

Nigeria Case To Make Halliburton Next Enron?

by Michele Steinberg

“Halliburton: The SEC is investigating whether the global energy-service company changed its accounting methods in 1998 to mislead investors. Vice President Dick Cheney was the firm’s CEO when it began counting as operating revenue up to \$100 million a year in overruns, even before clients agreed to make the payments,” wrote James Toedtman, *Newsday.com*’s chief economics correspondent, in the July 8, 2004 edition of his “Scandal Scorecard” column.

Toedtman recaps Halliburton’s problems, about which *EIR* has been reporting (see *EIR* July 2, 2004, “EIR’s Record in Exposing Dick Cheney’s Halliburton”). He summarizes: Halliburton’s “\$9 billion in Pentagon contracts is also being reviewed after evidence of over-charging and pay-offs. Suspect payments to officials in Nigeria, Kuwait and Brazil are under investigation. Investigators are also examining a contract between Iran and a Cayman Island-based subsidiary of Halliburton to see if it was an effort to circumvent a U.S. ban on business with Iran.”

With *Newsday*’s blunt comment that the entire edifice of Halliburton could crumble around the question of its accounting practices, and one cannot help but see the parallels to Enron—the company that worked so closely with Vice President Dick Cheney both in building up candidate George W. Bush, as well as after the inauguration in the secret “National Energy Policy Direction” group.

On July 8, the same day that *Newsday* issued its warning about Halliburton’s accounting problems, and *Capitol Hill Blue* reported the existence of a White House counsel’s “analysis” that “Vice President Dick Cheney faces criminal indictments for illegal activities while CEO of energy giant Halliburton” (see article, page 24), Kenneth Lay, former Chairman of Enron, was indicted on 11 counts of fraud-related charges stemming from the Enron bankruptcy in late 2001. “Kenny Boy” Lay, as he was nick-named by George W. Bush, had played a major role in lining up the legendary campaign war-chest of \$100 million for the Bush-Cheney campaign in 2000. During the Spring of 2001, Lay and other Enron officials held at least six still-secret meetings with Cheney as part of the still-secret “White House Energy Task Force” deliberations, where Lay is described as having played a major role in shaping U.S. energy policy with Cheney.

Attorneys for Lay claim that all the financial frauds were the fault of Enron underlings, and that “Kenny Boy” knew nothing about them. The White House in turn, says Bush and Cheney “knew nothing” about Enron’s shady dealings. Just a few months before the Energy Task Force meetings, Lay ponied up \$100,000 for the President’s inaugural festivities. Enron itself contributed \$100,000 for the same fund, and so did Jeffrey Skilling, the already indicted former President and CEO of Enron. That was just a small part of the relationship. According to the *London Observer*, Lay “contributed more than \$290,000 to Mr. Bush’s election campaign,” and that his “largesse was rewarded, when Mr. Bush named him as one of 474 people to advise his presidential transition team.”

For now, the White House has carefully insulated itself from the Enron fallout. But a new question emerges, now that Lay’s strategy of blaming those “down below” has failed. The question is, could Halliburton become the next Enron, and Dick Cheney, the next Kenneth Lay?

The Nigeria Case

On October 8th 2003, French magistrate Renaud Van Ruymbeke opened up a judiciary inquiry against Halliburton and a French company called Technip relating to the two companies’ joint venture in Nigeria—the TSJK consortium (see following article). In particular, Van Ruymbeke pursued the leads that that Halliburton’s wholly owned subsidiary KBR had paid up to \$180 million dollars of “occult commissions” to intermediaries in order to get this contract. The initiator of the contract was Nigerian Liquefied Natural Gas (NLNG) whose four main stockholders are the National oil company of Nigeria (49%), Shell (25.6%), Totalfinaelf (15%) and Agip International (10.1%).

Van Ruymbeke, who became well-known as an independent anti-corruption investigator, when he succeeded in sending a top executive of the French oil company, Elf, to a five-year jail term, is investigating in two directions. According to sources in Washington and Paris, the magistrate intends to subpoena Dick Cheney, in order to determine the full scope of the illegal operations.

The two legal tracks being pursued are: first, the corruption of foreign public officials, a law not unlike the U.S. “Foreign Corrupt Practices Act,” which was passed in 1977 following a revelation that more than 450 U.S. companies doing business offshore had paid bribes of more than \$400 million to foreign officials, especially in the area of defense contracts. The French law against the corrupting of foreign officials through bribes was adopted in the year 2000, after a resolution—supported and pushed by the U.S.—calling for such anti-corruption measures, was approved by the Organization for Economic Cooperation and Development (OECD).

The second track of Van Ruymbeke’s investigation, “abus de biens sociaux, complicité et recel,” means, in plain

language, to use the funds of a company to benefit interests other than, and in detriment of, the company. It is on this count that Dick Cheney is suspected, since the payments to the mysterious “slush fund,” concern the period between 1995 and 2000 when Cheney was president and CEO of Halliburton. As previously reported by *EIR*, it is suspected that some of the funds—said to be \$180 million—may have gone to the Republican Party, or even to the Bush-Cheney campaign in 2000. As of July 1, American prosecutors were in Paris, and were scheduled to meet with the French magistrate. A separate U.S. Securities and Exchange Commission (SEC) investigation is also under way into the Halliburton bribe charges.

The person who received the \$180 million in occult commissions is one Jeffrey Tesler, a British financial lawyer, living in London, who headed up a company called Tri Star based in Gibraltar. The money was forwarded by LNG Services, a company set up in the offshore island of Madeira by the TSJK consortium (see following article). Sources knowledgeable about the French investigation say that Tesler has been Halliburton’s man in Nigeria, negotiating all the contracts for them for many years. Tessler “was very close to Halliburton,” with whom he had worked for about 30 years. When Dick Cheney became head of Halliburton in 1995, Tesler also developed a close relationship with him.

Judge Van Ruymbeke is now trying to investigate the bank accounts where the \$180 million transited, especially in Switzerland, and in the tiny, but wealthy, kingdom of Monaco. In Switzerland, Judge Daniel Dumarthey is trying to retrace the fund’s circuits through a series of bank accounts. French press accounts say that one Nigerian former oil minister was interrogated by Judge Van Ruymbeke in December, 2003, and provided detailed information about KBR’s operations in Nigeria, going back a number of years.

On June 1 and June 15, articles in the French newspaper, *Le Figaro*, reported that Jeffrey Tesler had transferred funds from the \$180 million “occult commissions” to bank accounts controlled by “Jack” Stanley, the CEO of KBR, the main company in the in TSKJ consortium. Within days, Stanley was ousted as a “consultant” to KBR. After Tesler’s interrogation in France, two things happened: the Security and Exchange Commission (SEC) announced “a formal investigation into money paid” by Halliburton in Nigeria to affect the Liquefied Natural Gas (NLNG) contract, and Halliburton went running to the SEC and Justice Dept. to “cooperate,” or it is believed, to “control” the direction and scope of the SEC investigation.

The rapidity with which Stanley was cut loose, and Halliburton’s moves, including their hiring of two attorneys, Msr. Michel Beaussier, and Msr. Simon Ndiaye, to handle the French case, confirm reports from French sources that it is the French investigation which is really destabilizing Halliburton’s headquarters in Texas.

No wonder they are concerned. According to an investiga-

tive report in *L.A. Weekly*, quoting *Le Canard Enchaîné*, Judge Van Ruymbeke has launched a series of international search warrants, some of which cover Tesler-controlled bank accounts (some in the names of Tesler family members) in Monaco; Geneva, Switzerland; Madeira; and elsewhere. After that, Tesler was in Paris for two days of testimony, in which he admitted making payments to Halliburton/KBR executives: Albert J. “Jack” Stanley, and William Chaudan, who was fired the same day, June 17, as Stanley. Chaudan became a Halliburton employee when Halliburton acquired his employer, M.W. Kellogg company, in 1998, in the merger with Dresser Industries. Chaudan immediately retired from Kellogg, and became a Halliburton consultant on the Nigeria project. The same year, his close associate at Kellogg, and in Nigeria, Jack Stanley, was named by Dick Cheney to be CEO of KBR. Chaudan is believed to be an executive in one or more of the companies created by KBR and Halliburton in the Nigerian deal, and that role is being intensely investigated by the French magistrates.

“Other Bad Acts”

Harvard Business School professor Rafael Di Tella told the *Kansas City Star* on June 19, “It’s extremely hard, given American accounting practices, for Stanley to be paying (bribes) without Cheney knowing.”

One fraud investigator told *EIR* that merely examining “bribes” of Nigerian officials, is much too narrow a focus. The “pattern and practices” of Halliburton show long term problems, especially in Iraq war contracts—from overbilling, to non-delivery of goods and services, to bribery. Furthermore, even in the contracts that KBR got from the DoD for operations in Bosnia, during the Balkans War, the U.S. General Accounting Office found that there were excessive costs and over-billing. Halliburton’s answer has usually been—pay them off, return the money, pay a fine, but just get the investigation closed down. But such patterns may come back to haunt Halliburton and Cheney just as occurred with Enron’s Kenneth Lay.

On Nigeria, Halliburton has put into a motion a massive damage control operation. But its reported choice of a lawyer, James Doty, from the lawfirm, Baker and Botts, LLP, may prove to be *another* embarrassment.

Doty had represented George W. Bush when G.W. bought the Texas Rangers baseball team in 1989, so in 1991, when he was the SEC’s general counsel, Doty had to recuse himself when the SEC opened an insider-trading probe into Bush’s 1990 sale of Harken Energy stock. Regulators found that Bush was late in reporting four transactions, worth \$1.02 million, but at the time, the commission prosecuted only people who filed late six times or more. The SEC closed the probe in 1993, but documents released July 19, 2002 show that Bush and other board members were warned about Harken’s financial problem four months before Bush sold his stock.