

## War on Iraq

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This area offers readers breaking news, the best analysis, activism resources, and timely information they need to resist an administration determined to fulfill its visions of empire.

### BACKGROUND

#### **Ten Appalling Lies We Were Told About Iraq**

It was a systematic campaign to frighten the hell out of us about the threat of Hussein, and almost none of it was true.

#### **A Century of U.S. Military Interventions**

A list of military interventions from 1880 to 1999.

#### **Jihad Vs. McWorld**

Benjamin Barber's seminal argument that the two axial principles of our age - tribalism and globalism - clash at every point except

# The Thief of Baghdad

By [Pratap Chatterjee](#), [AlterNet](#). Posted **August 23, 2004**.

Missing: one-third of the Pentagon's equipment and \$1.9 billion of Iraqi money. Guess who has it?

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Missing: One giant generator owned by the United States military. Estimated cost: \$734,863

Last seen: Somewhere in Iraq.

While much of the media is focused on the pitched battle over the control of the holy shrine in Najaf, a bigger scandal is brewing in Iraq that may well have an equally important effect on the future of the U.S. occupation.

A team of auditors was dispatched to Iraq in late January this year after a string of internal reports showed that the military was wasting billions of dollars of

one: they may both be threatening to democracy.

#### **RECOMMENDED SITES**

##### **United for Peace**

Web resource put together by a collaboration of national and international peace and social justice organizations led by Global Exchange.

##### **Middle East Research and Information Project**

The Middle East Research and Information Project (MERIP) is considered the leading source of authoritative information and analysis on the Middle East.

##### **Education for Peace in Iraq**

Working to improve conditions in Iraq through education and advocacy, not war.

##### **AntiWar.com**

A libertarian anti-war site that offers breaking news, analysis, and opinion on the war on Iraq.

##### **UNMOVIC**

The U.N. organization that monitors and verifies Iraqi compliance with Security Council resolutions banning the acquisition of weapons of mass destruction.

##### **Who Is Saddam Hussein?**

A BBC profile of the Iraqi dictator, accompanied by in-depth background information on Iraq.

##### **US Labor Against the War**

Major unions and labor councils across the land have passed resolutions in support of inspections and advocating efforts for

taxpayer money. They have issued eleven reports since June 25, almost all of which have pointed to the misuse of the money allocated for reconstruction, be it Iraqi or Congress-appropriated funds.

According to two of these reports issued in late July by Stuart Bowen, the auditor-inspector general of the Coalition Provisional Authority (CPA), not only have a full one-third of the items purchased by the Pentagon gone MIA (including the pricey generator), but a whopping \$1.9 billion or more of Iraqi oil revenue has also mysteriously disappeared.

Embarrassed military authorities did eventually track down the missing generator and much of the money, both of which seemed to have ended up with none other than Halliburton. As it turns out they weren't missing after all; it's just that Dick Cheney's former employer had misplaced or conveniently forgotten to turn in the receipts to the correct people.

But the Pentagon was not able to explain just how Halliburton gained possession of Iraqi funds when neither the United States Congress nor the Iraqi government authorized their transfer to Halliburton in the first place. Worse yet, the man who authorized the allocation – CPA chief Paul Bremer – had already quietly left Iraq just as the reports were being released.

Yet days after the much-touted "transfer of sovereignty," the White House revealed an even more startling detail about the reconstruction effort: In over a year, the CPA had managed to spend just 2 percent of the \$18.4 billion earmarked for the immediate reconstruction of Iraq. And not a penny was spent on the two areas where the Iraqi people were suffering the most: healthcare or water and sanitation.

So what is really going on? Is the United States spending too much or too little money in Iraq?

To answer that question, we need to separate the apples from the pears and the oranges.

### **Other People's Money**

There are three treasure chests that the Occupation authorities are allowed to dip their hands into. The \$87 billion appropriation that Congress granted to the Bush administration in September 2003 was divided into two funds: the bigger chunk, some \$65 billion, for military operations and \$18.4 billion for reconstruction. The Development Fund of Iraq (a.k.a. the revenues accrued from the sale of Iraqi oil) is the third treasure chest.

Treasure Chest No. 1 was quickly spent after the invasion on hiring Halliburton to supply the soldiers. In fact, the Pentagon has reportedly exceeded this allotment by an estimated \$12 billion. This appropriation has been the source of most of the money spent in Iraq. It is also the money that has been subjected to a series of careful audits by the Defense Contract Audit Agency, the General Accounting Office (the investigative arm of Congress), and Stuart Bowen's team of auditors in Baghdad – all of whom have fiercely criticized Halliburton for its pricing and spending practices.

a peaceful resolution.

### **Mother Jones' War Watch**

The hell-raising politics magazine's new daily source for up-to-date news and commentary about the ongoing war.

The CPA barely touched the \$18.4 billion allocated by Congress for reconstruction (Treasure Chest No. 2) because of stringent bidding and oversight requirements to prevent fraud or waste. Many of the reconstruction bills were instead paid for with revenue from the sale of Iraqi oil (Treasure Chest No. 3). Some of this money was spent on Halliburton for the repair of the oil infrastructure; some was simply handed out in cash to local people by soldiers in return for favors such as rebuilding offices or building football fields.

A New York Times article in late June 2004, described the lax oversight of this money thus:

"The teams have become famous in Iraq for the way they have spread across the country, commissioning repairs and paying for them from satchels bulging with \$100 bills shipped by plane from a Federal Reserve vault in East Rutherford, New Jersey. At least \$1 billion has been distributed in this fashion – by some estimates more than \$2 billion. 'The military commanders love that program, because it buys them friends,' said an administration official, referring to the cash distribution. 'You want to hire everybody on the street, put money in their pockets and make them like you. We have always spent Iraqi money on that.'"

So here is what it all means:

One, the U.S. taxpayers spent a lot of money on the soldiers, but the Pentagon paid Halliburton to do the work. The company billed the military top dollar knowing that the brass would look the other way. The gravy train finally ground to a halt when two brave members of Congress inquired about the results of the internal audit.

Two, almost none of the money that American taxpayers provided for reconstruction was spent because the rules were too stringent for the CPA's taste.

And three, we dished out Iraqi money to companies like Halliburton like it was going out of style because the United States government knew that neither Congress nor the United Nations would ask us difficult questions about what we were doing with other people's money. Equally importantly, Bush officials were worried that the new Iraqi government might ask us difficult questions about their money once they gained any modicum of power. So they were eager to spend the money while they could.

In other words, despite access to billions of dollars for reconstruction, the CPA has done little to serve the interests of either the American taxpayer or the Iraqi people. The reconstruction effort has, however, been a cash bonanza for companies like Halliburton.

### **The Billion-dollar Corporate Expense Account**

Halliburton has been the biggest beneficiary of the CPA and Pentagon's liberal spending policies – the company alone got \$3.9 billion last year to repair oil fields and provide food, laundry, sanitation and transportation services to the military.

Where did the money go? Whistle-blowers from the company have sent testimony to Congress detailing the many wasteful practices: paying \$100 for a bag of laundry; abandoning \$85,000 trucks for the lack of a spare tire.

Meanwhile, other companies like Science Applications International Corporation of San Diego were shipping armored Humvees for company executives on specially chartered jets and paying themselves \$200 an hour to run a U.S. propaganda television station that no one was watching.

An internal Pentagon audit completed two weeks ago and reported in the Wall Street Journal earlier this month found that Halliburton failed to adequately account for "more than \$1.8 billion" it has received so far for providing logistical support to troops in Iraq and Kuwait.

When challenged by military auditors to account for its missing equipment and receipts, the Houston-based Halliburton told the Pentagon that it did not have enough staff to keep track of the \$400 million it was spending in Iraq – an explanation that the Defense Department was surprisingly quick to accept. Linda Theis, a spokeswoman for the Army Materiel Command, told reporters, "It was the pace. It was the magnitude of this contract."

In statements to the press, on the other hand, Halliburton flatly denies any problems with its accounting procedures. Randy Harl, president of Kellogg, Brown and Root, the Halliburton subsidiary that conducts the work in Iraq, said, "In general, we have found that the subcontractors are properly billing on the basis provided in the subcontracts. We are operating in a remote, hostile and ever-changing environment in Iraq. In such an environment, there are bound to be challenges. Any issues related to billings will not only be resolved quickly and responsibly, but also resolved in such a way that it will not affect any services provided to our soldiers."

But in written testimony submitted to Congress, Halliburton's own auditor, Marie de Young, revealed that the company's internal auditors (nicknamed the "Tiger Team") were not doing their job properly. De Young, who was hired in December 2003 to help oversee Operation Iraqi Freedom contracts, told Congress:

When the Tiger Team examined a subcontract, they just checked to make sure that all the forms were in the file. ... They didn't assess the reasonableness of the price or consult with site managers. The team's sole purpose was to close as many subcontracts as possible, under the mistaken assumption that everything that was closed prior to the arrival of the government audit team would be exempt from further scrutiny.

De Young also made clear the company's intentions: "I had been advised by subcontract administrators who quit the company that employees get moved around when they get too close to the truth. ... Ironically, other previous managers who tolerated bad practices were promoted to better paying jobs in Iraq or Houston or Jordan."

The final touch of irony: Halliburton housed the Tiger Team at the five-star Kempinski Hotel in Kuwait, paying each of them a whopping \$10,000 per month for their troubles. At the time, U.S. soldiers were required to live in tents at a cost of \$1.39 a day. When the military asked Halliburton employees to move into the tents, they refused.

## **Crimes and Consequences**

The audit reports have produced little real action on the part of the Pentagon

thus far. Last Monday, Halliburton announced that the Pentagon had told the company that it plans to withhold 15 percent (\$60 million) of its monthly payment until they find all the missing receipts. But the Pentagon reversed its decision the very next day, announcing that it will give the company more time to find the missing paper work and prove their costs before imposing the penalty. Halliburton has already been granted extra time twice.

The audits may also not have much effect on the future of the reconstruction effort, which remains grim. Bremer's departure in June was only one in an exodus of occupation officials and contractors, derisively labeled by a U.S. soldier as "The League of Frightened Gentleman," fleeing the dangerous situation in Iraq. The German engineers hired to repair the Daura power plant in Baghdad left behind enormous disassembled machines strewn across the plant floor. "They didn't contact me," said Bashir Khalif Omir, the plant director at the time. "They took their luggage at midnight and they left."

When Bremer caught his jet plane out of Iraq, two heavily armed Blackwater private military watched his back, rifles pointed menacingly at camera crews. There were no flowers from an adoring Iraqi public, not even anything similar to the dramatic lift-off from the roof of the U.S. embassy in Saigon marked the occasion – just a quiet, top-secret escape to freedom (and a lucrative book contract). But Bremer left behind a nation that was not just more dangerous but also poorer for his efforts.

*Pratap Chatterjee is managing editor of [CorpWatch](#) and the author of 'Iraq Inc.' (Seven Stories Press, September 2004).*



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