want to owe them," he told Porter.

Although President Bush did approve the Khalilzad Geneva talks with Iran, by the end of May, the whole deal had been scotched. Wilkerson blames the "secret cabal" headed by Cheney: "The secret cabal got what it wanted; no negotiations with Tehran." But he acknowledges, "As with many of these issues of national security decision-making, there are no fingerprints." He did not hesitate to offer his own educated guess as to who had shut down the Iran channel: "I would guess Dick Cheney with the blessing of George W. Bush."

In fact, the Administration stalemate represented a clear victory for Cheney and Rumsfeld. By April 1, the entire Geneva channel had been permanently shut, and, as of October 2003, Franklin would quietly inform the Israelis that all work on a final National Security Policy Directive on Iran had been shut down.

PMCs Fill a Gaping Hole

Both the Bremer and Trainor-Gordon accounts of the events of May 2003 highlight another burning issue that would play directly into the Shultz-Rohatyn-Cheney grand design for privatizing war and profiteering handsomely off of the neo-feudal scheme: the acute shortage of American troops for any long-term, postwar occupation of Iraq.

Generals Abizaid, McKiernan, and Garner had all been pressing for a quick stand-up of the Iraqi Army and the early creation of an interim Iraqi government, in part because of the lack of sufficient American military personnel to restore order without a lot of Iraqi involvement.

Rumsfeld's position on the question had been made clear in April 2003, when he unceremoniously fired Army Secretary Tom White, for siding with Army Chief of Staff Gen. Eric Shinseki, over Shinseki's insistance that the United States needed a minimum of 300,000 troops to invade and secure Iraq. White left office on May 9, and Shinseki followed a month later.

Just before he left for Baghdad, Bremer had met with a friend, James Dobbins, who had been a State Department trouble-shooter, and who had served in Afghanistan and the Balkans. Now at the RAND Corporation, Dobbins had just presided over a study of the history of nation-building, over the past 60 years, the results of which he shared with Bremer. The essential point of the RAND study was that any effective nation-building mission required a 1:50 ratio of peacekeepers to civilians. That was the size of the various Balkan peacekeeping forces. By that standard, between 450,000 and 500,000 U.S. troops would have been required in Iraq.

According to Trainor and Gordon, Bremer passed along a copy of the study to Rumsfeld, who promptly threw it in the garbage.

There might be 300,000 or even 500,000 Coalition forces eventually on the ground in Iraq, but the majority would not be active duty military. Iraq would be the PMCs' Shangri-la: the first truly neo-feudal imperial occupation of their post-Treaty of Westphalia world.

Halliburton's Gross Profiteering Record In Cheney's Iraq War

by Carl Osgood

Halliburton may be the most corrupt and scandal-tainted company ever to get contracts from the U.S. Government, but that reputation doesn't seem to be slowing it down one bit. Rep. Henry Waxman (D-Calif.) released a report on March 28 which shows that the corruption continues despite a growing list of complaints, audits, and investigations into Halliburton's performance, almost from the time the Iraq war began in March 2003. What Waxman's new report proves, by implication, is that despite the documented criminality, Halliburton continues to rob the taxpayer blind—$11 billion so far—while it remains protected by the Bush Administration, which still refuses to investigate Halliburton's conduct.

It is no secret, of course, that Vice President Dick Cheney was the head of Halliburton from 1995 until he left to become George W. Bush's controller/running mate in 2000. Not only is Cheney the chief architect of the Iraq war, he also is the architect of the military privatization policies that Halliburton is benefitting from; and he receives a deferred salary, and still holds stock options in the company.

Waxman's new report focusses on the second of two contracts Halliburton was awarded to restore Iraqi oil infrastructure, known as RIO 2. The report, covering the period from July 2004 to July 2005, "reveals that government officials and investigators have harshly criticized Halliburton's performance under RIO 2, citing 'profound systemic problems,' 'exorbitant indirect costs,' 'misleading' and 'distorted' cost reports, a 'lack of cost control,' an 'overwhelmingly negative' evaluation, and an 'obstructive' corporate attitude toward oversight." The report is based on hundreds of pages of previously undisclosed correspondence, evaluations, and audits by three entitities—the Project and Contracting Office (PCO), the Pentagon agency set up to monitor Iraq reconstruction; a private contractor hired by the PCO, and the Defense Contract Audit Agency (DCAA).

Anyone familiar with the history of Halliburton in Iraq will recognize that all of the issues cited by Waxman in this latest report have been characteristics of Halliburton's behavior in two other major contracts that the company has in Iraq—the original RIO contract, which was awarded in secrecy about 10 days before the U.S. invasion of Iraq, and the LOGCAP, or Logistics Civil Augmentation Program, contract, by which Halliburton is responsible for most of the logistics support required by the U.S. military.

Waxman's report notes that "The decision to award Halliburton the RIO 2 contract was controversial. Before the award of the contract, DCAA auditors warned the Defense Department not to enter into additional contracts with Halliburton because of 'significant deficiencies' in the company's cost estimating system, but the Department ignored this advice. It now appears that the problems that led to the unusual DCAA warning have been realized in RIO 2, with serious implications for the reconstruction effort in Iraq and federal taxpayers."

Halliburton's History of Fraud

Halliburton had already been the subject of a long list of scandals before it was awarded the RIO 2 contract; and by no means were all of the scandals related to contracts from the Bush Administration. Well before the Iraq war, Halliburton had come under scrutiny for, among other things, accounting irregularities that inflated its reported profits, supplying Libya and Iraq with oil-drilling equipment in violation of U.S. sanctions, and insider trading. In each of these cases, the improprieties occurred during Cheney's tenure as CEO of the company. In the case of the insider trading allegations, Cheney himself profited personally in August 2000, making an $18.5 million profit in selling his shares of Halliburton stock at $52 per share, 60 days before the company warned investors that its energy and construction business was not doing as well as had been forecast, causing the stock price to drop 11% in one day. The *Washington Post*'s Dana Milbank concluded, in a July 16, 2002 article, that "Either the vice president did not know of the magnitude of problems at the oilfield services company he ran for five years, or he sold his shares in August 2000 knowing the company was likely headed for a fall."

Halliburton did nothing to improve its reputation as a government contractor. Twice during the 1990s, it was cited by the Government Accountability Office, the investigative arm of Congress, for poor management practices in its executing of contracts under LOGCAP in support of U.S. troops in the Balkans. Yet, it was awarded another LOGCAP contract, renewable for up to ten years, in November 2001. It was that contract that gave Halliburton the inside track to get the RIO and RIO 2 contracts, since it had direct access to U.S. Central Command planners preparing for the invasion of Iraq. It also benefitted from its relationship with the Vice President, as Representative Waxman documented in his letter to Cheney on June 13, 2004. Waxman revealed that Cheney's then-chief of staff, I. Lewis "Scooter" Libby, was briefed in October 2002 on the proposal to issue a task order to Halliburton, under the LOGCAP contract, to develop a contingency plan to operate Iraq's oil infrastructure.

Cheney's staff was also informed before the award of the RIO contract on March 8, 2003. All of this activity was coordinated by Michael Mobbs, a "special advisor" to the then-Undersecretary of Defense for Policy Doug Feith. Mobbs was also Feith's point man on the development of policy regarding the treatment of detainees being held at Guantanamo Bay, Cuba. "These new disclosures," Waxman wrote, "appear to contradict your assertions that you were not informed about the Halliburton contracts."

The first major scandal to erupt after the U.S. invasion was the revelation in September 2003 that Halliburton was charging $2.64 a gallon to import gasoline into Iraq from Kuwait, a price that experts queried by Waxman characterized as "highway robbery." The DCAA found in a Dec. 11, 2003 audit that Halliburton had overcharged the government by $61 million. Despite the DCAA report, the U.S. Army Corps of Engineers waived requirements that Halliburton provide cost data from its subcontractors for the importation of gasoline from Kuwait into Iraq. Auditors also found that Halliburton had overcharged by $67 million for food services provided to U.S. troops in Iraq under the LOGCAP contract. million. Halliburton had charged for serving 42,000 meals a day when, in fact, it was actually serving only 14,000.

When the gasoline importation scandal got too hot for Halliburton, the Coalition Provisional Authority, the governing body that was run by Ambassador Paul Bremer until June 2004, simply decided to pay Halliburton out of the Development Fund for Iraq, Iraqi money that had been put under the stewardship of the United States by the United Nations Security Council. The *Washington Post* reported on Aug. 4, 2004, that Halliburton was paid $1.66 billion out of the DFI for work that was supposed to be paid from Congressionally appropriated funds, but Iraqi money was not covered by the same procedures that cover appropriated funds.

The Democrats Investigate Halliburton

On Feb. 14, 2004, the Senate Democratic Policy Committee, chaired by Sen. Byron Dorgan (D-N.D.) held the first of at least three hearings on contracting abuses in Iraq. A former employee of Halliburton, Henry Bunting, who worked in Halliburton's purchasing office in Kuwait for 15 months until August 2003, testified that he was told repeatedly "It's a cost plus contract; don't worry about the price, just fill the requisition." He described practices such as splitting purchasing orders into pieces to avoid the rule that requires price checking with two or more suppliers for any purchase orders more than $2,500. He said he received persistent instructions to split purchase orders to get them under the $2,500 limit to avoid competitive bidding.

He gave as an example of Halliburton's business practices, the purchasing of 2,500 towels for a military recreation center in Baghdad, the initial price of which was $1.60 each. Halliburton managed to triple the price of the towels by adding a monogram that included the KBR logo which made them "upgraded" towels. He also described how Halliburton was leasing hundreds of vehicles for $7,500 a month each for SUVs, vans, and trucks. Bunting reported that when he was in Kuwait, he had a stack of invoices for the leases, 1½ to 2 inches high on his desk. There were hundreds of such leases.

Up to this point, Congressional Republicans had successfully resisted holding any oversight hearings on contracting abuses in Iraq. That resistance cracked slightly on March 11, 2004, when House Government Reform Committee chairman Tom Davis (R-Va.) finally convened a hearing at which he made every effort to minimize the relationship between Halliburton and Cheney, even asking each of the seven Pentagon witnesses whether or not he had had any contact with the Vice President's office regarding contracting in Iraq. However, after four hours of testimony, Davis was forced to concede that "It looks to me like something went wrong here." The fact that the hearing took place at all, was a victory for the LaRouche movement and the handful of members of Congress, particularly Representative Waxman, who consistently pressed the Halliburton issue, and dug out more and more damaging information.

Waxman had circulated a memo to the news media the day before the hearing on newly obtained information on Halliburton's contracts in Iraq. On the morning of the hearing, there were stories in all major newspapers on Halliburton's special treatment in Iraq. One major element of the new materials, which figured prominently in the hearing, was a Dec. 31 finding by the Defense Contract Audit Agency that there were "significant" and "systemic" deficiencies in the way Halliburton estimates and validates costs. The DCAA audit concluded that "These deficiencies could adversely affect the organization's ability to propose subcontract costs in a manner consistent with applicable government contract laws and regulations." This finding caused the DCAA, in a Jan. 13, 2004 memo, to recommend that the Defense Contract Management Agency "contact us to ascertain the status" of Halliburton subsidiary Brown and Root Services' "estimating system, before entering into future negotiations."

Halliburton got the $1.2 billion RIO 2 contract on Jan. 16, 2004, just three days after the DCAA's explicit warning. While the Corps of Engineers had promised that the RIO 2 contract would be bid on, the other participants in the competition described it as "seriously flawed." Sheryl Tappan, a former employee of Bechtel responsible for writing contract proposals, in testimony to the Senate Democratic Policy Committee on Sept. 10, 2004, characterized the competition as a "sham" and a "farce." She told the committee, "In my 12 years doing government proposals, I had never seen anything as arrogant, as egregious as the ways in which Pentagon officials . . . treated the bidders, how they ignored our federal laws and regulations and the procedures that I still believe normally ensure fair play." She accused the Corps of Engineers of misleading bidders about the nature of the contract and structuring the competition to heavily favor Halliburton.

According to Waxman's March 28 report, correspondence and evaluations of government overseers reveal persistent problems with Halliburton's performance under the RIO 2 contract, including consistent failure to comply with the government's cost-reporting requirements. At one point, the Project and Contracting Office complained that Halliburton "has not shown any attempt to comply" with the cost-reporting requirements and "has done the minimum, and has not shown initiative in providing the information required despite repeated requests and several meetings." The PCO even took the step of issuing a "cure notice" on Jan. 29, 2005, warning Halliburton that its contract could be terminated if ongoing problems were not cured. The cure notice remained in effect until July 2005.

Dirty Water to the Troops

On Jan. 23 of this year, the Senate Democratic Policy Committee aired even more dirt on Halliburton. This time, the dirt was in the water that Halliburton's KBR subsidiary was providing U.S. troops in Iraq. Two former KBR employees and a water expert from the Natural Resources Defense Council testified on Halliburton's malfeasance—supplying unclean, unsafe water to U.S. bases in Iraq. Ben Carter, a water purification specialist who worked for Halliburton in Iraq from January to April of 2005, was sent to Iraq to oversee the operation of a water purification unit supplying water to a U.S. base in Ar Ramadi, but wasn't even allowed to get near the unit before he was sent back to the United States. He discovered in March, after complaints from KBR employees of living organisms in the water, that the water coming out of the unit was not chlorinated and, as far as he could tell, never had been; but he was told by KBR's site manager *not* to inform the military. "I was ordered to concern myself only with the health and safety of KBR personnel," he said. Carter and Ken May, the other Halliburton whistle blower testifying at the hearing, presented an e-mail from William Granger, the man responsible for overseeing water quality operations for Halliburton in all of Iraq and Kuwait.

In the e-mail, dated July 15, 2005, Granger wrote: "We exposed a base camp population (military and civilian) to a water source that was not treated. The level of contamination was roughly 2X the normal contamination of untreated water from the Euphrates River." This exposure may have been ongoing for as long as a year, back to mid-2004. May testified: "Halliburton's continued denial and inaction has allowed nine more months to pass, possibly exposing thousands of military personnel and contractors to unnecessary risk. This in my mind borders on treasonous if not subversive conduct which simply cannot be tolerated."

Halliburton's behavior in Iraq has resulted in guilty pleas in at least two criminal cases. On March 24, a former Halliburton manager pled guilty in Federal court in Springfield, Ill., to wire fraud and money laundering charges for accepting $124,000 in kickbacks from a Saudi subcontractor. The director of the Saudi company was also arrested, charged with making the payments to win a $14.4 million subcontract to run food service for U.S. troops in Kuwait. Earlier, in February, an executive of a Houston-based logistics company pled guilty to a scheme to bill the government for fraudulent war-risk surcharges for flying cargo into Baghdad International Airport. The surcharges were billed through Halliburton, with which the company, EGL, Inc., had a subcontract. EGL paid $4 million in restitution and fines for the scheme.