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Halliburton: From Bush's Favorite to a National Disgrace

It is a symbol of American cronyism, the beneficiary of lucrative Iraq contracts thanks to its relationship with Dick Cheney. Now Halliburton is relocating to Dubai - and US politicians are outraged.

by Andrew Buncombe

The story begins in 1919 with Erle Halliburton sitting up late one night with his wife, Vida, worrying about money. Squeezed together in their one-room home in the Oklahoma dustbowl town of Wilson, the couple were trying to work out how to meet the next payment on Halliburton's fledgling business, the New Method Oil Well Cementing Company.

At about 1am, so the story goes, the pale light from a small lamp reflected off his wife's wedding ring. "I sat there admiring it when the thought came to me," Vida would later tell Jeffrey Rodengen, author of *The Legend of Halliburton*. "Here is the money we need. At first hubby would not listen to me... but I argued we could get it back. So we went to sleep all thrilled with the new idea of cementing, the new means of getting jobs, and the money."

The rest, as is so often said, is history. Halliburton pawned his wife's wedding ring and set to work servicing drilling operations not just on the Healdton oilfield close to where they lived in Oklahoma, but also in Louisiana and Texas. The following year he changed the company's name to the Halliburton Oil Well Cementing Company.

Today, almost 90 years after Vida Halliburton's eyes glanced upon the gold band around her finger, the company that took the family name is now a vast multinational with operations in more than 120 countries. It enjoys a remarkably close relationship with the Bush administration whose Vice-President, Dick Cheney, was its CEO

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**Sarah Anderson of the
Institute for Policy Studies**

between 1995 and 2000, and holds no-bid contracts worth billions of dollars. Last year it made \$2.6bn (£1.3bn) in profits from revenues of \$22.6bn.

But Halliburton also comes with plenty of controversy and the company has been at the centre of numerous inquiries over alleged accounting malpractice, suspicious payments to officials and overcharging. It has been accused of breaching US sanctions that prohibit companies from operating in places such as Iran and was also blamed for damaging the historic Iraqi site of Babylon, where it helped establish a US base. Currently the company is being investigated by the Justice Department and the Securities and Exchange Commission over allegations of improper dealings in Kuwait, Nigeria and Iraq. And this week the company fuelled even more controversy when it announced that it was moving its chief executive and its corporate headquarters from Houston, Texas, to Dubai in the United Arab Emirates. It has insisted that it would remain incorporated in the US - actually in the state of Delaware - and that its move would not affect its tax position. It also emphasised that it would retain a corporate office in Houston from where most of its executives would continue to operate.

But news of the proposed move, announced at the weekend, has brought an immediate and bitter backlash. A number of senior Democrats have accused the company of nothing less than a blatant attempt to avoid both paying US taxes and the heat of the ongoing federal investigations into its business operations. How could a company that had benefited from so many government contracts, they asked, simply up and leave? There were vows that Congress would launch new investigations.

The outrage was led by no one less than Senator Hillary Clinton, one of the leading contenders for the Democratic nomination for president. "I think it's disgraceful that American companies are more than happy to try and get no-bid contracts, like Halliburton has, and then turn around and say 'But you know, we're not going to stay with our chief executive officer, the president of our company, in the United States any more'," she said at a press conference in New York.

"Does this mean they're going to quit paying taxes in America? Is this going to affect the investigations that are going on? Because we have a lot of evidence about their misuse of government contracts and how they have cheated the American soldier, cheated the American taxpayer. They have taken money and not provided the services."

Democratic Senator Patrick Leahy of Vermont said the move was "an example of corporate greed at its worst". He added: "This is an insult to the US soldiers and taxpayers who paid the tab for their no-bid contracts and endured their overcharges all these years. At the same time that they're avoiding US taxes, I'm sure they won't stop insisting on taking their profits in cold, hard US cash."

Halliburton dismisses the criticisms. Announcing the company's decision at a regional energy conference in Bahrain, the company's president, chairman and CEO, Dave Lesar, said the move reflected the growing importance of the Middle East and the

Asian energy markets. Last year more than 38 per cent of Halliburton's \$13bn oil field services revenue came from the eastern hemisphere.

"As we invest more heavily in our eastern hemisphere presence, we will continue to build upon our leading position in the North American gas-focused market through our excellent mix of technology, reservoir knowledge and an experienced workforce," he said. "The eastern hemisphere is a market that is more heavily weighted toward oil exploration and production opportunities and growing our business here will bring more balance to Halliburton's overall portfolio." The company also insists that it will gain no tax advantage from the move, as it will remain legally incorporated in the US.

In a statement to The Independent, a company spokeswoman, Melissa Norcross, said: "These assumptions and suppositions are absolutely untrue and unfounded. Halliburton is, and will remain, a US corporation, incorporated in Delaware, with its principal executive office in Houston, Texas. As such, we anticipate absolutely no tax benefits from this decision."

Halliburton, which is in the process of spinning off its KBR arm, has long enjoyed a close relationship with the Bush administration, and indeed, with previous US governments. It has most recently been in the public eye for its contracts in Iraq - the Logcap (or Logistics Civilian Augmentation Program) under which it provides military support services such as meals, laundry and fuel supplies and the Restore Iraqi Oil (RIO) contract. Reports say the estimated value of the contracts stands at more than \$25bn. A number of its contracts were awarded on a no-bid basis - which drew criticism not just from watchdogs but from other companies seeking their share of the spoils of the so-called Iraqi "reconstruction" projects.

Industry observers say Halliburton enjoys a near unique position within the US corporate world. "People always look at Dick Cheney and say he is the poster-boy of cronyism but at a bureaucratic level there has also been a lot of revolving doors from the Army Corps of Engineers to Halliburton or else consultants to Halliburton," said Charlie Cray of HalliburtonWatch.Org, a project of the Center for Corporate Policy, a non-profit group based in Washington. He added: "Given the multiple ongoing investigations into Halliburton's alleged wrongdoing, policy-makers should closely scrutinise Halliburton's latest move, and whether it will allow the company to further elude accountability. Moreover, this underscores the need for Congress to bar companies that have broken the law, or avoided paying taxes, from receiving federal contracts."

Pratap Chaterjee, director of CorpWatch, another watchdog organisation, agreed that Halliburton's position was remarkable. But he said the company was not simply close to the Bush administration - to which it has been a sizeable political donor - but that it had enjoyed a relationship with previous US administrations. He pointed out that KBR's predecessor, Brown and Root, had operated in Vietnam and had faced similar accusations of over-charging and corruption as well as allegations that it was too close to President Lyndon Johnson. Indeed, a young Illinois congressman called Donald Rumsfeld travelled to Vietnam to investigate such allegations. Brown and Root also

won contracts from President Bill Clinton for work in the Balkans. Long before that, Erle Halliburton, who died in 1957, had loaned his yacht to the US military during the Second World War.

"They are somewhat unique in that their former CEO is now the Vice-President," said Mr Chaterjee. "They are somewhat unique in that they have a long relationship with US governments. It's not limited to the Bush administration." Mr Chaterjee, along with some industry analysts, believes the move to Dubai could make sense from a business point of view alone. "There's not much oil in Texas any more," Dalton Garis, a US energy economist at the Petroleum Institute in Abu Dhabi, told the Associated Press. "Halliburton is in the oil and gas industry and guess what? Sixty per cent of the world's oil and gas is right here. If they didn't move now, they'd have to do it later."

Yet others have pointed out that even if the company remains incorporated in the US and eligible to pay some US taxes there are likely to be financial benefits of moving to Dubai, a boom city, whose tax-free zones have lured around a quarter of the Fortune 500 top companies to establish corporate headquarters there. Sarah Anderson of the [Institute for Policy Studies](#), said: "With today's technologies, there's no real reason to have to physically relocate. Those that have are trying to evade US oversight and tax authorities. And Dubai is a tax-free haven - no corporate or employee taxes. Halliburton claims this is not a big deal, but I can't imagine Lesar will be working over there alone in a little cubicle. This will be a much-expanded operation in Dubai." She added: "Despite the billions in US government contracts Halliburton has received, it has no loyalty or sense of obligation to US troops or taxpayers. I find it ironic that Lesar is going to the same place as one of the only other individuals who's received even more bad publicity in recent years - Michael Jackson."

The controversy is not going to go away any time soon. Congressman Henry Waxman, the Democrat who heads the House Oversight and Government Reform Committee, is poised to announce that he will hold an inquiry into the proposed move.

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