

# Bush Energy Plan Could Keep U.S. Mired in Persian Gulf

BY JEFFREY VINSON

First, President Bush said we were going to war with Iraq because the country harbored weapons of mass destruction. Then he said he wanted to free Iraqis from an oppressive regime. Now, Bush administration officials reportedly say they were trying to clean up a terrorist breeding ground.

But no matter how Bush tries to spin the war, the elephant in the room is oil. And the administration's lack of vision and failure to pursue policies to wean Americans from oil gives credence to that perception.

The United States consumes far too much oil — about 20 million barrels a day — and imports more than half that amount, mostly from Canada, Venezuela and Mexico. Although the United States imports only 10 percent of its oil from the Middle East, Persian Gulf oil remains important because of its impact on the global economy. Europe and Japan depend more heavily on Gulf oil, so the United States has been and continues to be concerned about stability in the Middle East.

Iraq has the world's second-largest oil reserves, and many Iraqis believe the United States is concerned only about oil, not aiding the country.



Photo by Mario Tama/Getty Images

U.S. Army Staff Sergeant Robert Dominguez of Mathis, Texas, stands guard near a burning oil well at the Rumayla oil fields in Iraq. Several oil wells were set ablaze by retreating Iraqi troops in the Rumayla area, the second largest offshore oil field in the country, near the Kuwait border. Many Iraqis fear the United States is interested only in controlling their oil.

“They have operated some of the oil facilities, but they are not operating the power and water systems because they are just after the oil,” 42-year-old civil servant Ali Zuhair told the Reuters news agency.

Our dependence on oil and the United States' need to maintain some semblance of stability in the oil-rich Persian Gulf region — combined with a complete lack of will

on the part of Congress to lessen our dependence on foreign oil — likely will keep Americans hip-deep in Middle Eastern politics.

Recently, the U.S. House of Representatives approved an energy bill that does virtually nothing to minimize oil consumption while

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# Spoils of Iraq War

## Politically Connected Energy Firms Get Lucrative Services Contracts

BY SHANNON LITTLE

Even before the war in Iraq had officially begun, the Bush administration was preparing for the possibility of burning oil fields and the certainty of destroyed bridges, transportation systems and public services. It planned to sign a slew of multimillion-dollar contracts with private U.S. companies to manage emergency repairs and long-term reconstruction of the country.

But closed bidding processes and a cast of familiar characters from the Reagan and both Bush administrations have raised speculation about whose pockets will be lined by the post-war reconstruction and fueled suspicion about the administration's conduct.

In particular, the awarding of contracts to the oil services firm Halliburton Co. and the construction giant Bechtel Group, both of which are heavily connected politically in the Bush White House, has led to concerns about war profiteering among a handful of political insiders.

On March 8 — 12 days before the fighting began — the U.S. Army Corps of Engineers signed a two-year deal with Kellogg Brown and Root (KBR) to fight oil-field fires and complete preliminary repairs on oil infrastructure. The open-ended contract was capped at \$7 billion. No competing bids were accepted, and the deal was not publicly disclosed until March 24.

KBR is a subsidiary of Halliburton, which was headed by Vice President Dick Cheney until

August 2000. Cheney received a \$20 million going-away package when he left the company and continues to receive deferred compensation (\$180,000 per year). The company is under investigation by the Securities and Exchange Commission for accounting practices during Cheney's tenure.

Lawrence Eagleburger, secretary of state under George H.W. Bush, sits on Halliburton's board, and Halliburton donated 95 percent of its more than \$700,000 in campaign contributions from 1999-2002 to Republicans. KBR has signed onto government contracts before; in December 2001, it entered into a 10-year contract with the Pentagon to run military projects worldwide. Thus far, it has made \$830 million from the contract.

Spokespeople for Halliburton and Cheney say he had no influence in the bidding process, but Reps. Henry Waxman (D-Calif.) and John Dingell (D-Mich.) have called for a U.S. General Accounting Office (GAO) investigation into whether the administration ties played a role in the awarding of the latest contract.

Soon after the congressional criticism, the Corps announced April 14 that it would open the contract to other bidders. KBR had already spent \$50 million on what is now estimated to be a \$650 million project.

On April 17, the U.S. Agency for International Development (USAID) awarded an initial \$34.6 million contract to Bechtel Group.

That contract could expand to a \$680 million deal to repair Iraq's roads, railways, schools, water systems, airports and ports. The government opened bidding to just six large companies.

Bechtel, a San Francisco-based engineering and construction company, has deep ties to powerful Republican Party players. Former Secretary of State George Shultz, who served under President Ronald Reagan, is a board member and former president of Bechtel. Reagan's defense secretary, Caspar Weinberger, is a former general counsel. The firm also employed former CIA Director William Casey. More recently, the firm donated \$1.3 million in individual, PAC and soft money contributions (59 percent to Republicans, 41 percent to Democrats) between 1999 and 2002.

Bechtel has had a longtime interest in Iraq. When Secretary of Defense Donald Rumsfeld visited with Saddam Hussein and Iraqi foreign minister Tariq Aziz in 1983 — then as a special envoy to the Middle East — he promoted a Bechtel proposal to build an oil pipeline from Iraq to the port of Aqaba in Jordan. Iraq rejected the pipeline idea for security reasons. But Bechtel got into Iraq in 1988, when it managed the construction of a petrochemical plant near Baghdad, and in 1991 it oversaw the fight against oil-field fires in Kuwait following the first Persian Gulf war.

Bechtel is also a key player in the privatization of public services.

In fact, Bechtel's subsidiary Aguas del Tunari had entered a 40-year contract with the Bolivian government to run water systems in the city of Cochabamba. After the company raised rates by as much as 200 percent in only two years, a massive grassroots protest forced the government to end the contract. Bechtel has since demanded \$25 million in compensation from Bolivia.

"The Pentagon and USAID are saying that connections between the corporations and powerful people in this and past administrations mean nothing, that contracts are awarded because these companies have the expertise," said Joan Claybrook, president of Public Citizen. "But when the sums of money at issue are so enormous, and the contracts are let secretly or under very limited bidding only to a few U.S. companies, there appears to be such a good ol' boy network in place. It raises eyebrows and warrants an investigation."

Public Citizen supports the Dingell-Waxman request for external review by the GAO, she said.

Smaller contracts have also been awarded, including a \$4.8 million deal with Stevedoring Services of America to operate the port at Umm al Qasr. Also, a Washington D.C. consulting firm, Creative Associates International, secured a \$2 million contract, which could grow to as large as \$62.5 million, for the first stages of rebuilding the Iraqi school system, according to USAID.

## U.S.-Iraq: From Strategic Partner ...

1970s

Early 1970s — Halliburton Corp. builds Iraq's Mina al-Bakr oil terminal near Basra.

Dec. 20, 1983



Photo by Getty Images

1980s

Feb. 1982 — Reagan administration removes Iraq from State Department list of countries supporting terrorism (list was established in 1979).

Nov. 26, 1983 — Administration issues National Security Decision Directive 114, which is still classified, stating that the United States will do "whatever is necessary and legal" to prevent Iraq from losing war with Iran. State Department documents show that it was aware that Iraq was using chemical weapons "almost daily" against Iran and that the CIA suspected Saddam Hussein would try to build a nuclear bomb.

Dec. 20, 1983 — Donald Rumsfeld, as special envoy to the Middle East, meets with Saddam Hussein, delivering a letter from President Reagan.

March 24, 1984 — Rumsfeld meets with Tariq Aziz, Iraqi foreign minister, discusses Bechtel-backed proposal for oil pipeline from Iraq to Jordanian port.

March 29, 1984 — The *New York Times* reports that "American diplomats pronounce themselves satisfied with relations between Iraq and the United States and suggest that normal diplomatic ties have been restored in all but name."

1987 — U.S. Navy creates the Joint Task Force-Middle East, expanding the naval presence in the Gulf from three or four warships to 40-plus carriers, battleships and cruisers protecting oil tankers.

1988 — Bechtel Group, a San Francisco-based engineering firm, signs contract to manage the engineering and construction of a petrochemical plant near Baghdad. At the end of the Iran-Iraq war, Halliburton rebuilds Iraq's Mina al-Bakr oil terminal.



Business Wire photo

Shannon Little compiled the timeline from news reports.

offering billions in handouts and tax breaks for some of the wealthiest and most-polluting companies in the world — even as budget deficits are growing.

“The giveaways to big oil won’t lead to energy independence. The United States is already the second-largest crude oil producing nation in the world,” said Public Citizen President Joan Claybrook. “The problem is not that we don’t produce enough, it’s that we consume too much.”

Moreover, the House bill would allow drilling in the fragile Arctic National Wildlife Refuge, a proposal the Senate rejected earlier this year. The Senate has proposed its own energy bill, which was in committee as of press time. Last year, the energy plan stalled when negotiations between the House and Senate broke down and Congress adjourned.

Another key provision lacking in the House measure was a sensible amendment offered by Reps. Sherwood Boehlert (R-N.Y.) and Edward Markey (D-Mass.) to reduce oil demand by boosting the fuel economy of cars and light trucks, including gas-guzzling sport utility vehicles.

SUVs’ popularity despite their woeful fuel inefficiency inspired two clever anti-SUV television commercials that asked the question “What is your SUV doing to our national security?” They were patterned after a series of ads trying to discourage illegal drug use by suggesting that money from illegal drug sales is used to fund terrorists. The Detroit Project, led by author and columnist Arianna Huffington and Laurie David of Los Angeles, created ads that instead say the money spent to

Oil reserves		
Reserves In billions of tons	Production In millions of tons	Consumption In millions of tons
S. Arabia 34.4	S. Arabia 379	U.S. 895
Iraq 15.1	U.S. 353	Japan 249
Kuwait 13.0	Russia 352	China 224
U.A.E. 12.8	Mexico 177	Germany 131
Iran 12.2	China 165	Russia 126
Venez. 10.9	Iran 159	Brazil 99
Russia 6.6	Venez. 157	India 98
Libya 3.9	Norway 154	S. Korea 98
Mexico 3.7	Canada 127	France 96
China 3.3	U.K. 114	Canada 91

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Source: German Institute of Economy (IWD), KRT Photo Service Graphic: Elsebeth Nielsen, Eeli Põlli  
Knight Ridder/Tribune Graphics

gas up SUVs goes to terrorists because at least 10 percent of U.S. oil imports come from Middle Eastern countries such as Saudi Arabia, which has links to terrorist groups, including Osama bin Ladin’s al Qaeda terrorist network.

Since peaking at 22.1 miles per gallon (mpg) in 1987, average fuel economy for all passenger vehicles declined nearly 8 percent to 20.4 mpg in 2001 — the lowest point in 20 years. Sen. Dick Durbin (D-Ill.) has introduced legislation to increase fuel economy for cars and SUVs to 40 mpg by 2015 — a 60 percent increase above today’s average — with the first increase required in model year 2006. This measure would save 123 billion gallons of gasoline by 2015 — a number 10 times the amount projected to be realized from drilling in the Arctic National Wildlife Refuge.

Durbin’s legislation, the Auto-

mobile Fuel Efficiency Improvements Act, also would fix the “non-passenger automobile” definition of the Corporate Average Fuel Economy (CAFE) law so that it includes only “real” trucks and vans, not SUVs, minivans and crossover utility vehicles. The “non-passenger” vehicle category establishes a less stringent standard set by regulators, not law. Originally intended to cover trucks used for business purposes such as farming and local commercial operations, this category has been seriously distorted as sales of minivans, SUVs and crossover utility vehicles have skyrocketed to make up more than 30 percent of new vehicle purchases.

“Without meaningful improvements to the fuel efficiency of personal vehicles, we will continue to be dependent on oil from the Middle East, with all of its instability, for

decades to come,” Durbin said. “The standards put forth in this bill are not unreasonable goals. We have the technology to achieve them. It is time we move forward by making a commitment to implement the technology at our fingertips.”

Unfortunately, the Bush administration has been slow to promote technology, such as hydrogen fuel cells, which act like batteries to power vehicles. In Bush’s State of Union speech in January, he devoted only one throwaway line to its benefits. But then, Senate Republicans recently voted down a Democratic proposal to have 100,000 hydrogen-powered cars on the roads by 2010 and 2.5 million vehicles ready by 2020. Those goals with fuel cells powered by renewable resources are needed to spur automakers to abandon their gas-guzzling designs in favor of environmentally friendly hydrogen-powered cars.

Instead of leading the country to oil independence, the Bush administration is taking the United States down a prickly road filled with dangerous Middle Eastern entanglements. Iraq’s neighbors are groaning that the United States has no right to exploit that country’s oil and should leave as soon as possible. And the Iraqi people’s biggest fears appear to be that giant U.S. companies will reap profits from oil production and service contracts and leave them with little or nothing — just like under Saddam Hussein. The United States’ voracious oil appetite, scandals involving top U.S. energy firms and the Bush administration’s close ties to big oil should give Iraqis pause. It should also push Congress to enact a sensible energy policy that will help us get out of the quagmire. Instead, the Republican majority is acting like a handmaiden for the energy companies, bought and sold by campaign money.

## ... to Vanquished Middle East Regime

### 1990s

**January 1990** — President George H.W. Bush signs a waiver on grounds of national interest to override a congressional block on trade credits to Iraq that lawmakers imposed after Saddam used poison gas against Iraqi Kurds.

**Aug. 12, 1990** — Iraq invades Kuwait.

**January 1991** — U.S. launches war to repel Iraq from Kuwait. Conflict ends Feb. 28.

**Late 1991** — 10,000 workers from U.S.-based Bechtel and other corporations extinguish fires in Kuwaiti oil wells.

**1995** — Dick Cheney begins term as chief executive officer of Halliburton Corp. During his tenure, Halliburton does \$23.8 million in business with Hussein.

March 8, 2003



Photo by N.Y. Taylor, Zuma Press © U.S. Marines

### 2000s

**August 2000** — Cheney resigns from Halliburton to become George W. Bush’s running mate, signing a \$34 million severance package.

**Sept. 11, 2001** — Al Qaeda terrorists hijack commercial airplanes and crash them into both towers of the World Trade Center and the Pentagon. A fourth plane crashes outside of Pittsburgh. More than 3,000 people die in the worst-ever attack on U.S. soil. Shortly after the attacks, Bush administration officials speculate that Saddam Hussein may have helped plan the attacks and begin calling for regime change.

**December 2001** — Kellogg Brown and Root, a subsidiary of Halliburton, wins 10-year contract from the Pentagon to run military related projects worldwide. KBR has made \$830 million from the program.

**March 2003** — Seattle-based Stevedoring Services of America wins \$4.8 million contract to operate Umm al Qasr port after the war.

**March 8, 2003** — After winning a no-bid contract with the U.S. Army Corps of Engineers worth potentially \$7 billion, KBR hires subcontractor firms Boots & Coots International Well Control Inc. and Wild Well Control Inc., to fight oil field fires in Iraq.

**March 19, 2003** — U.S. forces launch missiles and bombs at targets in Iraq, signaling the start of the war.

**April 2003** — Bechtel Group wins contract to repair Iraq’s roads, railways, schools, water systems, airports and ports. The contract is worth \$600 to \$900 million. Former Defense Secretary Caspar Weinberger, former Secretary of State George Schultz and former CIA Director William Casey have all been employed by Bechtel, which donated \$1.3 million in individual, PAC and soft money contributions between 1999 and 2002.

**April 9, 2003** — After days of bombing, Baghdad falls into U.S. hands.

**April 21, 2003** — Retired U.S. Lt. Gen. Jay Garner arrives in Baghdad to oversee Iraq’s reconstruction.