate information, discussion, debate, or analysis, Iraqis voted on a document that they knew little about.

Therefore, few Iraqis could have known that the constitution they endorsed locked in the most crucial aspects of the Bush Agenda in Iraq: the military occupation, the economic invasion, and increased U.S. access to Iraq's oil.

The U.S. military invasion of Iraq, which began on March 17,2003, was completed in six weeks. On May 1, President Bush hopped out of a fighter jet and onto the deck of the carrier ship, the USS *Abraham Lincoln.* Before the ship's assembled crew, he delivered what has since become one of the most infamous speeches of his career—not for its words, which few people likely remember, but for the banner hanging behind the president that read "Mission Accomplished." We know now, if we were unaware then, that the military engagement in Iraq was far from over; thirteen times more American troops have lost their lives in Iraq since the end of "active engagement" than during it, and an estimated 23,000 Iraqi civilians have died since the president's declaration. While the mission was far from being accomplished, May 1, 2003, did mark an important transition in the U.S. war in Iraq: The military invasion was over, and the U.S. occupation of Iraq was set to begin.

Five days later, President Bush named L. Paul Bremer III presidential envoy to Iraq and the administrator of the U.S.-led occupation government, the Coalition Provisional Authority (CPA). During the next fourteen months, considered the period of formal U.S. occupation, Bremer enacted new laws with full legal force over Iraqis, all but a handful of which remain in effect today. These laws have gone virtually unnoticed and unreported in the United States, yet they go to the heart of the Bush Agenda. They lock in sweeping advantages to U.S. corporations, ensuring long-term- U.S. economic gain while guaranteeing few, if any, benefits to the Iraqi people. In fact, they have set in place conditions for the ongoing inadequate provision of basic services, unemployment, underdevelopment, economic inequality, and violence for the foreseeable future.

THE U.S. OCCUPATION GOVERNMENT IN IRAQ: THE COALITION PROVISIONAL AUTHORITY

The United States, on behalf of the Coalition forces, laid out the framework for the occupation of Iraq, including the role of the CPA, in a letter submitted to the UN Security Council on May 8,2003. The letter stipulated that the CPA was to "exercise powers of government temporarily, and as necessary" in Iraq. As the occupation government, it would provide security, allow the delivery of humanitarian aid, and eliminate weapons of mass destruction. In addition, it would provide "for the responsible administration of the Iraqi financial sector, for humanitarian relief, for economic reconstruction, for the transparent operation and repair of Iraq's infrastructure and natural resources, and for the progressive transfer of administrative responsibilities to such representative institutions of government."

The letter was part of the Bush administration's efforts to secure passage of UN Security Council Resolution 1438, by which the Council would formally acknowledge the occupation of Iraq by the Coalition and identify the CPA as the occupation government. The administration was eager to restore its relationship with the Council after the latter's refusal to endorse the invasion of Iraq, and to receive the United Nations' assistance in the occupation and reconstruction. Some members of the Council saw a humanitarian role for the United Nations now that the invasion was over, while others simply wanted to ensure that the United States would be held to its international obligations as an occupier in the next stage of the war. On May 22, the Council passed the resolution, adding its own specifications for the CPA, including the promotion of the welfare of the Iraqi people through the effective administration of the country, and in particular the restoration of security and stability along with the conditions necessary to ensure that the Iraqi people can "freely determine their own political future." The resolution also calls on the Coalition to "comply fully with their obligations under international law including in particular the Geneva Conventions of 1949 and the Hague Regulations of 1907."

Article 43 of the Hague Regulations (ratified by the United States) requires that an occupying power "take all the measures in his power to restore, and ensure, as far as possible, public order and safety, *while respecting, unless absolutely prevented, the laws in force in the country"* (emphasis added). Provision #363 of the U.S. Army's Law of Land Warfare repeats Article 43 word for word. The legal interpretation of these and related provisions is that an occupier is required to ensure that the lights are on, the water is flowing, the streets are safe, and the basic necessities of life are provided. However, the occupier is not permitted to make changes beyond those necessary to meet these obligations.

Not only would the Bush administration fail to meet the conditions of Article 43 and Provision 363 in Iraq, it would directly contradict them by radically altering Iraq's laws in order to restructure its entire economy. In June 2005, two years after the occupation of Iraq began, the transitional Iraqi government pleaded to the world from the opening page of its National

Development Strategy that "we urgently need emergency/humanitarian interventions to provide basic services such as water, electricity, hospitals and schools."[2] The Bush administration failed to provide these necessities because it did not focus its efforts on the immediate provision of needs, but rather on the opening of Iraq to U.S. corporations and the advance of the Bush Agenda.

Both the CPA and its administrator, however, were replacements. The CPA replaced the Office of Reconstruction and Humanitarian Assistance (ORHA) and Paul Bremer replaced Jay Garner, a retired army lieutenant general. The reason for the replacements exposes a good deal about the Bush Agenda in Iraq. On January 20, 2003, Garner was named head of the U.S. Defense Department's ORHA. The staff of ORHA designed and began implementing the administration of postwar Iraq. The ORHA plan called for a U.S.-led occupation government of Iraq to last no more than three months. Two weeks after the "fall of Baghdad," on April 21, 2003, Garner and his staff arrived in Iraq. The very same night, Garner received a phone call from Defense Secretary Donald Rumsfeld informing him that in less than one month he would be replaced by Paul Bremer.[3] There has been a great deal of speculation about the reason for this change, often focusing on turf wars between the U.S. Defense and State Departments (Bremer spent twenty-three years working for the latter). Interdepartmental rivalry did exist, particularly between Donald Rumsfeld and Secretary of State Colin Powell. According to Garner, however, the reason for the change had more to do with differences over how aggressively the United States should be seen to dominate the political and economic process on the ground in Iraq than over who dominated the political process back in Washington.

Garner told BBC reporter Greg Palast, "My preference was to put the Iraqis in charge as soon as we can, and do it with some form of elections. ... I just thought it was necessary to rapidly get the Iraqis in charge of their destiny."[4] As a retired army lieutenant general who had overseen assistance to the Kurds in Northern Iraq after the first Gulf War, Garner knew that the longer the United States appeared to be in charge, the more antipathy toward the United States would grow and expose U.S. troops to greater danger. Garner also disagreed with many of the Bush administration's more radical economic proposals, such as full privatization of Iraq's 192 state-owned enterprises, arguing that the Iraqis should be in charge of determining their own economic fate. Apparently, this attitude met with disapproval among his superiors in the administration, and Garner was summarily fired. As Garner put it, "The announcement. . . was somewhat abrupt."

Unlike General Jay Garner, corporate consultant Paul Bremer had no qualms about remaking Iraq and its economy in accordance with the Bush Agenda. After replacing Garner, Bremer wasted little time laying the foundation for U.S. political and economic dominance in Iraq. It would not be long before Bremer was christened the "Dictator of Iraq."

THE "DICTATOR OF IRAQ": L. PAUL BREMER III

> The transition from dictatorship to democracy will take time, but it is worth every effort.
>
> —*President George W. Bush, May 1, 2003*[5]

> Bremer is the dictator of Iraq. He has the money. He has the signature. Nothing happens without his agreement in this country.
>
> —*Lakhdar Brahimi, UN special adviser to Iraq, June 2, 2004*[6]

L. Paul Bremer III, "Jerry" to his friends, was administrator of the CPA from May 6, 2003, until June 28, 2004. During this time, the CPA had full executive, legislative, and judicial authority over Iraq and its people, and Paul Bremer had full authority over the CPA.[7] Paul

Bremer is an attractive man. He looks younger than his sixty-one years and appears to be in good shape. He seems as comfortable traversing the Iraqi landscape in suit, tie, and army combat boots as he does appearing with MTV talk-show host Gideon Yago, discussing "the vision of most Iraqi youth." According to *USA Today,* while Bremer may not have any specific background in Iraq per se, one reason he was selected to be its de facto prime minister is "his charm."[8]

Bremer does in fact have other qualifications. Chief among them is his deep political and corporate connections dating back nearly four decades. At age 25, Bremer's first job out of graduate school was serving as a U.S. State Department official in Kabul, Afghanistan. This was the beginning of a twenty-three-year-long career at the U.S. State Department during which time Bremer came to know and work with Donald Rumsfeld and serve directly for Secretaries Henry Kissinger and George Shultz, two of the most powerful voices on behalf of U.S. corporations in Iraq and U.S. government engagement with Saddam Hussein. They helped blur the line in U.S.-Iraq relations between business and government interest—a line that Bremer would virtually erase.

After leaving the U.S. State Department in 1989, Bremer became the managing director of Kissinger Associates, where he provided advice and political risk assessments to the largest multinational corporations. In 1999, Bremer served as Chairman of the U.S. government's National Commission on Terrorism. After eleven years with Kissinger, Bremer became chairman and CEO of insurance company Marsh and McLennan's Crisis Consulting Practice, specializing in risk assessments and services for multinational corporations, particularly those operating in "crisis environments." Companies hired Bremer to lay out the various risks associated with operating in foreign countries, such as terrorist attacks or tsunamis, and then purchased insurance against those risks from him.

In a November 2001 paper entitled "New Risks in International Business," Bremer outlined the risks to multinational corporations associated with the implementation of corporate globalization policies.[9] Every policy Bremer describes in this paper was among those he himself implemented in Iraq a year and half later. Bremer walks through the devastating impacts of each policy on the local population—the same impacts that his policies would inflict on Iraq. Bremer warns companies that "the painful consequences of globalization are felt long before its benefits are clear." Bremer cites several specific globalization policies, such as privatization of state enterprises, deregulation of controlled industries, and reductions of tariffs and nontariff barriers to open up trade in goods and services. In the paper, Bremer explains that "privatization of basic services, for example, almost always leads to price increases for those services, which in turn often lead to protests or even physical violence against the operator." As for economic equality, Bremer says, "the process of globalization has a disparate impact on incomes," which in turn causes "political and social tensions." The harmful impact of the elimination of trade protections such as tariffs and quotas on local producers causes "enormous pressure on traditional retailers and trade monopolies" when "opening markets to foreign trade."

In conclusion, Bremer draws attention to a survey of American business executives in which 68 percent stated their belief that globalization increases their risks. "They are surely correct," Bremer asserts, "especially as many companies now have a much larger portion of their balance sheets exposed in emerging markets. Insurance underwriters have responded to the evolution of political risk by developing products that prudent managers and corporate boards would be wise to consider."

Bremer was therefore well aware that his policies would, at a minimum, reduce access to basic services and support for local businesses in favor of foreign businesses. He also knew the policies would increase inequality and political and social tension. However, he believed that he knew how to protect U.S. multinationals from the impact of these policies and therefore the policies went forward, ever clear on who the intended beneficiaries were.

Bremer was aided in Iraq by a staff comprised of people largely like himself—mostly American, mostly male, on loan from United States and a few British government agencies and banks, or institutions such as the IMF. Typical of Bremer's staff was Chris Foote, an economist with the Federal Reserve Bank of Boston who spent a little over two months in Iraq in the summer of 2003. What makes Foote unique is that, after his return, he wrote an article describing his "summer stint as an economist in Baghdad" for the bank's magazine, *Regional Review.*[10] In the photograph accompanying his article, Foote is shown standing with a safari hat on his head and clean, white tennis shoes on his feet, towering over the seven Iraqi men posing at his side. His arms are tightly wrapped around the two men closest to him while he smiles broadly for the camera from an airport runway in Mosul during a stopover on his way to Baghdad.

Foote describes the basic premise of his work in the article: "In many ways, the job is similar to the one I held at the Council of Economic Advisers before coming to Iraq.. . . The questions are all over the map, so I draw more from my experience teaching macroeconomics to undergraduates, and less from my own specialized research." In fact, while in Iraq, Foote rarely left the American-controlled "Green Zone"—moving mainly between Hussein's former Republican Palace (which housed the CPA) and his hotel.

He does tell one story, however, of riding in an armored SUV with an American military escort to determine the condition of a bank outside of the Zone. While on the road, he took a photograph of two young Iraqi boys pressing their faces up against his car window. Foote writes, "I often wish I could hop out of my fish bowl and learn more about Iraq's economy by talking with people in the streets." Foote's expertise, or apparent lack thereof, with respect to Iraq and its economy, did not impact his perceived ability to do his job. To Foote and those who hired him, it did not matter what existed in Iraq before or what the people in the street thought, just what would come next.

BREMER'S BLUEPRINT BY BEARING POINT, INC.

> We don't often get a chance in our lifetimes to see a country with such tremendous oil wealth and virtually no civilian commercial infrastructure get a whole new blueprint.
>
> —*Stephen Thomas, in Baghdad hoping to interest Bechtel in his British company specializing in food-service and telecommunications*[11]

It has been said so often that it is now repeated as gospel that the Bush administration had no plan for post-conflict Iraq. But the gospel is not correct. There was at least one clear plan—an economic plan—the blueprint for which was ready and in Bush administration hands at least two months prior to the invasion.

The 107-page three-year contract between the Bush administration and Bearing Point, Inc. of McLean, Virginia, lays out the president's economic agenda in Iraq. In return for $250 million, Bearing Point provides "technical assistance" to the U.S. Agency for International Development on the restructuring of the Iraqi economy to meet Bush administration goals.[12] In September 2004, Bearing Point's contract was extended for an additional three years. While you have probably never heard of Bearing Point, you are likely to recognize its former name, KPMG Consulting (the consulting division of accounting firm KPMG LLP). In October 2002, KPMG was forced to change its name due to the crisis that engulfed the accounting profession in the wake of the Enron/Arthur Andersen corruption scandals. After the name change, Bearing Point acquired most of Arthur Andersen's worldwide consulting operations. Bearing Point's lawyers and economists provide consulting services to more than two thousand business and government clients worldwide, including all U.S. federal government agencies.

With staff operating in the United States and Iraq, Bearing Point wrote the framework to restructure Iraq from a state-controlled economy to one that guarantees "free markets, free trade and private property"—among other goals—in just three short years. The contract, entitled "Economic Recovery, Reform and Sustained Growth in Iraq," calls on Bearing Point to "begin to reform, revise, extract or otherwise advise on changes to the policies, laws and regulations that impact the [Iraqi] economy." For example, Bearing Point is to recommend changes to laws "that impede private sector development, trade and investment." Bearing Point is performing these tasks under the supervision of the U.S. Agency for International Development and, originally, "under the overall policy direction of the Coalition Provisional Authority." For example, under the contract heading, "Privatization: Assessment and Support," Bearing Point provides analysis and assessment for undertaking a "mass privatization" of Iraq's state-owned industries.

While it may seem odd for the Bush administration to hire an outside company to turn its economic agenda into a specific set of implementable policies in Iraq, privatization of former government services is a trend that predates the Bush administration but which it has taken to new heights. Today, the U.S. federal government spends some $200 billion a year buying everything from interrogation services to trash collection to satellites from the private sector.[13] This, in turn, has led to an increasingly enriching "revolving door" between the public and private sectors, as former government employees enter the private sector and cash in on their intimate knowledge of the contracting process and access to those who make contracting decisions. In fact, earlier chapters have pointed to numerous cases of former and current members of the Bush administration who have participated in this lucrative revolving door.

The U.S. Agency for International Development and Bearing Point signed the company's first Iraq contract on July 24, 2003. However, Bearing Point's plan for Iraq was ready and in Bush administration hands at least five months earlier. Bearing Point's Draft Statement of Work, "Stimulating Economic Recovery, Reform and Sustained Growth in Iraq,"[14] was completed on February 21, 2003. While it was not available to the public, I was made aware of the document in May 2003, and I acquired a copy later that year. The final contract has since been made public through a Freedom of Information Act request and posted on the website of the Center for Public Integrity. The final contract is virtually unchanged from the February draft.

The extent to which the Bearing Point contract sets out to transform the Iraqi economy is astonishing. The company specifies changes in every sector of the Iraqi economy—from trade rules to banking and financial services, to public services, agriculture, housing, media, elections, and the structure of the government itself. It even specifies propaganda tools to sell these policies to the Iraqi public.

The contract asserts, "It should be clearly understood that the efforts undertaken will be designed to establish the basic legal framework for a functioning market economy; taking appropriate advantage of the unique opportunity for rapid progress in this area presented by the current configuration of political circumstances. . . . Reforms are envisioned in the areas of fiscal reform, financial sector reform, trade, legal and regulatory, and privatization."

From May 16, 2003, to June 28, 2004, the day the CPA was dissolved and Bremer hopped on a plane bound for the United States, he enacted exactly 100 Orders in Iraq. The Orders reflect Bearing Point's plan to a tee. Implemented at a fairly steady rate of a few every several days over the course of Bremer's fourteen-month reign, the Orders established new laws that continue to govern Iraq's political and economic structures.

HOW BREMER MADE THE LAW

Bremer's first act of business in Iraq was to define his powers as administrator of the CPA with the enactment of Coalition Provisional Authority Regulation Number 1 on May 16, 2003. Regulations and Orders were his primary tools. Regulations "define the institutions and authorities of the CPA" and Orders are "binding instructions or directives to the Iraqi people that create penal consequences or have a direct bearing on the way Iraqis are regulated, including changes to Iraqi law."[15] Both remain in force until repealed by the administrator or superseded by legislation issued by "democratic institutions of Iraq." Both take precedence over existing Iraqi laws, although all Iraqi laws that do not conflict with the Orders remain in place. The enactment of the Regulations and Orders requires only the approval of the administrator, Paul Bremer.

While one would assume that Bremer's Orders are akin to U.S. bills in that they create new laws, they are instead most similar to U.S. Presidential Executive Orders. Presidential Executive Orders are generally instructions by the president on how *existing* laws should be implemented, not *new laws* created exclusively by the executive branch. Executive Orders, like Bremer Orders, come into force simply by the will of the executive. To enact a bill in the United States, however, is a far more extensive process. The distinction is the difference between democracy and dictatorship.

First, a bill must be introduced by either a member of the House or the Senate and then referred to the appropriate committee. Committees can hold public hearings, get expert advice, seek clarification, write amendments, and so on. If the bill passes out of the committee, it goes back to the House or Senate, where it is debated, potentially amended, and voted on. If it receives a majority of votes, it moves on to repeat the identical process in the other chamber. If any changes are made as it passes out of that chamber, it must then go back to the original chamber for reconsideration until both the House and the Senate pass an identical version of the bill, or else the bill dies. If it succeeds in passing both chambers, it moves on to the executive branch, where it either receives the president's approval and signature to become a law or is vetoed. If the bill is vetoed, it returns back to the Congress, where a three-fourths majority vote can override the veto. If the veto is overturned, the bill becomes law; otherwise, the bill dies. Finally, if the people disagree with the new law, they can turn to the Judiciary to determine if it should be altered or even eliminated.

This long and arduous process is at the heart of American democracy. It is an attempt to ensure (as much as possible) that the nation's laws accurately reflect the will and the needs of those whose lives they will govern. In Iraq, the democratic process was thrown out with the Ba'ath water with the entry of the CPA and Paul Bremer. Bremer wrote the laws. Bremer enacted the laws. And the U.S. military continues to enforce the laws. This may be why UN Special Envoy Lakhdar Brahimi named Bremer the new "Dictator of Iraq."

If Bremer were only enacting limited Orders that sought to fulfill' the requirements of an occupying nation as described in the Hague Regulations and the U.S. Army's Law of Land Warfare—such as the rehabilitation of water, electricity, and health care—the rejection of the democratic process might have been legitimate. The Bremer Orders not only failed to meet these obligations but also directly contradicted them by transforming the very foundation of the Iraqi economy. Bremer altered Iraqi law in order to implement an economic model preferred by the Bush administration—a model that has put the potential for Iraqi development fundamentally at risk, while ensuring increased access and economic benefit to U.S. corporations. With the authority vested in him by the Coalition and the United Nations, Bremer proceeded to use his Orders to implement the radical corporate globalization agenda of the Bush administration in Iraq.

FROM CAR HORNS TO CAPITALISM

> "The CPA stands for the Condescending and Patronizing Americans," a Baghdad diplomat told a *Newsweek* reporter. "So there they are, sitting in their palace; 800 people, 17 of whom speak Arabic, one is an expert on Iraq. Living in this cocoon. Writing pages. It's absurd," says one dissident Pentagon official.
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> —*John Barry and Evan Thomas,* Newsweek, *October 6, 2003*[16]

One gets the impression when reading the Bremer Orders (not to mention the words of President Bush and others in his administration) that prior to the invasion, Iraq was a country without a government structure (other than the dictatorial ravings of Saddam Hussein), and that it lacked public services, businesses, and a skilled and educated citizenry. Nothing could be further from the truth.

Constitutional government in Iraq dates back to 1922. The constitution in place when the United States invaded Iraq was written in 1970, nine years before Saddam Hussein came to power. Although it placed significantly more power in the hands of the president and was clearly badly abused by Hussein, the Iraq constitution resembled the U.S. Constitution in many ways. For example, it included freedom of religion, expression, and association and it guaranteed equality before the law for all citizens without discrimination "because of sex, blood, language, social origin or religion." The Iraq Constitution also guaranteed a free education through the university level and access to maternal, child, and medical care for all. Not only were these services guaranteed, they were delivered. Prior to the first Gulf War in 1991 and even after eight years of war with Iran, Iraq was ranked 15 out of 130 countries on the 1990 United Nations Human Development Index. This index measures national achievements in health, education, and per capita GDP. Iraq was close to the top of the "medium human development" category, "a reflection of the Government's continued investment in basic social services."[17]

Prior to 1990, Iraq had the highest percentage of college-educated citizens in the Middle East and above average overall literacy rates. According to the World Health Organization, prior to 1991 health care reached approximately 97 percent of the urban population and 78 percent of rural residents, while the infant mortality rate was well below average for developing countries. Before 1991, the southern and central regions of Iraq had well-developed water and sanitation systems, and the World Health Organization estimates that 90 percent of the population had access to an abundant quantity of safe drinking water.[18] In fact, after the first Gulf War, when the U.S. military specifically targeted electricity and water systems for attack, Iraqi engineers rebuilt the electricity system in just three months.

In other words, while Iraq was a nation ravaged by a brutal dictator, war, and twelve years of economic sanctions, it was also a country of law, public services, education, and health care that was able to succeed *in spite of its* ruler because of a government and economic structure made functional by a knowledgeable and dedicated citizenry.

It is difficult to overstate how far the Bremer Orders go to overturn the existing Iraqi economic structure. The Orders cover virtually every aspect of Iraqi life, from the use of car horns to the implementation of a market economy. For example, Order #86, implemented on May 20, 2004, established a new traffic code for Iraq. Apparently, the existing Iraqi Traffic Law Number 48 of 1971, which Order 86 specifically replaced, was inadequate at such things as defining "roads," "lanes," and "U-turns," or regulating the appropriate terms by which a vehicle owner can change the color of his or her car, or guaranteeing the level of attention that Iraqi citizens gave to traffic safety. For example, Order #86 requires that "the Traffic Division in each Governorate shall reserve a week every year to try to focus the public's attention on traffic safety, which reduces accidents."[19]

While this Order and others like it are clearly intrusive, all in all, they are essentially benign. On the other end of the spectrum, however, is Order #39 on foreign investment, which does no less than "transition [Iraq] from a ... centrally planned economy to a market economy" virtually overnight and by U.S. fiat. Similar sentences appear in several of the Orders discussed later in this section. Compare these with Article 1 of the Iraqi constitution that was in place when the United States invaded: "Iraq is a Sovereign People's Democratic Republic. Its basic objective is the realization of one Arab State and the build-up of the socialist system." And Article 12: "the State assumes the responsibility for planning, directing and steering the national economy for the purpose of (a) establishing the socialist system . . "[20] In short, the Bush administration used the Orders to turn the Iraqi economy on its head.

There were, however, Hussein-era laws that fit into the Bush Agenda and therefore remained untouched—for example, Hussein's 1971 law barring Iraq's half a million public sector workers and those employed by public enterprises from joining or being represented by a union.

Order #39 is the most crucial Order defining Iraq's economy, present and future, and is therefore the focus of much of this chapter. First, however, I will discuss sixteen other key Orders that have transformed Iraq's economic infrastructure by rewriting such basic laws as those on taxation, banking, intellectual property rights, and trade. These Orders determine which Iraqis can hold certain jobs, who controls the government ministries, what is "acceptable" media behavior, how the media will be run and by whom, how elections will be run, and who is eligible to hold public office. Virtually every Orders remains in effect to this day.

THE BREMER ORDERS

Order #1[21] (May 16, 2003) provided for the "De-Ba'athification of Iraqi Society." All Ba'ath party members holding any position "in the top three layers of management in every national government ministry, affiliated corporations and other government institutions (e.g., universities and hospitals)" were removed from their jobs, With this Order, 120,000 of Iraq's most experienced and highest ranking civil servants, including engineers, scientists, university professors, doctors, skilled laborers, and government administrators from every ministry, were fired. The apparent goal of the Order was to eliminate any remnants of Hussein's regime, using Ba'ath party membership as an indicator of loyalty to Hussein and participation, or at least complicity, in his crimes. Under Hussein, however, Ba'ath party membership was a prerequisite for employment in the civil service. For many Iraqis, membership was simply the only route to a good job in the field of their choosing. It was in no way a direct indicator of support for the regime or criminal activity. These were the Iraqis with the most knowledge of the country's water, electricity, sewage, transportation, finance, health care, and education services, among others. And, in the first days of the U.S. occupation of Iraq, they were no longer allowed to work.

David Phillips, author of *Losing Iraq: Inside the Postwar Reconstruction Fiasco* and a former senior U.S. State Department Iraq expert who worked on post-'invasion reconstruction planning for almost two years, argued that Order #1 served to remove the "opponents to the liberalization of Iraq's national economy." By eliminating those few Iraqis who would be in a position to know about the Orders, understand their impact, and interfere with their implementation, Bremer locked in the economic fate of the nation.

More than five months later, after government services had slid to a state of total disarray and the failure of Order #1 had grown painfully apparent, Bremer was forced to amend it with CPA Memorandum #8, authorizing a case-by-case review of individuals seeking to return to work. While this amendment was welcome, much of the damage had already been done, and the review process itself was slow and tarnished by political favoritism.

Order #2[22] (May 23, 2003) dissolved Iraqi "entities," including the Iraqi army and intelligence services. This order threw the entire Iraqi army— half a million men—out of work at a time when unemployment in Iraq was estimated at between 50 and 70 percent. With no jobs waiting for them and no way to provide for their families, many were believed to have taken their arms and joined the ranks of the insurgency.

Tragically, this was not the original plan. As early as 2002, U.S. military planners spoke of removing the nine thousand military officers and members of Hussein's various Special Forces, while retaining the four hundred thousand rank-and-file soldiers, the vast majority of whom were originally drafted under fear of death, unless they were charged with a crime and found guilty in public hearings. The soldiers were to provide police and rebuilding services. In addition, all would continue to receive their pay, whether or not they were put to work. Retired Colonel Scott Feil told the U.S. Senate Foreign Relations Committee in 2002 that the rank-and-file soldiers would be "essential to preserving order" in post-invasion Iraq. For example, seventy thousand soldiers would form a national police force and a special Frontier Guard for Iraq's borders. W. Patrick Lang, a retired chief analyst at the Defense Intelligence Agency, said that carefully screened Iraqi units under U. S. control "would do much better against this enemy than we can."[23]

Instead, Bremer disbanded the military and refused to continue to pay their salaries. He handed security and reconstruction work to private U.S. contractors and the U.S. military. He even eliminated benefits to war widows and disabled veterans who were senior party members.

Like so many other aspects of the Bush invasion and occupation of Iraq, however, this decision was also handed over to a private U.S. company. On March 14, 2003, three days before the invasion, Ronco Consulting Corporation of Washington DC was awarded a $419,000 U.S. Defense Department contract to develop a plan to "disarm, demobilize and reintegrate the Iraqi armed forces."[24] Ronco was an odd choice, given that it is most recognized for its expertise at clearing land mines. In fact, it received demining contracts in both Afghanistan and Iraq. Ronco does have a long government history. For the first ten years or so of its existence, 98 percent of its contracts were with the U.S. Agency for International Development (USAID), and at least two of its chief executives are former USAID officials. However, Ronco probably got the contract because its other area of expertise is privatization consulting, which involves advising governments on how to shift services from the public to the private sector.

Faisal al-Istrabadi, deputy Iraqi ambassador to the United Nations, told David Phillips that disbanding the army "was an atrocious decision. ... I don't understand why you took 400,000 men who are highly armed and trained, and turn them into your enemies." Phillips estimated that when one'includes the families of the fired soldiers, Order #2 turned some 2.4 million Iraqis, roughly ten percent of the entire population, against the United States in the first month of the occupation.

Public outcry was so great and the immediate results so negative that Bremer was once again forced to reverse an Order, and on August 7, 2003, he implemented Order #22, establishing a "New Iraqi Army." All former members of the old army were allowed to sign up again, even those who held former leadership roles in the Ba'ath party as long as they first received CPA permission. Those who joined faced an initial service period of twenty-six brutal months, largely spent fighting fellow Iraqis. They also increasingly became the targets of deadly violent acts. From June 2003 to January 2006, an estimated 750 Iraqis were killed by insurgents while standing in lines waiting to sign up for service, while 3,800 Iraqi military and police officers have died.[25] Out of the original half a million, by the end of 2005, only 105,700 men were counted as part of either the Iraqi National Guard or the Iraqi Armed Forces, and only one Iraqi Army battalion was considered capable of effective combat independent of U.S. forces.

The lack of a viable Iraqi military, in turn, has been the primary justification offered by the Bush administration for the continued presence of U.S. troops in Iraq.

Order #12[26] (June 7, 2003; replaced with **Order #54**,[27] February 24, 2004) outlined the "Trade Liberalization Policy" for Iraq. Among other things, it suspended "all tariffs, customs duties, import taxes, licensing fees and similar surcharges for goods entering or leaving Iraq." Where existing Iraqi law sought to protect the local economy from foreign competition, the trade liberalization law eliminated all protective barriers in one fell swoop— leaving the market suddenly fully exposed. This led to an immediate inflow of cheap foreign consumer products, which, in turn, devastated local producers and sellers who were not prepared to meet the challenge of their global competitors. As discussed in earlier chapters, policies identical to the Trade Liberalization Policy have been implemented at the behest of the WTO, World Bank, and IMF with devastating and even deadly effects in countries such as South Korea, India, and *Zambia.*

When Iraq's market was opened, some of the first companies through the door were U.S. wheat exporters. Within the first year of the invasion, total U.S. wheat exports to Iraq went from zero to $190 million. Prior to the first Gulf War, U.S. exporters shipped nearly a million tons of wheat each year to Iraq, garnering up to 40 percent of the market in some years. U.S. companies are now aggressively lobbying for even greater access. U.S. Wheat Associates, representing twenty U.S. wheat-producing states and the U.S. Department of Agriculture, have announced that they "are working on activities that will hopefully strengthen the Iraqi Grain Board and provide a better understanding of the U.S. wheat marketing system," including sponsoring trips for members of the Iraqi Grain Board to the United States. John King, vice chairman of the USA Rice Council, told the U.S. House Agriculture Committee in June 2004, "The U.S. rice industry wants to play a major role once again in supplying rice to Iraq ... renewed Iraqi market access could have a tremendous impact in value-added sales." King added, "'The liberation of Iraq in 2003 by coalition forces has brought freedom to the Iraqi people. The resumption of trade has also provided hope for the U.S. rice industry."

Iraq has not been self-sufficient in food production since the 1950s and has always relied on imports, much of these from the United States. The problem emerging today, however, is that without farming and price supports, Iraqis will no longer be able to compete with the imports and contribute their share to the Iraqi farming sector. In addition, Iraqis may no longer be able to afford the import of American products.

Before the invasion, the Iraqi government heavily subsidized the farming sector. Farming "inputs" such as seeds, fertilizer, pesticides, sprinklers, and tractors were subsidized often at a third or even a fourth of the market price. The government leased land for one cent per donam, about six-tenths of an acre, a year. It bought the country's main crops, wheat and barley, at a fixed price, whether they were usable or not. And it ground up the grain and provided it free as flour to the people each month as part of the guaranteed food program in which every family received a basket of flour, sugar, tea, and other necessities.[28]

Bremer began changing these policies shortly after the occupation began. Trevor Flugge, the CPA's senior civil administrator for agriculture, described the CPA's changes. Invoking a WTO's mantra, Flugge explained that subsidizing farming supplies is "all wrong"; instead, the new government would provide assistance in the form of technology and education and "the market will take care of the rest."[29] These same "market measures" implemented under the WTO's Agriculture Agreement led South Korean Lee Kyung Hae and tens of thousands of farmers like him the world over, to take their own lives in a desperate response to the sudden economic dislocation brought upon them, their families, and their communities.

Abu Ahmed Al-Hadithi, an Iraqi vegetable seller at the Al-Ad-hamiyah market, described the impacts already being experienced in Iraq to Dahr Jamail, one of the only independent American journalists who remained in Iraq throughout the invasion and occupation: "The economic situation is so bad now. The costs of gas and food are going up so high; so even if we make more now, everything is costing more.... In Saddam's days we grew all our own vegetables to sell ... but now so many are coming from outside of Iraq and it is causing us to sell them for less. So I make less profit now, and I have nine people to take care of, and it has made my life very difficult."[30]

Order #14[31] (June 10, 2003) defined "prohibited media activity" as that which, among other things, "incites violence against Coalition Forces or CPA personnel," "advocates alternatives in Iraq's borders by violent means," or "advocates the return to power of the Iraqi Ba'ath party or makes statements that purport to be on behalf of the Iraqi Ba'ath party." In testimony provided to the U.S. Senate Democratic Policy Committee in 2005, Don North, a CPA contractor who worked on Iraq's media network, described how the CPA enforced its authority over Iraq's media. For example, if the U.S. Army or the CPA found news stories offensive, "they visited the offices of offending newspapers and often left them padlocked and in ruins. There was no mediation, no appeal." North wrote that the CPA's "Code of Conduct, which bans 'intemperate speech that could incite violence,' is selective democracy, similar in spirit if not in effect to censorship by Saddam Hussein." He added, "If the *Washington Post* reported terrorist threats or bin Laden statements in Baghdad today, it would probably be closed down."

Order #14 was the basis for the closure of *al-Arabiya's* office in Baghdad as well as the *al-Hawza* newspaper, published by Shi'a leader Muqtada al-Sadr. A Coalition spokesperson said that the paper was closed because it incited violence against the CPA. Al-Sadr's followers protested the closure by demonstrating in the thousands in several cities across Iraq. Declaring that peaceful protests had become useless, on April 5, 2004, al-Sadr then urged his followers to "terrorize" their enemy.[32]

Order #17[33] (revised on June 27, 2004) granted full immunity from Iraqi laws and the Iraqi legal system to Coalition military forces and all foreign contractors, including private security firms. Non-Iraqi members of the military, corporations, corporate subcontractors and their employees cannot be held subject to Iraq's laws to this day. Thus, if in the course of his or her duties, a soldier or contractor commits murder, torture, rape, dumps toxic chemicals, poisons drinking water, starts an oil spill, rips off an Iraqi subcontractor, abuses an Iraqi employee, or the like, the injured Iraqi has no legal recourse other than to try to bring charges in foreign courts under foreign laws.

As Adam Price, a member of the British Parliament, commented, "How is anyone in Iraq expected to bring a case in the British courts? It is taking the idea of diplomatic immunity and applying it to 130,000 troops. There is a danger that you are actually going from immunity to being able to act with impunity."[34]

For example, neither the U.S. soldiers nor the private security guards found guilty of committing illegal acts against Iraqi prisoners at Abu Ghraib prison can be charged or forced to stand trial in Iraqi courts for their crimes. The Iraqis and their families directly affected by the acts have no legal recourse other than to have their cases heard in American courts. Furthermore, none of the millions of Iraqis denied water and electricity due to the failure of U.S. corporations to deliver these services have legal standing in Iraqi courts.

The Order also gives foreign contractors freedom from all income taxes, corporate taxes, and sales taxes, and denies Iraqis the ability to inspect contractor vehicles or require any sort of licensing or registration fees. Contractors do not have to pay tolls and are granted "freedom of movement without delay throughout Iraq." The U.S. government maintains control of Iraqi civil airspace, so Coalition planes are off-limits to Iraqi inspectors, and Coalition goods can enter the country without import fees or inspections.

It is unusual to have such blanket immunity for nonmilitary actors. However, it is relatively unheard of to have that immunity continue for both the military and nonmilitary *after* the formal occupation period ended and authority was handed over to the Iraqis on June 28, 2004. Rather than eliminate or renegotiate the Coalition's terms of immunity as most of the world anticipated, Bremer explicitly excluded Order #17 from the transfer of authority to interim Prime Minister Iyad Allawi. Instead, Order #17 remains under U.S. authority and will be in effect until the last soldier of the last Coalition military unit departs Iraq.

Order #37[35] (September 19, 2003; amended with **Order #49**,[36] February 19, 2004) replaced Iraq's progressive tax strategy (by which the more you earned, the more you paid in taxes) with a flat tax—that long-desired but never-achieved dream of the American right wing. The law dropped the existing tax rate on corporations from a high of 40 percent to the flat rate of 15 percent, which is now in effect for both individuals and corporations. As the *Washington Post* reported, "It took L. Paul Bremer, the U.S. administrator in Baghdad, no more than a stroke of the pen Sept. 15 to accomplish what eluded the likes of publisher Steve Forbes, Reps. Jack Kemp (R-N.Y.) and Richard K. Armey (R-Tex.), and Sen. Phil Gramm (R-Tex.) over the course of a decade and two presidential campaigns."[37] While the poorest Iraqis are exempt from paying taxes, everyone else—whether they barely make a living or are among the wealthiest in society—pays the same tax rate.

Order #40[38] (September 19, 2003; replaced with **Order #94**,[39] June 6, 2004), the "Bank Law," opens the Iraqi banking sector to foreign ownership. Under Order #40, foreign banks were allowed to enter this previously closed sector and purchase up to 50 percent of an Iraqi bank. The total number of licenses for banks controlled by foreign companies was limited to six through December 31, 2008. One year later, Bremer expanded the Bank Law with Order #94, allowing foreign banks to purchase 100 percent of Iraqi banks and to open subsidiaries and branches without restriction. In addition, banks owned by Iraqis are not to be granted any legal preferences over foreign-owned banks (although the opposite is possible). Therefore, the Iraqi government cannot require, for example, that a certain percentage or a minimum number of banks in Iraq be owned by Iraqis, or that tax breaks or subsidies be given to small, community owned and run banks committed to providing services for groups or locations that a foreign bank might consider unprofitable.

The HSBC Bank of London was one of the first foreign banks authorized to operate in Iraq and to purchase majority ownership (70 percent) of a private Iraqi bank, the Dar Elsalam Investment Bank, with fourteen branches across Iraq.

JPMorgan Chase received an early contract to run the Trade Bank of Iraq, a consortium of thirteen banks. Chase is the second-largest bank in the United States and it counts Condoleezza Rice as a former board member. Chase was charged with knowingly manipulating Enron's shareholders. On June 14, 2005, Chase agreed to a $2.2 billion settlement with the University of California, the lead plaintiff in the Enron shareholders' class action suit. A University press release explained that JPMorgan Chase allegedly "set up false investments in clandestinely controlled Enron partnerships, used offshore companies to disguise loans and facilitated phony sales of phantom Enron assets. As a result, Enron executives were able to deceive investors by reporting increased cash flow from operations and by moving billions of dollars of debt off Enron's balance sheet, thereby artificially inflating securities prices."

When the banking sector of New *Zealand* was abruptly opened to foreign private investment in 2001, every one of the nation's banks, including the bank of New Zealand, came under foreign control. Affordable financial services and low-cost loans quickly dried up—so much so that the government of New Zealand has proposed setting up a new bank, the People's Bank, to be owned and operated by the government itself in order to redress the inequities of the foreign-owned banks.[40] Here it is interesting to note the U.S. banking laws that Bremer did not bring to Iraq. For example, basic consumer protections such as the Community Reinvestment Act, which requires banks to make credit available in low-income neighborhoods, or the Truth in Lending Act, which requires full disclosure to consumers of the cost of loans.

Order #62[41] (February 26,2004) enabled Bremer to determine which Iraqis could run for or hold public offices. "When determined necessary for security and public order within Iraq, the Administrator of the CPA may disqualify an individual from participating in an election as a candidate, and for accepting a nomination to, or holding public office, at any level," if that individual has, among other things, "publicly espoused political philosophies or legal doctrines contrary to the democratic order and rule of law being established in Iraq." In other words, if Bremer decided that someone opposed the occupation, the CPA, or its laws, he could simply keep them from serving in local, regional, or national government—or in any of the government ministries. This is one of the small handful of Orders that was actually rescinded on June 28 with the handover of authority to the Iraqis. Apparently, Bremer did not wish Allawi to possess this power.

Order #65[42] (March 20, 2004) established an Iraqi Communications and Media Commission, and Bremer appointed its members. The commission has sole responsibility for licensing and regulating telecommunications, broadcasting, information services, and other media in Iraq. The order stipulates that it will establish a regulatory regime that provides for "the competitive provision" of these services. Furthermore, it has the authority to shut down news agencies, extract written apologies from newspapers, and seize publishing and broadcast equipment.

Order #57[43] and **Order #77** place American representatives in key decision-making positions within each government ministry for terms that last five years—well after the permanent elected government of Iraq takes office in 2006. These two Orders in particular bear a striking resemblance to laws imposed on Iraq by Britain after World War I. Britain's occupation of Baghdad began in March 1917. Under a mandate of the League of Nations in 1921, Britain was to begin preparing Iraq for self-government under British tutelage. In order to ensure its indirect rule of Iraq, the British required that its officials be appointed to specified posts in eighteen departments of the new Iraqi government "to act as advisers and inspectors."[44]

Order #57 (February 5, 2004) established an Inspector General—handpicked by Bremer—with five-year terms within every Iraqi Ministry. The Inspector Generals can, among other things, perform audits and investigations, promulgate policies and procedures, and have full access to all offices, employees, contracts, and all other materials of the Ministries. **Order #77**[45] (April 18, 2004) established the Board of Supreme Audit. Bremer appointed the board president and his two deputies, who are to serve five-year terms. The auditors can be removed only with a two-thirds vote of Iraq's parliament. To date, no such vote has occurred. This Board oversees inspectors in every Ministry, with wide-ranging authority to review government contracts, audit classified programs, and prescribe regulations and procedures.

Order #80[46] (April 26, 2004), **Order #81**[47] (April 26, 2004), and **Order #83**[48] (May 1, 2004) rewrote Iraq's patent, trademark, and copyright laws, just two months before the handover, to ensure guaranteed access and protections to foreign products and producers. All three Orders have identical preambles that explain the need to "transition [Iraq] from a non-transparent centrally planned economy to a free market economy," which recognizes that "companies, lenders and entrepreneurs require a fair, efficient, and predictable environment for protection of their intellectual property." In order to achieve this end, they change Iraq's laws so that they come into compliance with highly controversial WTO requirements on intellectual property rights.

The World Health Organization found that the imposition of the same intellectual property rights requirement would increase the price of medicines for HIV, AIDS, and malaria by some 200 percent in Andean nations. As enforced by the WTO, these rules have made the practice of sharing and saving seeds by farmers illegal as agribusiness companies increasingly patent the rights to seeds. Pharmaceutical companies have used these rules to patent indigenous knowledge and make traditional medicines inaccessible to those who have used them free of charge for generations. Such regulations make it increasingly difficult for governments to regulate in the public interest at the expense of private industry.

Order #97[49] (June 7, 2004), the "Political Parties and Entities Law," may go the furthest to demonstrate the farce of the June 28, 2004, handover of authority. With Order #97, Bremer established a seven-member commission that has the power to disqualify political parties and any of the candidates they support. Political parties or candidates can *be* disqualified for several reasons, including if they do not follow a code of conduct established by the commission or if they are deemed by the commission to be "associated with armed forces, militias, use of terrorism, or incitement to violence, or if they have been directly or indirectly financed by such forces." In this way, the Bush administration retained a firm stamp of approval over any party or individual that was even allowed to participate in Iraq's elections.

Order #100[50] (June 28, 2004) handed over authority for all remaining Orders to the newly appointed Iraqi interim prime minister, Dr. lyad Allawi. The Orders were then upheld as Iraqi law with the passage of the October 15, 2005, constitution.

ORDER #*39:* FOREIGN INVESTMENT

Foreign investment rules have been the cherry on top of the corporate globalization pie for decades. They have long been widely sought after but *rarely* achieved. It was the adamant opposition of developing country governments to these same laws that contributed significantly to the collapse of WTO talks in Seattle in 1999 and again in Cancun in 2003. To avoid another collapse, the provisions were removed altogether from the agenda of the WTO's 2005 Hong Kong ministerial. Foreign investment provisions continue to be one of the most controversial elements of the North American Free Trade Agreement (NAFTA) between the United States, Mexico, and Canada. Global opposition to these laws led to the defeat of the Multilateral Agreement on Investment. In Iraq, however, there was no opposition to overcome. Bremer simply put the foreign investment provisions into force with the stroke of a pen.

Order #39 (September 19, 2003) is the foreign investment Order.[51] It includes the following provisions: (1) privatization of Iraq's state-owned enterprises; (2) 100 percent foreign ownership of Iraqi businesses; (3) "national treatment"—which means no preferences for local over foreign businesses, which has allowed for a U.S. corporate invasion of Iraq; (4) unrestricted, tax-free remittance of all profits and other funds; (5) forty-year ownership licenses; and (6) the right to take legal disputes out of Iraq's courts and into international tribunals. More than any other Order, it fully embodies the Bush Agenda in Iraq: the creation of a U.S. corporate haven that will act as a model and jumping-off point for the rest of the region.

Provision #1: Privatization

Under the heading, "Treatment of Foreign Investors," Order #39 states, "The amount of foreign participation in newly formed or existing business entities in Iraq shall not be limited, unless otherwise expressly provided herein." Business entities are defined as including, but not limited to, "state-owned enterprises." Under the heading, "Areas of Foreign Investment," Order #39 states, "Foreign investment may take place with respect to all economic sectors in Iraq, except. .. the natural resources sector involving primary extraction and initial processing remains prohibited. In addition, this Order does not apply to banks and insurance companies." This exception means that the extraction and initial processing of oil in Iraq is excluded from the provisions of the Order. (This exclusion and the impact of the Bremer Orders and the Bush Agenda on Iraq's oil prize are the topic of the final section of this chapter. The banking and insurance sectors are the subject of several other Orders, including Order #40 discussed earlier.)

Order #39 therefore allows for the privatization of all of Iraq's 192 government owned industries (except oil extraction), including everything from water to electricity, schools to hospitals, factories to airlines, newspapers to television stations, food to housing programs. The Order overturns all or part of Articles 13 and 16 of the pre-invasion constitution. These articles specifically *prohibit* private ownership of "natural resources and the basic means of production" and explain that "ownership is a social function, to be exercised within the objectives of the Society and the plans of the State." Furthermore, in Article 11, the State ensures "maternal and child care"; Article 27 guarantees free education in "primary, secondary, and university stages, for all citizens"; and Article 33 guarantees "free medical services" in both cities and rural areas. Privatization of these sectors under Bremer's Order #39 would certainly lead to the violation of Articles 11, 27, and 33, which is explicitly illegal under the Hague Regulations.

"Privatization" occurs when a public entity, such as a drinking and sewage water system—owned, operated, and/or managed (usually all three) by a government—is turned over to a private entity such as a corporation. The United States, for example, has an almost fully state-run water system. Governments at the federal, state, and local level own, operate, manage, and *pay for* most of the nation's water systems. Water is a resource provided as a service of the government, and therefore the fees collected are intended to support the system rather than to generate extra revenue or profits. In the United States, water is also a resource that is heavily subsidized by the government to ensure that all Americans have access to water and sewage services. Thus, while many Americans may question the quality of their water, virtually everyone can afford it. However, when water is provided by a private entity, it becomes a resource that must generate revenue. To change the system from one that supports itself to one that also generates revenue, the company must either reduce costs or increase fees. Usually, a combination of the two is chosen, often resulting in increased prices, reduced services, and reductions in numbers of workers and/or worker wages or benefits.

As Paul Bremer himself noted in November 2001, "Privatization of basic services, for example, almost always leads to price increases for those services, which in turn often lead to protests or even physical violence against the operator."

The CPA began conducting in-depth assessments of Iraq's largest state-owned enterprises (SOEs), considered to have the greatest potential for privatization in the first months of the occupation. These assessments are posted on the U.S. Commerce Department website and include numbers of employees, amount of damage suffered during and after the war, the amount of money necessary to bring the facility to prewar levels, whether the company can be considered profitable and commercially viable, and its potential for privatization. Many companies were determined to be "good candidates for privatization."

In October 2003, Thomas Foley, director of private sector development for the CPA, announced a list of the first state enterprises to be privatized. The list included cement and fertilizer plants, phosphate and sulfur mines, pharmaceutical factories, and the country's airline.[52] With anywhere from 50 to 70 percent of the Iraqi workforce unemployed at the time, additional layoffs were unacceptable and the list was met with immediate resistance by Iraq's workers.

Again, in Bremer's own words, "Restructuring inefficient state enterprises requires laying off workers."[53] Or, to quote Bearing Point's contract, "The need for new job creation will only increase when workers are laid off from these [state-owned] firms as they are restructured for privatization, or liquidation." Even those workers who still had jobs in Iraq at the time (remember that approximately 620,000 had lost their jobs under Orders #1 and #2) only received "emergency pay," which was mandated by the CPA and amounted to about half of what they made before the war. At the same time, prices skyrocketed due to inflation rates of as high as 36 percent and the social safety net was being decimated, as one government program after another was terminated or rolled back. In response to the organized resistance and negative publicity that followed, Bremer was forced to halt immediate privatization.

The process continued, however, just on a slower quieter track.

In April 2004, Iraq's minister of public works said that she was considering privatizing Iraq's water sector to "fund essential works."[54] As an occupier, the U.S. government was obligated to ensure that water was provided to the people of Iraq. It is therefore telling that the discussion turned not to the failings of the U.S. government, nor of Bechtel (which has the contract to rebuild the water system), but rather to privatization of the service.

The Bush administration's commitment to Iraq's privatization effort was reaffirmed in September 2004 when Bearing Point's contract was extended for another three years with a renewed emphasis on privatization of the electricity and telecommunication sectors as part of its effort to develop "a policy-enabling environment for private sector-led growth in Iraq." Bearing Point is now aided by the Louis Berger Group of New Jersey, which received a contract in October 2004 to provide (among other services) assistance in restructuring and privatization of state-owned enterprises.

In February 2004, the U.S. Commerce Department held a "Doing Business in Iraq" conference in Washington DC, attended by some five hundred U.S. companies, including Bechtel, Boeing, Caterpillar, Microsoft, Motorola, and Fluor. This conference took place immediately following vocal criticism by the Iraqi Governing Council's top representative in Washington that the United States was passing over Iraqi firms in awarding reconstruction contracts. In December 2004, the U.S. Government's Overseas Private Investment Corporation and the World Bank's International Finance Corporation were among the hosts of the "Iraqi-Jordanian Investment Symposium" in Amman, Jordan. The symposium "exposed the multitude of business opportunities in Iraq" for, among others, "privatization specialists." Interested companies can frequent websites such as www.export.gov/Iraq or www.iraqprocurement.com to learn more about similar meetings taking place monthly in their home countries and neighborhoods.

The impact of Bremer Order #39 and the influence of the Bush administration crystallized in May 2005, when Mohammad Abdullah, the interim minister of industry, announced plans for Iraq's Ministry of Industry and Minerals to "partially privatize most of its 46 state-owned companies as part of the government's plan to establish a liberal, free-market economy."

The transitional Iraqi government hosted a similar conference in London a few months earlier to present the international business community with the opportunity to invest in Iraq's newly partially privatized telecommunications sector. Hundreds of companies attended the conference, where they heard papers by U.S. telecommunications giants Nortel and Motorola. As described by Iraq's Minister of Communications, Jowan Masum, the government hoped to signal "to the investor that the telecommunications sector is not wholly state owned and is not monopolised."[57]

Such conferences and meetings among global corporations to discuss privatization and investment in Iraq have taken place virtually unabated since before the invasion. There are many examples to draw from in addition to those already listed, such as "Iraq Procurement 2005—Meet the Buyers," at which Iraqi ministers from industries such as agriculture, construction and housing, education, industry, technology, science and technology, telecommunications, and water, met with U.S. and other global corporations in Amman, Jordan, to "further their business relations with the rest of the world." Corporate sponsors of the event included Shell, DHL, Raytheon, Midas, DynCorp, Hertz, Microsoft, and Pfizer, among others. The sponsors of the 2004 conference also included ChevronTexaco and ExxonMobil.

Provision #2: 100 Percent Foreign Ownership of Iraqi Businesses

Order #39 allows for 100 percent ownership of Iraq's businesses by non-Iraqis. It contradicts and overrides Iraqi commercial laws that prohibited "investment in, and establishment of, companies in Iraq by foreigners who are not resident citizens of Arab countries."[58]

Bans on foreign ownership and requirements that foreign companies partner with local businesses are common tools used by developed and developing countries alike, particularly at the local level, to ensure local economic development. Such requirements help guarantee that money earned in a country or community stays there and services local growth and employment.

To date, the lack of security in Iraq and the ever-increasing hostility toward the occupation has kept most foreign corporations from purchasing Iraqi state-owned or private businesses, or at least from publicly acknowledging that they have or intend to do so. However, the ongoing violence has not stopped U.S. corporations from taking full advantage of Order #39's other provisions.

Provision #3: National Treatment

Order #39 states, "A foreign investor shall be entitled to make foreign investments in Iraq on terms no less favorable than those applicable to an Iraqi investor, unless otherwise provided herein." "National Treatment" is a standard element in trade and investment agreements, which restricts governments from preferencing domestic businesses or workers over foreign businesses or workers. National Treatment made it unnecessary for Bremer, and impossible for the Iraqi government, to require that Iraqis be given preference in the reconstruction effort over Americans. Foreign companies operating in Iraq were therefore granted the right to perform all of the reconstruction work without having to hire Iraqi workers, use Iraqi companies, or even use Iraqi products.

The result is a U.S. corporate invasion of Iraq. According to the U.S. General Services Administration's Federal Procurement Data System and figures collected by the Center for Public Integrity, a Washington, DC-based think tank, by mid-2005, more than 150 U.S. companies had been awarded contracts totaling more than $50 billion—more than twice Iraq's entire GDP—to work on the Iraq War and reconstruction. The largest single recipient, Halliburton, has contracts worth more than $11 billion. Excluding Halliburton, the seven largest contracts, totaling nearly $23 billion, are for companies working almost exclusively on some form of construction—be it of buildings, highways, bridges, electricity, water, oil, or sanitation systems. These companies are: Parsons Corporation of Pasadena, CA ($5.3 billion); Fluor

Corporation of Aliso Viejo, CA ($3.75 billion); Washington Group International of Boise, ID ($3.1 billion); Shaw Group of Baton Rouge, LA ($3 billion); Bechtel Corporation of San Francisco, CA ($2.8 billion), Perini Corporation of Framingham, MA ($2.5 billion); and Contrack International, Inc. of Arlington, VA ($2.3 billion). All of the reconstruction work for which these companies have been contracted can and should be done by Iraqis themselves.

National Treatment is also a powerful tool used by corporations to circumvent domestic regulations on the environment, public health, and worker and consumer safety. Virtually every challenge brought to such laws under similar foreign investment rules in the NAFTA includes claims that the government violated National Treatment. The fact that NAFTA's National Treatment has allowed multinational corporations to overturn laws in Canada, the United States, and Mexico bodes poorly for Iraqi environmental, health, and public interest laws—or those that any new government may wish to enact.

For example, a U.S. corporation used NAFTA's National Treatment and Foreign Investment provisions to force the Canadian government to reverse a ban on the gasoline additive MMT, a known carcinogen. MMT is banned in Europe and California. In 1997, the Canadian parliament passed its own ban of MMT (which is made in the United States and sold in Canada) because it was proven to pollute ground water and was, in the words of Canadian Prime Minister Jean Chre-tien, an "insidious neurotoxin." Virginia's Ethyl Corporation, the producer of Canada's MMT, first tried to stop the legislation in the Canadian parliament. When it was unsuccessful, it turned to the NAFTA, where it launched a $250 million suit. Ethyl argued that it should be reimbursed for future profits it would have earned from the sale of MMT and that the mere *discussion* of the ban in the Canadian Parliament damaged Ethyl's "good name" and therefore its profitability. Ethyl demanded compensation or the elimination of the law. Because the Canadian government believed it would lose the case at a NAFTA tribunal, it reversed the ban, paid Ethyl $13 million, and wrote the company a formal letter of apology.

Provision #4: Unrestricted Repatriation of Profits

This provision may be the purest act of imperial hubris put in place by Bremer. Under "Implementing Foreign Investment," Order #39 authorizes foreign investors to "transfer abroad without delay all funds associated with [their] investment, including: shares or profits and dividends; proceeds from the sale or other disposition of its foreign investment or a portion thereof; interest, royalty payments, management fees, other fees and payments made under a contract; and other transfers approved by the Ministry of Trade."

Foreign investors can put their money wherever they like and take it out whenever they want to, "without delay." Nothing need be reinvested locally to service the floundering Iraqi economy. Nothing need be targeted to help specifically damaged areas, communities, or services. U.S. corporations are therefore invited to enter the Iraqi economy, exploit a nation at its most vulnerable point, with no obligation to reinvest in the country at a time when rebuilding Iraq is professed to be the Bush administration's most vital assignment.

U.S. corporations have reaped staggering revenues from their Iraqi operations. However, because of Order #39, they are not required to reinvest a cent of this money in Iraq. Chevron, Bechtel, and Halliburton have each experienced skyrocketing returns to their Iraqi endeavors. As described by the *Financial Times,* for example, Halliburton received steep "profits from their Iraq operations."[59] Both Bechtel and Halliburton have cost-plus contracts in Iraq, which means they are paid for all costs associated with their work plus a guaranteed additional fixed fee above the costs.

While not reinvested in Iraq, much of this money was "invested" in the Republican Party's 2004 election-year coffers—helping to ensure the continuation of the Bush Agenda both in the White House and in the Congress. According to the nonpartisan Center for Responsive Politics, each of these companies was among the leaders in its industry in 2003-2004 election-cycle contributions, with most of the donations going to Republicans. Halliburton gave 85 percent of its political contributions to Republicans, Chevron gave 83 percent, and Bechtel, the most egalitarian of the three, gave 53 percent.[60]

Chapter 3 details how the IMF has, for decades, required the same repatriation of capital rules as those provided by Order #39. These rules are cited by the world's leading economists as primary contributors to financial collapse the world over, including the East Asian financial crisis of 1998-1999. Nations that had once been characterized as the "East Asian Tigers" because of their thriving economies suddenly crashed when the IMF set restrictions on the ability of their governments to regulate which sectors of their economies received foreign investment and how long or in what quantities investment had to stay in a country. When foreign investors started playing with these nations' currencies as if they were in a global casino, the governments were powerless to act. Foreign investors shot up the value of the currencies with their investments and then pulled them out quickly to make a profit. The economies started to crumble, whereupon all the investors pulled out at the same time—sending the economies into total collapse. Had investment restrictions been allowed to remain in place, the financial crises could have been avoided and the lives consequently lost to unemployment and poverty saved.

The stage has now been set for a similar crisis in Iraq.

Provision #*5:* Forty-Year Leases

Provision #5 allows Iraqis to maintain a semblance of domestic control over foreign investors by denying them the right to own private real property (land or things permanently attached to it, such as buildings) outright. It does allo'w, however, for the next best thing: Foreign investors or companies are granted forty-year licenses with unlimited renewal options for the lease of Iraqi real estate. According to the dispute settlement procedure for Order #39, if such contracts are broken, the foreign company can turn to international courts rather than Iraq's domestic laws for arbitration.

Provision #6: Dispute Settlement

If a legal dispute arises over any of the rights granted under Order #39, foreign companies and investors can reject Iraq's domestic courts and turn to international tribunals instead. Any international trade or investment agreement that both countries have signed is available. If the Bush administration is successful in implementing its trade goals for Iraq, Iraq will soon be a World Trade Organization member and the United States will have a Bilateral Investment Treaty with Iraq. Both the WTO and the World Bank's International Centre for the Settlement of Investment Disputes (ICSID), which adjudicates most disputes over Bilateral Investment Treaties, are closed door courts that have demonstrated consistent biases in favor of corporations in their rulings over issues of serious public concern. In fact, since it was created, the WTO has ruled that every environmental, health, or public safety policy it has reviewed, except one, is illegal and must be eliminated or changed. While developing country laws have been hit the hardest, U.S. laws designed to protect health and environmental standards have also fallen by the wayside. Both the U.S. Clean Air Act and the U.S. Endangered Species Act have been weakened as a result of WTO rulings.

At both the WTO and ICSID, only the parties directly involved in the cases can participate in the legal proceedings, which are confidential, with limited access to either the press or the public. There are no conflict of interest restrictions on the arbitrators and qualifications are limited to their knowledge of trade and investment law. The ICSID, in particular, was originally designed to handle the most technical contractual disputes between companies and governments. As trade and investment laws have increasingly moved into environmental, social, labor, human rights, and other areas of public interest, the ICSID and the WTO are ruling on issues far beyond their structural mandate.

THE ON-THE-GROUND IMPACT OF BREMER'S ORDERS AND THE BUSH AGENDA

Iraqi Companies Excluded

Iraq has companies, private and public, that can perform much if not all of the work that has thus far been provided to U.S. companies. After the first Gulf War, while Iraq was cut off from the world by economic sanctions, the Iraqis rebuilt bridges, roads, buildings, electricity, water, and sanitation systems, and performed all other postwar recovery work themselves. The reconstruction was not perfect and suffered greatly from a lack of resources, but the skill and the desire were certainly there.

A young college-educated Iraqi woman who goes by the name "Riverbend" has kept a uniquely insightful Web log of her life in Baghdad since the war began. In August 2003, she captured the sentiments of millions of Iraqis when she wrote, "Instead of bringing in thousands of foreign companies that are going to want billions of dollars, why aren't the Iraqi engineers, electricians, and laborers being taken advantage of? Thousands of people who have no work would love to be able to rebuild Iraq. ... No one is being given a chance."[61]

Among Iraq's state-owned enterprises are companies that perform construction, engineering, architecture, information technology, and other high-tech services, as well as factories that produce everything from concrete to ship containers, sulfur to industrial ceiling fans, phosphates to pharmaceuticals, and trucks to swimming trunks. In fact, construction is one of Iraq's largest sectors, with forty-five factories designed to produce essential building materials. The companies are divided among the various government ministries, with the majority in the Ministry of Industry. These companies have been essentially idle since the war, primarily from a lack of financial and material resources.

A list of forty-three companies assessed by the CPA as excellent candidates for privatization, due to the high quality of their work and conditions of operations, includes: the State Company for Industrial Design and Construction (SIDAC), which rebuilt eighty bridges after the 1991 Gulf War and, according to the CPA, is "staffed with highly qualified engineers . . . with forty years experience on large local construction commissioning projects"; the State Industrial Design and Consultation Company, which provides engineering, construction, and project management; the State Company for Information Systems, which provides consultation, design, and support for information systems; Al-Nasr Al-Adheem State Company, which makes all kinds of heavy equipment for oil, petrochemical, electricity, and water industries; the State Companies for Cement, which manufactures all varieties of cement in seventeen different factories across Iraq; and the General Systems Company, which provides site work, engineering, project management, and software programming. Each of these companies, among dozens of others, could perform work that has been contracted to U.S. companies.

An extremely useful public list of private Iraqi companies is the *PortAl Iraq* website—"The first stop for doing business in Iraq." On this site (www.portaliraq.com), you will find pop up ads for "Bullet Proof VESTS," "Ballistic Blankets!" and "Armored Cars, both new AND pre-owned." It also provides a list of hundreds of private Iraqi businesses. A review of the companies reveals dozens with over thirty years of experience in all of the work areas for which American companies have been hired. Experienced construction companies include the Al-Iraqi Group, Al-Fadhaa Co. Ltd., Al-Fijaj for Construction Co. Ltd., Al-Ghodwa, Al-Maur Construction Company, Al-Qabas Group, Al-Manhal Construction, Botan Group (with particular expertise in the building of highways, dams, and industrial buildings), and the Edward Allose Company. Experienced Information Technology companies include Alathar Co. Limited Communication Services; Alqedwa Group Co. LTD.; Altam Commercial Agencies; Iraq SatNet; and Nahj Tech Co., which created Iraq's National Internet ISP. There is also Dewan Al-Emara Architects and Engineers, with over thirty years of experience, and Al-Makhzoumi, which specializes in oil field services.

Both public and private Iraq companies have been hired by the U.S. government in the reconstruction, and increasingly so. However, they have been hired almost exclusively as subcontractors to the American companies, and/or for small short-term projects, and have received a pittance in work compared to their American counterparts.

Hiring Iraqi companies in the place of American companies would mean not only more money for Iraq but also increased savings for the American taxpayer. In a September 30, 2003, letter to U.S. Office of Management and Budget Director Joshua Bolton, Congressman Henry Waxman of California explained that members of the Iraqi Governing Council (IGC) estimated that the costs to American taxpayers of many reconstruction projects could be reduced by 90 percent if the projects were awarded to local Iraqi companies. In one example, IGC member Judge Abdul Latif said that non-Iraqi contractors charged $25 million to refurbish twenty police stations in Basra while an Iraqi company could have done the same work for $5 million and then used the rest of the money to restore every government building in Basra. IGC member and civil engineer Songul Chapouk said that the CPA renovated ten houses in Baghdad for members of the Council for $700,000, while Iraqi firms could have built ten houses from scratch at that price and employed more Iraqis in the process. The U.S. general in charge of northern Iraq, Major General David Petraeus, told a congressional delegation including Waxman's staff that U.S. engineers estimated it would cost $15 million to bring a cement plant in northern Iraq back to Western production standards. When the project was offered to local Iraqis instead, they were able to get the cement plant running again for just $80,000, although not necessarily to Western standards.

The testimony of former senior CPA official Franklin Willis to the U.S. Senate Democratic Policy Committee in 2005 reflects statements common among Iraqis and critics of war profiteering in Iraq but rarely voiced from within the CPA itself. Willis explained that U.S. reconstruction funds were misused by the CPA and the Bush administration because large private U.S. contractors were favored over local Iraqi companies:

> I would urge the Committee to examine the contracts being let under the $18 billion Supplemental Authorization approved by the Congress 14 months ago. While a few big infrastructure projects are required, many, many small projects are essential. They can be done by Iraqi companies, they are visible to the populace and the money gets into Iraqi hands and into the Iraqi economy.
>
> For example, Washington Group International has received a $40 million contract to clean, repair and upgrade a portion of the Sadr City wastewater system. Their administrative, management, and security costs I am advised have eaten up $25 million, with minimum salaries for their personnel in place in Baghdad at $250,000 per year. $15 million makes it to the ground for labor and materials. That's 63 percent overhead. . . . The Army overhead in place is 0 percent; the Army Corps of Engineers 6.5 percent.
>
> By contrast, companies like Bechtel, Parsons, Washington Group International, Black and Veatch, etc. have ID/IQ (indefinite delivery/ indefinite quantity) open-ended contracts for millions and millions of dollars. How much is eaten up in overhead, what reaches Iraq on the ground?

Iraqi Workers Excluded

Bremer rejected domestic skill in favor of U.S. corporations, promising that the U.S. companies would hire Iraqis. At the time of the U.S. handover of authority from the CPA to the Iraqi interim government in June 2004, while two million Iraqis were unemployed, only some 25,000 had jobs in the reconstruction effort. The reason was twofold. First, very few of the promised reconstruction efforts were even under way. In mid-2004, less than 140 of 2,300 promised construction projects had begun, and there were widespread reports of waste, fraud, and abuse in the projects that had started.[62] Second, as U.S. contractors are not required to hire

Iraqis, many have chosen instead to import workers from the United States and around the world. The reason most often cited by U.S. contractors is that they do not trust the Iraqis and have hired workers from countries where they have contracted work before, such as the United States, Nepal, India, and Indonesia.

For example, Halliburton subsidiary KBR hired the Tamimi Company to provide food services for sixty thousand U.S. soldiers in Iraq. Tamimi does not use Iraqi workers because "Iraqis are a security threat," according to a company manager. Instead, the firm brought in 1,800 workers from Pakistan, India, Nepal, and Bangladesh to do the work.[63] Halliburton also shipped about 500 American workers a week to Iraq, paying four times the amount the same workers could earn in Texas, offering up to $8,000 a month to drive oil trucks.[64] Tragically, the horrific murders of many of these workers have become all too well known around the world. In total, an estimated three hundred civilian contractors have been killed in Iraq, while over 260 foreign nationals have been kidnapped.[65]

KBR is performing two categories of work in Iraq: The first is the provision of military support services, which, until about a decade ago, was performed by the military itself. The second is the rebuilding of Iraq's oil infrastructure. KBR received both contracts without competition. According to the U.S. Army's classified contingency plan for repairing Iraq's infrastructure, KBR was the only company with the skills, resources, and security clearances to do the job on short notice. KBR also happened to be the author of the U.S. Army's contingency plan.[66]

In 1992, then Defense Secretary Dick Cheney authorized a classified study to determine whether private companies should handle the military's civil logistics under the Logistics Civil Augmentation Program (LOGCAP). The logistics under consideration included preparing and serving meals, washing laundry, driving and repairing nonmilitary vehicles (trucks versus tanks), building and cleaning bases, and delivering fuel and water. Cheney's Pentagon paid KBR $9 million to conduct the study, and lo and behold, KBR concluded that the services should be privatized. The following year, Cheney's Pentagon awarded KBR the first privatized LOGCAP and, three years after that, Cheney was hired as the CEO of Halliburton. In 1997, under President Clinton, Halliburton lost this contract due to fraudulent billing practices in Bosnia. But in 2001, under Vice President Cheney, KBR got the contract back just in time for the invasions of Afghanistan and Iraq.

As the occupation continued into its second year, more companies, including KBR, began hiring Iraqis. Unfortunately, the insurgency had grown as well, and Iraqis working for American companies were increasingly viewed as collaborators of a hated occupation.

Dahr Jamail, an independent American reporter in Iraq, interviewed Ahlam Abt Al-Hassan on May 19, 2005. Exactly one year earlier, Al-Hassan, then twenty-four years old, had been shot on her way to work at KBR at the U.S. military base in Diwaniyah.[67] She told lamail that, as she waited for a taxi, she was shot twice in the head by a member of the Mehdi army. Before the incident, threats against KBR employees had been growing, so much so that Ahlam was told by KBR to stay home from work for two weeks. "After this, I went back to work because my bosses told me the security was better," she told lamail. "My bosses had told me it was secure now." They were wrong. After being shot, Ahlam was taken to a hospital in Hilla, where she told the attendants that she worked for KBR. KBR was contacted, and a spokesperson said that they would come see her. No one came.

After almost two months in hospitals and following several surgeries, Ahlam's life was saved, but her eyesight was lost. Ahlam explained that while she was in the hospital and unable to speak, a phone call came from "Mr. Jeff," Ahlam's only identification for her KBR employer. She has not heard from KBR since, although, according to Jamail, she has tried desperately to contact them for months. She needs further medical attention but has neither the money nor the access. Jamail writes that Ahlam's friends, family, and colleagues are trying to hold Halliburton accountable. However, Bremer Order #17 granted U.S. companies in Iraq full immunity from

Iraq's laws. Therefore, Ahlam's only possible recourse is to gain standing in American courts and attempt to sue Halliburton in the United States.

The Failure to Restore Electricity

The following excerpts from Riverbend's Web log are typical of the experiences of millions of Iraqis across the nation:

> August 18, 2003: Normal day today. We were up at early morning, did the usual "around the house things," you know—check if the water tank is full, try to determine when the electricity will be off, checked if there was enough cooking gas.
>
> December 16, 2003: The electricity only returned a couple of hours ago. We've been without electricity for almost 72 hours—other areas have it worse. Today we heard the electricity won't be back to pre-war levels until the middle of next year. We heard about Saddam's capture the day before yesterday, around noon. There was no electricity, so we couldn't watch TV.
>
> January 27, 2005:1 have to make this fast. We have about two hours of electricity—hopefully. . . . Unfortunately, the electricity situation has deteriorated. We're getting about four hours for every twenty hours in our area—I'm not quite sure what's going on in the other areas. It feels like we're almost cut off from each other.

As an occupier, the Bush administration was required to ensure that basic necessities were provided to the Iraqi people. It failed in this mission because it did not focus its efforts on the immediate provision of needs, but rather on the opening of Iraq to private foreign corporations. Throughout the years of the occupation, Iraqis have continually pointed to the lack of electricity as a primary source of unrest. In March 2005, Iraqis listed "inadequate electricity" as the issue they most wanted the government to deal with, before crime, security, terrorists, or even the drafting of the constitution.[68]

Except for a few brief "luxurious" months in the summer of 2004, when nationwide electricity averages just barely surpassed prewar levels, electricity in Iraq has remained far below prewar levels and significantly below U.S. stated goals. Before the war, Iraq received about 4,400 megawatts of service a day. The U.S. government was supposed to have nationwide electricity up to 6,000 megawatts by July 2004. Instead, in December 2005, electricity was still only at 3,750 megawatts. For Baghdad, the goals were simpler—just to reach the prewar level of 2,500 megawatts. The highest level ever reached in Baghdad during the occupation was 1,485 megawatts in September 2004. In April 2005 (the latest date for which data is available), service was a dismal 854 megawatts.[69] The U.S. State Department reports that in the last week of December 2005, Baghdad's residents had electricity for just over five hours a day, while the national average was 11.8 hours a day.

Riverbend's Web entries therefore typify the state of the nation: on-again, off-again service, generally in three- to four-hour blocks. But even that schedule is usually punctuated by frequent blackouts. Back in June 2004, UN special envoy Lakhdar Brahimi told the United States that, after security, the lack of reliable electricity was the number one problem facing Iraq and would continue to destabilize the nation if not adequately addressed. U.S. Air Force Colonel Sam Gar diner, author of a U.S. government study of the likely effect that U.S. bombardment would have on Iraq's power system, summed up the feelings of many when he said, "Frankly, if we had just given the Iraqis some baling wire and a little bit of space to keep things running, it would have been better. But instead we've let big U.S. companies go in with plans for major overhauls."[70]

Mohsen Hassan, technical director for power generation at the Iraqi ministry of electricity said, "We, the Iraqi engineers, can repair anything. But we need money and spare parts and so far Bechtel has provided us with neither. The only thing that the company has given us so far is promises."[71] It seems fair to conclude that a more successful approach would have been to provide money and parts to the Iraqis and let them rebuild the system.

Bechtel's "Lost Summer"

The Bechtel Corporation was one of a select handful of U.S. companies that received a quiet "request for proposals" from the Bush administration more than a month before the invasion of Iraq.[72] On April 17, 2003, Bechtel was awarded a $680 million contract for work in Iraq.[73] In September 2003, it received an additional $350 million, and then, on January 6, 2004, it received a second contract—bringing Bechtel's combined total to more than $2.8 billion.

In Bechtel's first contract, "Iraq Infrastructure I," the company is to "provide the successful design, rehabilitation, upgrading, reconstruction and construction in Iraq of one port, five airports, electric power systems, road networks and rail systems, municipal water and sanitation services, school and health facilities, select government buildings, and irrigation systems as well as institutional capacity building for operation and maintenance of roadmaps for future longer term needs and investments in support of the Iraq Infrastructure Reconstruction Program." The second contract, "Iraq Infrastructure II," is for more of the same. Bechtel is not the only company working on these projects, to be sure, but it was the first—and for a considerable amount of time, the largest—to receive such contracts for reconstruction in Iraq. These contracts have, in turn, led Bechtel's non-U.S.-generated revenues to increase by 158 percent in 2003. The company had record revenues yet again in 2004—$17.4 billion overall, topping the company's 2003 take by 6.4 percent.

Bechtel is the largest engineering company in the world. It has built electricity systems throughout the Middle East and other regions worldwide. It was certainly qualified to build a shining new electricity system in Iraq. Unfortunately for Bechtel, Iraq did not have a system needing to be "built" so much as "rebuilt" during a time of war in an increasingly hostile environment. Depending on whom you ask, either Bechtel or the Bush administration decided that, instead of getting Iraq's electricity system *up* and running as quickly as possible, a countrywide assessment of all systems was necessary before any reconstruction could begin. The assessment took five long months.[74] These happened to be summer months in a country where temperatures regularly top 125 degrees Fahrenheit. No electricity meant no fans, no ice, no cold drinks, no air conditioners, and a lack of clean water and reliable sewage treatment. It is difficult to exaggerate the extent to which Iraqis suffered during those five months. Thus, the summer following the March invasion was a particularly crucial period in which Iraqi goodwill all but evaporated; I call it "Bechtel's lost summer."

"If they think we're used to this, they're wrong," Mohammad Kasim Hamady of Basra told David Baker of the *San Francisco Chronicle* in September 2003. Hamady said that he was tired of sleeping on the roof and enduring the rashes that Basra's 125-degree air triggers on his skin. He was tired of seeing his children wander listlessly through the house in their underwear when the blackouts hit. Voicing an opinion shared by many Iraqis, he warned, if the Americans and the British can't fix Iraq's infrastructure, resistance to their presence will grow. "We didn't ask them to come," Hamady said. "We need all the basic needs. If they don't like that, they can go home."

It certainly made sense to assess the situation before building, but much of this assessment could have been done prior to the invasion as part of the post-invasion planning. After the invasion, short of turning the reconstruction over to the Iraqis, all of the assessment should have .been done in direct discussions and partnerships with Iraqi engineers, such as Mohsen Hassan, who had run the systems for decades, as well as in conjunction with the international humanitarian organizations already on the ground, such as CARE and the World Health Organization—organizations that the Iraqis were used to working with and trusted. What the

Bechtel employees discovered after five long months was that two wars and twelve years of economic sanctions had taken their toll. The systems were in far greater need and more difficult to repair than they had assumed. The water, electricity, and sewage systems, for example, were more intimately interlinked than anticipated, and parts were less accessible than expected—a problem greatly exaggerated when the Bush administration banned countries that had not supported the invasion from profiting from the occupation. Thus, Iraq's electricity and water systems, built in Russia, Germany, and France, were unable to receive replacement parts from these nations. Of course, this was all information that expert Iraqis could have easily conveyed to Bechtel from the start, had Bremer not fired the vast majority of them and had Bechtel asked.

"These systems, the repairs they are not all on some blueprint somewhere," Gazwan Muktar, a retired electrical engineer, told author Christian Parenti in Baghdad. "You need to have the people who spent twenty years running these irrigation canals or power plants to be there. They know the tricks; they know the quirks. But the foreign contracts ignore Iraqis, and as a result they get nowhere!"[75]

The critical time spent and lost on the assessment, only to learn that the work was more difficult than anticipated, bred increasing hostility toward the invasion. The lack of water, electricity, and sewage services led to increasing acts of sabotage against all foreign contractors, including Bechtel. It seemed that every time Bechtel built a water tank, overnight it would disappear. Tragically, Bechtel employees also became targets, facing acts of violence, kidnapping, and murder. These factors all combined to reduce Bechtel's ability to fulfill its contracts with the U.S. government and its obligations to the Iraqi people. They did not, however, reduce Bechtel's financial rewards. In April 2004, the Bush administration reduced the expectations for Bechtel's contract, but not its dollar figure. Good for Bechtel, but too bad for the people of Iraq.

The Failure to Provide Water and Sewage

> E. was the first to hear it. We were sitting in the living room and he suddenly jumped up, alert, "Do you hear that?" He asked. I strained my ears for either the sound of a plane or helicopter or gun shots. Nothing . . . except, wait. .. something . . . like a small stream of... water? Could it be? Was it back? We both ran into the bathroom where we had the faucets turned on for the last eight days in anticipation of water. Sure enough, there it was—a little stream of water that kept coming and going as if undecided. E. and I did a little victory dance in front of the sink with some celebratory hoots and clapping.
>
> I almost didn't sleep last night. I kept worrying the water would be cut off again. I actually crept downstairs at 4 a.m. to see if it was still there and found E. standing in the bathroom doorway doing the same. My mother is calling the syndrome "water anxiety."
>
> —Riverbend's Web log, January 27, 2005

Electricity in Iraq controls water supply and sewage systems. Without the one, you cannot have the others. The World Health Organization reports that before the first Gulf War in 1991, virtually all Iraqis (a full 90 percent) had access to an abundant quantity of safe drinking water and that the south and center of Iraq had a well-developed water and sanitation system.[76] Both the water and sanitation systems suffered greatly during the sanctions period, and comparable figures do not exist preceding the second Gulf War. What is known is that Bechtel's contract—like that of the California-based Fluor Corporation, one of the largest construction companies in the world and the current recipient of $3.75 billion in Iraq reconstruction contracts—included the rebuilding of Iraq's water and sewage systems. Bechtel was also put in charge of managing this reconstruction.

Bechtel's first contract, for which it has been paid $680 million, states, "The contractor will commence repairs of water infrastructure in ten urban areas within the first month. Within the first six months the contractor will repair or rehabilitate critical water treatment, pumping and distribution systems in fifteen urban areas. Within twelve months potable water supply will be restored in all urban centers, by the end of the program approximately 45 urban water systems will be repaired and put in good operational condition, and an environmentally sound solid waste disposal will be established."

Although Bechtel failed to meet these requirements, the U.S. government neither canceled Bechtel's contract, demanded its (our) money back, nor looked for Iraqis to replace the company. Rather, it revised the contract, moving dates back and changing commitments. According to the U.S. Agency for International Development (USAID), one year and a half after Bechtel entered Iraq, "water meant for consumption is pumped through the system largely untreated while raw waste flows untreated directly into city streets, rivers or marshlands. Many rural communities are not connected to main water or sewer lines, have no access to potable water and suffer from health problems related to poor sewage disposal." Furthermore, "Baghdad's three sewage treatment plants, which together comprise three-quarters of the nation's sewage treatment capacity, are inoperable, allowing the waste from 3.8 million people to flow untreated directly into the Tigris River. . . . Water that is pumped through the system is largely untreated, especially in the South."

A May 2004 UN survey found that 80 percent of families in rural areas used unsafe water. This includes many in the south, who, cut off from adequate drinking and sewage systems, turn to the Tigris and Euphrates for their water supply.

Entesar Hadi lives in southern Baghdad. She has two children, both of whom suffer from intestinal infections. In early 2005, she said that her life had been "completely paralyzed" by the lack of water. "I have collected rain in a pot to wash the toilet," she said.[77] In December 2004, Sadr City, home to more than two million Iraqis, was described thus: "Lakes of sewage-blotched stagnant water and piles of rotting garbage still dot the streets of Sadr City. . . 'Just a few days ago, you couldn't walk this street because the sewers were overflowing. Now they've taken care of it,' said Abu Mustafa, a mattress merchant. . . . Children step over a stream of sewage that runs through their classroom in a school on Moqtar Street, one of 25 areas with major sewage backups."[78] Such conditions remain are all too common in post-invasion Iraq.

The UN survey also found that a 51 percent majority of Iraqi families living in urban areas in the south can literally look out of their window and see raw sewage in the streets. The same was true for 40 percent of all families living in all urban areas. Only 37 percent of all households are even connected to sewage networks, but this nationwide average covers up a staggering urban-rural difference: 47 percent in the urban areas and only *3 percent* in the rural areas are connected.

Hassan Mehdi Mohammed lives in a small village with his wife and eight children, about an hour drive south of Baghdad. He told an interviewer that he would welcome Bechtel into his village to work on water service: "We like to hear that companies are coming here and we can work for them. . . . And where are these companies? They have done nothing to help."[79]

Bechtel's contract also included the restoration of Iraq's schools. Reporters with *Southern Exposure* magazine visited four Baghdad schools, all listed as renovated by Bechtel. They found rain leaking through ceilings, power shortages, new paint peeling, and floors that had not been completely repaired. New brass taps and doors had been painted, but toilets and sinks had not been touched. At Hawa School, for example, the headmistress pointed out toilets for which a new water system—pipes, taps, and a motor to pump the water—had been installed. However, the motor did not work, so the toilets were filled with unflushed sewage.[80]

Al-Ani is a Ph.D. civil engineer with forty years of experience and is one of the top experts in water treatment in Iraq. He is an employee of the General Co. for Water Projects, a state-owned company bypassed by Bremer during the reconstruction. Bechtel was hired to manage a project that General Co. used to run, the expansion of the Sharkh Dijlah, or East Tigris River, Water Treatment Plant. In the case of the Sharkh Dijlah, Bechtel did not overlook Iraqi expertise;

rather, Bechtel appropriated it. According to city officials, Bechtel spent four months studying the General Co. plans for expansion, concluded they were adequate, modified them slightly, and reissued orders for parts from the same supplier. General Co.'s 187 workers, including Al-Ani, continued to collect their government salaries, but they were not put to work. Instead, they spent their days playing video games, reading books, and discussing religion and politics. Firas Abdul Hadi, a twenty-year-old civil engineer from Hilla, told a reporter, "It is beyond boring. It is painful."[81]

There has been some success. Bechtel has built power stations, dredged rivers, rebuilt ports, roads, and bridges, and restored water systems. However, the success has fallen far short of expectation, demand, and Bechtel's original contractual obligations; it has happened far too slowly and in shocking disconnect from those who actually live with the results of the work. One such example is Basra, cited by Bechtel and the Bush administration as a shining example of its work—literally a glistening modern water facility. A new central water pumping and purification station and fourteen decrepit substations were refurbished with glossy blue machines that can move along more and cleaner water than before. The problem? The facility was not adequately connected by pipes to the homes in the area, and the electricity is still intermittent. So the water tower sparkles while the pipes in peoples' homes continue to run dry.[82]

Nobody at Bechtel or in the U.S. government denies that the water and electricity reconstruction has failed. According to the U.S. State Department, of 249 water and sewage projects originally planned, only 64 have been completed. However, Bechtel and some Bush administration officials point the finger at the Iraqis. According to Bechtel, of more than forty water plants it has built that are now being run by the Iraqis, "not one is being operated properly." U.S. officials say the same: "None of the 19 electrical facilities that has undergone U.S.-funded repair work is being run correctly."[83] They blame a poor Iraqi work ethic and a lack of knowledge and skill in running the plants.

Iraqis may be unable to run the systems built by Bechtel in Iraq, but a poor work ethic and lack of knowledge are not to blame. Recall that Bremer fired the upper echelons of Iraqi management, sidestepped skilled engineers and workers, hired Bechtel to build state-of-the-art facilities foreign to these workers, and then handed the systems over as a fait accompli, whether or not they were even connected to the homes they were intended to serve. Baghdad's Mayor Alaa Tamimi, an engineer who returned to Iraq after years of exile to help rebuild the country, said that U.S. officials "made a lot of decisions themselves, and the decisions were wrong. This is our country. It's our city. They didn't accept that."[84]

The other problem is money. Iraqis simply do not have enough of it to run the expensive new facilities that they have been handed. The money has gone to U.S. contractors to (largely fail to) build Iraq's systems, rather than to the Iraqis to run the systems after they have been rebuilt. Recall that in April 2004, Iraq's public works minister said that, due to a lack of resources, she was considering privatizing the water system to "fund essential works."[85] Lack of money and skill in running public sectors has always been used as a reason for privatization. Bechtel may well position itself as the only company with the ability to run the facilities that it has built, opening the door for its entrance as a privatizer.

Why would Bechtel be interested in privatizing Iraq's water? After its oil, water is Iraq's second most valuable resource. Iraq is home to the most extensive river system in the Middle East, including the Tigris and Euphrates rivers and the Greater and Lesser Zab Rivers. It also has a sophisticated system of dams and river control projects. Stephen C. Pelletiere, a former CIA senior political analyst on Iraq during the Iran-Iraq war, has written that "America could alter the destiny of the Middle East in a way that probably could not be challenged for decades—not solely by controlling Iraq's oil, but by controlling its water. Even if America didn't occupy the county, once Mr. Hussein's Ba'ath Party is driven from power, many lucrative opportunities would open up for American companies."[86] Bechtel has already become one such company.

In 1995, World Bank Vice President Ismail Serageldin declared, "Many of the wars of this century were about oil, but the wars of the next century will be about water."[87] To which a *Fortune* magazine article added five years later, "water promises to be to the 21st century what oil was to the 20th century: a precious commodity that determines the wealth of nations." Thus, the article concluded, "If you're looking for a safe harbor in stocks, a place that promises steady, consistent returns well into the next century, try the ultimate un-Internet play: water."[88] Investments in water systems therefore have the potential to be both highly lucrative and politically advantageous.

After learning that Bechtel was managing Iraq's water reconstruction and could be in a position to privatize the nation's water, a group of citizens from Cochabamba, Bolivia wrote an "open letter to the people of Iraq" warning them of what they could expect from Bechtel in the wake of their own disastrous privatization experience with the company five years earlier: "We write you now because we fear that you might be made victims of additional suffering at the hands of a multinational corporation—Bechtel." For its part, Bechtel does not plan to be expelled from Iraq as it was from Bolivia. As Cliff Mumm, head of Bechtel's Iraq operation has said, Iraq "has two rivers, it's fertile, it's sitting on an ocean of oil. Iraq ought to be a major player in the world. And we want to be working for them long term."[89]

Following the Money

Who is paying Bechtel and the other U.S. corporations for their failure in Iraq and why are the remaining funds insufficient to pay for Iraqis to run those systems that have been built? Billions of dollars of U.S. money committed to reconstruction have gone unspent in Iraq, been wasted, or are simply unaccounted for. The U.S. government's General Accounting Office reported in June 2004 that the CPA had spent virtually all of Iraq's money during the occupation but relatively little of its own.[90] As the occupation began, there were two primary pots of money earmarked for reconstruction. The largest was the approximately $24 billion of U.S. taxpayer money, "appropriated by Congress in October 2003. The second was the Development Fund for Iraq, worth $18.4 billion. The Fund was primarily money from Iraq's oil revenues and was controlled by the CPA until authority for the Fund was transferred to the Interim Iraqi Government on June 28,2004. The CPA spent approximately $13 billion from the Fund but only about $8.2 billion of the U.S. appropriation. There were significantly more stringent reporting requirements (although, I would argue, not stringent enough) on the U.S. appropriation than on the Fund, for which there was virtually no accounting. To this day, a full $8.8 billion from the Fund remains completely unaccounted for while audits of U.S. taxpayer funds have found contract files "unavailable, incomplete, inconsistent and unreliable."[91]

Public scrutiny of the U.S. congressional appropriation has been intense. There have been dozens of protests at the headquarters of companies operating in Iraq, particularly at Halliburton and Bechtel. In San Francisco, protestors by the hundreds have sat down in front of Bechtel's corporate headquarters time and again in the weeks leading up to and years following the invasion. Members of Congress, led by Henry Waxman of California, have demanded accounting and public watchdog groups have tried to conduct their own.

Congressman Waxman has done more than any single individual to expose Halliburton's misuse of Iraqi and U.S. taxpayer monies. Halliburton has been found guilty and is under investigation for over $1.5 billion in overcharges for its Iraq services by the U.S. Defense Department's Contract Audit Agency. The agency found that Halliburton overcharged upwards of $212 million for gasoline in Iraq. In one instance, Halliburton requested $27.5 million to ship an amount of heating and cooking fuel worth $82,100 from Kuwait to Iraq. The agency reported an additional $219 million in overcharges for Halliburton's Restore Iraq's Oil contract, $813 million under Halliburton's LOGCAP contract, and additional evidence of "unsupported costs" totaling $442 million—for a grand total of $1.5 billion.

Halliburton was also found to have colluded with the U.S. Defense Department to keep these charges out of public purview for more than five months. A report prepared by the U.S. Senate Democratic Policy Committee in June 2005 found, "At Halliburton's request, and despite the urging of Army officials for a 'sanity check,' the Defense Department concealed the magnitude of Halliburton's questioned and unsupported costs . . . the Defense Department redacted every mention of every questioned and unsupported charge from every audit turned over to the international auditors. In total, references to excessive charges were blacked out over 460 times."

U.S. soldiers stationed in Iraq who, after the Iraqis themselves, have borne the brunt of the administration's "free market" miscalculations, have made some of the loudest demands for change in the reconstruction effort. As Brigadier General Mark O'Neill, assistant commander of the Third Infantry Division, Baghdad, said in early 2005, "It's a form of ammunition. If you can get trash picked up, get water running, get electricity flowing, the sewers working so people's quality of life is improving, then you have to fire fewer rounds of the other type of ammunition." These prophetic words were eventually heard by the Bush administration.

In April 2005, the U.S. State Department announced that it was shifting the spending priorities of the remaining U.S. reconstruction appropriation. It would focus on Iraqi subcontractors, because they "are somewhat less susceptible to insurgency attacks and are not burdened by the same heavy overhead expenses of foreign firms." Also there would be a shift away from large infrastructure projects to smaller immediate-term contracts. The shift did have some success. Over the second half of 2005, the numbers of Iraqis employed under U.S. government administered projects averaged around 120,000 per week (although they have fallen off again in 2006).[92] Overall unemployment, however, remains at between 25 and 40 percent in January 2006, while the rate for young men is estimated at a disastrous 37 percent.[93] Iraqis welcome the U.S. government jobs, but complain that the length of employment remains limited, often lasting just a few days or weeks, and that they continue to work far too regularly under American rather than Iraqi companies, making them targets of the insurgency.

The most glaring problem with the 'U.S. State Department's plan, however, was that it included a massive shift of funds, $3.4 billion, away from water and electricity projects toward the training and equipping of the Iraqi army and police forces. Five long-range water projects were specifically canceled to pay for a new "private sector development" program. Because of the rising violence and growing insurgency, contractors use an average of 25 percent of the funds allocated to them for security provisions rather than the delivery of service, further draining the available reconstruction funds. The insurgency also continues to restrict the ability of contractors to perform their work.

The full failure of the reconstruction was revealed in a January 2006 U.S. government audit. Although more than 93 percent of the U.S. appropriation has been spent or committed to specific companies and projects, as much as 60 percent of all water and sewer projects will not be completed. Projects related to drinking water that were expected to benefit about eight million people will now benefit only about 2.75 million and only two of the ten planned sewerage projects will be completed. More than 125 of a planned 425 electricity projects will be left undone. Plans for four gas-powered generating plants and a diesel plant were canceled.[94]

One could argue that just as "free trade" is a misnomer for trade policies that are heavily regulated to favor multinational corporations, so too is the "free-market" established by the Bremer Orders a misnomer for a heavily state-controlled economy that directs the economy to favor foreign corporations and investors rather than national interests.

THE HANDOVERS THAT WEREN'T

> You set up these things and they begin to develop a certain life and momentum on their own—and it's harder to reverse course.
>
> —*Paul Bremer, on the Bremer Orders, June 27, 2004*[95]

The Bremer Orders are useless to the Bush administration and its corporate allies if they are not followed by the Iraqi government. Thus, the administration crafted a process for the transition of power from the CPA to a permanent elected Iraqi government to guarantee (as much as possible) that the Orders would be upheld and that a new government would emerge. This new government, while not necessarily perfect, would at least be friendlier to U.S. interests as defined by the Bush administration than the post-1990 regime of Saddam Hussein was.

On June 28, 2004, in a secret ceremony in Baghdad, the invasion and occupation of Iraq by the United States was officially brought to an end. Held two days ahead of schedule to confound insurgents who threatened attacks, the handover of authority from the Americans to the Iraqis took place without a hitch. Photographs released after the fact show Iyad Allawi, the newly appointed interim prime minister of Iraq, shaking hands and smiling broadly as he accepted a blue leather-bound folio from the departing de facto prime minister, Paul Bremer. This was the last day of the CPA and of Bremer's term in Iraq. While the ceremony was beautiful, with each man dressed in formal attire—Ailawi in traditional Arab robes and Bremer in an impeccable suit and tie, the pomp far exceeded the substance of the event. It was a handover in name only, not in deed. For, not only did 140,000 troops remain on the streets of Iraq under U.S. control, but virtually all of Bremer's 100 Orders remained in effect.

The guidelines for the handover were established four months earlier when, on March 8, 2004, the U.S.-appointed Iraqi Governing Council (IGC) adopted a new interim constitution for Iraq—the Law of Administration for the State of Iraq for the Transitional Period, referred to as the Transitional Administration Law, or TAL. The TAL was written by the IGC and Bremer to replace the existing Iraqi constitution.

The TAL established a three-stage process to transition Iraq from a country governed by a foreign occupation force to one ruled by a permanent elected government. The first stage began when the CPA and the IGC were disbanded and replaced by the Iraqi interim government. The interim government stayed in power until stage two was complete with the January 30, 2005, National Assembly elections, which ushered in the transitional Iraqi government. The TAL remained the constitution of Iraq until, on October 15, 2005, Iraqis accepted the new permanent constitution, followed by the elections for a permanent Iraqi government and the completion of stage three on December 15, 2005. The new Iraqi government was to take office no later than December 31, although it had not yet done so in early 2006 as this book went to publication.

The Iraqi Interim Government

The Iraqi interim government was supposed to be chosen by the U.S.-appointed IGC and Bremer with advice from others in and outside of Iraq, including the United Nations. In reality, Bremer and the Bush administration controlled the process. While public attention focused on the conflict between the Americans and the Iraqis over who would serve in the largely ceremonial post of president, the Bush administration quietly and aggressively fought for and won its handpicked candidate for prime minister, Dr. Iyad Allawi.

Allawi "was the Americans' choice," according to Lakhdar Brahimi, UN special envoy to Iraq.[96] Brahimi described how both he and the IGC were only informed after the fact of the Bush administration's selection of Allawi as prime minister. Allawi was an obvious choice for the Americans. Having left Iraq in 1971 for London at the age of twenty-five, by 1979 he had organized a leading anti-Hussein network that became the Iraqi National Accord in 1990 and later became a direct financial beneficiary of the CIA. Allawi worked with the CIA on a failed coup attempt against Hussein in 1996.[97] He returned to Iraq after the 2003 invasion and was appointed to the IGC where he chaired the Security Committee. After Allawi became prime minister, authority for Bremer's Orders was transferred to him with Order #100.

The TAL made it either impossible or extremely difficult for the interim government to overturn or replace Bremer's Orders. Article 26 of the TAL specifically stipulated that "the laws, regulations, orders and directives issued by the CPA. . . shall remain in force until rescinded or amended by legislation duly enacted and having the force of law." Section 2 of the Annex to the TAL[98] conceivably allowed for the overturning of existing Orders or issuing of new ones, but only with agreement of the president, the two vice presidents, a majority of the one hundred-member National Council, the Judicial Authority, and the prime minister. Finally, Section 1 of the Annex to the TAL denied the interim government the ability to take "any actions affecting Iraq's destiny beyond the limited interim period," which ended with the election of an Iraqi government "by 31 December 2004, but no later than January 2005." The identical sentence appeared in UN Security Council Resolution 1546, which outlined Iraq's transition to sovereignty. Thus, while the interim government could technically have overturned less far-reaching Orders, it was beyond its authority to make any fundamental changes.

Not only did the Allawi government leave the Bremer Orders in place, it dutifully enforced them as aggressively as Bremer himself under the firm guidance of interim Finance Minister Adel Abdul Mahdi. In fact, Mahdi emerged as one of the most aggressive proponents of the Bush economic agenda in Iraq. An economist trained in France, Mahdi served on the IGC. Although considered a religious moderate, he is a senior member of the Supreme Council of the Islamic Revolution, Iraq's largest Shiite political party. In an October 2004 speech at the conservative American Enterprise Institute in Washington, DC, Mahdi assured his listeners that Iraq was making "a good start on a broad range of structural and legal reforms that are critical to making the transition from the centralized economy to an economy based on private ownership, open markets, transparency, and the rule of law." While in Washington, he met with President Bush and Vice President Cheney and became the administration's second choice for prime minister in the January 30, 2005 elections, after Allawi. Following the elections, he was appointed as one of two vice presidents, a position from which he has yielded extensive influence over Iraq and its laws. Mahdi has been a particularly strong advocate on behalf of U.S. corporate access to Iraq's oil.

The Election That Wasn't: January 30, 2005

While President Bush touts the January 30, 2005, Iraqi election as a milestone for democracy in the Middle East, by all international election standards, the election was illegitimate. First and foremost, the elections contravened the 1907 Hague Convention prohibition on occupying powers creating any permanent changes in the government of the occupied territory. The Iraqi elections were arranged under an electoral law and by an electoral commission installed and backed by Paul Bremer and the U.S. government. For example, Bremer's seven-member commission was able to reject any potential candidate or party running in the elections. Election guidelines also allowed members of the IGC and the Iraqi interim government to participate in the elections, both of which were appointed by the U.S. government—directly (in the case of the former) and indirectly (in the case of the latter).

The U.S.-based Carter Center, acknowledged as the world's authoritative agency on election monitoring, stated the day before elections took place that none of its key criteria for determining the legitimacy of elections had been met in Iraq. Those criteria include the ability of voters to vote in a free and secure environment and without fear or intimidation, the ability of candidates to have access to voters for campaigning, and a freely chosen and independent election commission.

In Iraq, elections took place under a declared state of martial law. Heavily armed occupation troops were visible throughout the country. The troops enforced shoot-to-kill curfews in many areas, a prohibition on the use of cars or trucks, closure of the airport and borders, and closure of roads. Even with the military lockdown, nine suicide bombings took place on the day of elections, killing at least forty-four people. The primary targets were polling places. Three thousand of the candidates running for office did not make their candidacies public until the day of elections out of fear of assassination. Their fear was well placed: Eight candidates were assassinated. There were no international monitors in the country. (Election monitors analyze election laws, assess voter registration processes, voter education efforts, and the openness of campaigns. Their presence during elections helps ensure that voters can safely and secretly cast their ballots and deters interference or fraud in the voting process.) Unlike elections in Afghanistan (with 122 monitors) and Palestine (with 800 monitors), whose elections were also held under difficult circumstances, including occupation, Iraq was deemed too dangerous for international election monitors.

Most Sunni political parties boycotted the elections, including the Iraqi Islamic Party, the leading Sunni Arab political group. The boycott, combined with the intimidation in their neighborhoods, led Sunni Arabs to be all but absent from the elections. In Al-Anbar province, the Sunni heartland, only two percent of eligible voters cast ballots. As Rosil Shayeb, a twenty-four-year-old Sunni Arab told the *Los Angeles Times,* "If the elections were legitimate and honest, I would vote. But how can we vote for a government under the control of occupation forces?" Out of a deep belief in hope and conviction for change, however, millions of Iraqis braved all of these threats and came out to vote. Out of a population of over 25 million people, it is estimated that 8.5 million Iraqis cast ballots, a turnout rate of approximately 34 percent of all Iraqis and 58 percent of registered voters."

As anticipated, the United Iraqi Alliance (UIA), the leading Shiite political party pulled together by Grand Ayatollah Ali Sistani, received almost half of all votes cast—48 percent. The Kurdistan Alliance received 26 percent. The National Assembly then had the task of appointing the president and the two vice presidents, who then named the prime minister. This process would take another three months. While Mahdi was the original front-runner for prime minister for the UIA, the competing parties struck a deal such that on April 6, Mahdi became deputy president with Ghazi Ajil al-Yawer, a Sunni Muslim and former president of Iraq's interim government. Jalal Talabani of the Patriotic Union of Kurdistan was named president. The prime minister's office went to another U.S.-backed candidate, Ibrahim al-Jaafari, a Shi'a Muslim, former deputy president of the interim government and member of the IGC.

The elections did not deliver the perfect outcome for the Bush administration. Bremer had not wanted elections at all and had initially argued for a system of provincial caucuses, and the administration would have preferred to have Allawi or Mahdi as transitional prime minister. But the most important criteria for the transitional government was met: It was friendlier to the Bush Agenda than the Hussein regime of the previous thirteen years. For example, the transitional government's 2005-2007 National Development Strategy released in June 2005 announced that the Iraqi government's fundamental national vision was one of "restoring Iraq to its rightful place in the world community as a prosperous and market oriented regional economic powerhouse." More important, the Iraqi transitional government proved its willingness to work with the administration in the drafting of Iraq's new constitution—which locked in the Bremer Orders, the economic transformation of Iraq from a state to a market economy, the military occupation, and increased U.S. access to Iraq's oil.

IRAQ'S NEW CONSTITUTION

Due to the three months of political jockeying over the makeup of the Presidency Council, serious work on the constitution did not begin until the end of May 2005. The TAL set the arbitrary deadlines of August 15 for the National Assembly to draft a new constitution and October 15 for a public referendum to reject or adopt it. If the deadlines were not met, the Assembly was to dissolve, new elections would be held, and the process would begin anew. However, the TAL provided one way out: If, by August 1, the Assembly decided that it needed more time, it could request a six-month extension. As work got under way, it became clear that more time was needed, particularly when Arab Sunni representation was added to the constitutional drafting committee (because of their election boycott, few Sunnis held seats in the National Assembly and therefore they were largely excluded from the drafting process). It also became clear that the Bush administration was not going to allow the Iraqis a six-month delay. President Bush was blunt in a White House press conference at the end of June about the August 15 deadline: "That's the timetable. And we're going to stay on that timetable. And it's important for the Iraqi people to know we are."

Both Iraqi and American support for the occupation was dropping precipitously, and Bush had no intention of bringing troops home any time soon. Keeping Iraq to America's "democracy deadline" served to provide an example of success in the war effort and to make clear that success was only possible with the continued presence of the United States. To this end, and to ensure that Bush administration interests were met in the constitution, the administration publicly stepped up its direct involvement in negotiations. On July 27, Donald Rumsfeld was dispatched to Iraq where he told reporters, "We don't want any delays, now's the time to get on with it."[100] U.S. Ambassador Zalmay Khalilzad was an increasingly dominant public force in the negotiations, even taking the highly unusual step of releasing an Op-Ed in the *Wall Street Journal* outlining U.S. requirements for Iraq's constitution on August 7.

The pressure worked and the Iraqis did not request the necessary six-month extension. The August 15 deadline, however, was also missed, but no one held the National Assembly to account. The Iraqi public was overwhelmed with meeting basic needs and simply staying alive. They knew that a constitution was being negotiated, but it was hardly the most pressing issue of the day. The U.S. government wanted the Assembly to keep working to ensure that the October 15 deadline would not be missed, and it certainly did not want to risk holding new elections for a new National Assembly and starting the entire constitutional drafting process again. Thus, the Assembly continued working on the constitution virtually up until the day of the vote, thereby eviscerating one of the truly democratic provisions of the TAL, which required a two-month period after the constitution was drafted, before it was voted on, for public distribution, debate, and analysis. Instead, Khalilzad and a handpicked group of Iraqi government officials made changes to the constitution even after the public document had been printed and distributed. Iraqis voted on a constitution, which they had not even read.

The Bush administration claimed that it was heavily involved in the constitutional drafting process in order to ensure a separation of "mosque and state" and greater protections for women. If these were the administration's actual goals, then it failed miserably. Simply put, Islamic law is granted a much stronger role in the new constitution than in its predecessor, and women are afforded far fewer legal protections. The administration succeeded, however, in ensuring that the constitution locked in the Bremer Orders, continued the economic transformation, allowed for the continued military occupation, and increased U.S. access to Iraq's oil.

Bremer Orders Upheld

The Bremer Orders are untouched by the new constitution. Unlike the TAL, for example, which the constitution specifically repeals (except for a few key provisions relating to the Kurds), the Orders are not mentioned and are thereby accepted and upheld as Iraqi law. As explained by constitutional law scholar Nathan J. Brown, senior associate of the Carnegie Endowment for International Peace, "Implicitly the body of legislation issued by decree by the CPA continues in effect until modified, because it is currently treated as valid Iraqi legislation."[101] A committee has been established in the Ministry of Justice to review the CPA legislation. Thus far, the committee has not repealed a single Bremer Order.

As a result of leaving the Bremer Orders unaltered, specifically the National Treatment provision of Order #39, the constitution allows U.S. corporations to maintain their lock on Iraq's reconstruction. There is no language in the constitution to contradict their continued presence and the U.S. government's authority over them as Bremer Order #17, granting contractors full immunity, is still operable as well.

Furthermore, U.S. Ambassador Zalmay Khalilzad continues to preside over the largest available source of money in Iraq for the foreseeable future (the U.S. $24 billion Congressional appropriation) and the largest embassy in the world. Anyone who wants access to that money will need to continue to play by Bush administration rules.

Economic Invasion Advanced

Several articles of the constitution commit Iraq to the continued transformation of its economy along the lines of the Bush Agenda including privatization of Iraq's state-owned enterprises. These articles are best understood in the context of the Bremer Orders and in relation to what existed previously in the 1970 constitution. The new constitution reads:

> Article 25: The State guarantees the reform of the Iraqi economy in accordance with modern economic principles to insure the full investment of its resources, diversification of its sources and the encouragement and the development of the private sector.
>
> Article 26: The State guarantees the encouragement of investments in the various sectors. This will be organized by law.

Compare these to the following articles from the 1970 Iraq constitution:

> Article 12: The State assumes the responsibility for planning, directing and steering the national economy for the purposes of (a) Establishing the socialist system on scientific and revolutionary foundations, (b) Realizing the economic Arab unity.
>
> Article 13: National resources and basic means of production are owned by the People. They are directly invested by the Central Authority in the Iraqi Republic, according to exigencies of the general planning of the national economy.

Thus, Iraq is committed to continuing the process of economic reform using "modern economic principles," which, in the context of the transformation already under way, means the corporate globalization/market principles of the Bremer Orders versus the social welfare principles that formerly guided the economy. "Diversification of sources and encouragement and development of the private sector," combined with Article 26, refer to *foreign* private investment in "various sectors." The clause "This will be organized by law" means that the extent of the provision will be determined by legislation. Of course, the legislation already exists in the form of the Bremer Orders, which specifically allow for private foreign investment in all areas of the economy (except primary resource extraction, which is discussed later). New legislation can change the Bre-mer Orders, but this article protects the constitutionality of the Orders related to foreign private investment.

The second clause of Article 27 allows for the privatization of state property:

> Regulations pertaining to preserving and administrating state property, the conditions set for using it and the cases when giving up any of the property may be allowed shall be regulated by law.

Again, the law already exists in Bremer Order #39, which allows for the privatization of all of Iraq's state-owned enterprises. New legislation could contradict the privatization aspects of Order #39, but this clause secures the constitutionality of privatization.

Attempts by Iraqi parliamentarians to include strong language on economic and social rights similar to those included in the 1970 Iraq constitution did not survive the drafting process. Whereas the 1970 constitution guaranteed free health care, education, and child and maternal care, the only parallel guarantee in the 2005 constitution is for free education and limited guarantees for free health care in specified circumstances, regulated by the law.

Military Occupation Maintained

Iraq's parliamentarians also tried to include specific language in the constitution prohibiting a permanent foreign military presence in Iraq and the building of foreign military bases.[102] Riverbend translated one such provision from an early draft of the constitution from Arabic to English on her website: "It is forbidden for Iraq to be used as a base or corridor for foreign troops. It is forbidden to have foreign military bases in Iraq." This provision and others like it did not make it into the final draft. There were also unsuccessful attempts by parliamentarians to limit specifically the mandate of the presence of the troops. Instead, the final version was moot on the entire topic of a foreign military presence. Currently, coalition forces total 183,000 in Iraq, 160,000 of which are from the United States, and there are four permanent U.S. military bases under construction. The U.S. military will likely remain in Iraq until U.S. access to oil is solidly and securely in place. For U.S. corporations, this has meant ensuring the installment of a new, legal, and permanent Iraqi government with which they can sign permanent contracts. It also means security for corporate operations, including facilities, pipes, offices, and ships. With the support of Iraq's laws and its constitution, the U.S. military will be the key to securing continued U.S. access to oil.

WINNING IRAQ'S OIL PRIZE

> Although the final decision for inviting foreign investment ultimately rests with a representative Iraqi government, I believe in due course the invitation will come.
>
> —*Peter J. Robertson, Chevron vice chairman, 2003*[103]

Increased access to Iraq's oil sector has always been at the heart of the Bush Agenda in Iraq. Securing this access is an ongoing process. The first stage was getting Iraq's oil infrastructure up and running as quickly as possible after the invasion. The second was the creation of a legal infrastructure opening the country to private foreign ownership and investment. Third was the election of an internationally recognized legitimate Iraqi government with the authority to sign contracts with foreign oil companies. Fourth is the completion and passage of a new national oil law. The final stage will occur when U.S. oil companies have not only signed contracts, but have gotten safely to work.

Oil Production

When U.S. soldiers invaded Iraq, priority was given to the protection of the Oil Ministry, oil facilities, and oil infrastructure. The Bush administration spoke frankly of the need to rebuild Iraq's oil infrastructure so the proceeds could pay for the larger reconstruction effort. Halliburton received an enormous contract toward this end, as did several other U.S. firms. In addition to the 160,000 U.S. and other foreign troops stationed in Iraq, Operation Task Force Shield employed approximately 14,000 security guards deployed along Iraq's oil pipelines in 175 critical installations, including 120 mobile patrols, to provide continual protection against sabotage.[104] The results of these efforts have been mixed.

Oil production, which was halted during the invasion, resumed shortly after the occupation began and reached prewar levels of 2.5 million barrels per day (mbd) in March 2004.[105] With a few significant bumps, production has held remarkably steady at approximately 2.0 mbd ever since. While respectable, this level is far below the Bush administration goal of 3.0 mbd. Exports reached prewar levels in June 2004 with 1.8 mbd, but they have encountered greater fluctuations than have production levels due to regular acts of sabotage and the failure to fully repair and restore pipelines. Nevertheless, exports averaged roughly 1.6 mbd and 1.4 mbd in 2004 and 2005, respectively. Again, these figures are well below the administration's goal of 2.3 mbd.[106]

Of course, the administration not only wants oil to flow, but it wants oil to flow to the United States. In this regard, it has been successful. U.S. oil imports from Iraq over the last thirty years have been wildly erratic and, more often than not, nonexistent. Since the 2003 invasion, however, imports have been far more steady and at consistently sizeable levels. In October 2003, U.S. imports of Iraqi oil reached 734.5 thousand barrels a day, a record surpassed only three times in the previous thirty years (1973 is the earliest date for which data is available from the U.S. Department of Energy). April 2004 imports went higher, and higher still in August 2004 with eight hundred thousand barrels per day—the postwar peak and the second highest import level in thirty years. On average, the United States has imported 542.6 thousand barrels of Iraqi oil per day since the invasion.[107] Only four of the last thirty years have seen higher averages: 1989, 1999, 2000, and 2001—although these year-end averages hide dramatic variations between months. The war has therefore delivered regularity and significant monetary benefits. Thanks to this steady flow of oil and the dramatic increase in oil prices in 2004, between 2003 and 2004 the value of U.S. imports of Iraqi oil increased by 86 percent, and then increased again in the first three quarters of 2005.[108]

Three months after the invasion, Chevron received one of the first contracts to market Iraqi oil. It has since signed subsequent longer-term deals with Iraq's State Oil Marketing Organization, as have ExxonMobil and Marathon, among others.[109] Data on exactly how much Iraqi oil each company is selling is not publicly available. However, in August 2005, Energy Intelligence Research reported that more than 50 percent of all Iraq's oil exports went to the United States that month, the majority of which was delivered by Chevron, ExxonMobil, ; and Marathon, with the rest delivered by Shell and BP.[110]

Iraq's oil has therefore already contributed to skyrocketing oil company profits. So, too, it seems, has the myth of a dramatically reduced oil supply from the Middle East due to the Iraq War.

Iraq's New Petroleum Law

Like Iraq's economy generally, its oil sector is experiencing a radical transformation at the hands of the Bush administration and its allies. U.S. oil company executives were brought in to advise the Bush administration on Iraq oil policy six months prior to the invasion. Philip Carroll, former CEO of both Shell Oil's U.S. division and the Fluor Corporation, was the first adviser. He was succeeded by Rob McKee, a former executive of ConocoPhillips, who is and was at the time of his Iraq service the chairman of Eventure, a subsidiary of Halliburton.[111] The administration was also advised by the U.S. State Department's Future of Iraq Project's Oil and Energy Working Group—of which Ibrahim Bahr al-Uloum was a member. Uloum is a U.S.-educated oil engineer who served as Iraqi Minister of Oil from September 2003 to June 2004, and again from May 2005 to the present.

Meeting four times between December 2002 and April 2003, members of the U.S. State Department's Oil and Energy Working Group agreed that Iraq "should be opened to international oil companies as quickly as possible after the war."[112] Bearing Point's contract reflects this opinion, stating the need for "private-sector involvement in strategic sectors, including privatization, asset sales, concessions, leases and management contracts, especially those in the oil and supporting industries."

Differences appear to have emerged in the Working Group over just how far the "opening" should go. An Energy Intelligence Research report on the proceedings of the Working Group, stated: "U.S. policy makers argue that the oil wealth of the country would need to be broken up and distributed more widely, not concentrated in the hands of the central government. Privatization is seen as one of the best way to do this."[113] There are varying degrees of privatization. At one end of the spectrum would be private companies literally owning Iraq's oil in the ground or the full privatization of Iraq's National Oil Company. Few advisers argued for such changes, as such a wholesale transformation of Iraq's most vital industry would surely incite mass opposition from the Iraqi people. They did argue for a level of privatization that would turn some of the formerly state-controlled activities over to the private sector.

The model that won out was the Production Sharing Agreement (PSA). None of the top oil producers in the Middle East use PSAs because they favor private companies at the expense of the exporting governments. PSAs turn the entire exploration, drilling, and infrastructure-building process over to private companies under contracts with terms of twenty-five to forty years that lock in the laws in effect at the time the contract was signed. This means that, while a future Iraqi government could change Iraq's laws, including the Bremer Orders, its changes would not impact oil contracts signed while the current laws are in effect.

According to the Working Group, PSAs "can induce many billions of dollars of foreign direct investment into Iraq, but only with the right terms, conditions, regulatory framework, laws, oil industry structure and perceived attitude to foreign participation."[114] The "regulatory framework," many of the "laws," and the "perceived attitude to foreign participation" were established by the Bremer Orders. A new national petroleum law was needed, however, to address everything else on the Working Group's list.

When Bremer left Iraq in June 2004, he bequeathed the Bush economic agenda to interim Prime Minister Allawi and interim Finance Minister Mahdi. Just two months later, Allawi submitted guidelines for a new petroleum law to Iraq's Supreme Council for Oil Policy. The guidelines declared "an end to the centrally planned and state-dominated Iraqi economy" and suggested the "Iraqi government to disengage from running the oil sector, including management of the planned Iraq National Oil Company (INOC), and that the INOC be partly privatized in the future." Allawi recommended that the Iraqi field services industry "should be exclusively based in the private sector, that domestic wholesale and retail marketing of petroleum products should be gradually transferred to the private sector, and that major refinery expansions or grassroots refineries should be built by the local and foreign private sectors."[115] Most important, Allawi's guidelines turned all undeveloped oil and gas fields over to private international oil companies.

Just seventeen of Iraq's eighty known oil fields have been developed. According to an Energy Intelligence Research (EIR) report boldly titled, *Iraqi Oil & Gas: A Bonanza-in-Waiting,* only modest development work has been carried out in recent years anywhere in Iraq and no significant exploration has been done in the last twenty years.[116] The largest known fields are evenly distributed between the north and the south of Iraq with eleven fields each. Other fields are located in central Iraq and the EIR reports that East Baghdad could be a giant field once it has been fully appraised. The largest known fields are Kirkuk in the north and Rumaila in the south, but there is potential for vast amounts of oil across virtually all of Iraq, including in the western desert. EIR estimates that while Iraq's proven oil reserves are second only to Saudi Arabia's, "its 200 billion-plus barrels of probable reserves could put it in competition for the top spot." Therefore, the development of untapped fields could yield billions of gallons of oil, and trillions of dollars in revenue.

The plans for Iraq's new petroleum law were made public at a press conference in Washington, DC, hosted by the U.S. government. On December 22, 2004, Mahdi joined U.S. Undersecretary of State Alan Larson at the National Press Club and announced Iraq's plans for a new petroleum law to open the oil sector to private foreign investment. Mahdi explained, "So I think this is very promising to the American investors and to American enterprise, certainly to oil companies."[117]

He described that, under the proposed law, foreign companies would gain access both to "downstream" and "maybe even upstream" oil investment in Iraq. ("Downstream" refers to refining, distribution, and marketing of oil. "Upstream" refers to exploration and production.) A few weeks later, Mahdi was appointed one of Iraq's new deputy presidents. The transitional Iraqi government's June 2005 National Development Strategy Paper states that Iraq's oil sector plan "invites foreign companies to participate in developing the oil and gas fields in shared production contracts."

Iraq's petroleum law is set for implementation in 2006. It reportedly adopts Allawi's recommendation that currently producing oil fields are to be developed by Iraq's National Oil Company, while *all new fields* are opened to private companies using PSAs, giving private companies control of 64 percent of known reserves. If a further 100 billion barrels are found, as is widely predicted, foreign companies could control 81 percent of Iraq's oil—or 87 percent if 200 billion are found, as the Oil Ministry predicts. Officials in the Iraqi Oil Ministry reportedly plan to begin signing long-term contracts with foreign oil companies during the first nine months of 2006.[118]

Before new oil contracts could be signed, the existing contracts had to be erased. This all-important step was taken back in May 2003. As reported in Energy Intelligence Research, the U.S.-appointed senior adviser to the Iraqi Oil Ministry, Thamer al-Ghadban, announced that few, if any, of the dozens of contracts signed with foreign oil companies under the Hussein regime would be honored. In June 2004, after being appointed Iraq's minister of oil, al-Ghadban told Shell Oil Company's in-house magazine that 2005 would be the "year of dialogue" with multinational oil companies.

By May 2005, approximately thirty international oil companies had signed Memoranda of Understanding with Iraq, generally for the training of Iraqi staff, consulting work, and studies.[119] For example, Chevron has been flying Iraqi oil engineers to the United States free of charge for four-week training courses since early 2004.[12°] ExxonMobil signed a Memoranda of Understanding with the Oil Ministry in late 2004, laying the groundwork to provide technical assistance and con duct joint studies. In January 2005, BP signed a contract to study the Rumaila oil field near Basra, and Royal Dutch/Shell Group signed an agreement to study the Kirkuk field. Shell is also helping write a master plan for Iraq's natural gas sector for free. The purpose of all of these free services and memoranda of understanding is to keep their foot in the door and be the first companies in line when the real deals finally become available.

Iraq's Constitution, Federalism, and Oil

In spring 1994, Paul Wolfowitz reflected in the conservative political journal, *The National Interest,* on the failure of the first Gulf War to remove Saddam Hussein from power and expressed regret for not putting more trust into Iraq's Shi'a majority: "Some U.S. government officials at the time appeared to believe—despite strong urgings to the contrary from the Saudis—that we had less to fear from Saddam Hussein than we would from a Shi'a government in Baghdad. It was clearly a mistake. ... In part it was a failure to recognize the enormous differences between the Arab Shi'a of southern Iraq and the Shi'a extremists who governed in Tehran."

The new constitution of Iraq places the greatest authority among the Bush administration's "allies" in Iraq: the Kurds in the north, the Shi'a in the south, and the Iraqi federal government in Baghdad. None are perfect allies, but, as Wolfowitz explains, they are better than Saddam—and that is what ultimately matters.

Control of oil is distributed among the three groups and appears to leave the new petroleum law untouched. The provisions in the constitution only specify their application to current oil fields, preserving the petroleum law's authority over new fields. The constitution specifically endorses the use of "market principles and encouraging investment," which allows for the law's various modes of privatization, including the use of foreign private companies.

While Article 108 states that "Oil and gas are the ownership of all the people of Iraq in all the regions and provinces," it is immediately qualified with Article 109, which reads:

> First: The federal government will administer oil and gas extracted from *current* fields in cooperation with the governments of the producing regions and provinces on condition that the revenues will be distributed fairly in a manner compatible with the demographical distribution all over the country (emphasis added).
>
> Second: The federal government with the producing regional and governorate governments shall together formulate the necessary strategic policies to develop the oil and gas wealth in a way that achieves the highest benefit to the Iraqi people using the most advanced techniques of *market principles and encouraging investment* (emphasis added).

Article 107 gives the federal government exclusive authority to negotiate, sign, and ratify international treaties, agreements, and foreign sovereign economic and trade policy. This provision would appear to apply to agreements signed with foreign oil companies, but it is unclear.

In fact, much remains unclear. As Nathan Brown commented, "Constitutional provisions for oil resources are fraught with ambiguity. . ." However, this ambiguity works to the benefit of the petroleum law, which clarifies the very provisions left vague in the constitution. In other words, the constitution does nothing to contradict the petroleum law, but rather reinforces its core provisions. Thus, if we consider the oil provisions of the constitution, the Bremer Orders, the constitutional commitment to the economic transformation already underway, and the new petroleum law, it appears that expanded private foreign corporate access to Iraq's oil wealth is all but guaranteed.

The December 15, 2005, elections established an internationally recognized permanent Iraqi government with the authority to sign oil contracts. The Bush administration, for its part, spent the month of December reiterating its commitment to "stay the course in Iraq" and would not speak of the withdrawal of U.S. troops in any significant numbers prior to the end of 2006, giving U.S. oil companies enough time to sign contracts and get to work under the full protection of the U.S. and Coalition forces. Thus, amid all the talk of training Iraqi soldiers, heading off a civil war, and protecting Iraq's fledgling demo racy, the overriding agenda determining the timetable for the end of the Iraq war may in fact be the "oil timeline."

While violence increases daily in Iraq and the resistance grows, the Bush administration can be confident about a few things. First, the economic restructuring is well in place and moving forward. The banking, investment, patent, copyright, foreign ownership, commercial, utilities, taxes, media, and trade laws, among others, have been changed according to plan, and Iraq is on its way to WTO membership. Second, U.S. corporations continue to earn billions of dollars for work in Iraq and have the potential to earn far more. Third, a government is in place that, while not ideal, is certainly preferable to the previous regime in terms of its willingness to advance Bush administration goals. Fourth, and most important to many, the oil sector has been opened to U.S. corporate access and control. Everything may not have gone exactly according to the Bush administration's plans in Iraq, but all things considered, Bush's key political and corporate allies have much to be optimistic about.

As President Bush has repeatedly said, Iraq is only the beginning. In the name of spreading peace and democracy, he has revealed plans to take his administration's model of imperial-style corporate globalization from Iraq to the rest of the Middle East through a new regional free trade area. Having begun in Iraq, U.S. corporations are once again in the lead, eager to expand their own interests elsewhere. Next to come in the president's economic invasion of the world is the proposed U.S.-Middle East Free Trade Area.

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