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In time of war the loudest patriots are the greatest profiteers.
— August Babel

Chapter 13
Sticky Fingers: The Making of Halliburton

There's no more pungent symbol of the corrupt nature of the Bush administration's invasion and occupation of Iraq than Halliburton, the Houston, Texas-based oil services conglomerate, which' has raked in billions in revenue from the war even in the face of charges of massive overtoiling, shoddy work, official bribery and political influence-peddling.

The remarkable thing is that Halliburton's looting of Iraq and the US treasury happened in broad daylight, right under the nose of the press, the Democrats and the camera lights of Michael Moore, who made Dick Cheney's former company the bete noir of his film "Fahrenheit 9/11." Nothing deterred the company from capitalizing on the war it helped orchestrate.

Even the Pentagon's own team of auditors, who nailed Halliburton red-handed for bilking the government for $108.4 million in overcharges for only "one task order" of its work in Iraq, found their report languishing in a kind of bureaucratic nether land for many months.

The damning investigation by the Defense Contract Audit Agency was completed in early October of 2004 and shipped up the line to Pentagon's dark triumvirate, Douglas Feith, Paul Wolfowitz and Donald Rumsfeld. And there it sat. The Pentagon's civilian leadership mothballed the explosive report for more than five months, until after the election, the inauguration, the State of the Union Address and the Defense Department budget request had all safely transpired.

Even congress was denied a peak at the report's findings until mid-March 2005. The Pentagon rejected 12 separate requests from Congressman Henry Waxman, the California Democrat who has spearheaded the ad hoc congressional inquiry into Halliburton's contract abuse, seeking to examine the internal audits of Halliburton's $2.5 billion contract for fuel supplies and other services to the US military and occupation government in Iraq.

Waxman charged that the Pentagon withheld the damaging reports at the behest of the office of Vice President Dick Cheney, the former CEO of Halliburton.

The Halliburton audits were also concealed from a team of investigators from the United Nations, which is probing profiteering from oil contracts in Iraq. More than $1.5 billion of Halliburton's $2.5 billion deal was funded by Iraqi oil sales overseen by the UN.

"The evidence suggests that the Pentagon used Iraqi oil proceeds to overpay Halliburton," says Waxman. "And then the company and the Pentagon sought to hide the evidence of these overcharges from the international auditors."

Call it the Oil-for-Contracts scandal. But you didn't hear daily drumbeats about the outrageous rip-off on Fox News.

When someone finally leaked the audit to Waxman's office, the documents disclosed a thick wad of Halliburton billings that the Pentagon bookkeepers deemed "illogical."

The most peculiar billing found in this limited series of transactions was a $27.5 million charge for shipping cooking gas and heating fuel that the Pentagon auditors valued at $82,000. This single invoice amounted to an overcharge of more than 335 times the value of the liquefied natural gas delivered by Halliburton's subcontractors.

The auditors examined only a single task order in Halliburton's scandal-plagued contract with the Army Corps of Engineers, yet their report lambasted nearly every aspect of the deal, from the no-bid award to the cost-plus [i.e., an open-ended contract with a built-in profit] nature of the contract to the almost total lack of supervision of the work orders and the subcontractors.

From May 2003 to March 2004, Halliburton sent the Corps of Engineers bills totaling more than $875 million for supplies of fuel to US operations in Iraq. For this task order alone, the Pentagon auditors estimated that Halliburton overbuild the government by at least $108.4 million. That's real money, even by Pentagon standards.

But that's only a rough opening bid for the true scale of the looting, in large part because the company's indefatigable stonewalling. The auditor's report accuses Halliburton of misleading the government inspectors at nearly every turn. For example, the auditors allege that Halliburton simply refused to hand over any information on its subcontractors in Kuwait. "Halliburton failed to demonstrate its prices for Kuwait fuel were 'fair and reasonable'", -the auditors wrote in their report.

Similarly, Halliburton kept the Pentagon investigators in the dark about the prices it paid for purchasing fuel from Turkey and Jordan.

The Defense Contract Audit Agency report comes on top of previous investigations tagging Halliburton, and its Kellogg, Brown and Root subsidiary, for more than $442 million in "unsupported" billings for its work in Iraq, including charges for meals that were never served, $45 cases of pop, unnecessary heavy equipment, tailoring fees and $152,000 for movie screenings. In all a report prepared by the Democratic Policy Committee estimates that Halliburton's overcharges in Iraq alone exceed $1 billion.

Okay, the Pentagon learned a billion-dollar lesson the hard way, right? Wrong. In July 2005, the Pentagon discreetly let slip that it had awarded Halliburton a fat new contract for yet more logistics work in Iraq. How fat? Try $5 billion. In fact, the contract was secretly handed to Halliburton in May, but the Pentagon kept it under wraps for more than a month. Why? "The Army didn't consider it necessary" to reveal the terms of the deal, a Pentagon spokesman explained to Reuters.

In the ever-expanding universe of Pentagon contracting, cost is never the problem, public exposure is.

Halliburton, the signature corporation of the Bush-Cheney onslaught on Iraq, didn't start its corporate life on the government dole. In fact, the company patriarch, Erie P. "Red" Halliburton, despised the federal government. His distaste for Uncle Sam was matched only by his ferocious hatred of Mexicans, blacks and labor unionists.

In 1919, Red Halliburton started the New Method Oil Well Cementing Company from his home in Wilson, Oklahoma, a hardscrabble town in the oil patch. Halliburton's big innovation was something called the Cement Jet Mixer. When the oil boom hit Texas, the wildcatters and other drillers quickly began experiencing problems with their deep shafts. The steel pipe funneling the oil up from the Permian basin and other reservoirs of crude would sooner or later develop cracks, allowing groundwater to contaminate the crude. In some cases, the pipes would even explode.

Halliburton's solution, which he unveiled in the oil town of Burkburnett, Texas, was to seal the well-pipes in a sheath of concrete, protecting the pipes from corrosion and precious loads of crude from contamination. He was soon in demand across the oil fields of Texas and Oklahoma. Erie changed the name of the company to Halliburton and raked in millions from his patent. Halliburton continues to garner millions from its drilling technology, from Saudi Arabia to the Amazonian rainforest.

Meanwhile, in that same crucial year of 1919, the other half of Halliburton was also beginning to take shape as two friends from San Marcos, Texas, Herman Brown and Dan Root, formed a road paving company that would eventually become one of the world's largest construction firms. The Brown & Root Company shared Halliburton's antipathy toward organized labor, but realized early on that there was a fortune to be made through outsourced "government work.

Brown & Root also understood that government contracts are a lot easier to get if you have a politician on retainer.

In the late winter of 1937, the imperious Texas Congressman James P. "Bucky" Buchanan, chairman of the House Appropriations Committee, suddenly died in office. Buchanan departed the living with some unfinished business of extreme importance to his political cronies. The congressman, who controlled the federal purse, was in the midst of pushing through congress the Lower Colorado River Project, a scheme to build a network of dams across the Texas hill country that would bring water to the people and millions in federal funds to favored contractors. The centerpiece of this enterprise was the Marshall Ford Dam outside Austin and the company that had won the contract to build the dam was none other than Brown & Root.

The $10 million dam deal was the biggest Brown & Root contract to date. But there were two problems left by Buchanan's ill-timed passing: the money for the dam hadn't yet been approved by congress and the land at the dam-site wasn't owned by the federal government. What had suddenly looked like a sure thing, now found Brown & Root on the unnerving verge of bankruptcy. The company had gone into debt by more than $1.5 million in order to purchase the equipment needed to build the dam.

Brown & Root decided there was no turning back. They began construction on the dam before getting any federal funds and before the feds had actually acquired the land from the state of Texas.

But the company had an ace in the hole in the shape of Lyndon Baines Johnson, the lumbering former schoolteacher who was vying to replace the departed Buchanan. In the spring of that year, young LBJ met several times with Herman Brown, vowing to make congressional approval of the dam project his top priority. Brown sluiced cash into LBJ's campaign and he sailed to victory in a special election on May 13, 1937. LBJ lived up to his obligations. A little more than a week after having arrived in DC, the freshly hatched congressman had engineered congressional approval for both the appropriation and the land purchase.

The "Marshall Ford Dam deal launched LBJ's career as a can-do politician without parallel in American politics and it set Brown & Root on course to become one of the federal government's favorite contractors. The apex political fixer Thomas "Tommy the Cork" Corcoran later observed that "LBJ's whole world was built on that dam". So too was Brown & Root's.

LBJ had the good fortune to land on the congressional committee overseeing the operations of the US Navy as it prepared for World War II. When LBJ's fortunes rose on the Hill, so did Brown & Root's. As a brawny member of the Naval Affairs Committee, the ambitious congressman, a key southern supporter of FDR's New Deal and therefore confident of the backing of the White House for almost any pet project, steered as many big contracts to his political financiers as possible.

It was courtesy of LBJ, and his privileged position in the congress, that Brown & Root got into the Pentagon contracting business in a big way. In 1940, the former road paving firm won a huge contract to build the Corpus Christi Naval Air Station, a complex of runways, hangars, barracks and command centers sprawling across 2,000 acres of swamp and scrubland on the gulf coast of Texas. It was a model for things to come.

The Corpus Christi Naval Air Station was one of the first "cost-plus" contracts, a sweet deal where the government simply pays every bill the contractor submits. The initial price-tag was pegged at $23.5 million, with Brown & Root guaranteed a profit of $1.2 million. But within a year, the cost had soared to more than $45 million, with Brown & Root pocketing more than $2.4 million in profits. It was an early lesson in the demented logic of Pentagon contracting: the bigger the cost-overruns, the juicier the profits. In the end, the Naval Air Station cost the Pentagon more than $125 million.

The Corpus Christi deal initiated Brown & Root into the risk-free fraternity of favored Pentagon contractors. The company that had prospered through the Great Depression thanks to federal dam projects was poised to make a killing from World War II, with most of the deal coming courtesy of the US Navy and its congressional overlord LBJ and the powerful congressman from Houston, Albert Thomas. Working together, LBJ and Thomas convinced the Navy to give Brown & Root a lucrative shipbuilding contract, even though, as investigative reporter Robert Bryce notes, up until that point the company "had never built so much as a canoe."

But over the next five years, Brown Shipbuilding, a huge operation on the Houston Ship Channel, would build 355 ships for the Navy, specializing in sub chasers and escorts for destroyers. The company made a cool $500 million from the deal.

As the war drew to a close, Brown & Root went from building ships to melting more than 20,000 surplus airplanes they bought on the cheap from the War Assets Administration. They were soon one of the big players in the aluminum business, much of which they sold right back to the feds, making tens of millions in profits. This neat trick was followed by a huge cost-plus contract to build the US military base on Guam in the south Pacific, a deal that started out with a price tag of $25 million (a huge amount in 1949) but soon ballooned to more than $250 million.

Never say that Brown & Root wasn't grateful. They knew that their fortunes rode on the backs of their political benefactors and they did their best to keep them happy. Unlike many others in Congress during the 1940s, Johnson wasn't rich. He and Lady Bird fretted about 'money during the early years of their marriage. Then, in the mid-1940s, opportunity came calling when KTBC, Austin's first radio station, went on the market. Using money from Lady Bird's inheritance and generous infusions of cash from Brown & Root, the Johnsons bought the station, made major upgrades in its operations and squeezed federal broadcast regulators into allowing it to expand its output and change its location to a more central place on the dial. Soon the Johnsons were rich. As LBJ said, "Finally, I was a millionaire".

For Johnson, money was the route to political power. From his early days running, the Texas branch of FDR's National Youth Administration (NYA), LBJ had set his eyes on landing a seat in the US senate. LBJ got the NYA position, at the age of 29, through the intervention of Alvin Wirtz, the lead attorney for Brown & Root and a noted fixer. As for LBJ, he later said that Wirtz was "like a daddy to me". Brown & Root harbored similar - ambitions for their man. They owned a few congressmen, but an obedient senator was the key to a higher order of riches.

LBJ's first shot at the senate came in 1941, after Texas Senator Morris Sheppard keeled over from a brain hemorrhage. Running as a New Dealer and fueled by cash from Herman Brown, Johnson embarked on a fabulously corrupt campaign against the populist governor of Texas, W. Lee "Pass the Biscuits, Pappy" O'Daniel, a flour magnate and the state's most popular radio personality. He ran on an anti-union and anti-FDR platform that appealed to rural Texas voters.

Ballot boxes were bought by both campaigns. Johnson bought them in San Antonio and southern Texas, while O'Daniel, called the greatest campaigner in Texas history, purchased them throughout east Texas. With 97 per cent of the votes counted, Johnson led the race and seemed assured of victory. Then more ballots mysteriously materialized, and O'Daniel claimed victory by 1,311 votes. The final fix may have been made by a cabal of Texas oil men and ranchers who wanted O'Daniel out of Austin. They figured he could do them less damage in Washington.

Johnson vowed to learn the lessons of his defeat. He shed much of his New Dealer image and reemerged as a Southern populist, touting his votes against an anti-lynching bill, against Truman's bill to outlaw the poll tax, and for the union-busting Taft-Hartley Act. He also courted cash from every corporation and mogul he could find, promising to return their investment tenfold.

When he ran again in 1948, Johnson almost certainly lost the vote, but stole the election, abetted by Brown & Root, the company's lawyer Alvin Wirtz, and newspaper tycoon Charles Marsh.

Once again, Johnson faced a popular and reactionary governor for the Texas senate seat, vacated when Pappy O'Daniel grew bored of living in DC. This time his opponent was Gov. Coke Stevenson, rancher, bigot and anti-communist. In the Democratic primary, Stevenson steamrollered Johnson by more than 70,000 votes; yet in a crowded field, the governor didn't top 50 per cent, forcing a run-off election in the fall. It would become the most expensive political campaign waged in Texas until George W. Bush, underwritten by the descendents of LBJ's backers, defeated Anne Richards in the fierce 1994 gubernatorial campaign.

Stevenson was a wildly popular figure in Texas, but LBJ had an equalizer: a nearly bottomless reservoir of campaign money provided by Brown & Root and Wirtz's client list of oil barons, including H.L. Hunt and Sid Richardson. LBJ also enjoyed free access to a DC-3, courtesy of Brown & Root, which would rush him across the vast Texan plains for as many as 10 appearances in a single day.

Fifty-two years later, Halliburton offered its corporate jets for use by George Bush and his campaign team during the 2000 campaign and subsequent tumultuous Florida recount. For those flights, the Bush campaign reimbursed Halliburton only the cost of one first class ticket.

In 1948 it was also this same DC-3 that made emergency flights to Austin and Dallas in search of cash from the accounts of Brown & Root. The money was delivered in $100 bills stuffed into grocery bags. The bagman was none other than John Connolly, the future governor of Texas and Halliburton board member. Each haul would net between $40,000 and $50,000 for the Johnson campaign.

Johnson also prevailed upon the Bell Helicopter Company, which would soon relocate to Texas, to loan him a chopper for his campaign. One of the first politicians to use the newfangled machine, Johnson would descend upon his campaign venues with the "Yellow Rose of Texas" blaring from loudspeakers attached to the landing gear—a prelude for the Wagner-screaming choppers in Apocalypse Now.

All of this got LBJ close, but quite not close enough, to assure him of an outright victory. The 1948 election needed to be both bought and stolen.

As the polls closed in the Texas senate race of 1948, the margin was razor thin, with Coke Stevenson running slightly ahead of LBJ. Over the next few days, precincts across the vast state counted and recounted their votes. Five days after the election, an amended return came in from Jim Wells County in the southern outback of Texas. It seems that a certain Luis Salas, following the suggestion of a Brown & Root lawyer, began scouring the courthouse for a missing box of ballots. He chanced upon the infamous Box 13 from the hamlet of Alice, Texas, which contained 220 votes, all for Johnson, which was enough to push LBJ into the lead by 87 votes. (A later analysis by Johnson biographer Robert Caro showed that 220 names had been added to the voters' list after the polls had closed.)

Stevenson rushed to the courts for relief. He won round one. He got a state judge in Texas to place an injunction against the ballots from Alice. Again, the race was ultimately decided by the U.S. Supreme Court by the intervention of a single justice, Hugo Black. Black was a New Dealer elevated to the high bench by FDR. With time running out, LB J's lawyers Abe Fortas (whom LBJ ultimately rewarded by putting him on the Supreme Court) and Alvin Wirtz, who was also Brown & Root's lead corporate counsel, arranged a secret meeting with Black in his chambers at the Supreme Court. At this *ex parte* conclave, Wirtz impressed upon Black the importance of LBJ's election to the senate, saying that many New Deal programs (he presumably did not mention the gross topic of Pentagon contracts) hinged on the outcome.

On September 29, 1948, Black came through. The justice issued an order overturning the state judge's injunction and also put the brakes on a parallel investigation into vote fraud in Jim Wells County. LBJ was pronounced the winner of the primary by 87 votes and then went on to crush his Republican opponent in November.

True to form, Johnson never tried to conceal the role his corporate sponsors played in securing the 1948 election. Indeed, he bragged about his prowess at securing powerful and deep-pocketed backers, saying that his rise to the senate had been "Brown & Root funded."

Once again, it didn't take LBJ long to pay back his political investors with interest. In the spring of 1949, only months after claiming his senate seat, LBJ, the former New Dealer, launched an assault on Leland Olds, the chairman of the Federal Power Commission. Olds, a former muckraking reporter, was appointed by FDR to head the commission, which set power rates and regulated natural gas prices. His term expired in 1948, and Harry Truman had just announced his intention to reappoint him to the position, enraging the oil and gas industry. On Olds' advice, Truman had vetoed a bill that would have deregulated the natural gas industry.

In addition to Brown & Root, the Brown family also owned the Texas Eastern Transmission Corporation, then the nation's biggest natural gas pipeline company. The Browns were furious at Olds's rulings and pleaded with Johnson to defeat his renomination. LBJ did more than that. He destroyed the man in a set of hearings that would lay the groundwork for the show trials of the McCarthy era.

With the help of his pals Sam Rayburn and Senator Robert Kerr, Johnson, a freshman senator, got himself appointed chairman of the committee overseeing the Federal Power Commission. From this position, he launched into an onslaught on Olds, smearing the former supporter of Herbert Hoover as a "communist" who "travels with those who proposed the Marxian answer." LBJ, who only a few years earlier had used his political muscle to secure the vast public hydropower projects on the Little Colorado with the goal of providing cheap power to the citizens of the Hill Country, now accused Olds of "plotting a course toward confiscation and public ownership".

LBJ's ambush of Olds was scripted by none other than Brown & Root's lawyer, Alvin Wirtz. After this grilling, Olds was rejected by the senate on a vote of 53-15 and left the government a broken man. Johnson, however, flew back to Houston the night after his destruction of Olds on a private jet owned by Brown & Root. A company limousine met him at the airport and whisked away to the Brown & Root suite at the Lamar Hotel, where a victory party was in full swing featuring whiskey, women and the richest oil men in Texas—men who were primed to get a lot richer.

As the partnership between LBJ and Brown & Root propelled both the company and the politician to new heights of power and wealth, Halliburton was taking a different track: capitalizing on the globalization of the oil industry.

During World War II, Halliburton was called upon to help build the infrastructure for the oil fields of Saudi Arabia, launching a profitable relationship with the petro-kingdom that persists to this day. While the US oil companies were later given the boot by the Saudi royal family, Halliburton continued to prosper, constructing pipelines,' refineries and oil terminals.

Soon there were other summonses from the Middle East. In late 1940s, Halliburton began doing business in Bahrain, followed by an equally lucrative contract with the royal family of Kuwait to manage that kingdom's oil fields.

The big prize in the 1950s was Iran, where Halliburton enjoyed tens of millions in contracts which were suddenly placed in jeopardy with election of Mohammed Mossadegh, who had campaigned on a pledge to nationalize Iran's enormous oil reserves. Needless to say, this prospect didn't sit well with Halliburton and the consortium of British and American oil companies exploiting Iran's petroleum wealth.

When Mossadegh moved forward with his plans, the oil companies appealed to President Eisenhower to intervene, who turned the matter over to his National Security Council. As it happened, Halliburton had a man on the inside to press its case in the person of Dillon Anderson. Anderson was a partner in the Houston law firm of Baker Botts, the family firm of James A. Baker, III, which had represented Halliburton for many years. Soon after Eisenhower's election, Anderson, who had funneled more than $200,000 into the Eisenhower-Nixon campaign, was invited to join the administration as a consultant to the National Security Council.

The NSC, with judicious prodding from Dillon Anderson, quickly sanctioned a CIA plan, devised by Kermit Roosevelt, son of Teddy Roosevelt, to overthrow Mossadegh. And so it came to pass. On August 19, 1953, the CIA launched its coup. Mossadegh was arrested and thrown in to jail and Reza Pahlavi was re-installed on the Peacock Throne as the Shah of Iran.

In return, the Shah soon signed over control of Iran's oil resources to a consortium of western oil companies, lead by Exxon, Mobil and Texaco. Halliburton was also back in Iran. Over the next 25 years, the company cashed in on more than $10 billion in contracts with Iran.

As for Dillon Anderson, Ike soon elevated the Yale-trained lawyer from Texas to the position of National Security Adviser, where he served until 1957.

In 1962, Herman Brown died and his brother, George, began searching for possible corporate suitors who might take over the company. In the summer of that year, George Brown worked out a strange deal with Halliburton, which was looking to diversify its operations. Halliburton agreed to acquire Brown & Root for the bargain basement price of $36.7 million, far below the market value of the company. But in exchange, Halliburton executives agreed to let Brown and his colleagues run the new Brown & Root subsidiary as a quasi-independent arm of Halliburton.

Of course, the acquisition of Brown & Root had another great advantage for Halliburton. The fiercely Republican oil services company, which prospered under Eisenhower, now found many familiar doors in Washington shuttered under the Kennedy administration.

Brown & Root, though, was riding higher than ever thanks to its old political fixer, LBJ, now Kennedy's vice president. At the time of the merger, Brown & Root had just been handed one of its biggest federal contracts, the multi-billion dollar deal to build NASA's Manned Space Center outside Houston—a complex that would later be renamed the Johnson Space Center.

But the most majestic profits, as always, were to be made during wartime and LBJ gave them a big one. During World War II and Korea, Brown & Root made billions building bases and ships in the US. But Johnson's Vietnam War forever changed the role of Pentagon contractors, and Halliburton's Brown & Root subsidiary led the way.

For the first time, the Pentagon began to privatize construction and logistics operations during wartime in the war zone. In 1965, Halliburton formed a consortium with the Idaho-based firm Morrison-Knudsen to manage big construction projects for the Pentagon in Vietnam. Over the next five years, the contracts would fatten to more than $2 billion. They also followed a familiar contour: the contracts were awarded without competitive bidding and on a cost-plus basis with a built-in profit guaranteed.

Soon Halliburton employees were a common sight across South Vietnam— digging wells, building latrines, managing commissaries, excavating harbors and constructing barracks— from Da Nang to Cam Rahn Bay.

The biggest project by far was its $220 million contract to build the mammoth Air Force Base at Phan Rang, which Halliburton constructed on top of some of the most beautiful Cham temple complexes in Vietnam. Phan Rang, from which US bombers pounded North Vietnam and later Cambodia, gained a little notoriety in December 1967, when Bob Hope brought his Christmas show there featuring a sultry performance by Raquel Welch that nearly caused a riot on the base.

The cost overruns in Vietnam quickly swelled and soon caught the attention of auditors with the General Accounting Office. In 1967, a GAO report on Halliburton's operations in Vietnam skewered the company for abandoning "normal management controls" and for wasting millions of dollars. The GAO disclosed that Halliburton "could not account for the whereabouts of approximately $120 million worth of materials which had been shipped from the US to Vietnam."

The GAO audit should have given the company a black eye and caused the government to reconsider the outsourcing of wartime logistics work, but the prophetic report was buried by the Pentagon and ignored by the press. As a result, Halliburton flourished. Over the course of the Vietnam War, Halliburton's annual revenues nearly tripled and it emerged from the war as the world's second largest construction firm, trailing only Bechtel.

In the fall of 1979, the Iranian revolution led to the expulsion of Halliburton from the lucrative sinecure it had enjoyed under the Shah's dictatorship.

Not to worry. Halliburton quickly moved to replace those revenues with an equally rich stream from Iran's neighbor and blood enemy, the Baathist republic of Iraq, now under the grip of Saddam Hussein.

Like many other US companies that choose to turn a blind eye to the regime's more sanguinary manifestations, Halliburton had been working in Iraq since the early 1970s, even though the Ford and Carter administrations had both refused to recognize the socialist government.

In 1973, Halliburton won a $120 million contract to build Iraq's two mammoth oil terminals in the Persian Gulf off the coast from Umm Qasr. This contract was to prove immensely profitable over the next three war-plagued decades. For one thing, those big terminals, the Mina al-Bakr and the Khor al-Amaya were inviting targets. With the outbreak of the prolonged Iran/Iraq, those oil terminals, Iraq's main source of getting its crude to global markets, were hit time and time again by Iranian saboteurs. Each time they were bombed, Halliburton was called in to repair the damage. Then thirty years after they were constructed, Halliburton was hired by the Pentagon to take control of the two terminals and get them into working condition in the earliest days of the US invasion.

Because the offshore terminals were such easy targets for Iranian gunboats, in 1981 Saddam signed a $2.5 million contract with Halliburton to build a feeder pipeline from the terminals out into the Gulf where the crude oil could be safely sluiced into wary tankers.

Two years later Saddam hired Halliburton once again. This time the Iraq government contracted with the Houston firm to build a long oil pipeline, that would skirt Iranian bombs, running from Basra to Yanbu on the Red Sea in Saudi Arabia. The deal was worth $2 billion. The pipeline won the approval of the US Undersecretary of State Lawrence Eagleburger, who would later land a spot on the Halliburton board.

Halliburton would continue to work on a variety of projects in Iraq right up until the first Gulf War. Indeed, a few weeks before Saddam sent his tanks into Kuwait, the Iraqi government had paid Halliburton $57 million for its work on the Mina Al-Bakr terminal and a seismographic project to help the Iraqi Oil Exploration Company enhance its exploration technology.

In 1991, Halliburton was picked by the Pentagon to put out 300 oil well fires in Kuwait, while its subsidiary, Kellogg, Brown & Root, grabbed a big contract to reconstruct the ravaged buildings of Kuwait City.

In 1992, Halliburton won a $3.9 million contract from the Pentagon in the waning days of the George H.W. Bush administration to a develop a scheme for outsourcing to private corporations much of the logistics and construction work previously handled by the US Army Corps of Engineers. The plan came to be known as LOGCAP and Halliburton soon got an additional $5 million just to flesh out the details.

The LOGCAP deal was sanctioned by none other than Secretary of Defense Dick Cheney. Under the initial contract, Halliburton established a plan for housing and feeding 20,000 troops in various hot spots around the globe. In a scenario that would be reprised in the Iraq war, Halliburton soon won the contract to implement the LOGCAP plan that the government had paid it to devise. First stop Somalia, where Halliburton set up shop providing fuel, food, laundry services and even morticians for US troops.

Then in 1995, at the same time Cheney was taking over the reins at Halliburton, the Pentagon handed the company a $550 million contract to provide logistical support for US and NATO's IFOR forces in Bosnia, Croatia and Hungary. Halliburton won another $6.3 million contract to service US troops stationed at the air base in Aviano, Italy, from which US jets launched bombing raids on Yugoslavia.

The contract was another of the notorious cost-plus deals, where Halliburton simply faxed over receipts to the Pentagon and got fully reimbursed, along with a guaranteed 1 percent profit and performance bonuses that went as high as 9 percent of the total costs. It's the contract that keeps on giving.

While Defense Secretary, Cheney defended this kind of military outsourcing as an efficient way to control spiraling costs. In reality, of course, the privatization of military logistics operations was neither cost-conscious nor particularly efficient. But it was politically expedient since it allowed civilian officials in the Pentagon to steer billions into the coffers of favored contractors, such as Halliburton, Lockheed and DynCorp. Far from being the path toward a leaner military, the General Accounting Office pegged the LOGCAP program as an adventure in "high risk government spending."

In 1997, the renewal of the LOGCAP contract was finally put up for competitive bid and, lo and behold, DynCorp snatched the golden egg of Pentagon contracts away from Halliburton. But even the Clinton administration showed mercy to the Republican firm. It cushioned the blow by awarding Halliburton a $405 million no bid deal to provide support for US troops in Bosnia. Two years later, Halliburton won the 5-year renewal of this deal, valued at $180 million.

Then in 1999 Halliburton struck gold once again in the Balkans when Clinton went to war against Serbia over Kosovo. Halliburton got a $200 million cost/plus contract to work in Kosovo. But before the year had ended that contract, covering everything from road construction, vehicle maintenance and power generation to food services, latrines and mail delivery, had generated nearly a billion dollars in revenues for Halliburton.

Of course, the deal had sublime benefits for the Clinton administration as well. By outsourcing most of the logistics work in Kosovo, the Pentagon was able to reduce its deployment by around 8,000 troops, helping Clinton and Albright to sell an unpopular war at home.

The company's Kosovo operations were rife with fraud. Halliburton charged the US Army $85.98 for each sheet of plywood it used in construction projects during Clinton's war on Serbia and its aftermath. A later probe found that the company had bought the plywood for $14 per sheet. A GAO investigation also revealed that Halliburton was billing the Pentagon for cleaning offices in US bases the Balkans four times a day. One former Halliburton employee said that the company had inflated costs on 224 different projects in Kosovo.

There were also numerous allegations of human rights violations by Halliburton workers, including mounting claims of racial discrimination and sexual harassment in the Balkans. Halliburton, which employed thousands of foreign-born subcontractors, even went so far as to operate segregated dining facilities and "Americans Only" bathrooms.

In Iraq, LOGCAP would be a recipe for rampant fraud, even for the provision of basic of services. For example, Halliburton sent the Pentagon a bill for $240 million in dining hall charges for feeding 4,700 troops each day. But a review by Pentagon auditors found that the bill was inflated by nearly 200 percent, since the company never served more than 2,500 soldiers on any single day.

The Clinton years were very good to Halliburton right to the final days. In the fall of 2000, Halliburton won a $300 million contract to build a massive prison at Guantanamo Bay in Cuba. This prison, which serves as the torture and interrogation center for Bush's wars, was originally designed to hold Haitians and, according to some sources, Cubans, in the event of the collapse of the Castro government. Two years later, Halliburton would land the contract to build the other big torture center at Bagram Air Base in Afghanistan.

In 1995, Halliburton hired Dick Cheney as its CEO. Cheney swiftly announced two goals for the company: make it the top Pentagon contractor and greatly expand its contractual relationships with foreign governments. Speaking of Halliburton's logistics work for the Pentagon in the Balkans, Cheney said, "the first person to greet our soldiers as they arrive and the last one to wave good-bye is one of our employees." Halliburton: the Alpha and Omega of Pentagon contractors.

Cheney didn't have much experience in the corporate world before becoming Halliburton's chieftain and his tenure there shows it. But Cheney was no mere figurehead. At least he didn't see himself that way. Almost immediately, Cheney began poking his fingers into the Halliburton corporate machine, with, it must be said, less than glamorous results. Old hands at Halliburton remember Cheney as arrogant and inept, a clumsy autocrat.

Of course, Cheney did deliver some morsels for the shareholders. Most notably, Halliburton's US government contracts bulged from $1.2 billion to $2.3 billion under Cheney's reign as CEO. Moreover, US government financing for Halliburton projects in the Third World soared soon after the Wizard of Wyoming took control of the company, ballooning from $100 million in the five years prior to Cheney's arrival to more than $1.5 billion during his time at the helm.

Of course, Cheney didn't wrest these deals from the feds alone. When Cheney went to Halliburton he took along some of his old pals at the Pentagon with him, most notably Admiral Joe Lopez, a top Cheney aide during the Bush I regime. In 1999, Cheney urged Lopez to leave the Pentagon and join Halliburton. He rewarded him with the plum position of vice president for governmental operations, where he got paid nearly a million a year to court members of congress and his old chums at the Pentagon.

Another Cheney veteran worked along side Lopez to keep the government contracts flowing to Houston. Dave Gribbin, one of Cheney's closest aides, left his position as Assistant Secretary of Defense for Legislative Affairs for a slot as one of Halliburton's top lobbyists. He later served as a key figure on the Bush-Cheney transition team.

Yet, even the most forgiving analysis of the Yale dropout's leadership of Halliburton must admit that the Cheney years were marked by a series of staggering false moves and financial missteps that nearly crippled the company. Indeed, it's fair to say that the only life-support for the company during those five years was the nearly inexhaustible tide of cash coming from Halliburton's Pentagon contracts. Nearly every other venture racked up huge levels of debt and legal liabilities.

Witness Cheney's disastrous decision to acquire Dresser Industries, another oil services and engineering company. Cheney pursued a company that no one else really wanted and to compound his blunder he paid an outrageous price for it. Halliburton acquired Dresser for $7.7 billion, which proved to be at least 16 percent more than the company's actual value. In the end, Dresser's workers paid the price. In the immediate wake of the Dresser acquisition, Cheney fired 10,000 of the company's employees. Then for good measure Cheney and his gang looted Dresser's employee pension fund, in an act of corporate theft worthy of the junk bond takeover pirates of the 1980s.

There was another ugly problem with the Dresser deal that somehow escaped Cheney's notice. When Halliburton bought Dresser, it also acquired the company's enormous asbestos liability, a burden which Cheney assured company stockholders would be resolved "without material effect." It's the kind of casual lie covering a metastasizing problem that would become a Cheney signature as vice president.

At the time of the takeover, Dresser was facing more than 66,000 claims for asbestos-related health problems from its subsidiary Harrison-Walker. These claims eventually totaled something on the order of $5.5 billion, an amount that threatened to bankrupt Halliburton.

Yet, instead of firing of Cheney for this calamitous mistake, the Halliburton board, now ornamented by the rotund figure of former Secretary of State Lawrence Eagleburger, awarded its chieftain a $1.5 million bonus for his decisive role in the doomed acquisition.

Cheney also approved a legally dubious scheme to set up dozens of offshore shell corporations designed to exploit Enron-style accounting hijinks in order to make Halliburton's bottom line seem more robust than it really was. Little wonder where he got the ideas: as he proclaimed in an advertisement, he relied on the accounting firm of Arthur Andersen that went bust in the Enron scandal. These scams didn't lead to an indictment of Halliburton executives, but the SEC did ding the company with a $7.5 million fine for its deviant accounting practices—a slap on the wrist, to be sure, but a black eye for the moral hypocrite Dick Cheney.

Evidence of the systematic accounting fraud at Halliburton during the Cheney years has now been marshaled into a class action suit by Halliburton shareholders that may even yet sink the company.

But those off-shore subsidiaries weren't merely a way of hiding money from corporate auditors, the SEC and the IRS. They were also designed to help Halliburton evade government prohibitions against US-based companies doing business with unsavory regimes.

In 1995, the State Department hit Cheney's Halliburton with a $3.8 million fine for violating the trade embargo with Libya. A similar investigation by the Department of Justice was launched in 2004 into Halliburton's operations in the second-leg of the axis of evil, Iran. Using a subsidiary corporation set up in Cheney time in the Cayman Islands, Halliburton had been doing business with the Mullahs of Iran since 1997, in flagrant violation of the US trade embargo.

In a way then, it's not surprising that Cheney's official biography, posted on the White House's website, forsakes all mention of his career as the commander-in-chief of Halliburton. But Cheney does have the quaint habit of taking this modesty too far. In 2003, he was asked about his financial ties to Halliburton. The vice president demurred, as if the very name of the company was unfamiliar to him. "I have no financial interests in Halliburton of any kind," Cheney said flatly. In fact, at that precise moment Cheney enjoyed options on 43,300 shares of Halliburton stock and was pocketing $162,392 a year in deferred compensation from the company.

On February 26, 2003, less than a month before the invasion of Iraq, a meeting was convened in the inner sanctum of the Pentagon. The purpose of this conclave was to devise a project that would come to be known as RIO or Restore Iraq Oil. Gathered around that table just down the hall from the office of Douglas Feith were ranking officials from the State Department and the US Agency for International Development (US AID), as well as the Pentagon. The meeting was chaired by Lt. General Carl Strock, a ranking official at the US Army Corps of Engineers.

The top priority on that February morning was to decide which US company would receive the juicy contract to put out the expected oil field fires and to rebuild and manage Iraq's oil infrastructure, from the wellheads to the pipelines to the big oil terminals off the coast near Basra.

In a way, this meeting in the bowels of the Pentagon was all for show, a kind of mating ritual between the government and its favorite contractor. There was little doubt about who was going to land the deal. So little doubt, in fact, that a Halliburton executive had been invited to attend the secret conclave.

Indeed, a few months earlier Halliburton had already been paid $1.9 million to draft a plan for how to implement RIO. The company had essentially written its own job description, a scenario that would make that initial payment mushroom into the billions.

There were several other companies that could have done the job that was given to Halliburton. Fluor-Daniel, Parsons and GSM Services were all just as qualified for the task. Yet, none of these firms were invited to submit a bid or a plan of action. Instead, Lt. General Strock steered the cost-plus contract into Halliburton's hands without the faintest whiff of competition. When his own contract auditors objected, Strock sought to silence them by saying he had determined that "the compelling emergency" in Iraq dictated swift and unilateral action.

Of course, this decision had been set in motion much earlier and by figures far loftier in the power hierarchy of the Bush administration than lowly Lt. General Strock from the bureaucratic outback of the Corps of Engineers.

An Army Corps of Engineers email, uncovered by *Time* magazine, disclosed that the initial decision to have Halliburton draft the RIO plan had been "coordinated" with the office of Vice President Dick Cheney. Over the course of the fall of 2002 and the early winter of 2003, Halliburton executives met on several occasions with Cheney's staff at the White House and at the Pentagon.

At an October 2002 meeting, Michael Mobbs, an assistant to Undersecretary of Defense Douglas Feith, parlayed with Cheney's chief of staff Lewis "Scooter" Libby to personally deliver the jubilant news that Halliburton had gotten the RIO planning contract.

Cheney, as is his natural inclination, continues to deny any involvement, direct or implicit, in the Pentagon deals that have sent billions in no bid contracts to his former company, at the very same time Halliburton continued to sweeten his bank accounts with more than $140,000 a year.

There was another curious hitch to the Halliburton RIO deal. Instead of being administered by Douglas Feith's office at the Pentagon (as were almost all of the other Iraq contracts), the Halliburton RIO contract was pawned off on the Corps of Engineers, a remote outpost of the Pentagon known, to the extent that it is known at all, for the management of locks and dams on American rivers.

Then an unexpected thing happened. Despite a lot of baiting from the US military and the most bellicose voices of in Bush administration, Saddam didn't ignite the Basra oil fields.

For a moment, it looked as if Halliburton might be left out in the cold. But no. As if they were rerouting a river in the Smoky Mountains, the quick-fix generals at the Corps of Engineers simply reconfigured the terms of the Halliburton contract, changing it from putting out oil well fires to hauling fuel for US military operations.

When it came time to select a space for its corporate offices to oversee the new Iraq contracts, Halliburton decided not to bunker down inside the Green Zone in Baghdad. Instead, the company opted for posh offices at the Khalifa resort on the beaches of the Persian Gulf a few miles from Kuwait City. The spot was sunny, safe and expensive. Halliburton spent more than $73 million a year just to house its executives in Kuwait—that's $73 million a year billed to the Pentagon, plus a two percent profit tacked on for good measure.

It turns out that there wasn't much for these managers from Houston to manage. That's because nearly all of Halliburton's work in Iraq was farmed out to subcontractors. The tricky part was trying to find the right subcontractor. Not necessarily the company that would do the best job, but the one that would charge the most for the work, since Halliburton's built-in profits came as a fixed percentage of the costs. The higher the costs, the bigger the profits.

Several of the subcontracts in Iraq were doled out accompanied by the judicious application of cash bribes. Even here Halliburton benefited. As Halliburton executives and managers dispensed and received millions in kickbacks, the company itself simply wrote the dispensations directly onto the invoices submitted by the subcontractors. Often these bills exceeded the true costs of the projects by 300 or even 400 percent—with Halliburton snagging a built-in profit from the bribe-bloated contracts.

Apparently, Halliburton views these kickbacks and bribes as a kind of a priori cost of doing business across the globe. A pungent example: A team of French investigators unearthed a robust Swiss bank account harboring $5 million, which reportedly derived from bribes involving Halliburton contracts in Nigeria. In June 2004, the company eased out Jack Shanley, chairman of its Kellogg, Brown & Root subsidiary, for having received "improper benefits" from this very account.

A Department of Justice investigation charged that Halliburton bribed the Nigerian officials in order to win a billion-dollar construction contract. Halliburton later discreetly disclosed that it may have paid upwards of $180 million in bribes.

A parallel probe was launched by the Securities and Exchange Commission into an admission by Halliburton that one of its managers slipped $2.4 million into the pockets of another Nigerian official in order to secure illegal tax-breaks for its business in the impoverished African nation.

In southern Iraq, much of Halliburton's logistics work ended up in the hands of a Kuwaiti firm called La Nouvelle, which handled meals, sanitation facilities and laundry. Before La Nouvelle picked up the subcontract to do the laundry at a US military base near Basra, the monthly cleaning bill had averaged around $62,000. A few months after La Nouvelle took over, the tab soared to $1.2 million a month. La Nouvelle billed $108 for each 15-pound bag of laundry at this base, $80 a bag more than the very same company charged at another base.

Pentagon auditors concluded that La Nouvelle was overtoiling for its laundry services alone by at least $ 1 million a month, with Halliburton enjoying its slice of the profits without even having had to break a sweat. They were quite literally laundering money.

While millions were splurged on opulent accommodations for its executives, bribes and kickbacks and scandalously inflated laundry bills, Halliburton skimped on the maintenance of its vehicles, which were transporting fuel and supplies on the dangerous desert roads from Kuwait to the US bases in Iraq. Only six months into the occupation of Iraq, Halliburton's fleets of trucks began to breakdown due to lack of spare parts and shoddy upkeep. The result was not just a slow down in the delivery of fuel and military supplies, but a greatly enhanced risk to the lives of Halliburton's drivers, who were becoming easily identifiable targets for the growing insurgency in Iraq. By the end of March 2005, more than 65 Halliburton employees had been killed in Iraq and more than 200 injured— the most of any private contractor in the war zone.

Much of the fuel those Halliburton drivers were carrying into Iraq came courtesy of a company called Altanmia, a Kuwait firm with cozy ties to the country's royal family.

Altanmia charged Halliburton a hefty -$2.65 per gallon, roughly the price charged at the pump in Washington, D.C. But this rate was nearly three times the 97 cents per gallon that the Iraqi Oil State Marketing Organization was paying to buy oil from Jordan and Turkey.

Halliburton never uttered the meekest protest about the grossly inflated fuel prices. With good reason. It simply passed the bills on to the Pentagon and cashed its reimbursement checks, complete with the 4 percent government gratuity.

In the first six months of the war, Pentagon auditors estimated that Halliburton had overcharged the US Treasury by at least $61 million for its fuel deliveries.

Ironically, Altanmia executives griped that they were forced to charge that hefty amount in order to cover the kickbacks and bribes they were forced to pay to Halliburton officials in order to secure the contract. In an email documenting a meeting between Altanmia executives and officials at the US embassy in Kuwait City an Altanmia manager is quoted as saying that "anyone visiting their [i.e., Halliburton's] seaside villas at the Kuwaiti Hilton who offers to provide their services will be asked for a bribe."

When the price gouging by Altanmia began to draw the attention of Pentagon auditors, the US Army Corps of Engineers, which was responsible for overseeing the implementation of the contracts, came up with an elegant solution. It informed Halliburton that the company no longer, had to submit a public record of the fuel purchases.

This bizarre and secret waiver of standard Pentagon accounting practices was signed by. the Corps' top contracting officer, Gordon A. Sumner, on December 19, 2003—stymieing the pending congressional and Pentagon investigations in contract fraud by the company.

In February 2005, the State Department finally weighed in with a damning report on Halliburton's work to rehabilitate the oil fields in southern Iraq. The unusually frank assessment accused Halliburton of undocumented cost overruns totaling tens of millions of dollars and generally "poor performance."

The State Department report pointed out that Iraqi oil production at the beginning of 2005 was lower than it had been during the previous fall. The situation had gotten so dire that the US Embassy in Baghdad, then under the command of John Negroponte, issued what is known as a "Cure Notice," a stark warning to Halliburton executives that if the company's performance didn't improve the $1.2 billion contract would be terminated.

Negroponte followed up his threat by recruiting the Parsons Corporation, Halliburton's archrival, to "execute some of the remaining work in the south." Parsons had previously been awarded the $800 million contract to repair and manage the oil fields around Kirkuk in northern Iraq.

As far as the Pentagon was concerned all of this was written off to carping from the sidelines by busy-bodies and tightwads at the State Department. In the spring of 2005, the Bush administration over-ruled its own auditors and awarded Halliburton a $9.4 million bonus for its work in Afghanistan and Kuwait, operations which the Pentagon described as "excellent."

With the bulk of the Pentagon contracts cashed in and government investigators closing in on all fronts, Halliburton placed Kellogg, Brown & Root on the market, looking to squeeze one final payout from its golden goose.

Now who says crime doesn't pay?

Chapter 14
Lockheed and Loaded: The Company that Runs the Empire

Lockheed is headquartered in the Bethesda, Maryland. No, the defense titan doesn't have a bomb-making factory in this toney Beltway suburb. But as the nation's top weapons contractor, it migrated to DC from southern California because that's where the money is. And Lockheed rakes it in from the federal treasury at the rate of $65 million every single day of the year.

From nuclear missiles to fighter planes, software code to spy satellites, the Patriot missile to Star Wars, Lockheed has come to dominate the weapons market in a way that the Standard Oil Company used to hold sway over the nation's petroleum supplies, before being broken up for being a monopoly. And it all happened with the help of the federal government, which steered lucrative no bid contracts Lockheed's way, enacted tax breaks that encouraged Lockheed's merger and acquisition frenzy in the 1980s and 1990s and turned a blind eye to the company's criminal rap sheet, ripe with indiscretions ranging from bribery to contract fraud.

Now Lockheed stands almost alone. It not only serves as an agent of US foreign policy, from the Pentagon to the CIA; it also helps shape it. "We are deployed entirely in developing daunting technology," Lockheed's new CEO Robert J. Stevens told *New York Times* reporter Tim Weiner. "That requires thinking through the policy dimensions of national security as well as technological dimensions."

Like many defense industry executives, Stevens is a former military man who cashed in his Pentagon career for a lucrative position in the private sector. The stern-jawed Stevens served in the Marines and later taught at the Pentagon's Defense Systems Management College, an institution which offers graduate level seminars in how to design billion dollar weapons deals. From the Marines, Stevens landed first at Loral, the defense satellite company. Then in 1993 he went to work at Lockheed, heading its "Corporate Strategic Development Program". There Stevens wrote the game plan for how Lockheed would soar past Boeing, General Dynamics, Northrop Grumman and the others, as the top recipient of Pentagon largesse.

The plan was as simple as it proved profitable. Instead of risking the competition of the marketplace, Lockheed, under Stevens' scheme, would target the easy money: federal contracts. The strategy was also straightforward: flood the congress with PAC money to get and keep grateful and obedient members in power. Those friendly members of congress would also be surrounded by squads of lobbyists to develop and write legislation and insert Lockheed-friendly line items into the bloated appropriations bills that fund the government. It also called for seeding the Pentagon and the White House with Lockheed loyalists, many of whom formerly worked for the company.

"We need to be politically aware and astute," said Stevens. "We need to work with the congress. We need to work with the executive branch. We need to say: we think this is feasible, we think this is possible. We think we have invented a new approach."

The scheme succeeded brilliantly. By the end of the 1990s, Lockheed had made the transition from an airplane manufacturer with defense contracts to a kind of privatized supplier for nearly every Pentagon weapons scheme, from the F-22 fighter to the Pentagon's internet system. Then 9/11 happened and the federal floodgates for spending on national security, airline safety and war making opened wide and haven't closed. Lockheed has been the prime beneficiary of this gusher of federal money.

Since September 2001, the Pentagon's weapons procurement program has soared by more than $20 billion, from $60 billion to $81 billion in 2004. Lockheed's revenues over the same time period jumped by a similar 30 percent. And, despite the recession and slumping Dow, the company's stock tripled in value.

Almost all of this profiteering came courtesy of the federal treasury. More than 80 percent of Lockheed's revenue derives directly from federal government contracts. And most of the rest comes from foreign military sales to Israel, Saudi Arabia, South Korea and Chile. Israel alone spends $1.8 billion a year on planes and missile systems purchased from Lockheed. Lockheed sells its weaponry, from F-16 fighters to surveillance software, to more than 40 nations. "We're looking at world domination of the market," gloated Bob Elrod, a senior executive in Lockheed's fighter plane division.

And there's little risk involved. Nearly all of these sales are guaranteed by the US government.

After 9/11, Bush tapped Lockheed's Stevens to lead his presidential commission on the Future of the US Aerospace Industry, a body which, not surprisingly, wasted little time pounding home the importance of sluicing even more federal dollars in the form of defense and air traffic control contracts to companies such as Lockheed.

But Stevens' position was just the icing on a very sweet cake. Former Lockheed executives and lobbyists toil every day on behalf of the defense giant from the inside the administration and the Pentagon. At the very top of the list is Steven J. Hadley, recently tapped to replace Condoleezza Rice as Bush's National Security Advisor. Prior to joining the Bush administration, Hadley represented Lockheed at the giant DC law firm of Shea and Gardner. Other Lockheed executives have been appointed to the Defense Policy Board and the Homeland Security Advisory Council. Bush's Transportation Secretary, Norman Mineta, and Otto Reich, the former deputy Secretary of State for the Western Hemisphere, both once worked as Lockheed lobbyists.

But the revolving door swings both ways for Lockheed. On its corporate board reposes B.C. Aldridge, Jr. Before retiring from the Defense Department, Aldridge served as the head of the Pentagon's weapon procurement program and signed the contracts with Lockheed to build the F-22, the world's most expensive airplane.

When insiders don't get you everything you need, there's always political bribery. In the US, politicians who serve Lockheed's interests get annual dispensations of corporate swill courtesy of the company's mammoth political action committee. Each year Lockheed's corporate PAC doles out more than $1 million, mainly to members of the crucial defense and appropriations committees.

Overseas, Lockheed has often resorted to a direct bribe of government officials. In the 1970s, Lockheed famously handed out $12.5 million in bribes to Japanese officials (and organized crime figures) to secure the sale of 21 Tristar aircraft to Nippon Airlines. The ensuing scandal brought down Japanese Prime Minister Kakuei Tanaka, who was convicted of being on the receiving end of Lockheed's payola. Even though the imbroglio lead the enactment of the Foreign Corrupt Practices Act in 1977 which set stiff penalties for bribery, Carl Kochian, Lockheed's CEO at the time, defended the practice of handing out covert cash inducements as a cost-effective way of securing billions in contracts for the company. Bribery was just a cost of doing big business.

And indeed the Corrupt Practices Act didn't deter Lockheed from handing out financial incentives to foreign officials to speed things along. In the 1990s, Lockheed admitted to stuffing the pockets of an Egyptian official with $ 1.2 million dollars in order to grease the sale of three Lockheed-made C-130 transport planes to the Egyptian military.

The clunky old C-130 Hercules continues to bring millions to Lockheed, which sells the cargo plane to Jordan, Egypt and Israel. But the biggest profits continue to derive from sales to the Pentagon, even though the latest model of the transport has been plagued with operational problems and cost overruns. Of course, in the funhouse economics of defense contracts "cost over-runs" simply mean more millions in taxpayer money going into the accounts of the very defense contractors that performed the untimely or shoddy work in the first place.

Since 1999, the Air Force has purchased 50 of the new C-130J prop planes from Lockheed. But none of these planes have performed well enough to allow the Air Force to put them into service. An audit of the C-130 contract by the Inspector General of the Air Force revealed a host of problems with the new plane that had been gilded over by Lockheed and Pentagon weapons buyers.

One of the biggest problems with the plane is an ineptly designed propeller system that keeps the C-130 from being flown in bad weather. The C-130J is powered by six propellers covered in composite material that becomes pitted or even dissolves under sleet, hail or even heavy rain. Ironically, many of the first batch of planes were delivered to an Air Force reserve unit in Biloxi, Mississippi, where they were supposed to function as "Hurricane Hunters," plying through thunderstorms and heavy winds in search of the eye of the storm. The planes proved useless for the task. As a result, most of the C-130Js have been used only for pilot training.

"The government fielded C-130J aircraft that cannot perform their intended mission, which forces the users to incur additional operations and maintenance costs to operate and maintain older C-130 mission-capable aircraft because the C-130J aircraft can be used only for training," the IG audit concluded.

Nevertheless, the Air Force paid Lockheed 99 percent of the contract price for the useless planes.

"This is yet another sad chapter in the history of bad Pentagon weapons systems acquisitions," said Eric Miller, a senior Defense Investigator at the Project on Government Oversight. "For years, the Air Force has known it was paying too much for an aircraft that doesn't do what it's supposed to. Yet it has turned a blind eye. The aircrews who have to fly these aircraft should be very angry. They've been betrayed by the very government that should be ensuring that the weapons they receive are safe and effective."

The profits from the C-130 are a mere pittance compared to what Lockheed stands to make from its contracts to produce the two costliest airplanes ever envisioned: the Joint Strike Fighter and the F-22 Raptor.

The Joint Strike Fighter, also known as the F-35, is slated to replace the venerable F-16. Even though the initial designs for the F-35 proved faulty (there continue to be intractable problems with the weight of the plane), the Pentagon, under prodding from influential members of Congress, awarded the Lockheed a $200 billion contract to build nearly 2,000 of the still unairworthy planes. Lockheed plans to sell another 2,500 planes at a sticker price of $38 million apiece to other nations, starting with Great Britain. Once again, most of these sales will be underwritten by US government loans.

The F-35 contract was awarded on October 16, 2001. Already, costs have soared by $45 billion over the initial estimate with no end in sight.

But the F-22 Raptor stands in a class of its own. With a unit price of more than $300 million per plane, the Raptor is the most expensive fighter jet ever designed. One congressional staffer dubbed it, "Tiffany's on wings." Conceived in the 1980s to penetrate deep into the airspace of the Soviet Union, the F-22 has no function these days, except to keep a slate of defense contractors in business, from Lockheed, which runs the project, to Boeing which designed the wings to Pratt-Whitney which designed the huge jet engines.

The F-22 was supposed to be operational a decade ago. But the latest incarnation of the plane continues to suffer severe problems in fight testing. Its onboard computer system is mired with glitches and its Stealth features haven't prevented the plane from popping up "like a fat strawberry" on radar. Even worse, several test pilots have gotten dizzy to the point of nearly passing out while trying to put the fighter through evasive maneuvers at high altitudes.

Even so, the doomed project moves forward, consuming millions every week, and no one with the power to do so seems to show the slightest inclination to pull the plug.

By one account, Lockheed garners $228 in federal tax money from every household in the US each year. But when it comes time to paying taxes Lockheed pleads poverty. By taking advantage of a bevy of designer loopholes, Lockheed's legion of accountants has reduced the corporation's annual tax liability to a mere 7 percent of its net income. By comparison, the average federal tax rate for individuals in the US is around 25 percent.

Of course, these kinds of special dispensations don't come cheaply. Lockheed spends more money lobbying congress than any other defense contractor. In 2004, a banner year for the company, it spent nearly $10 million on more than 100 lobbyists to prowl the halls of congress, keeping tabs on appropriations bills, oversight hearings and tax committees. Over the past five years, only Philip Morris and GE spent more money lobbying congress.

With Lockheed, it's sometimes difficult to discern whether it's taking advantage of US foreign policy or shaping it. Take the Iraq war. Lockheed's former vice-president, Bruce Jackson, headed an ad hoc group called the Committee for the Liberation of Iraq. This coven of corporate executives, think tank gurus and retired generals includes such war-mongering luminaries as Richard Perle, Jeane Kirkpatrick, Gen. Wayne Downing and former CIA director James Woolsey. The Washington Post reported that group's goal was to "promote regional peace, political freedom and international security through replacement of the Saddam Hussein regime with a democratic government that respects the rights of the Iraqi people and ceases to threaten the community of nations."

This supposedly independent body seems to have gotten its marching orders from inside the Bush White House. Jackson and others met repeatedly with Karl Rove and Steven Hadley, Condoleezza Rice's number two at the National Security Council and a former Lockheed lobbyist. The group eventually got a face-to-face meeting with the dark lord himself, Dick Cheney. After meeting with White House functionaries, members of the Committee would fan out on cable news shows and talk radio to inflame the fever for war against Saddam.

Jackson has long enjoyed close ties to the Bush inner circle. In 2000, he chaired the Republican Party's platform committee on National Security and Foreign Policy and served as a top advisor to the Bush campaign. Naturally, the platform statement ended up reading like catalogue of Lockheed weapons systems. At the top of the list, the RNC platform pledged to revive and make operational the $80 billion Missile Defense program supervised by Lockheed.

In 2002, the Bush administration called on Jackson to help drum up support in Eastern Europe for the war on Iraq. When Poland and Hungary came on board, Jackson actually drafted their letter supporting an invasion of Iraq. His company was swiftly rewarded for his efforts. In 2003, Poland purchased 50 of Lockheed's F-16 fighters for $3.5 billion. The sale was underwritten by a $3.8 billion loan from the Bush administration.

Lockheed also made out quite nicely from the Iraq war itself. It's F-l 17 Stealth fighters inaugurated the start of the war with the "Shock and Awe" bombing of Baghdad. Later, the Pentagon stepped up orders of Lockheed's PAC 3 Patriot missile. The missile batteries, designed for use against SCUD missiles that Iraq no longer possessed, sell for $91 million per unit.

After the toppling of Saddam, Lockheed executives saw an opportunity to gobble up one of the big private contractors doing business in Iraq, Titan Corporation. The San Diego-based company was awarded a $10 million contract to provide translators for the Pentagon in Iraq. Two of those translators, Adel Nakhl and John Israel, were later accused of being involved in the torture of Iraqi prisoners at Abu Ghraib prison. Titan translators, who are paid upwards of $107,000 a year, were also implicated in a scandal at Guantanamo prison.

Like Lockheed, after 9/11 Titan jettisoned almost all of its commercial operations and began to focus entirely on government work. By 2003, 99 percent of its $1.8 billion in corporate income came courtesy of government contracts. The firm also went on a buying spree of other smaller defense contractors. Since 2001, Titan gobbled up ten other defense-related companies. The most lucrative acquisition proved to be BMG, Inc., a Reston, Virginia based company that specializes in information collection and analysis for the Pentagon and the CIA. BMG alone held Pentagon contracts worth $650 million.

The abuse scandals didn't deter Lockheed from pursuing Titan. Indeed, Christopher Kubasik, Lockheed's chief financial officer, told the *Los Angeles Times* that the torture allegations "were not significant to our strategic decision."

The merger was later delayed for other reasons by the Justice Department, which was looking into allegations that Titan executives and subsidiaries paid bribes to government officials in Africa, Asia and Europe in order to win contracts—a method of doing business that Lockheed executives must have admired.

Titan, which was formed amid the Reagan defense build up of the early 1980s, saw itself as a new kind of defense contractor, a weapons company that didn't make weapons. Instead of building missiles or planes, Titan concentrated on developing software and communication packages for Pentagon programs. Its first big contract was for the development of a communications package for the guidance system of the Minuteman missile. Since then Titan has become a major player in the lucrative information technology market.

In recent years, Lockheed has begun to aggressively pursue the same types of "soft defense" programs. In the past decade, Lockheed's Information Technology sales have increased by more than four hundred percent. The bonanza began during the Clinton administration, when Al Gore's "reinventing government" scheme auctioned off most of the data-management tasks of the federal government to the private sector. Now nearly 90 percent of the federal government's Information Technology has been privatized, most of it to Lockheed, which is not only the nation's top arms contractor but also its top data-management supplier.

This opened vast new terrains of the government to conquest by Lockheed. It now enjoys contracts with the Department of Health and Human Services, Department of Energy and EPA. Lockheed also just corralled a $550 million contract to take over the Social Security Administration's database. The privatization of Social Security has already begun.

But even in the IT sector, the big bucks are to be made in the burgeoning surveillance and Homeland Security business. Lockheed now runs the FBI's archaic computer system, which took some much deserved heat for letting the 9/11 hijackers slip through its net without detection. It also won the $90 million contract to manage the top secret computer network for the Department of Homeland Security, a system that is supposed to function as a kind of "deep web", linking the systems of the FBI, CIA and Pentagon.

All of this is a precursor to even bigger plans hatched by Lockheed and its pals in the Pentagon to develop an all-encompassing spying system called the Global Information Grid, an internet system that is meant to feed real time tracking information on terrorist suspects directly into automated weapons systems, manufactured, naturally, by Lockheed.

"We want to know what's going on anytime, any place on the planet" pronounced Lorraine Martin, Lockheed's vice-president for Command Control and Communications Systems. And eliminate them, naturally.

On the battlefield of defense contractors, Lockheed has now achieved full-spectrum dominance.

Chapter 15
Straight to Bechtel: "More Powerful Than the US Army"

On the second anniversary of the invasion of Iraq, Bechtel, the gargantuan global construction firm based in San Francisco, issued its revenue numbers for 2004. While the situation continued to deteriorate for the US military forces in Iraq, Bechtel reported more fragrant news.

Although the privately-owned company doesn't disclose its profits, Bechtel did announce that its income was soaring to new heights not seen since the 1960s when the company was damming some of the world's most glorious canyons, building some of the most dangerous nuclear plants and constructing military bases for the staging of the war on Vietnam.

For the year 2004, Bechtel brought in more than $17.4 billion, a record haul for the company. That makes two record years in a row. Last year Bechtel chalked up more than $17 billion for the first time. Both records were all the more impressive given the senescent economy.

Much of that robust income stream is coming from its operations in Iraq, where Bechtel is the king of contractors. A few days after the war began, the US Agency for International Development handed Bechtel a $680 million contract for the reconstruction of Iraq infrastructure, a by-invitation-only deal awarded in a secret process. That number has been jacked up twice and now totals more than $1.8 billion and may eventually reach as much as $50 billion.

Under the terms of the deal, Bechtel got $515 million to rebuild Iraq's power generating stations; $33 million for rebuilding roads and railroads; $44 million to dredge the seaport at Umm Qasr; $45 million to rehab the Iraqi telephone network, covering 240,000 phone lines; $52 million for repair of the Baghdad airport; $208 million to rebuild sewage and water treatment plants; and $53 million for the reconstruction of Iraqi schools. All courtesy of US tax dollars and Iraqi oil revenues.

For this initial round of contracts alone, Bechtel was also guaranteed another $80 million for company profits.

The obliteration of Iraq's civic buildings, roads and power plants proved to be a billion-dollar bonanza for Bechtel. To build you must first destroy.

The company won't say how much of its revenue comes from its Iraq contracts, but it probably amounts to about 10 percent of the total haul. "Iraq's a big job for us," says Jude Laspa, Bechtel's executive vice-president. "But not the biggest."

True enough. But most of Bechtel's earnings come with an ironclad guarantee of a profit, a guarantee backed by the federal government. Indeed, more than half of Bechtel's revenues come courtesy of me government, many of the deals awarded without competitive bidding and on a cost-plus basis.

Moreover, when the Bechtel does non-US government business in the Third World, it often enjoys the financial backing of the US in the form of subsidized loans from the Export-Import Bank and insurance from the Overseas Private Investment Corporation.

"Our business is a lumpy business," said Laspa. "Some projects come through that are a billion, some are a mere $200 million." (Note the sly emphasis on "mere.")

One of Bechtel's biggest non-Iraq "lumps" is a $5 billion deal to take over the management of the Hanford Nuclear Reservation, the most radioactive landscape in the Western Hemisphere. The contract at Hanford, where the US government once made plutonium for hydrogen bombs, will provide Bechtel with a steady stream of income over the next five to ten years, cleaning up radioactive debris and chemical waste, and prepping the site for what may become a new generation of nuclear weapons production.

Bechtel also won the choice contract to manage the Nevada Test Site, another multi-billion dollar deal. Bechtel is supposed to rehab the test site, turn part of it into a bizarre tourist destination and, according to some insiders, prepare the grounds for another round of nuclear testing.

Rarely does a big Pentagon construction project surface that doesn't have a role set aside especially for Bechtel. Thus it should surprise no one that Bechtel has gotten a piece of the biggest boondoggle of our time, the $100 billion Ballistic Missile Defense project, AKA Star Wars. In a joint venture with Lockheed, Bechtel got a contract to build and manage the Ballistic Missile Defense test site in the Marshall Islands. Just another juicy lump in the gravy train.

The origins of the world's largest engineering firm date to 1898, when Oakland businessman Warren Bechtel won a contract to level the grade for railroad beds across California and Oklahoma, using mules and Chinese and prison laborers. The rise of the company is vividly sketched in Leon McCartney's excellent history, *Friends in High Places: the Bechtel Story.*

In 1930, Bechtel joined forces with another Bay Area tycoon, Harry Kaiser, to Boulder Canyon with Hoover Dam, which clogged the Colorado River for 200 miles. At the time this curved monstrosity was billed as the largest construction project since the building of the Great Pyramid at Giza.

In the 1940s, with World War II in full-throttle, Stephen Bechtel, son of Warren Bechtel, teamed up with his college roommate John A. McCone. The Bechtel-McCone partnership specialized in making billions from the war through shipbuilding and military base construction projects. McCone also introduced Bechtel to the lucrative oil services business, an enterprise for all seasons but one which blooms with special vigor during times of war. Soon Bechtel was building oil refineries and pipelines across the world, including a secret Alaska pipeline as part of a project for the War Department. Thirty years later, Bechtel would be the lead contractor for the big Trans-Alaska Pipeline, which sluices crude oil from Prudhoe Bay to the port of Valdez.

Blazing a course that so many future Bechtel executives would canter down, McCone, one of the more sinister characters of the 20th century, left Bechtel for Washington, where he became head of the Atomic Energy Commission and one of the central figures in the instigation of the Cold War. McCone soon introduced his new friend, Alien Dulles, the nation's top spy, to his old partner in the Bay Area, Stephen Bechtel.

Dulles and Bechtel became fast friends and golfing buddies. While slicing drives at Congressional Country Club and shanking irons into the Pacific at Pebble Beach, the two men would discuss the clandestine opportunities for a privately-owned firm like Bechtel in Dulles's shadow world. It is from Dulles that the Bechtel family acquired its obsession with secrecy. Long before the advent of Hollywood stalkers and anarchist pie throwers, the Bechtel family and its top executives traveled with bodyguards. The family has even gone so far as to petition a California court to shield their voter registration cards from public inspection.

More often than not, the talk between Dulles and Bechtel turned to oil and the Middle East. Under Dulles's guidance, Bechtel stepped up its operations in the Persian Gulf region, especially in Saudi Arabia. Bechtel engineered the oil infrastructure for the Standard Oil Company's burgeoning empire in Saudi Arabia, building pipelines, refineries, highways and ports. When Standard Oil's Aramco partnership in Saudi Arabia was nationalized, Bechtel didn't miss a beat. Instead, the company inaugurated a profitable new relationship with the Saudi royal family and went right to work building airports, military bases and an 850-mile long pipeline from Saudi Arabia to Jordan.

Somewhere along the line, the Bechtels encountered Saudi Arabia's largest construction company, which is also a family-run empire, called Bin Laden Construction. Founded by Osama's father, Mohammed Bin Laden, the Bin Laden firm worked on dozens of joint projects with the Bechtel Corporation, which had already perfected the art of subcontracting out hard labor to low-paid workers in the Third World. Outsourcing is a strategy that Bechtel is using in Iraq today, where 92 percent of its work there is subcontracted out to desperate Iraqis. The Bin Ladens and Bechtels remain close to this day. Indeed, the Bin Laden family owns a $10 million stake in the Fremont Group, the Bechtel Corporation's investment subsidiary. Moreover, the Bin Laden Group is a doing work on Bechtel's biggest contract, the $20 billion deal with Saudi government to excavate two new ports, in what has been called the most expensive construction project in world history. Well, since the last big Bechtel project.

From Saudi Arabia, Bechtel soon extended its reach in the Middle East to Bahrain, Kuwait, Iraq and Iran. Not all of these countries were as gracious as the Saudi's when American oil companies and their associated firms like Bechtel came calling to drill into their sands. For example, following the 1958 coup in Iraq, one of Bechtel's top executives, George Colley, Jr., was yanked from his car and stoned to death on a Baghdad street, in a scene that eerily foreshadows the abductions and assassinations of US contractors in Iraq today. Of course, Bechtel wouldn't let the killing of an executive stand in the way of making money. After a more compliant regime took control of Baghdad, Bechtel was back, building a pipeline for the Iraq Petroleum Company running from Kirkuk to the Syrian port of Baniyas and helping Saddam himself construct the Bekme hydropower dam near the Iraq border with Turkey. As we shall see, this wasn't Bechtel's only dalliance with the Beast of Baghdad.

When Iran antagonized US oil companies and the CIA by nationalizing their oil reserves, Alien Dulles and Kermit Roosevelt sought and received Bechtel's assistance in the CIA run coup that overthrew Mossadegh and installed the Shah. Bechtel provided a similar service in 1965 when the CIA instigated the bloody coup that toppled President Sukarno of oil-rich Indonesia and put into place the corrupt and iron-fisted regime of General

Suharto.

After Dulles was eased out of the CIA, John F. Kennedy picked Bechtel's old hand, John McCone, to replace him as the nation's top intelligence spook and Stephen Bechtel himself became the CIA's emissary to the Business Council. The Agency and the company have rarely pursued separate interests since then.

When it comes to governmental relations, Bechtel goes both ways: it penetrates the government and the government penetrates it. Over the past forty years, Bechtel has trawled for executives from the Pentagon, State Department, Interior Department, World Bank, and the West Wing of the White House. It's executives have included Robert Hollingsworth, the former head of the Atomic Energy Commission; Parker T. Hart, former ambassador to Saudi Arabia; Rear Admiral John G. Dillon, head of the Pentagon's construction office; former Senator J. Bennett Johnston, the Louisiana Democrat and oil industry legislative enforcer, was named to the board of Nexant, a Bechtel subsidiary; and Richard Helms, former director of the CIA.

These days Bechtel's top recruit from DC is its executive Vice-President Jack Sheehan. Sheehan, a four-star general who served as head of the Atlantic Command and as NATO supreme, oversees Bechtel's chemical and oil operations, with a particular focus, naturally, on the opportunities in the Middle East and Central Asia. Sheehan has some experience there as well. In the late 1990s, Bill Clinton called upon Sheehan to serve as his special adviser to Central Asia, where he scrutinized oil reserves and pipeline routes in far off places like Turkmenistan and Azerbaijan. Politically, Sheehan is ambidextrous, lending his talents with equal vigor to Democrats and Republicans. Soon after Bush's installation as president, the president and Donald Rumsfeld recruited Sheehan to serve on the influential Defense ' Policy Board, once commanded by ultra-hawk Richard Perle.

Under the right circumstances, Bechtel is more than willing to loan out some of its corporate stars to the feds—on a temporary basis, of course. In 2003, President Bush named Riley Bechtel, the company's current CEO, to serve on the Export Council, a team of corporate chieftains and economists that sets trade policy, a policy which seems to focus more on exporting jobs than products.

The former head of Bechtel's energy division, Ross Connolly, was named by Bush as the vice president of the Overseas Private Investment Corporation (OPIC). OPIC provides financial backing and underwrites insurance for US companies doing business in places where the indigenous population is often less than thrilled about their presence and economic pursuits, which often takes the unpleasant form of toxic gold mines, power plants, chemical factories, pipelines or hydro dams. Needless to say, Bechtel is a frequent recipient of OPIC's largesse.

Similarly, Bechtel has shrewdly seeded with its executives the upper layers of the Export-Import Bank, which provides government loan guarantees for US companies doing business overseas. In August of 2002, Clinton named Daniel Chao, vice president of Bechtel Holdings, to a coveted slot on the bank's advisory committee. The Ex-Im Bank, which has provided tens of millions in loan guarantees for Bechtel over the years, was once headed by John L. Moore, a former VP at the company, and Stephen Bechtel himself once adorned its advisory board.

It was back in Reagan time, however, when Bechtel seem to reach an apogee of influence over the operations of the federal government. For Defense Secretary, Reagan picked Caspar Weinberger, Bechtel's longtime general counsel. Over at Langley, Reagan enthroned William Casey as director of the Central Intelligence Agency. Casey had been on retainer with Bechtel as a special consultant for many years.

Then there was George Shultz, Reagan's Secretary of State. Prior to joining the Reagan administration, Shultz served as president of Bechtel, where one of the big projects on the drawing board was a long-desired pipeline from Iraq to Jordan.

After the Iranian revolution, Bechtel had been booted from Iran by the Ayatollah. To counter this ungracious exile, Bechtel warmed once again to its old friends in Iraq, then engaged in a bloody war with Iran.

From his desk at Foggy Bottom, Shultz summoned his old pal Donald Rumsfeld for a covert assignment. He appointed Rummy his special envoy to Saddam Hussein and sent him to Iraq in 1983 with the task of convincing the Iraqi dictator to back Bechtel's plan for a pipeline across Iraq to Aqaba in Jordan.

Rumsfeld's trips to Baghdad would prove fateful assignations for all concerned. The fallout would even lead to the appointment of a special prosecutor tasked with looking into the role Attorney General Edwin Meese played in the affair.

Rumsfeld landed in Baghdad in December 1983, where he held a series of meetings with Saddam and Tariq Aziz, the Deputy Prime Minister. This secret conclave occurred at one of the bloodiest moments of the Iran/Iraq war, a war the US tacitly backed as a way to destabilize the revolutionary mullahs of Iran. By this time, it was well known by US intelligence that Saddam had used poison gas against Iranian troops, killing and maiming thousands.

Two decades later, as the Bush administration ramped up the war rhetoric against Saddam, Rumsfeld would claim that his journey to Baghdad was a heroic and virtuous mission, where he chastised the Iraqi strongman to his face for committing crimes against humanity.

Saddam, however, had the foresight to videotape several of the parlays. One infamous clip shows a deferential Rumsfeld smiling and shaking the hand of the Tiger of Tikrit. Later Rumsfeld, like a witness before the Iran/ contra committee, would claim he had no clear recollection of pressing the flesh with Saddam.

However, the true motives behind those missions are now coming into focus, thanks to internal Reagan administration documents unearthed through the Freedom of Information Act by the National Security Archives and through the excellent reporting of Jim Vallette. Rumsfeld did not browbeat Saddam over gassing Iranians and Kurds or for his pursuit of a nuclear bomb. He was there to beg the dictator's indulgence on behalf of Bechtel's dream pipeline to Aqaba.

Saddam may have been born in a hut and he may show a peculiar fascination with romance novels, but he was more than an intellectual match for the plodding Rumsfeld. Hussein scrutinized Bechtel's plans and told Rumsfeld that he was interested in finding a new outlet for Iraqi oil but that he was hesitant to sign a $2 billion check over to Bechtel to build a pipeline that ran so near the Israel. Saddam explained to Rumsfeld that he would need assurance that the Israelis would not bomb the pipeline once it began operations. It was a reasonable consideration, given the fact that Israeli MiGs had annihilated Saddam's Osiraq nuclear power plant on June 7, 1981.

Rumsfeld conveyed Saddam's concerns to his boss George Shultz. And here's where the affair slides from sleazy to felonious. Shultz has since claimed that he recused himself from all Bechtel related matters while he headed the State Department. Yet Shultz closely reviewed a top secret State Department cable which spelled out Saddam's fears regarding Israeli sabotage and speculated about ways in which they might be addressed by the Reagan administration. "In response to Rumsfeld's interest in seeing Iraq increase oil exports, including through a possible new pipeline across Jordan to Aqaba, Saddam suggested Israeli threat to security of such a line was major concern and US might be able to provide some assurances in this regard."

Soon the State Department went to work to meet Saddam's conditions. Here the heavy-lifting shifted from Rumsfeld to Under-Secretary of State Lawrence Eagleburger, then Shultz's top deputy for political affairs. Eagleburger, a protege of Henry Kissinger who now adorns the board of Halliburton, endeavored to find political financing for the pipeline project. Only days after Rummy returned from his parlay with Saddam, Eagleburger fired off a memo to the Export-Import Bank urging them to back the Bechtel project. The December 22, 1984 Eagleburger memo the Ex-Im Bank directors said the loan "would signal our belief in the future viability of the Iraqi economy and secure a US foothold in a potentially large export market."

Stocked as it was with Bechtel loyalists, the Ex-Im Bank didn't need much prodding from above. But Eagleburger's intervention on behalf of Saddam and Bechtel put the project on the fast-track. By June of 1984, the Ex-Im Bank had approved a $485 million dollar loan for the pipeline. This generous dollop of corporate welfare was soon followed by a similar pledge from the Overseas Private Investment Corp., which chipped in with promises of ensuring the pipeline against damages caused by Israeli missiles.

But Saddam still wasn't satisfied, as he explained to Rumsfeld in a second visit. The thorny problem of Israeli sabotage needed to be resolved before he would sign off on the deal with Bechtel.

To vault this final hurdle, the State Department and Bechtel turned to a shady Swiss financier called Bruce Rappaport. Rappaport, who Bechtel offered to make a partner in the deal, was a close friend of Shimon Peres, the leader of the Israel's Labor Party and then Prime Minister. According to Rappaport, Peres, when approached about Saddam's complaint, said that Israel would need to be richly compensated in exchange for writing a pledge not to destroy the Aqaba pipeline.

Under a deal devised by Rappaport, Bechtel and Saddam would give the executive a 10 percent discount on freshets of oil from the pipeline and Rappaport would in turn hand over a portion of that money, estimated to be in excess of $70 million, to Peres's Labor Party coffers.

This convoluted bribery scheme was communicated to the Reagan administration,by one of Rappaport's partners, E. Robert Wallach, a DC lawyer with close ties to Edwin Meese, then Reagan's attorney general. In a memo to Meese, Wallach noted that "though it would be denied every where... a portion of those funds will go directly to Labor." That memo, among others, would spark the appointment of James McKay as an Independent Counsel looking into allegations of financial corruption and ripe ethical lapses involving Meese and top White House advisor Lynn Nofsinger.

McKay's report makes for illuminating reading on the mutually enriching intersection of politics, diplomacy and transnational corporate villainy. Among other things, we learn that Bechtel also recruited two other luminaries of the US intelligence community, former CIA director James Schlesinger and Reagan's former National Security Advisor William Clark. Schlesinger and Clark worked on Saddam. Clark threw himself into the assignment with such enthusiasm that he even tried to convince the Iraqi dictator that he was an emissary from Reagan himself. In the end Saddam didn't bite and the deal fell through.

Meese, a bit player by any standard, resigned under a cloud and became an object of media ridicule and late night jokes, depicting the pudgy prosecutor of public morality as the James Watt of the Justice Department. But no investigation was ever launched into the truly corrupt machinations of Shultz and his coterie at the State Department. Indeed, Shultz skated through the numerous scandals of Reagan time largely unblemished and emerged as one of the media's favorite "wise old men." Naturally, this exalted reputation as an eminence grise served Shultz and his masters well when he returned to private life and the board of directors of Bechtel.

Despite the setback after the Aqaba pipeline deal fell through, Bechtel didn't abandon Iraq. In 1988, Bechtel inked a $2 billion deal with Saddam to build and operate a huge petro-chemical plant outside Baghdad. On its foul menu of toxic chemicals, the plant brewed up large batches of ethylene oxide, an ingredient in the manufacture of plastic.

But ethylene oxide also has another use. It is a chemical precursor for the manufacture of mustard gas. Despite prohibitions against providing Iraq with so-called dual use chemicals, Bechtel didn't pull out of the project until the first Gulf War appeared to be imminent.

No sanctions were ever leveled against the company for supplying Saddam's regime with the building blocks for restocking his chemical weapons arsenal. Indeed, when Iraq submitted its much derided inventory of its chemical weapons stockpile to the UN in the fall of 2002, it identified Bechtel as a chief supplier. This embarrassing disclosure, however, was redacted by the Bush administration before the documents were released to the press. It only came to light after the French released the uncensored documents and by then the US press couldn't be bothered to pursue the story.

After the first Gulf War, Bechtel won a $2 billion contract for reconstruction of Kuwait City, a deal which was secured, according some sources, through the judicious application of under-the-table dispensations to key members of the Kuwait royal family. Standard business in Kuwait. Just ask Halliburton.

With the cruel sanction regime imposed on Iraq by the US blocking further Bechtel joint ventures with Saddam, the company began to explore new global opportunities wrenched open by the neo-liberal economic policies of the Clinton administration.

In 1999, heeding to the lash of the World Bank and Clinton's State Department, the government of Bolivia agreed to privatize the public water utility in the city of Cochabamba. Under a bill pushed through the Bolivian parliament in October 1999, the government turned the management of the utility in this arid city to International Water, Inc., a subsidiary of Bechtel. Almost immediately, Bechtel jacked up the price of the monthly water bill to about $20, a staggering amount for citizens of a city where the average monthly income is around $100. Soon thousands of people failed to pay their bills with the predictable consequence of having their water shut off.

The bills and the shut-offs propelled thousands of protesters into the streets. In January of 2000, demonstrators effectively shut down the city for a week, before they were violently suppressed by the national guard, at the behest of Bechtel. Over the course of the next few months, hundreds of thousands of Bolivians took to the streets in solidarity and joined marches to the embattled city. There were general strikes and counterattacks, which left hundreds injured and several dead in the streets. The protests almost brought down the government and eventually the privatization bill was repealed and Bechtel was booted from Bolivia, leaving the good people of Cochabamba with their old water company and a crushing mound of debt.

Naturally,. Bechtel didn't leave without firing a parting shot. The company filed a breach of contract suit with the World Court demanding $25 million from this destitute nation.

Similar ventures were launched in the Philippines and India. Indeed, Bechtel is now the world's biggest transnational water works company. But that honor doesn't make their presence any easier to swallow. In India's Tamil Nadu province, Bechtel's role in the privatization of the water and sanitation systems of the city of Tirupur, known as "T-shirt Town" for all the textile plants, sparked violent protests. (Connoisseurs of corporate crime will also recall Bechtel's joint venture with Enron to build and run the $2 billion natural gas power plant at Dabhol in the state of Maharashtra. The operations racked up a cruel litany of abuses from bribery of state officials to land theft, pollution and arrests of demonstrators on trumped up charges.)

Bechtel's experience in the privatization of public resources, while an unhappy one in Bolivia, proved a kind of corporate test-drive for the fire sale that would await the company in the wake of the war on Iraq and the toppling of Saddam's Ba'athist regime.

After the 9/11 attacks, Bechtel executives sensed an opportunity to return to its old haunts in Iraq, unfettered by sanctions or the nitpicking of Saddam. Along with its old emissary Donald Rumsfeld—who, only hours after witnessing the walls of the Pentagon crumple from an attack by a passenger jet commandeered by a Saudi, called for the bombing of Iraq—Bechtel geared up for war on Saddam. For the job, it hauled out the company's old war-horse, George Shultz, then serving as a Bechtel board member and senior counselor.

In early 2002, Shultz, along with Lockheed executive Bruce Jackson, set up an outfit (call it a "war tank") called the Committee for the Liberation of Iraq, which he himself chaired. From this perch, Shultz and his cohort, including Richard Perle and former CIA director James Woolsey, fired off pro-invasion op-eds, lobbied congress and scattered across the cable news talk shows beating the war drums.

With public support for the war showing signs of wavering in the late fall of 2002, Shultz penned an article in the *Washington Post* which called for the ouster of his old friend and business partner Saddam Hussein. In the past, Shultz had dismissed as unavoidable trifles of war the gassing of Iraqi Kurds and Iranian troops in the interest of doing business with the Iraqi dictator. But now, even though his own company had built a dual use chemical plant for Saddam, Shultz begged the public to support an invasion of Iraq to eliminate those very same weapons of mass destruction. "A strong foundation exists for immediate military action against Hussein and for a multilateral effort to rebuild Iraq after he is gone," Shultz wrote. Here multilateral should be translated as multinational, as in multinational corporations, like Bechtel.

And so it came to pass. First the cruise missiles, then the contracts. The first big reconstruction contract was awarded a few days after the start of the war in a secret bidding process headed by US AID administrator Andrew Nastios, who formerly oversaw the "Big Dig" project in Boston, where, yes, Bechtel was the lead contractor. As a bonus, the company was indemnified against all liabilities it might incur doing business in Iraq.

In other words, Bechtel is shielded from suits brought by US workers or by Iraqis victimized by the shoddy work. This may set a new standard in economic colonialism, where a corporation from an invading country is indemnified from damages suffered by the conquered country.

So over the course of the last two years, Bechtel has been making tons of money from the war on Iraq that its executives helped orchestrate. But two years after the fall of Baghdad and billions later in reconstruction contracts, the daily situation for most Iraqis is worse than it was before the war. The power grid remains unreliable. Hundreds of sewage treatment plants are still inoperable, with millions of gallons of filthy water pouring into the Tigris and Euphrates every day. The phone system is primitive at best. The trains still don't run. The highways are cratered. The Baghdad airport serves only military flights. Schools are splashed with a coat of paint and told to reopen.

When local Iraqi officials object or try to offer advice, they are ignored or bullied. "The impression we get is that Bechtel is more powerful than the US Army," says Dr. Nabil Khudair Abbas, a top official with the new Iraqi government's Ministry of Education.

No one reviews or evaluates Bechtel's work. It's too dangerous and few non-Iraqis give a damn, anyway. Certainly, not the Bechtel executives, operating out of their opulent penthouses in Qatar and Kuwait City.

"If the Americans had given us the money directly, we could have done a much better, job," says Abdeel

Razzaq Ali, headmaster of the Anbariyn School in a poor, Shiite area of Baghdad. "Why do we need Bechtel? They have done absolutely nothing."

Perhaps someone should tell the Iraqi people about the secret motto of this family run empire as dictated years ago by longtime CEO Stephen Bechtel: "We're more about making money, than making things."

Buyer beware.