



**HOUSTON,
WE HAVE A PROBLEM**

AN ALTERNATIVE ANNUAL REPORT ON HALLIBURTON, APRIL 2004

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HOUSTON, WE HAVE A PROBLEM

Halliburton, the largest oil-and-gas services company in the world, is also one of the most controversial corporations in the United States. The company has been the number one financial beneficiary of the war against Iraq, raking in some \$18 billion in contracts to rebuild the country's oil industry and service the U.S. troops. It has also been accused of more fraud, waste, and corruption than any other Iraq contractor, with allegations ranging from overcharging \$61 million for fuel and \$24.7 million for meals, to confirmed kickbacks worth \$6.3 million. Halliburton is also currently under investigation by the Department of Justice.

Perhaps most importantly, Halliburton has friends in the highest of places: Vice President Dick Cheney was Halliburton's CEO prior to his taking office in 2000, and he continues to receive annual payments from the company in excess of \$150,000. While CEO at Halliburton from 1995 to 2000, Cheney took advantage of his extensive relationships with U.S. government agencies and world leaders that he developed during his tenure as secretary of defense under President George Bush Senior. Through these ties, he helped the company win billions of dollars in government contracts to provide services to the U.S. military and billions more from international lending institutions for projects ranging from coal mines in India to oil fields in Chad and Colombia.

Now that Cheney has become the U.S. vice president, even more money has flooded into Halliburton's coffers. In 2003 Halliburton earned \$3.9 billion from contracts with the U.S. military, a dizzying 680 percent increase over the \$483 million it earned in 2002.¹ In Iraq, Halliburton's contracts are worth three times those of Bechtel, its nearest competitor.

Although Halliburton saw a barrage of criticism in 2003, the company has a history of scandal. Since 1919, when Earle P. Halliburton founded the company with patented technology stolen from his former employer², Halliburton has been involved in controversial oil drilling projects around the world. It was found guilty of fixing the prices of marine construction in the oil industry over a 16-year period in the Gulf of Mexico, and it paid out more than \$90 million in claims and fines in the 1970s.³ In 2002, the company admitted that one of its employees in Nigeria was caught attempting to bribe a tax inspector for \$2.4 million.⁴

Over the years, Halliburton has been subject to charges of war profiteering and cronyism. During the Vietnam War, Halliburton's construction-and-engineering subsidiary, Brown & Root Services⁵, was heavily criticized for war-profiteering and lax controls. In 1982, the General Accounting Office (GAO) reported that the company lost accounting control of \$120 million and that its security was so poor that millions of dollars worth of equipment had been stolen.⁶

ALTERNATIVE ANNUAL REPORT ON HALLIBURTON

In 1966 Donald H. Rumsfeld, then a Republican member of the House of Representatives from Illinois, demanded to know about the 30-year association between Halliburton Chairman George R. Brown and Lyndon B. Johnson. Brown had contributed \$23,000 to the President's Club while the Congress was considering whether to continue another multimillion-dollar Brown & Root Services project.⁷ "Why this huge contract has not been and is not now being adequately audited is beyond me. The potential for waste and profiteering under such a contract is substantial," Rumsfeld said.⁸

Since the Vietnam War, Halliburton's military contracts have only increased, and the company is under more scrutiny. As Halliburton President and CEO David J. Lesar acknowledged in a recent television spot responding to taxpayer concerns about its Iraq contracts, "You've heard a lot about Halliburton lately." But we certainly haven't heard everything. Halliburton's public-relations machine emphasizes that the company is "proud to serve our troops," but it fails to mention the myriad ways in which Halliburton has proven itself to be one of the most unpatriotic corporations in America.

This report will document Halliburton's track record in violating many of the values that Americans hold dear, from a belief in human rights and democracy to an interest in transparency and accountability. It covers Halliburton's blatant use of political connections and campaign contributions to win contracts that have allowed it to profit from the war on terrorism as well as the war in Iraq. The report also provides numerous case studies of Halliburton's business dealings with some of the most odious and corrupt regimes in the world. Many of these business deals were subsidized with corporate welfare checks from the World Bank and the U.S. Export-Import Bank (ExIm).

Halliburton's Lesar insists that "criticism is OK." "We can take it," he says. The question is, can the company study the criticism and translate it into ethical, transparent, and accountable business practices? Judging from its track record as documented in this report, it is unlikely that Halliburton will transform its claims of patriotism from sound bites into substance. This report concludes with recommendations that, if enacted, would ensure that Halliburton no longer rips off Iraqis nor the U.S. public. Without such changes, the firm's government contracts should be terminated, and Congress should ensure that our taxpayer dollars no longer go to truly unpatriotic companies such as Halliburton.

1 Is What's Good for Boeing and Halliburton Good for America? Bill Hartung and Frida Berrigan, World Policy Institute, February 2004

2 Jeffrey Rodengen, *The Legend of Halliburton*, Write Stuff Press, 1996

3 Brown & Root is a Golden Problem Child for Halliburton, Linda Gillan, *Houston Chronicle*, March 4, 1980.

4 Cheney Firm Paid Millions in Bribes to Nigerian Official, Oliver Burkeman, *The Guardian (UK)*, May 9, 2003

5 Rodengen, op. cit.

6 Raymond Klempin, *Houston Business Journal*, September 13, 1982

7 Unearthing Democratic Root to Halliburton Flap, Al Kamen, *Washington Post*, March 5th, 2004

8 War Profiteering from Vietnam to Iraq, James M. Carter, *Counterpunch.org*, December 11, 2003.



HALLIBURTON AND THE MILITARY



Halliburton dining facilities everyday at Bagram Airbase. U.S. Army photo by Sgt. Greg Heath

Halliburton is one of the ten largest contractors to the U.S. military with several lucrative deals in Iraq: It earned \$3.9 billion from the military in 2003, a dizzying 680 percent more than in 2002, when the company brought in just \$483 million from the military. Halliburton's business in Iraq is three times as much as Bechtel, its nearest competitor.¹ Just how Halliburton has won so many lucrative contracts from the military can be attributed to one man—its former CEO and current U.S. Vice President Dick Cheney, a lifelong politician in Washington, D.C., who practically invented the modern system of outsourcing American military work.

EARLY CONTRACTS

Cheney's role began in 1988, when he was named secretary of defense after the election of George Bush Senior. The end of the Cold War brought with it expectations of a peace dividend, and Cheney's mandate was to reduce forces, cut weapons systems, and close military bases. Over the next four years, Cheney downsized the total number of U.S. soldiers to their lowest level since the Korean War.² He also sought private companies to pick up some of the jobs left vacant by the military downsizing.

As a company with a history of military contracting—Halliburton subsidiary Kellogg Brown & Root (KBR) has been building bases and warships for the military since World War II—Halliburton was a natural choice for many of these con-

tracts. In 1990, the Pentagon paid Halliburton \$3.9 million to draw up a strategy for providing rapid support to 20,000 troops in emergency situations. After reading the initial Halliburton report, the Pentagon awarded Halliburton another \$5 million to complete the plans for outsourcing support operations.³

In August 1992, the U.S. Army Corps of Engineers chose Halliburton to implement a plan the company had drawn up under a contract called Logistics Civil Augmentation Program (LOGCAP). The contract gave the government an open-ended mandate and budget to send Halliburton anywhere in the world to support military operations.⁴ Although the Pentagon had often used private contractors, this was the first time it had relied so heavily on a single company. For Halliburton, the

OPERATION HALLIBURTON: A LOOK INSIDE THE COMPANY'S DAY-TO-DAY PRACTICES IN IRAQ

Ever since Halliburton scored its first military contract in Iraq in 2003, the company has suffered criticism over its practices as a contractor. Here's a look at some of the ways in which Halliburton's daily work doesn't measure up.

DIRTY DISHES, DIRTY BOOKS

In late 2003, NBC news aired a story about Halliburton's unsanitary kitchen practices. According to NBC, the Pentagon has repeatedly warned Halliburton that the food it served to U.S. troops in Iraq was "dirty," as were the kitchens it was served in. The Pentagon reported finding blood all over the floor; dirty pans, grills, and salad bars; and rotting meats and vegetables in four military messes that Halliburton operates in Iraq.

Even the mess hall where Bush served troops their Thanksgiving dinner was dirty in August, September, and October, according to NBC. Halliburton's promises to improve "have not been followed through," according to the Pentagon report that warned "serious repercussions may result" if the contractor did not clean up.²⁸

In December 2003, Halliburton told NBC that it had served 21 million meals to the 110,000 troops at 45 sites in Iraq. But military auditors have begun to suspect that the company might be overcharging the government millions of dollars.²⁹ In February, *The Wall Street Journal* reported that Halliburton may have overcharged taxpayers by more than \$16 million for



Camp Phoenix, Afghanistan. U.S. Army photo

meals to U.S. troops serving in Operation Iraqi Freedom for the first seven months of 2003. In July 2003, for instance, Halliburton billed for 42,042 meals a day but served only 14,053 meals daily.³⁰

Melissa Norcross, a spokesperson for Halliburton's Middle East region, defended the company's practices with an explanation from Randy Harl, CEO of Halliburton subsidiary, Kellogg, Brown & Root: "For example, commanders do not want troops 'signing in' for meals due to the concern for safety of the soldiers; nor do they want troops waiting in lines to get fed." Norcross also claimed that the "dirty kitchen" problems have been taken care of, and the facilities have since passed subsequent inspections.³¹

CHEAP LABOR

According to the military, the government outsources work to Halliburton in order to save money in certain areas such as labor. "When we go contract, we don't have to pay health care and all the other things for the employees; that's up to the employer," explained Major Toni Kemper, public affairs director at the Incirlik base in Turkey.

But Halliburton's labor practices are questionable: Instead of paying expensive U.S. soldiers, Halliburton imports cheaper Third World workers through subcontractors. For example, Kuwait-based Al Musairie company supplies South Asian workers to set up temporary military bases in Iraq; Kuwait-based Al Kharafi supplies South Asian workers for the oil fields; and Saudi Arabia-based Tamimi Corporation supplies South Asian cooks for the military chow halls in Iraq.³²

These South Asian workers get approximately \$300 a month—including overtime and hazard pay.³³ This is twice as much as the Iraqi workers who make \$150 a month, but far below the \$8,000 per month Halliburton pays unskilled workers from Texas.³⁴ Halliburton and the military justify the wage discrepancy by arguing that they do not trust local workers to do certain jobs, fearing that they might poison, kick out, or kill their colonial bosses.

But this huge disparity in wages has sparked resentment from local workers. Hassan Jum'a, the leader of the South Oil Company union in Iraq, staged strikes to kick out the foreign workers.³⁵ The company's anti-labor practices elsewhere have also spurred controversy. In the Philippines, Halliburton was slapped with a \$600 million lawsuit for refusing to allow workers hired for the construction of a 204-unit detention camp at Guantanamo Bay, Cuba, to form a union.³⁶

deal was sweet: The profit margins were lower than they were for private-sector jobs, but there was a guaranteed profit of between 1 percent and 9 percent. Working under this new contract in December 1992, Halliburton began providing assistance to the U.S. troops overseeing the humanitarian crisis in

Somalia, putting employees on the ground within 24 hours of the first U.S. landing in Mogadishu. By the time Halliburton left in 1995, it had become the largest employer in the country, having contracted out most of the menial work while importing experts for more specialized needs.⁵

CHENEY JOINS HALLIBURTON

In 1992, when Bill Clinton was elected president, Cheney's political fortunes at the Pentagon came to an end. But his political connections paid off in the private sector. After spending an obligatory year outside the government-industrial complex (government employees are not allowed to work for the companies they may have done business with for 12 months after leaving their jobs), Cheney landed a position with Halliburton in 1995. This was no ordinary job: Despite the fact that he brought with him no experience in corporate America, Cheney was hired to lead Halliburton as chief executive officer. What he did bring with him was a trusty Rolodex of political cronies and his former chief of staff, David Gribbin, whom he appointed as chief lobbyist for the company.⁶

Under Cheney, the company's contracts and subsidies from the federal government multiplied. For example the ExIm and its sister U.S. agency, the Overseas Private Investment Corporation (OPIC), guaranteed or made direct loans totaling \$1.5 billion to Halliburton. That came on top of approximately \$100 million the government banks insured and loaned in the five years before Cheney joined the company. During Cheney's tenure, Halliburton also won \$2.3 billion in U.S. government contracts, almost double the \$1.2 billion it earned from the government in the five years before he arrived.⁷

Not everything was smooth during Cheney's tenure as CEO. In 1997, Halliburton lost the lucrative LOGCAP deal to Dyncorp, a private military contractor that hires out former soldiers and police officers for training and security operations. The financial impact was short-lived, however, because the Pentagon turned right around and hired Halliburton as an additional contractor, paying the company more than \$2 billion dollars to manage almost every aspect of the logistical operations at the bases in the former Yugoslavia.⁸ Halliburton's role began from the minute that soldiers touched down in Kosovo, where they were met not by their commander but by Halliburton workers who assigned them to barracks and told them where to pick up their gear.⁹ The company sent the government extravagant bills for this work. According to a February 1997 study by the

General Accounting Office, an operation that Halliburton told Congress in 1996 would cost \$191.6 million had ballooned to \$461.5 million a year later. Examples of overspending included billing the government \$85.98 per sheet for plywood that cost \$14.06 per sheet in the United States. The company also billed the Army for its employees' income taxes in Hungary.

Cartoon by Khalil Bendib, Corpwatch



A subsequent GAO report, issued in September 2000, found many instances of waste: the agency calculated that Halliburton could save \$85 million just by buying instead of leasing power generators. The GAO also found that many of Halliburton's staff were idle most of the time, and that its housekeeping staff were cleaning offices up to four times a day.¹⁰

CHENEY RETURNS TO WASHINGTON

When the presidential elections got underway in 2000, candidate George Bush Junior asked Cheney to suggest a running mate, and Cheney modestly recommended himself. When Bush accepted his offer, Cheney quit Halliburton and asked chief lobbyist Gribbin to join him. Gribbin became director of congressional relations for the Bush-Cheney transition team, where he managed the confirmation process for newly nominated cabinet secretaries.¹¹

When Cheney and Gribbin left their positions at Halliburton, the company hired an equally well-connected successor. Admiral Joe Lopez, Cheney's close confidante and the former commander-in-chief of the U.S. Navy's Southern Forces Europe, became Halliburton's chief lobbyist. Lopez's first job at Halliburton was a \$100 million contract to secure 150 U.S. embassy and consulate buildings around the world against terrorist attacks.¹² In March 2002, the Center for Strategic and International Studies, a private think tank, appointed Lopez to the bi-partisan Commission on Post-Conflict Reconstruction, a group established to develop specific proposals to enhance U.S. participation in international reconstruction efforts in war-torn regions such as Afghanistan, Bosnia, and Kosovo. Other members of the commission included seven senators and representatives from the U.S. Congress, including three members of the Senate Armed Services Committee, no doubt useful friends to Lopez when it came to cashing in on military contracts for Halliburton.¹³

HALLIBURTON'S WAR ON TERRORISM

With Halliburton's political connections firmly in place and its groundwork laid for military work, the company was perfectly positioned to win more military contracts when Bush announced his "war on terrorism." In December 2001, when Dyncorp's 5-year LOGCAP contract ran out, Halliburton was awarded a new 10-year LOGCAP contract to support the military anywhere in the world with no pre-set spending limit.¹⁴

On April 26, 2002, three employees of Halliburton arrived at the Khanabad airbase in central Uzbekistan to begin the first civilian takeover of a U.S. military base in the Afghanistan "theater of operations." Within two weeks, the number of Halliburton employees had swelled to 38, and by June 10, Halliburton employees replaced the 130 military personnel that oversaw day-to-day support services at the two Force Provider prefabricated military bases, which housed more than 1,000 soldiers from the Green Berets to the 10th Mountain Division. Soon, Halliburton employees, who wore khaki pants, black or blue golf shirts and baseball caps, greeted new troops arriving at the base and assigned them to sleeping quarters. Kellogg Brown & Root (KBR) employees were also in charge of laundry, food, general base camp maintenance, and airfield

services. Within months, the company took over operations of the Bagram and Kandahar bases in Afghanistan.¹⁵ (Today, Halliburton bills \$1.5 million a week to feed 13,000 troops at five dining facilities in Bagram airfield and in Kabul, importing meats from Philadelphia, fruits and vegetables from Germany, and sodas from Saudi Arabia and Bahrain.¹⁶) Around the same time that Halliburton began work in Afghanistan, other military contract offers quickly poured in. In April 2002, the U.S. Navy hired Halliburton to construct detention centers for prisoners-of-war captured in Afghanistan in 2001. To do this job, the company hired 199 Filipino welders, fabricators, and carpenters through the Manila-based company Anglo-European Services. In less than 24 hours, Anglo-European Services did a job that normally takes two to three months, processing and approving travel and working papers of the skilled laborers. These new employees were immediately flown to Cuba and housed in enormous tents, where they were not allowed access to television, radio, or newspapers, and were allowed to call their families for no more than two minutes at a time. One worker said that while the food was good and the pay sufficient—they were given \$2.50 an hour for 12 hours a day, seven days a week—they lived like prisoners. "We had our own guards and could not leave our compound," he said.¹⁷



HALLIBURTON JOINS IRAQ EFFORT

By late 2002, the Pentagon decided that Halliburton could take on an even greater role in the “war on terrorism” and offered the company a plum job: preparing for the war in Iraq. As the White House mounted pressure on Saddam Hussein, the Army Corps of Engineers asked Halliburton to get several new bases in the Kuwaiti desert ready for a possible invasion. In September 2002 approximately 1,800 Halliburton employees began setting up tent cities for tens of thousands of soldiers and

officials who would soon enter the country. Within a matter of weeks, the company’s employees turned the rugged desert north of Kuwait City into an armed camp that would eventually support some 80,000 foreign troops that were preparing for the upcoming war in Iraq.¹⁸ Halliburton also worked north of Iraq, hiring approximately 1,500 civilians to work for the U.S. military at the Incirlik military base near the city of Adana, where they supported approximately 2,000 U.S. soldiers monitoring the no-fly zone above the 36th parallel in Iraq.¹⁹

A FORMER HALLIBURTON EMPLOYEE BLOWS THE WHISTLE ON OVERSPENDING

Henry Bunting, a Vietnam veteran who worked as a purchasing and planning professional for a number of companies, went to work for Halliburton at the Khalifa resort in Kuwait in early May 2003. He quit in mid-August because he was “completely worn out” from working 12- to 16-hour days.³⁷

On February 13, 2004, Bunting testified before a panel of Senate Democrats about his experience purchasing products for Halliburton. Bunting brought with him an embroidered orange towel used at an exercise facility for U.S. troops in Baghdad that he said Halliburton insisted on buying for \$5 apiece, rather than spending \$1.60 each for ordinary towels.

He described what he observed during the purchasing of the towels: “There were old quotes for ordinary towels. The MWR (Morale, Welfare, Recreation) manager changed the requisition by requesting upgraded towels with an embroidered MWR Baghdad logo. He insisted on this embroidery, which you can see from this towel. The normal procurement practice should be that if you change the requirements, you re-quote the job. The MWR manager pressured both the procurement supervisor and manager to place the order without

another quote. I advised my supervisor of the situation but resigned before the issue was resolved. I assume the order for embroidered towels was placed without re-quoting.”

Senator Richard Durbin (D-Ill.), who was attending the hearing, did a quick calculation and determined that the additional cost for the embroidered towels would have paid for 12 suits of body armor, which were in short supply for soldiers who were sent to Iraq.³⁸

According to Bunting and other whistleblowers who spoke on condition of anonymity, Halliburton officials routinely insisted that the buyers use suppliers that had worked for the company in the past, even if they didn’t offer the best prices. While it is common for companies to use reliable suppliers rather than the cheapest provider, the buyers quickly discovered that the suppliers weren’t reliable. One whistleblower speculated that these were favors to suppliers that Halliburton had used in Bosnia.³⁹

Bunting explained to the senators that there are three levels of procurement staffing at Halliburton: “Buyers are responsible for ordering materials to fill requisitions from Halliburton employees.

We would find a vendor who could provide the needed item and prepare a purchase order. Procurement supervisors were responsible for the day-to-day operation of the procurement section. The procurement, materials, and property manager was a step above them.

“A list of suppliers was provided by the procurement supervisor. It was just a list of names with addresses and telephone numbers. We were instructed to use this preferred supplier list to fill requisitions. As suppliers were contacted, commodities/product information was added. However, we found out over time that many of the suppliers were noncompetitive in pricing, late in quoting, and even later in delivery.”

“While working at Halliburton, I observed several problematic business practices. For purchase orders under \$2,500, buyers only needed to solicit one quote from one vendor. To avoid competitive bidding, requisitions were quoted individually and later combined into purchase orders under \$2,500. About 70 to 75 percent of the requisitions processed ended up being under \$2,500. Requisitions were split to avoid having to get two quotes.”

OVERCHARGING IN IRAQ

On March 19, 2003, the United States and Britain invaded Iraq and vanquished the army of Saddam Hussein in three weeks. Halliburton employees accompanied the troops and quickly began building bases, cooking food, and cleaning toilets. The company's LOGCAP contract was expanded to include hiring engineers to help put out oil well fires and repair the dilapidated oil fields.²⁰

The next big contract was to help provide fuel to the U.S. occupation. Although Iraq sits on the world's second largest known reserves of crude oil, its refining capacity is woefully inadequate. As a result, Halliburton was asked to import gasoline from neighboring Turkey and Kuwait—work that prompted a wave of criticism about overspending.

In December 2003, two Democratic members of Congress, Henry Waxman and John Dingell, issued a report claiming that Halliburton was charging the Army an average of \$2.64 per gallon of oil, and sometimes as much as \$3.06. By comparison, the Defense Department's Energy Support Center had been doing a similar job for \$1.32 per gallon, and SOMO, an Iraqi oil company, was doing the same job for just 96 cents a gallon.

Between May and late October 2003, Halliburton spent \$383 million for 240 million gallons of oil—an amount that should have cost taxpayers as little as \$230 million.

“I have never seen anything like this in my life,” Phil Verleger, a California oil economist and consultant, told *The New York Times*. “That’s a monopoly premium—the only term to describe it. Every logistical firm or oil subsidiary in the United States and Europe would salivate to have that sort of contract.”²¹ A couple of days later, *The Wall Street Journal* revealed that Halliburton's subcontractor supplying the fuel, Altanmia, a firm owned by a prominent Kuwaiti family, was not an oil transportation company but an investment consultant, real-estate developer, and agent for companies trading in military, nuclear, biological, and chemical equipment.

According to the paper, Richard Jones, the U.S. ambassador to Kuwait and the deputy to Paul Bremer, the head of the U.S. occupation in Iraq, asked officials at Halliburton and the Army Corps of Engineers to complete a deal with Altanmia for future gasoline imports, even if the company couldn't agree to lower rates.²² In January, Halliburton revealed that it had fired two employees who had taken \$6 million in kickbacks from an unnamed Kuwaiti subcontractor for the oil delivery contracts.



Halliburton convoy, Southern Iraq. Photo: David Martinez, Corpwatch



Camp Delta, Guantanamo Bay, Cuba. U.S. Army photo

Halliburton officials say they immediately told the Pentagon about the problem. “Halliburton internal auditors found the irregularity, which is a violation of our company’s philosophy, policy, and our code of ethics,” a Halliburton spokeswoman said. “We found it quickly, and we immediately reported it to the inspector general. We do not tolerate this kind of behavior by anyone at any level in any Halliburton company.” Around the same time, a new problem surfaced: A previously undisclosed memo from a branch office of the Defense Contract Audit Agency labeled as “inadequate” Halliburton’s system for accurately estimating the cost of ongoing work. The memo was sent to various Army contracting officials, and Pentagon officials said they subsequently rejected two huge proposed bills from Halliburton—including one for \$2.7 billion—because of myriad “deficiencies.”²³ In a briefing to Congress last February, GAO officials described a lack of sufficient government oversight of the Halliburton contract. Some of the monitoring was conducted by military reservists with only two weeks’ training, and one \$587-million contract had been approved in 10 minutes based on only six pages of documentation. In another case, the GAO reported that Halliburton was

overestimating the cost of a project worth billions of dollars. The company initially told the government it would cost \$2.7 billion to provide food and other logistics services to the military in Iraq. But following questioning by the Defense Department, company officials slashed the estimate for the work to \$2 billion without explaining how they had arrived at the new figure.²⁴

As a result of these claims, the Defense Criminal Investigation Service, a federal agency, launched an ongoing investigation into the fuel overcharging, and Halliburton officials announced that they would suspend billing the government.²⁵ The company also stopped payment to its subcontractors for invoices totaling \$500 million.²⁶

UNANSWERED QUESTIONS

Despite these investigations into alleged overcharging, Halliburton’s unique role as sole provider of support services to the U.S. military has not been called into question by the government. One fundamental question still must be asked: Has the military taken what was clearly intended to be a cost-saving emergency measure and turned it into a boondoggle that will end up costing taxpayers more than we would have paid under the original system?

Secondly, has this system of outsourcing military work changed the dynamic of war? Sam Gardiner, a retired Air Force colonel who has taught at the National War College, estimates that if it was not for companies like Halliburton, the U.S. military would need twice as many soldiers in Iraq. “It makes it too easy to go to war,” he told the *New Yorker*. “When you can hire people to go to war, there’s none of the grumbling and the political friction.” He noted that much of the grunt work now contracted out to firms like Halliburton was traditionally performed by reserve soldiers, who often complain the loudest.²⁷

Finally, we also need to ask if this massive contract was a sweetheart deal for the well-connected company.

HALLIBURTON AROUND THE WORLD

“The problem is that the good Lord didn’t see fit to put oil and gas reserves where there are democratically elected regimes friendly to the interests of the United States.”

— Dick Cheney, then-CEO of Halliburton, 1996⁴⁰

“We hope Iraq will be the first domino and that Libya and Iran will follow. We don’t like being kept out of markets because it gives our competitors an unfair advantage.”

— John Gibson, chief executive of Halliburton’s Energy Service Group, 2003.⁴¹

Halliburton has created partnerships with some of the world’s most notorious governments in countries such as Angola, Burma, and Nigeria.⁴²

U.S. lawmakers, human rights activists and the company’s own shareholders want to know how Halliburton has been able to sidestep federal laws aimed at keeping U.S. companies from doing business in countries that support terrorism, including Iran—a member of the Bush administration’s so-called “axis of evil.”⁴³ This section examines some of Halliburton’s work with these regimes around the world.

NIGERIA

In May of 2003, Halliburton reported to the Security Exchange Commission (SEC) that company employees made \$2.4 million in “improper payments” to officials of Nigeria’s Federal Inland Revenue Service in 2001 and 2002 “to obtain favorable tax treatment.” “Based on the findings of the investigation we have terminated several employees,” Halliburton said in the filing, adding that none of its senior officers was involved.⁴⁴ But the *Houston Chronicle* later pointed out, “left unanswered is how a ‘low-level employee’ could channel that much money from the company to the pockets of a corrupt official.”⁴⁵

The second case, also associated with Halliburton's activities in Nigeria, is more complicated and potentially much more controversial. It dates back to the early 1990s, and involves an international consortium of four companies led by Halliburton subsidiary Kellogg Brown & Root. The other companies involved are from France (Technip), Italy (Snamprogetti SpA), and Japan (Japan Gasoline Corp.). Together, the companies formed a joint venture called TSKJ, which won a lucrative contract from international oil companies to build a large liquefied natural gas (LNG) plant on Bonny Island in the eastern Niger delta.

According to news reports the TSKJ incorporated a subsidiary (LNG Services) in the Portuguese tax-haven Madeira. LNG paid at least \$180 million for "commercial support services" into a score of offshore bank accounts controlled by Gibraltar-based TriStar Corporation.⁴⁶ Jeffrey Tesler, a British lawyer connected to Halliburton and the only TriStar official that could be identified, in turn allegedly transferred the money through TriStar and another set of bank accounts that he controlled in Switzerland and Monaco.⁴⁷ It is not known where the money ultimately ended up, but Tesler was reportedly also a financial adviser to Nigeria's late dictator, General Sani Abacha. Georges Krammer, a former top Technip official, has testified to French investigators that Halliburton imposed Tesler as an intermediary over the objections of Technip.⁴⁸

French police launched a preliminary probe into the French company's activities in October 2002. In June 2003, the prosecutor in the preliminary investigation saw enough merit in the case to assign it to Renaud van Ruymbeke, a French anti-corruption investigating judge with a reputation for probity and independence. Van Ruymbeke opened a formal investigation in October 2003 and suggested that he may summon Cheney to France to be questioned. The Nigerian government, the U.S.

Justice Department, and the SEC have also opened their own investigations.

SADDAM'S IRAQ

During the 2000 campaign, Cheney claimed he saw Iraq differently than the other countries. In an August 2000 segment of ABC's *This Week* news program, he told Sam Donaldson, "I had a firm policy that I wouldn't do anything in Iraq—even arrangements that were supposedly legal. We've not done any business in Iraq since U.N. sanctions were imposed on Iraq in 1990, and I had a standing policy that I wouldn't do that."

Yet *The Washington Post* reported in January 2001 that, according to oil industry executives and confidential UN records, Halliburton held stakes in two companies—Dresser Rand and Ingersoll-Dresser Pump—which signed contracts to sell more than \$73 million in oil production equipment and spare parts to Iraq from the first half of 1997 to the summer of 2000—while Cheney was chairman and CEO of the company. Apart from complying with the law, the executives told the *Post*, there was no specific policy related to the issue at Halliburton, as Cheney had claimed.⁴⁹

"Most American companies were blacklisted" by the Iraqi regime, a UN diplomat told the *New Yorker*. "It's rather surprising to find Halliburton doing business with Saddam. It would have been very much a senior-level decision, made by the regime at the top."

Halliburton's presence in Iraq ended in February 2000.⁵⁰ The company was also among more than a dozen American companies that supplied Iraq's petroleum industry with spare parts and retooled its oilrigs when U.N. sanctions were eased in 1998.⁵¹

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IRAN

In 1995, President Clinton passed an executive order barring U.S. investment in Iran’s energy sector.⁵² In 1996, Congress passed the Iran-Libya Sanctions Act, which seeks to punish non-U.S. oil companies that invest \$20 million or more in either country, and which has been a source of friction with key U.S. allies, including France, Germany, Russia, and the UK.⁵³

In a letter to New York City’s fire and police pension fund managers, who used Halliburton’s shareholder meetings to question the company’s involvement in Iran, Halliburton explained that Halliburton Products and Services, a Cayman islands company headquartered in Dubai, made more than \$39 million in 2003 (a \$10 million increase from 2002) by selling oil-field services to customers in Iran.⁵⁴

When investigators from the CBS news show *60 Minutes* visited the Cayman Islands address where Halliburton Products and Services is incorporated, they discovered a “brass plate” operation with no employees. The company’s agent—the Calidonian Bank—forwards all of the company’s mail to Halliburton’s offices in Houston—an indication that key business decisions are made in Houston and not Dubai or the Cayman Islands. The news show also reported that Halliburton’s operations in Dubai share the same address, telephone, and fax numbers as Halliburton Products and Services—indicating that the companies do not function separately.⁵⁵

Other companies have ceased their operations in Iran after shareholders began to raise questions. ConocoPhillips, for instance, agreed to cut its business connections with Iran and Syria in February 2002.⁵⁶ But Halliburton has yet to announce any changes in its policies and maintains that its operations do not violate any laws.

In February, Halliburton disclosed that the Treasury Department’s Office of Foreign Asset Control had reopened a 2001 inquiry into the company’s operations in Iran.⁵⁷ Meanwhile, in early March the SEC’s new Office of Global Security Risk announced that it would be hiring five full-time staff to look at companies with ties to rogue nations.⁵⁸

In the meantime, Halliburton has been lobbying heavily against the sanctions. During Cheney’s tenure, Halliburton was a leading member of USA Engage, a lobbying group of some

670 companies organized to oppose U.S. unilateral sanctions policies. Since 2001, USA Engage has continued to work against the sanctions, working with sympathetic individuals within the Bush administration, including Cheney’s chief of staff, I. Lewis Libby. USA Engage is headed by Don Deline, Halliburton’s top Washington lobbyist. “We’re encouraged by what several administration officials have said so far about sanctions,” Deline said in 2001, adding that he hopes the energy task force will “broadly address sanctions.”⁵⁹

LIBYA

Some of the most significant sanctions against doing business with Libya were put in place by President Reagan in 1986, in response to the Qaddafi regime’s use and support of terrorism. Those sanctions ban most sales of goods, technology, and services to Libya. They provide for criminal penalties of up to 10 years in prison and \$500,000 in corporate and \$250,000 in individual fines.⁶⁰

Despite these sanctions, Halliburton subsidiary KBR has worked in Libya since the 1980s. The company helped construct a system of underground pipes and wells that purportedly are intended to carry water. But according to Rep. Henry Waxman (D-CA), “some experts believe that the pipes have a military purpose. The pipes are large enough to accommodate military vehicles and appear to be more elaborate than is needed for holding water. The company began working on the project in 1984 and transferred the work to its British office after the 1986 embargo.”⁶¹

In 1995, Halliburton was fined \$3.8 million for re-exporting U.S. goods through a foreign subsidiary to Libya in violation of U.S. sanctions.⁶² The company reportedly sold oil-drilling tools (pulse neutron generators) that critics, including former U.S. Rep. John Bryant of Dallas suggested could be used to trigger nuclear bombs.⁶³

As is the case with the company’s business in Iran, Halliburton works in Libya through foreign subsidiaries. In March 2004, Halliburton reported to the SEC that it continues to own “several non-United States subsidiaries and/or non-United States joint ventures that operate in or manufacture goods destined for, or render services in Libya.”⁶⁴ News reports indicate that Halliburton Germany GmbH is involved in Libya.⁶⁵ Meanwhile, in 2003 U.S. government officials warned RWE, the second-largest German utility, that it could face sanctions against its U.S.

When investigators from the CBS news show 60 Minutes visited the Cayman Islands address where Halliburton Products and Services is incorporated, they discovered a “brass plate” operation with no employees.

operations if it does not scale back plans for a project in Libya.⁶⁶

UN sanctions on Libya were lifted on September 12, 2003. Unilateral U.S. sanctions continue to remain in force, although the Bush administration says it is considering lifting them because of the country's renunciation of nuclear ambitions.⁶⁷ In February, the White House lifted a 23-year-old ban on Americans traveling to Libya and said U.S. companies that had been in Libya before the sanctions can start negotiating their return, pending the end of the trade ban. Halliburton was in Libya before the ban.

BURMA

Halliburton's engagement in Burma began as early as 1990, two years after a brutal military regime (SLORC) took power by voiding the election of the National League for Democracy, the party of Aung San Suu Kyi. In the early 1990's, Halliburton Energy Services joined with Britain-based Alfred McAlpine to

provide pre-commissioning services to the Yadana pipeline.

To facilitate the Yadana pipeline's construction, the Burmese military forcibly relocated towns along the onshore route. According to the U.S. Department of Labor, "credible evidence exists that several villages along the route were forcibly relocated or depopulated in the months before the production-sharing agreement was signed."⁶⁸

According to EarthRights International (ERI), the Yadana and Yetagun pipeline consortia—Unocal, Total, and Premier—knew of and benefited from the crimes committed by the Burmese military on behalf of the projects. An ERI investigation concluded that construction and operation of the pipelines involved the use of forced labor, forced relocation, and even murder, torture, and rape. In addition, as the largest foreign investment projects in Burma, the pipelines will provide revenue to prop up the regime, perhaps for decades to come.



In 1997, after Dick Cheney joined Halliburton, the Yadana field developers hired European Marine Services (EMC) to lay the 365-kilometer offshore portion of the Yadana gas pipeline. EMC is a 50-50 joint venture between Halliburton and Saipem of Italy. Early in his tenure as Halliburton CEO, Cheney also signed a tentative deal with the government of India to bring Burmese gas to Indian customers.

Shortly before the 2000 election, Cheney defended Halliburton's involvement in Burma by pointing out that the company had not broken the U.S. law imposing sanctions on Burma, which forbids new investments in the country. "You have to operate in some very difficult places and oftentimes in countries that are governed in a manner that's not consistent with our principles here in the United States," Cheney told Larry King. "But the world's not made up only of democracies."

ANGOLA

Halliburton has benefited from \$200 million in ExIm support for oil field developments in the enclave of Cabinda. According to a March 2004 Global Witness report, "new evidence from IMF documents and elsewhere confirm previous allegations made by Global Witness that over \$1 billion per year of the country's oil revenues—about a quarter of the state's yearly income—has gone unaccounted for since 1996. Meanwhile, one in four of Angola's children die before the age of five and one million internally displaced people remain dependent on international food aid."

The watchdog group blamed "political and business elites" with "exploiting the country's civil war to siphon off oil revenues. Most recently, evidence has emerged in a Swiss investigation of millions of dollars being paid to President Dos Santos himself. The government continues to seek oil-backed loans at high rates of interest which are financed through opaque and unaccountable offshore structures. A major concern exists that Angola's elite will now simply switch from wartime looting of state assets to profiteering from its reconstruction."⁶⁹

BANGLADESH

In a 1996 deal witnessed by Bangladesh's then-Prime Minister Sheik Hasina and Britain's Prime Minister John Major, Cheney and UK-based Cairn Energy signed a gas purchase and sales agreement with state-owned Petrobangla.⁷⁰ Halliburton took a

25 percent stake in the offshore Sangu field in exchange for building a pipeline to the coast.

Ever since, Halliburton and Cairn Energy have pressed Bangladesh's government to drop a ban on the export of its natural gas, even though four of five people in the country have no access to electricity, and even though proven gas reserves can only supply another 20 years of domestic consumption. The World Bank, which has financed the Sangu field, joined the side of Halliburton: It has determined that Bangladesh is too poor to consume gas at global market prices. Bangladesh, one of the world's poorest countries, has accumulated a debt in payments to Halliburton and Cairn, and now, says the Bank, the country must make pay this bill by mortgaging its future.

"Bangladesh's gas reserves are a major potential source of foreign exchange earnings, if opposition to their export can be overcome," reads a recent Bank country strategy. "Prospects for further investment depend on the government's willingness to allow gas exports without which the limited domestic market demand will hold back exploration and production."⁷¹

The U.S. government, too, is pressuring Bangladesh to drop its export ban. In August 2003, U.S. Ambassador Harry K. Thomas asserted, "We would like to see a certain amount of natural gas to be exported, in an honest and transparent manner. Your Finance Minister [Saifur Rahman] has said about turning Bangladesh into a middle-income country, and this is one way of achieving that."⁷²

But former World Bank chief economist Joseph Stiglitz sees this kind of pressure as antithetical to his former employer's alleged reason to exist: to eliminate global poverty. Stiglitz advised Bangladesh to preserve, not export, its gas reserves. "It is better for Bangladesh to keep its gas reserve for the future," he told reporters in August 2003. "Gas reserve is your security against any volatility of energy prices on the international market. One should be very careful about the pace of extraction. If you exploit your reserves quickly, you will have to be dependent upon imports later."⁷³

WESTERN SIBERIA

In 2000, Halliburton CEO Dick Cheney personally lobbied ExIm to finance Halliburton's deal to equip the Samotlor oil



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field. He was able to overcome objections raised by the U.S. State Department.

The State Department initially rejected the loan package in December 1999. While objections to the loans were diverse, including the brutal military campaign in Chechnya, Secretary of State Madeleine Albright particularly cited corruption as the key concern meriting the invocation of the Chafee Amendment. This little known and rarely used legal provision allows the secretary of state to block ExIm financing deemed to violate the “national interest.” “Our principal interest was promoting the rule of law in Russia,” said a State Department official.

In a meeting with Alan Larson, the U.S. undersecretary of state for economic, business, and agricultural affairs, Cheney reportedly emphasized the impact the financing package delay would have on his company. Albright backed down.

A State Department official said the decision turned after the U.S. “opened a dialogue with the Russian government to impress upon them the need to address weaknesses in Russia’s legal framework that led to the abuses in this case.”⁷⁴ (Interestingly Larson was the only Clinton appointee at the State department to keep his job when the Bush-Cheney team took over in 2000.)⁷⁵

KAZAKHSTAN

Halliburton is a contractor in three major oil developments—Uzen, Karachaganak, and Alibekmola—that have sustained President Nursultan Nazarbayev’s notorious autocratic rule. “It’s almost as if the opportunities [in Kazakhstan] have arisen overnight,” Cheney marveled in 1998.⁷⁶

The Karachaganak “opportunity,” later supported by a \$120 million loan from the World Bank’s International Finance Corporation, arose from corruption, according to a recent indictment handed down by U.S. prosecutors.

On April 2, 2003, a federal grand jury in New York indicted U.S. businessmen James Geffen on charges that he bribed Kazakh officials in two Karachaganak-related transactions: “Mobil Oil’s 1995 agreement to finance the processing and sale of gas condensate from the Karachaganak oil and gas field” and “Texaco and other oil companies’ purchase of a share in the Karachaganak oil and gas field in 1998.”⁷⁷

AZERBAIJAN

Dick Cheney lobbied to remove congressional sanctions against aid to Azerbaijan—sanctions imposed because of concerns about ethnic cleansing. Cheney said the sanctions were the result only of groundless campaigning by the Armenian-American lobby. In 1997, KBR bid on a major Caspian project from the Azerbaijan International Operating Company.⁷⁸



HALLIBURTON AROUND THE WORLD

COUNTRY	PROJECT	INSTITUTION	YEAR APPROVED	\$MILLIONS (A)
Algeria	Algeria oil and gas fields (including Tabenkort)	ExIm	1992	58.8
		ExIm	1992	278.7
		ExIm	2000	146.4
Algeria	LNG-1 production plant	ExIm	1992	346.5
Angola	Cabinda Concession oil production	ExIm	1998	200
Azerbaijan	Azeri, Chirag, Gunashli oil fields	EBRD	2003	30
		IFC	2003	60
	Early Oil field and pipeline development	EBRD	1998	200
		IFC	1998	200
	Guneshli oil field restructuring	IBRD/IDA	1995	20.9
Bangladesh	Gas pipeline network	OPIC	1997	100
		IBRD/IDA	1996	120.8
Bangladesh, India	Cairn Energy oil and gas developments	IFC	2004	40
Brazil	Barracuda-Caratinga oil field	MIGA	2001	72
Brazil	Bolivia-to-Brazil gas pipeline	IDB	1997	240
		MIGA	1999	14.8
		IBRD/IDA	1997	130
		IBRD/IDA	2001	180
Chad, Cameroon	Chad (Doba) oil field, pipeline through Cameroon	ExIm	2000	151.8
		IBRD/IDA	2000	151.3
		IFC	2000	400
China	Castle Peak 2,400 MW gas-fired power plant	ExIm	1993	409.1
China	Nanghai Petrochemical Complex	ExIm	2003	200
China	Ping Hu oil and gas development	ADB	1995	130.9
Colombia	Oleoducto Central (Oil Central Pipeline)	ExIm	1992	47.1
		ExIm	1994	51.4
		ExIm	1995	10.3
India	Coal India mining expansion	IBRD/IDA	1997	532
Georgia	Early Oil pipeline study	IBRD/IDA	1997	1.4
Kazakhstan	Alibekmola oil fields	IFC	2002	3.6
Kazakhstan	Karachaganak oil field	IFC	2002	150
Kazakhstan	Uzen oil field	IBRD/IDA	1996	109
Mexico	Burgos Basin gas development	ExIm	1998	176.9
		ExIm	2001	130
Mexico	Cantarell oil field	ExIm	2001	300
		ExIm	2004	287.3
Mexico	New Pidiregas oil and gas field	ExIm	2003	400
Mozambique FIX	Pande gas fields	IBRD/IDA	1994	30
Nigeria	Nigeria LNG Ltd. plant	ExIm	2002	135
		AfDB	2002	100
Qatar	Qatargas gas field and LNG plant	ExIm	1997	318.7
Russia	East Orenburg oil and gas field (ZAO Stimul)	OPIC	1999	30
		EBRD	1999	30
		MIGA	2001	100
Russia	Sakhalin II oil and gas development	OPIC	1997	116
		EBRD	1997	116
Russia	Tyumen Oil (Samotlor oil field and Ryazan refinery)	ExIm	1994	279
		ExIm	2000	292
Thailand	Gulf of Thailand gas pipeline	ADB	1993	100
		IBRD/IDA	1993	105
		IBRD/IDA	1995	155
GLOBAL		All, 1993 to early 2004		7,832

HALLIBURTON INVOLVEMENT	OTHER MULTINATIONALS
Field contractor	Total
Engineering services	Bechtel
Oil field contractor	Chevron, Elf, Agip
ACG Phase 1 developer	BP, ExxonMobil, Lukoil, Statoil, Unocal, TPAO
Gas field owner (25% stake in joint venture with Cairn)	Cairn Energy, Occidental, Ocean Energy, Shell, Unocal
Lead contractor	Itochu, Mitsubishi, Mitsui
Pipeline builder	BHP, British Gas, El Paso Energy, Enron, Shell, Murphy Bros.
Project developer	ChevronTexaco, ExxonMobil, Petronas
Gas field developer	ExxonMobil, BP
Equipment supplier	Bechtel, Stone & Webster, Triconex
Pipeline builder	Saipem
Pipeline contractor	Techint, BP, Total, IPL Energy, TransCanada Pipelines, Triton Energy
Equipment supplier	Atlas Copco, Ingersoll-Rand, Komatsu, Penske
Field developer	BP, ExxonMobil, Lukoil, Statoil Unocal
Field developer	Nelson Resources
Field engineer	Eni, British Gas, ChevronTexaco, Lukoil, Schlumberger, Texaco, ExxonMobil
World Bank contractor	China National Petroleum Corp., Ferrostaal, Spig Interpipe, Bonus Resources, SNC Lavalin
Field contractor	M-I Drilling Fluids, Schlumberger, Tetra, Weatherford, Peerless, Owen Oil Tools
Equipment and services	Bechtel, Horizon, Pride Offshore, Schlumberger, BJ Services, ABS Integrated Svcs
Equipment and services	Schlumberger, Solar Turbines, Kvaerner
Equipment and services	Schlumberger, M-I, Weatherford, BJ Services, Baker Hughes, Petrotech
Enron contractor	Enron
Engineering and construction services	Shell, Total, Agip, Technip, Snamprogetti
Equipment supplier	ExxonMobil, Itochu, Nissho Iwai, Korea Gas
Production design	Avalon Int'l, Victory Oil
Engineering, procurement, other services	Fluor Daniel, Marathon Oil, Mitsui, Shell, Mitsubishi
Equipment supplier	ABB Lummus, Gulf Canada
Gas field contractor	ChevronTexaco, Mitsui, Total, Unocal

NOTES:

This table describes U.S. taxpayer-financed overseas fossil fuel extractive projects in which Halliburton is involved as an investor, contractor, or operator. Sources include the World Bank Group, regional development banks, U.S. government, and corporate and news sources. Further information on these projects is available at the Sustainable Energy and Economy Network web site, <http://www.seen.org>.

(a) The value (\$millions) listed is the total amount of financing (loans, equity investment, credits, or guarantees) for projects in which Halliburton is involved. The value does not reflect the value of each company's investments, profits, or contracts, with each project.

ADB = Asian Development Bank (financed in part by the U.S. government)

AfDB = African Development Bank (financed in part by the U.S. government)

EBRD = European Bank for Reconstruction and Development (financed in part by the U.S. government)

ExIm = U.S. Export-Import Bank (part of the U.S. government)

IBRD/IDA = International Bank for Reconstruction and Development / International Development Agency (part of the World Bank Group)

IDB = Inter-American Development Bank (financed in part by the U.S. government)

IFC = International Finance Corporation (part of the World Bank Group)

MIGA = Multilateral Investment Guarantee Agency (part of the World Bank Group)

OPIC = Overseas Private Investment Corporation (part of the U.S. government)

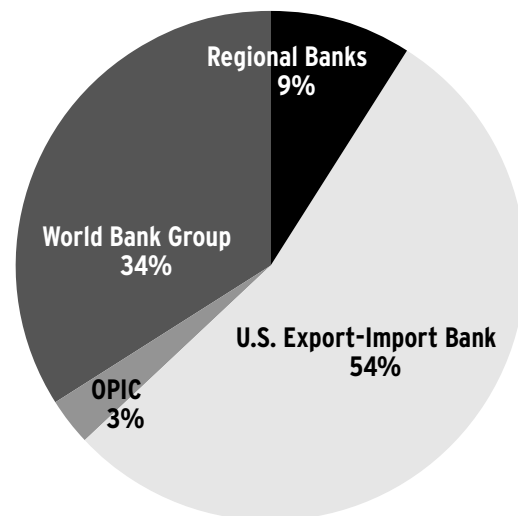
CORPORATE WELFARE AND POLITICAL CONNECTIONS

In 2000, *The Chicago Tribune* quoted a Halliburton vice president, Bob Peebler, saying, “Clearly Dick gave Halliburton some advantages. Doors would open.”⁸¹

Doors did open for Halliburton while U.S. Vice President Dick Cheney was the company’s CEO—especially doors in Washington. While Cheney was in charge of Halliburton, he parlayed political connections and taxpayer assistance into a dramatic global expansion that was fueled through corporate welfare. These corporate welfare checks, paid for by U.S. taxpayers, came in the form of subsidies from the World Bank Group, ExIm, and other international lending institutions.

No corporation has benefited more from World Bank fossil fuel extractive project financing than Halliburton. Since 1992, the Bank approved more than \$2.5 billion in finance for 13 Halliburton projects.⁸² ExIm is an even more significant financier of Halliburton’s global expansion. Since 1992, ExIm’s board has approved more than \$4.2 billion for 20 Halliburton projects. Other U.S. taxpayer-financed institutions, including OPIC and regional development banks⁸³, tossed in another \$1.1 billion for Halliburton-related projects, bringing the overall total U.S. taxpayer-supported finance for Halliburton’s overseas projects since 1992 to more than \$7.8 billion.

These institutions support Halliburton projects that span the world, from the coal mines of India to the oil fields of Chad and Colombia. Some of these corporate welfare projects are now under government investigation, such as the Nigeria LNG plant, where not only are Halliburton representatives accused of corrupt transactions, they are also accused, by Nigerian activists, of complicity in the violent suppression of dissent and relocation of Bonny Islanders. This project received \$235 million in financial support from ExIm and the African Development Bank in 2002.



When the World Bank and ExIm become involved in Halliburton projects, they provide a cloak of legitimacy to the company’s business deals with some of the world’s most unsavory governments. Additionally, the entire practice of providing government loans for fossil fuel development is under fire, even from the World Bank itself. A vast body of evidence shows that public money is being used to perpetuate an indus-

try that is at the root of climate change, wars, corruption, and a widening gap between rich and poor. These systemic troubles led a January 2004 World Bank-commissioned study, the *Extractive Industries Review*, to recommend that the Bank get out of the oil extraction business altogether.

CAMPAIGN CONTRIBUTIONS AND LOBBYING

Cheney’s extensive political connections and ties to Halliburton are not the only way Halliburton opens doors in Washington. Halliburton, along with other energy corporations, has been one of the most steadfast supporters of the Bush administration. There are more “Pioneers” (individuals who have committed themselves to generating \$100,000 or more in hard money contributions for Bush) from energy company executives than any other economic sector.

Even among this stalwart industry, Halliburton stands out. The company has contributed over \$1.1 million in soft money and donations since 1995. Halliburton’s Political Action Committee (PAC) contributed more than \$700,000 to federal candidates over the last five election cycles. Halliburton also made \$432,375 in soft money contributions beginning in 1995 and ending in November 2002 when the Bipartisan Campaign Reform Act took effect and banned the national parties and federal candidates from raising such money.

In addition to contributing to specific political candidates, Halliburton has spent \$2.6 million lobbying public officials since 1998, employing well-connected lobbyists with extensive histories in the Defense Department and on congressional oversight committees. One former Halliburton lobbyist, David Gribbin, served as Dick Cheney’s administrative assistant dur-

HALLIBURTON PAC & SOFT MONEY EXPENDITURES
January 1, 1995 through December 31, 2003

PAC		Soft	
Democrats	Republicans	Democrats	Republicans
\$44,500	\$710,002	\$0	\$432,375
\$754,502		\$432,375	

*Soft money includes donations by executives and/or affiliates. The ban on soft money raising by national parties went into effect on November 6, 2002. While many companies make contributions to both political parties, over 94 percent of Halliburton’s hard money contributions since 1995 have gone to Republicans. All of Halliburton’s soft money contributions went to the Republican Party.

ing his tenure in the House of Representatives and as assistant secretary for legislative affairs under Cheney in the Pentagon. Another lobbyist, Donald Deline, served as legislative counsel to Cheney when he was secretary of defense and later became counsel to the Senate Committee on Armed Services.

Halliburton gave \$376,952 in contributions during the 2000 presidential election cycle and will likely spend a similarly large amount in the upcoming presidential election. Every presidential election cycle usually sees a spike in contributions from many industries, including energy and energy services. This year especially, companies like Halliburton will likely be relying heavily on PAC contributions to ensure a Congress favorable to its needs.

*Hard money refers to contributions raised by candidates, the parties, or other political committees subject to federal contribution limits and disclosure requirements

** Soft money refers to contributions made outside the limits and prohibitions of federal law, including large individual and direct corporate and union contributions. PAC refers to a political-action committee established and operated by individuals, organizations, corporations, or labor unions that solicits hard money contributions from members or executives to support or oppose federal candidates.

HALLIBURTON PAC, SOFT MONEY & LOBBYING EXPENDITURES
January 1995 through December 2003

Election Cycle	Lobbying Expenditures*	PAC & Soft Money Contributions**	Total
1995-1996	\$218,000	\$218,000	
1997-1998	\$540,000	\$354,175	\$894,175
1999-2000	\$1,200,000	\$376,952	\$1,576,952
2001-2002	\$600,000	\$163,250	\$763,250
2003	\$300,000	\$75,500	\$375,500
Total	\$2,640,000	\$1,187,877	\$3,827,877

*Lobbying reports available only for the years 1998 through 2003.
**Soft money includes donations by executives and/or affiliates. The ban on soft money went into effect on November 6, 2002.

CONCLUSION AND RECOMMENDATIONS

On May 19, Halliburton will hold its annual shareholders meeting in Houston, Texas. David Lesar, Halliburton's CEO, has said, "One day, I believe, we will look back on 2003 as a watershed year when we took steps to become a leaner, tougher organization and continued to put ourselves in position to win in the years ahead." 2003 is also the year when Halliburton will, beyond a doubt, have established itself as one of the most unpatriotic corporations in America.

As documented in this report, Halliburton's track record in Iraq is scandalous, from the company's failure to live up to the terms of its contract to its overcharging millions of dollars to U.S. taxpayers. Elsewhere in the world, Halliburton's practices are similarly abhorrent, and include bribing political officials, dodging taxes through the use of offshore subsidiaries, and side-stepping federal laws in order to do business with some of the most corrupt and brutal regimes in the world.

But Halliburton is embedded in the Bush administration, the company has continued to receive lucrative government contracts despite its unethical and illegal business practices. It is the leading partner among the "coalition of the billing" in Iraq and the sole provider of support services to the U.S. military.

Rather than being rewarded for its unethical and possibly illegal behavior, Halliburton should be held accountable for its past and current practices. The Pentagon's decision to refer

Halliburton's actions to the Justice Department for a criminal investigation is commendable and an important first step. However, a much broader inquiry is needed into the politics of contract decisions and the performance of corporations that have been given billions of taxpayer dollars.

The following recommendations are directed to Halliburton's executives and shareholders as well as U.S. policy makers. If enacted, they would go a long way toward protecting U.S. taxpayers and Iraqis from fraud, waste, and corruption by Halliburton. They would also show the American public that Halliburton and American politicians take seriously our concerns about war profiteering and corporate cronyism. As Congressman James Leach said in January of this year: "It's not a partisan issue, the public has a right to expect that its resources are carefully dispersed and honestly spent."

RECOMMENDATIONS FOR HALLIBURTON

- **Bring your employees home from Iraq.** Halliburton's presence in Iraq is angering qualified Iraqis who are being denied contracts to do the work themselves and endangering Halliburton's own employees. It's also clear, from the confirmed case of bribery to the allegations of overcharging, that Halliburton is unable to properly oversee its work in Iraq to ensure that Iraqis and American taxpayers are not being ripped off. It's time to bring the company home from Iraq.
- **End the veil of secrecy-release the Iraq contract details to the public.** Americans deserve to know how our tax dollars are being spent. And certainly we want our legislators, who are charged with oversight of public contracts, to have access to the Iraq reconstruction contracts. Halliburton should immediately make public the details of its contracts in Iraq and the bidding process by which they were awarded.
- **Stop doing business with dictators.** By doing business with dictators and corrupt regimes around the world, Halliburton not only supports and provides credibility to those regimes, it profits from the suffering of people in those countries. Being a patriotic company means supporting human rights. Halliburton should end its business dealings with Iran, Libya, Kazakhstan, and other countries that violate the human rights of their citizens.
- **Be a good corporate citizen-pay your taxes.** Doing business in the United States means paying taxes to support the infrastructure that makes it possible for U.S. businesses to operate. Halliburton must stop using overseas subsidiaries to dodge its U.S. tax obligations.
- **Cut financial ties to Vice President Dick Cheney.** It is an unbelievable conflict of interest for Halliburton, the number one beneficiary of Iraq "reconstruction" contracts, to be paying more than \$150,000 annually to a vice president who pushed for and promotes the very war from which Halliburton is profiting. At the very least, Halliburton shareholders should demand a halt in payment of Cheney's deferred compensation until all federal investigations concerning accounting fraud and bribery that happened during his tenure as CEO are resolved.
- **Respect your workers.** Pay your workers a fair wage, provide decent working conditions especially in war situations, and allow your workers to form unions as well as to access courts and dispute resolution mechanisms in the United States.

RECOMMENDATIONS FOR U.S. POLICY MAKERS

- **Cancel Halliburton's Iraq contracts.** Enact a contract suspension and debarment standard that disqualifies any company from being eligible for contracts if it has committed three major violations of law within the last five years, or which is currently under criminal investigation for activities similar to those involved in the prospective contract. Enough evidence has been accumulated to merit the cancellation of Halliburton's Iraq contracts, including reports about Halliburton's shoddy work in Iraq, its possible overcharges to the government of some \$85 million, ongoing investigations of accounting fraud and bribery in Nigeria, and confirmed kickbacks worth more than \$6 million. Halliburton is also being investigated by the Justice Department for possible criminal wrongdoing related to its Iraq contracts. It's time for the U.S. government take action to protect both Iraqis and U.S. citizens from Halliburton's unethical practices.
- **Investigate and penalize war profiteering.** Congress should immediately pass the War Profiteering Prevention Act (H.R. 3673/S. 1813), which would prohibit profiteering and fraud relating to military action, relief, and reconstruction efforts in Iraq. Congress should also enact legislation introduced by Representative James A. Leach (R-Iowa), which would establish a select oversight committee to investigate the awarding and carrying out of government contracts in Iraq and Afghanistan, similar to the Truman Committee of World War II.
- **Ensure transparency and accountability in government contracting.** U.S. government agencies should prevent the type of cronyism that has allowed companies like Halliburton to cash in their political connections for lucrative contracts. The bidding process for U.S. government contracts in Iraq and elsewhere should be open and transparent. Companies like Halliburton that have repeatedly violated federal laws should be banned from receiving government contracts.
- **Let Iraqis rebuild their own country and make their own decisions about the future of their economy.** Qualified Iraqi businesses are hungry to take over the work that Halliburton has been doing unsatisfactorily, and at a fraction of the cost. The Iraqi people deserve to be the first bidders on contracts to rebuild their country rather than being prohibited from bidding as is currently the case. Iraqis should also be making the decisions about who is awarded rebuilding contracts, not to mention all other decisions regarding future control of the Iraqi economy.

- **Overtturn Executive Order 13303.** In May 2003, President Bush quietly passed Executive Order 13303, entitled 'Protecting the Development Fund and Certain Other Property in Which Iraq Has an Interest.' According to whistleblowers who have seen this order, it allows "U.S. oil companies in Iraq blanket immunity from lawsuits and criminal prosecution" and "appears to provide immunity against contractual disputes, discrimination suits, violations of labor practices, international treaties, environmental disasters, and human rights violations. Even more, it doesn't limit immunity to the production of oil, but also protects individuals, companies, and corporations involved in selling and marketing the oil as well."⁷⁹ Therefore, Halliburton, which was in charge of Iraqi oil distribution and thus has assets that can be traced back to Iraqi oil, becomes immune from any kind of prosecution, even if it engages in criminal behavior in the United States.⁸⁰
- **End corporate welfare.** The World Bank, U.S. Export-Import Bank, the Overseas Private Investment Corporation, and other international lending institutions should stop subsidizing Halliburton's fossil fuel development projects, which have perpetuated climate change, wars, corruption, and a widening gap between rich and poor.
- **Take the money out of politics.** Attempts by companies like Halliburton to manipulate the political process with millions of dollars in campaign contributions will only be thwarted when the corrupting influence of money is taken out of our political system. Federal funding of political campaigns would ensure that Halliburton's claim that they get their contracts because of "what they know, not who they know" rings true.



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This document can be viewed, downloaded or printed at
any of the websites listed above.

A Corpwatch report (www.corpwatch.org) with Global Exchange (www.globalexchange.org)

In collaboration with Center for Corporate Policy (www.corporatepolicy.org), Common Cause (www.commoncause.org), Institute for Policy Studies, Institute for Southern Studies (www.southernstudies.org), and Taxpayers for Common Sense (www.taxpayer.net). Contributing authors are Andrea Buffa, Pratap Chatterjee, Charlie Cray, Rania Masri, Tara Schubert, Mike Surrusco, and Jim Vallette. Edited by Pratap Chatterjee and Eva Diemel.

“The problem is that the good Lord didn’t see fit to put oil and gas reserves where there are democratically elected regimes friendly to the interests of the United States.”

Dick Cheney

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