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# Halliburton's Destructive Engagement

## How Dick Cheney and USA-Engage Subvert Democracy at Home and Abroad

A Report by EarthRights International
October 2000

EarthRights International

EarthRights International (ERI) is a non-government, nonprofit organization combining the power of law and the power of people to protect earth rights. Earth rights are those rights that demonstrate the connection between human well-being and a sound environment, and include the right to a healthy environment, the right to speak out and act to protect the environment, and the right to participate in development decisions. ERI is at the forefront of efforts to link the human rights and environmental movements.



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By Kenny Bruno & Jim Vallette

EarthRights International thanks all of our supporters and funders, in particular The Beldon Fund, The Richard and Rhoda Goldman Fund, and The Turner Foundation.

# Introduction

Before Dick Cheney was selected as George W. Bush's running mate, EarthRights International (ERI) had decided to look into oil services giant Halliburton, where Cheney was CEO. The reason for our interest was Halliburton's prominent role in a corporate coalition called USA-Engage, an offshoot of the National Foreign Trade Council (NFTC') that has become an obstacle to democracy movements in the United States and in Burma, two countries where ERI works actively.

At the time, we did not know that while Cheney headed the company, Halliburton had done business with the notorious Yadana pipeline project in Burma – an environmentally damaging project on behalf of which, according to a U.S. federal court, egregious human rights abuses were committed, including murder, torture, rape, forced labor and forced relocation.

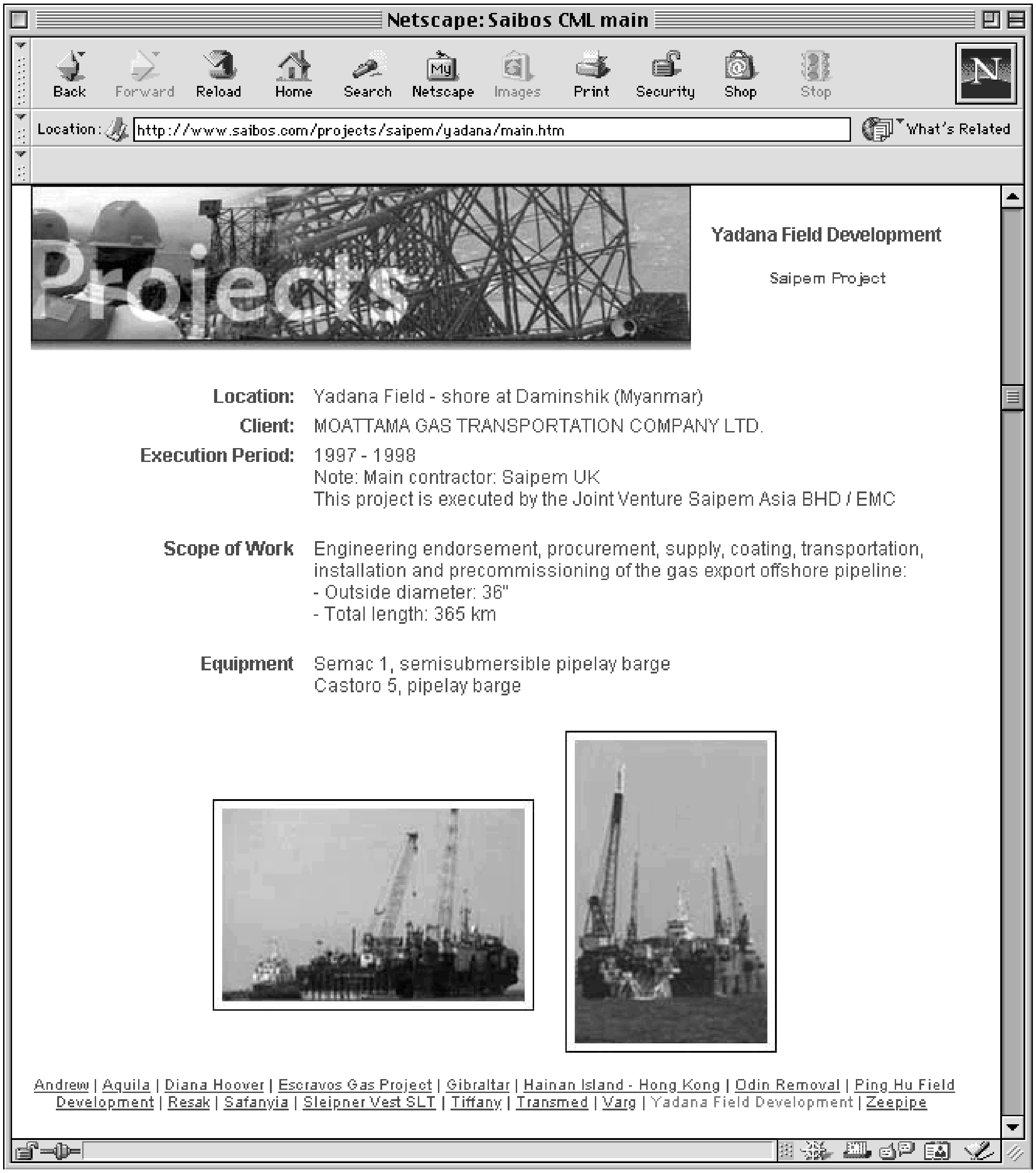
We did know that USA-Engage and the NFTC had become a serious obstacle to the Burma democracy movement. They opposed Burma sanctions. They opposed the Massachusetts Burma law, a selective purchasing measure modeled after laws that helped bring down apartheid in the 1980's. They believed only in "engagement," even for Burma, where the leader of the democratically elected ruling party, Aung San Suu Kyi, has called for sanctions to isolate and weaken the brutal military dictatorship.

They had also tried to undermine some positive expressions of democracy in the U.S., by attacking laws that helped citizens control how their state and local tax dollars were spent.

The work of these powerful corporate groups came to fruition last June, when the Supreme Court struck down the Massachusetts Burma law. The corporations' winning argument was that states should not be able to steer money away from the Burma dictatorship, because the federal government has already enacted sanctions against Burma that preempt state laws. But the same corporations also vigorously lobby Congress not to impose those federal sanctions.

The threat of USA-Engage is, as Jacob Heilbrunn put it in the New Republic, "the corporate takeover of foreign policy." We decided to do a series of corporate profiles of USA-Engage members, to look at the interests behind these corporate coalitions. We had already studied Unocal in great detail, both in reports (***Total Denial*** and ***Total Denial Continues***) and as part of the federal lawsuit against them for complicity in human rights crimes in Burma, in which we serve as counsel to the plaintiffs. Knowing that Halliburton had been active in USA-Engage, we decided to study them next, and shortly afterwards, Dick Cheney became a candidate for Vice President of the United States.

Since his candidacy, others have focused on his mixed financial record as CEO of Halliburton, and his enormous retirement package. We were interested more in Halliburton as a player in geopolitics. What we found is that Dick Cheney and Halliburton have been stirring a toxic mixture of oil, politics and business. Dick Cheney the politician opposes sanctions against almost all countries; Dick Cheney the businessman profits from working in many of those same countries. Dick Cheney the Secretary of Defense wages war on Iraq; Dick Cheney the businessman gets contracts to cleanup the damages and turns Halliburton into a giant defense contractor. Dick Cheney the government official makes high-level bank contacts; Dick Cheney the businessman obtains huge government loans for his company.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Location: http://www.saibos.com/projects/saipem/yadana/main.htm What's Related

Projects

**Yadana Field Development**

Saipem Project

**Location:** Yadana Field - shore at Daminshik (Myanmar)
**Client:** MOATTAMA GAS TRANSPORTATION COMPANY LTD.
**Execution Period:** 1997 - 1998
Note: Main contractor: Saipem UK
This project is executed by the Joint Venture Saipem Asia BHD / EMC

**Scope of Work** Engineering endorsement, procurement, supply, coating, transportation, installation and precommissioning of the gas export offshore pipeline:
- Outside diameter: 36"
- Total length: 365 km

**Equipment** Semac 1, semisubmersible pipelay barge
Castoro 5, pipelay barge

Andrew | Aquila | Diana Hoover | Escravos Gas Project | Gibraltar | Hainan Island - Hong Kong | Odin Removal | Ping Hu Field Development | Resak | Safanyia | Sleipner Vest SLT | Tiffany | Transmed | Varg | Yadana Field Development | Zeepipe

*Above:* A page from a website shows barges used to lay the Yadana Pipeline. EMC is a subsidiary of Halliburton.

Cheney's views on sanctions are consistent, and they are also remarkably beneficial to the oil business. That Dick Cheney built up Halliburton and got rich cashing in on connections from a long political career is obvious. That his policies and influence are serving commercial interests at the expense of human rights and the environment is less understood. It is hidden behind the doctrine of "constructive engagement," which holds that what's good for U.S. business is good for democracy, anywhere and everywhere.

The fallacy of the engagement doctrine is illustrated perfectly by Halliburton's destructive engagement with the Burmese military dictatorship, one of the most repressive in the world. In 1996 and

1997, Halliburton subsidiary European Marine Contractors (EMC) helped lay the offshore portion of the Yadana natural gas pipeline. The Yadana pipeline runs from offshore, through Burma and on into Thailand. The Yadana consortium includes California-based Unocal, French oil giant Total, a Thai state company and a Burmese state company. In the course of providing security for this project, the Burmese military killed, raped, tortured and employed slave-like working conditions for thousands of villagers. And the western companies, Unocal and Total, knew about these practices, accepted them, and benefited from them.

As did Halliburton. Their involvement with the Yadana pipeline, though not as intimate as Unocal's, is clear. At a time when the Burmese government routinely and brutally violated basic human rights, Halliburton worked for them in a unnecessary but profitable boondoggle that will help support the dictatorship for years, and profited from the misery of villagers targeted by the military.

This is the real face of "engagement" with Burma. And while it is an especially ugly case, it is not an isolated instance. Halliburton does business in many other controversial places, asserting that engagement helps bring American values and democracy. Human rights groups, including EarthRights International, do not believe sanctions are appropriate against all dictators. Sanctions must be evaluated on a case-by-case basis. Apartheid-era South Africa is the classic case in which sanctions were an appropriate tool for pressuring, isolating, and weakening an illegitimate regime. Burma is another.

For all the rhetoric of democracy and American values, the real agenda of Halliburton and USA-Engage is to remove any and all obstacles, including moral compunction, from doing business. As Dick Cheney says, "You've got to go where the oil is. I don't think about it [political volatility] very much." For Halliburton, "not thinking very much" about political instability, human rights or environmental protection has been a financially successful strategy.

We believe that it is important for members of all three branches of government, at the federal, state and local levels, and for all citizens, to understand what is really behind USA-Engage's assault on democracy. This understanding is a first step toward resisting their undue influence on our foreign policy. The next step is to place commitment to human rights above the commercial interests of these companies.

## *Destructive Engagement in Burma*

Since 1988, when the Burmese military opened up the country to foreign investment after a generation of isolation, the country has seen no improvement on a whole range of indicators – such as education, health, and poverty – that investment is supposed to help improve. Instead, investment has brought a doubling in the size of the country's army and major arms purchases that have in turn furthered the repression. Investment has also been concentrated in extractive industries – namely logging, gems and natural gas – resulting in the selling off of Burma's natural resources at alarming rates. The stream of refugees and migrants out of the country – fleeing the human and economic devastation brought about by the regime – is perhaps the clearest indicator that investment and business engagement with Burma are not working.

*Adapted from Tyler Giannini, "Destructive Engagement: A Decade Of Foreign Investment in Burma," EarthRights International Issue Paper October 1999*

# Executive Summary

## CHAPTER 1: HALLIBURTON AND BURMA

Halliburton provided services to two controversial gas pipelines in Burma, the Yadana and the Yetagun. From 1992 until the present, thousands of villagers in Burma were forced to work in support of these pipelines and related infrastructure, lost their homes due to forced relocation, and were raped, tortured and killed by soldiers hired by the companies as security guards for the pipelines. One of Halliburton's projects was undertaken during Dick Cheney's tenure as CEO. Halliburton's participation in these projects shows a callous disregard for the consequences of their business behavior.

- Halliburton Energy Services joined with Alfred McAlpine (U.K.) to provide pre-commissioning services to the Yadana pipeline in Burma.
- European Marine Contractors (EMC), a joint venture of Halliburton and Saipem (Italy), laid the offshore portion of the Yadana pipeline in 1996 – 97 (while Dick Cheney was CEO).
- In 1998, a subsidiary of Dresser Industries called Bredero-Price (now known as Bredero-Shaw), manufactured the coating for the Yetagun pipeline, which runs parallel to the Yadana. Dresser was purchased by Halliburton that same year. Even before the merger was complete, Dick Cheney said "…how we conduct ourselves as a nation…is of considerable importance to "*us at Halliburton and Dresser.*" (emphasis added)

Halliburton also had an office in Rangoon in 1990. In 1996, Dick Cheney signed a deal to build a gas pipeline from Burma to India. The plans were still active as of 1999, though the pipeline has not been built.

In September 2000, Halliburton spokesperson Wendy Hall said, "We don't do business in Burma." EarthRights International considers Halliburton's role in Burma a classic case of "destructive engagement."

### *EarthRights International's Position*

- U.S. sanctions against governments and companies that do not respect human rights and the environment must remain a policy option. Other forms of economic advocacy such as selective purchasing and divestment must also remain available tools for promotion of human rights and the environment.
- Business engagement in Burma is destructive – it profits the generals and supports a brutal and illegitimate regime. Corporations should not do business in Burma.
- U.S. sanctions against Burma should remain in place.
- U.S. corporations should be held liable for complicity in human rights and environmental crimes committed overseas.
- U.S. foreign policy should reflect the will of its citizens, not the commercial interests of its large corporations.
- Citizen movements for democracy must counter the efforts of USA-Engage to take control over U.S. foreign policy.

## CHAPTER 2: THE CORPORATE CAMPAIGN AGAINST SANCTIONS

Chapter 2 looks at Halliburton's role in USA-Engage, a corporate coalition whose mission is to promote business engagement and prevent sanctions.

Dick Cheney's position on sanctions is virtually identical to that of USA-Engage. Halliburton has been an active member of USA-Engage and its campaigns against almost all forms of sanctions.

- Halliburton's Don Deline organized USA-Engage's attack against the Wolf-Specter bill which would sanction nations practicing religious persecution.
- USA-Engage has close ties not only to former Republican officials like Cheney but Clinton Administration officials such as Security Advisor Sandy Berger.
- Dick Cheney has been an active and vocal opponent of U.S. sanctions.
- Dick Cheney signed an amicus brief against the Massachusetts Burma law, a selective purchasing law modeled on successful anti-apartheid legislation of the 1980's. The Massachusetts law was struck down by the Supreme Court in June.
- Halliburton also opposed sanctions as a member of the President's Export Council (PEC).
- Halliburton's Dale Jones opposed sanctions as a member of the State Department's Advisory Committee on International Economic Policy.
- USA-Engage's policies were supported by exaggerated findings of economic harm based on discredited methodology in a report funded by USA-Engage itself.

## CHAPTER 3: HALLIBURTON AROUND THE WORLD

Halliburton is the world's largest diversified energy services, engineering, construction and maintenance company, with some $15 billion in revenue annually, 100,000 employees, and 7,000 customers in over 120 countries.

During Dick Cheney's tenure as CEO, Halliburton's overseas operations went from 51% of revenue to 68% of revenue. It also became the 17th largest U.S. defense contractor. Halliburton's overseas operations included controversial projects in Azerbaijan, Indonesia, Iran, Iraq, Libya and Nigeria. Chapter 3 looks briefly at Halliburton in each of those countries.

<u>Azerbaijan:</u> 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 the Armenian-American lobby. In 1997, Halliburton subsidiary Brown & Root on a major Caspian project from the Azerbaijan International Operating Company.

<u>Indonesia</u>: Halliburton has extensive investments and contracts in Indonesia. One of its contracts was cancelled by the government during a purging of corruptly awarded contracts. Indonesia Corruption Watch named Kellogg Brown & Root (Halliburton's engineering division) among 59 companies using collusive, corruptive and nepotistic practices with former president Suharto's family.

<u>Iran</u>: Dick Cheney has lobbied against the Iran – Libya Sanctions Act. Even with the Act in place, Halliburton has continued to operate in Iran. It settled with the Department of Commerce over allegations relating to Iran for $15,000, without admitting wrongdoing.

<u>Iraq:</u> Dick Cheney cites multilateral sanctions against Iraq as an example of sanctions he supports. Yet since the war, Halliburton-related companies helped to reconstruct Iraq's oil industry.

<u>Libya:</u> Before Cheney's arrival, Halliburton was deeply involved in Libya, earning $44.7 million

there in 1993. After sanctions on Libya were imposed, earnings dropped to $12.4 million in 1994. Halliburton continued doing business in Libya throughout Cheney's tenure. One U.S. Congressman accused the company "of undermining American foreign policy to the full extent allowed by law."

Nigeria: Halliburton has been accused of complicity in the shooting of a protestor by Nigeria's Mobile Police Unit, playing a similar role to Shell and Chevron in the mobilization of this 'kill and go" unit to protect company property.

Dick Cheney has been a strong voice in preventing or eliminating federal laws that place limits on Halliburton's ability to do business in these countries.

## CHAPTER 4: HALLIBURTON, CORPORATE WELFARE KING

Halliburton is a major beneficiary of bilateral and multilateral government aid toward fossil fuel industry projects in developing countries and the former countries of the Soviet Union. The company is a contractor on projects that have been financed by $6 billion in government aid packages since 1992. These packages include loans, credit, guarantees and insurance for fossil fuel projects for which Halliburton has supplied services and equipment.

Total amounts of government aid that led to Halliburton contracts:

| | |
|---|---|
| Ex-Im Bank | $2.71 billion |
| World Bank | $1.11 billion |
| OPIC | $611 million |
| Other | $1.56 billion |

These figures are low, as they do not include loan packages to at least 13 countries which received Ex-Im Bank loans, and with which Halliburton was involved.

Countries included in ERI calculations: Algeria, Angola, Azerbaijan, Bangladesh, Bolivia-Brazil, Chad-Cameroon, Colombia, Kazakhstan, Mexico, Mozambique, Qatar, Russia, and Uzbekistan.

Of these, human rights and environment groups have especially targeted the Bolivia-Brazil pipeline and the Chad-Cameroon pipeline as among the world's leading destructive fossil fuel projects.

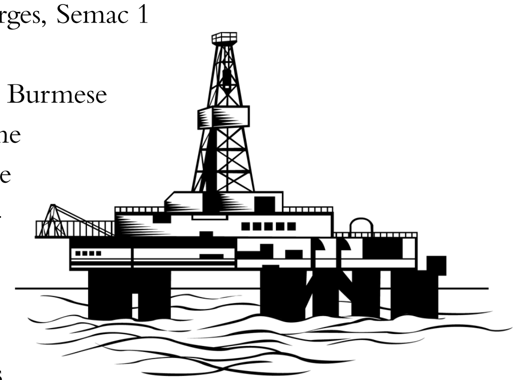
# Chapter 1: Halliburton and Burma

Halliburton's public policy on Burma is that they "don't do business in Burma."[1] But while the company may have no current direct investments in Burma, our research shows that Halliburton has had a number of business involvements in Burma, including participation in the notorious Yadana and Yetagun pipelines. The participation in these projects is a particularly reprehensible example of destructive engagement

At least one of those involvements took place while Dick Cheney headed the company, in 1996-97. This chapter briefly reviews those involvements.

Halliburton Geophysical Services had an office in Rangoon in October 1990. A 1992 report named Halliburton Geophysical Services as one of several companies contracted to develop oil and gas fields in Burma.[2] In the early 1990s, according to the website of the U.K. engineering firm Alfred McAlpine Pipeline Construction, Halliburton Energy Services joined with McAlpine to provide pre-commissioning services to the Yadana pipeline.[3]

In 1997, European Marine Contractors (EMC), was hired by the Yadana field developers to lay the 365 kilometer offshore portion of the Yadana pipeline. EMC, part of Halliburton's Energy Services Group, is a 50-50 joint venture between Halliburton and Saipem of Italy.[4] From July 1997 to October 1997, EMC installed the 36-inch diameter line using its pipelaying barges, Semac 1 (offshore) and Castoro 5 (onshore approach).[5]



The route followed by Halliburton and Saipem was chosen by the Burmese government to minimize costs, even though it would bring the pipeline through politically sensitive areas inhabited by ethnic minorities in the Tenasserim region of Burma. Given the Burmese military's well-documented history of human rights violations and brutality, the western companies knew or should have known that human rights crimes would accompany Burmese troops into the pipeline region.[6] In fact, there was ample evidence in the public domain that such violations were already occurring when Halliburton chose to lay a pipe for the project.[7]

In 1998, the same year it was bought by Halliburton, a subsidiary of Dresser Industries called Bredero-Price (now known as Bredero-Shaw) manufactured coatings for the Yetagun pipeline, which parallels the Yadana pipeline. The manufacture of the coating took place in Malaysia sometime before October, 1998.[8]

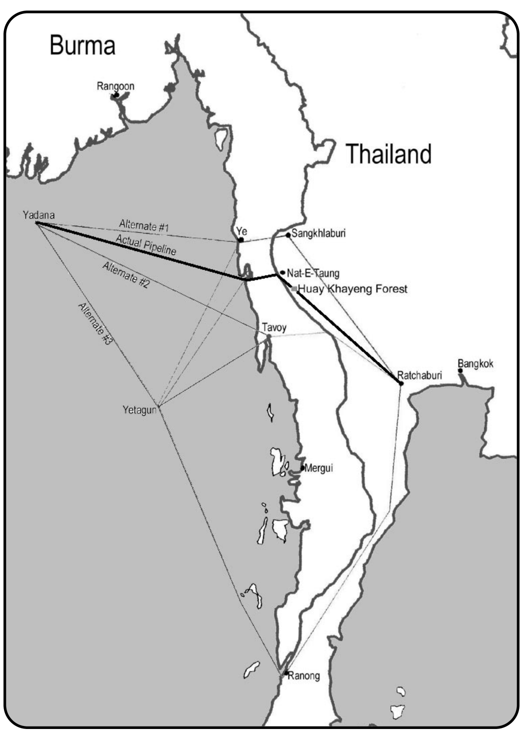
Halliburton started the process of buying Dresser in early 1998, and completed it in September of that year.[9] Bredero-Shaw is a 50-50 joint venture of Halliburton and Shaw Industries (Canada).[10]

In a June, 1998 speech, Dick Cheney said that "…what happens with respect to U.S. commercial policy, how we conduct ourselves as a nation, the kinds of rules and regulations that American firms are expected to abide by and operate under, and how all of that affects our ability to compete overseas is of considerable interest to *those of us at Halliburton and Dresser*."[11] (emphasis added) In other words, he had already begun to take responsibility for Dresser's role in international affairs when it provided services to the Yetagun pipeline.

## Background on the Yadana and Yetagun Projects

A U.S. federal District Court concluded in August 2000 that the Yadana pipeline consortium "knew the military had a record of committing human rights abuses; that the Project hired the military to provide security for the project, a military that forced villagers to work and entire villages to relocate for the benefit of the Project; that the military, while forcing villagers to work and relocate, committed numerous acts of violence; and that Unocal knew or should have known that the military did commit, was committing and would continue to commit these tortious acts."[12]

ERI's report ***Total Denial Continues***, further documents how the Yadana and Yetagun pipeline consortia knew of and benefited from the crimes against humanity committed by the Burmese military on behalf of the projects. ***Total Denial Continues*** documented several major facets of the Yadana/Yetagun tragedy. First, human rights abuses in the pipeline region are not isolated occurrences but rather part of a predictable pattern. Second, the abuses are not incidental – they are a direct result of the Western investments. Third, while violence and suppression of political freedoms are shocking, consistent violations of economic rights of villagers is equally pervasive. Finally, western companies Unocal, Total and Premier knew from their own consultants that abuses were occurring and would continue to occur around their projects.




***Above:*** Yadana Pipeline Route Halliburton helped lay the offshore portion of the pipe.

That these companies could be callous enough to believe even this form of engagement helps the people of Burma puts them in rare pariah company status in the international human rights community. Halliburton's participation, while not as intimate, shows the same callous disregard for the consequences of their business behavior.

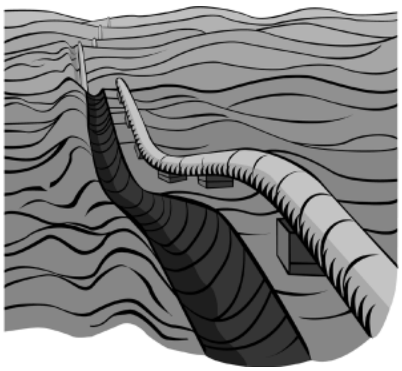
The Yadana field natural gas deposits were found offshore Burma in the Andaman Sea in 1982. Beginning in the late 1980s, the government of Burma sought investors in a planned pipeline from the Yadana field across Burma to Thailand. In 1991, the government reached a preliminary agreement, formalized later, to deliver gas to the Petroleum Authority of Thailand (PTT). In 1992, Total, a French oil corporation, agreed to develop the field with Myanma Oil and Gas Enterprise (MOGE). U.S. oil company Unocal joined the venture in 1993. [13]

The Yadana field consortium, Moattama Gas Transportation Company was incorporated in

December 1994. Its stakeholders include Total (31.24 percent), Unocal (28.26 percent), PTT (25.5 percent), and MOGE (15 percent). [14]

Spie Capag of France completed the 62-kilometer onshore section of the Yadana pipeline to Thailand in 1998. [15] Prior to the 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." [16]

The Yetagun pipeline, like the Yadana pipeline that it parallels, taps into gas fields in the Gulf of Martaban.



After traveling 100 kilometers offshore, it runs alongside the Yadana pipeline in Burma, and is therefore associated with the same human rights violations as the earlier pipeline. The Yetagun pipeline construction was completed earlier this year.

The Yetagun consortium members are Petronas (Malaysia), Premier (U.K.), Nippon Oil (Japan), MOGE and PTTEP, which signed a gas sales agreement on March 13, 1997. [18] Texaco, an original partner, withdrew from the consortium in 1997.

Elsewhere, EarthRights International has documented the enormity of the horrors of the Yadana and Yetagun pipelines (see Total Denial Continues, available from EarthRights International). For the purposes of this report, it is enough to say the likelihood that these abuses would occur, were occurring and would continue to occur were well known to observers of and companies operating in the region, and should have been obvious to Halliburton. Yet they chose to participate as contractors for the project.

## Burma-India Pipeline

On March 8, 1996, a few months after Cheney took charge at Halliburton, he met with India's petroleum minister, Satish Sharma, in Delhi. The two men signed an agreement between Halliburton's wholly-owned subsidiary, Brown & Root International, and the national Gas Authority of India (GAIL) to build a pipeline from offshore Burma to India. The pipeline has not been built, though the project remained alive as late as 1999.

Cheney and Sharma agreed to form a 50/50 joint venture that would supply 28.3 million cubic meters of gas per day to future power plants in eastern and southern India. According to Independent Power Report (March 28, 1996), "The joint-venture company would seek to acquire and transport natural gas from Myanmar — formerly Burma — and neighboring countries, as well as undertake upstream development in those countries to tap gas reserves, GAIL officials said. Brown & Root will be the joint venture's program manager." [19]

Although the Burma – India pipeline would not cross Burmese land and therefore not directly cause the kinds of human rights crimes associated with the Yadana pipeline, it would serve as a source of revenue to keep the generals in Burma in power. Providing revenue the generals desperately need to stay in power and to finance their massive military buildup is the very essence of "engagement" with Burma, and Dick Cheney's Halliburton has been ready to engage.

# CHAPTER ENDNOTES

1 personal communication between Wendy Hall of Halliburton and Kenny Bruno, Sept. 13, 2000. According to Gregg Jones writing in The Dallas Morning News on April 23, 1997, a Halliburton spokesman said "We have done some support work for petroleum industry clients in Burma in recent years, but it hasn't been material."

2 www.endgame.org; Dara O'Rourke, "Oil in Burma: Fueling Oppression," Multinational Monitor 13(10):7-11, Oct. 1992; "Foreign Investments," Burma Alert, October 1995.

3 <www.amcivil.com/pipelines.shtml> and personal communication with McAlpine official

4 Halliburton annual reports, 1993-1999)

5 "Marine Construction," Offshore, June 1997; "Far East ," Pipe Line & Gas Industry, Nov. 1996 and Nov. 1997) <www.saipem.it/italiano/costruzioni_mare/LAVORI/yadana/Default.htm> and

<www.saibos.com/projects/saipem/yadana/main.htm>

6 Giannini et al, "Total Denial Continues," EarthRights International, Bangkok and Washington D.C., May 2000 p.16.

7 For example, Unocal Annual Report, 1994 and "Total Denial," EarthRights International, 1996

8 On August 19, 2000, a website of Kejuruteraan Kota Aman Sdn. Bhd., a Malaysian human resources firm, in a list of its experience, stated that, in 1998, it provided "inspection personnel for the coating of Yetagun Pipeline Development Project in Bredero Price, Kuantan, Pahang (Malaysia)." <www.asiapacific.com.my/kka/experience.html>. One month later, however, this reference had vanished from this website. Bredero claims to be "the world's largest international applicator of pipeline coatings for the oil and gas industry." <www.bredero.com> It manufactures these coatings in plants around the world, including one in Malaysia. Bredero's website states that its Kuantan, Malaysia, facility (phone: 60-9-583-3131; fax: 60-9-583-3336), called Bredero Price SDN. BHD., manufactures numerous types of coatings, including internal linings, asphalt/coal tar enamel, 2 & 3 layer polyethylene/polypropylene, fusion bonded epoxy, syntactic polyurethane foam, concrete weight coating, and spray coatings.

9 Diana Henriques, "Cheney Has Mixed Record in Business Executive Role," New York Times Aug. 24, 2000

10 Halliburton 1998 annual report

11 Dick Cheney speech to Cato Institute of June 23, 1998 <www.cato.org/speeches/sp-dc062398.htm>

12 Order Granting Defendants' Motion for Summary Judgement, Doe et al. V. Unocal et al., U.S. District Court, Central District of California, August 31, 2000

13 Bureau of International Labor Affairs (BILA), U.S. Department of Labor, "Report on Labor Practices in Burma, September 1998

14 Unocal, "Labor Conditions in Burma at the Yadana Pipeline," statement for the Department of Labor Report to Congress, February 1998

15 Pipe Line & Gas Industry, November 1996; "Spie-Capag Successfully Navigates Terrain, Environmental & Socioeconomic Challenges In Burma Underground Construction," August 1998

16 BILA, Sept. 1998

17 Doe et al v. Unocal et al, Order Granting Defendants Motion For Summary Judgement, Judge Ronald S.W. Lew, filed August 31, 2000 U.S. Federal Court, Central District of California

18 Giannini et al, "Total Denial Continues," EarthRights International 2000

19 See also Platt's Oilgram News, March 11, 1996

# Chapter 2: The Corporate Campaign Against Sanctions

***"The problem is that the good Lord didn't see fit to always put oil and gas resources where there are democratic governments,"***

***–Dick Cheney, 1996***[1]

***"…an anti-sanctions 'craze' has been stirred up by a narrow section of the economy — mainly certain exporters who would prefer to be allowed to sell anything, anywhere, and preferably with a taxpayer subsidy of some kind."***

***– Rep. Benjamin Gilman (R-NY)***[2]

Dick Cheney, Halliburton and USA-Engage has been helping to spearhead a sophisticated national anti-sanctions campaign that has targeted all three branches of the U.S. government. Their basic arguments include:

a) unilateral sanctions do not work, because foreign companies may take over business that U.S. companies cannot take;
b) isolating governments, even those we don't like, is not as effective as engaging them; and
c) sanctions are bad for U.S. jobs and economy.

These arguments leave out several important considerations. First, some sanctions are effective. The case of apartheid-era South Africa, or the current case of Burma, where the military regime is economically weak, and could be weakened further, are prime examples. Even imperfect unilateral sanctions, by providing leadership, can lead to more effective multilateral measures. Second, the anti-sanction movement asserts, without analysis, that U.S. corporate engagement is, ipso facto, an influence for democracy. The many cases of U.S. corporate collusion with dictators and complicity in human rights violations are ignored. For example, the involvement of Unocal and Halliburton in the Yadana project did nothing to stop massive abuses on that project itself, let alone to reduce abuses or improve democracy in Burma generally.

Finally, as the Congressional Budget Office has reported, USA-Engage has exaggerated the economic impacts, while moral considerations are given no attention at all. That there are individuals, governments and practices with which we should not engage on principle, is a concept seems not to enter into the thinking of the anti-sanctions lobby.

Through its intense lobbying efforts and high level influence, Halliburton and USA-Engage have largely hidden the powerful commercial interests behind their anti-sanctions campaign. This is the aspect that threatens democracy movements not only abroad but in the U.S. Faced with the sophistication, insider techniques and brute power of the anti-sanctions lobby, grassroots advocacy and solidarity campaigns may be sidelined. People's voices – those that recognize a moral component of foreign policy, that do not assume that all American firms automatically spread democracy around the world — these voices are in danger of being silenced by this corporate takeover of foreign policy.

> "…will we wait forever for other countries to join us in acting against those who help aim weapons of mass destruction against us, degrade the environment, commit genocide, or help send drugs onto our streets? Or will we act?"
> - Rep. Benjamin Gilman (R-NY)

This Chapter reviews the policy statements of Dick Cheney, Halliburton and USA-Engage, and looks at how they have influenced policy at the highest levels of the U.S. government.

## Cheney on Sanctions

From the beginning of his tenure at Halliburton, Dick Cheney placed an anti-sanctions agenda at the center of his corporate workload. In 1998, he called the fight against unilateral sanctions "my favorite hobbyhorse."[3] Cheney's role as the Paul Revere of the anti-sanctions front merged his lifelong tenure in federal government with his more recent employment with a global fossil fuel field developer.

In 1996, Cheney's first full year at the head of Halliburton, Cheney visited the Persian Gulf, where he spoke against unilateral sanctions. "The reality is those kind of sanctions, unless they are part of an international effort... are in fact self-defeating," he said.

He said that economic activity creates international influence, but now, "We seem now to have exactly the opposite idea. We basically are going to shut you out and close the door and turn off the relationship and that will force you to do what we want you to do... We are out there all by ourselves unilaterally... in effect trying to use our alleged economic clout." [4]

Though his speeches emphasize his opposition to sanctions as foreign policy, elsewhere Cheney acknowledged his commercial interest in lifting sanctions: "In the future, certain... trade sanctions may adversely affect the ability of the Company to conduct business with foreign customers having activities in certain countries such as Cuba, Iran or Libya which are targeted by the United States, including restrictions on the Company's ability to do business with such customers in unrelated countries. Currently, discussions are ongoing in the United States Congress and Administration concerning imposition of further trade sanctions affecting countries such as Algeria, Nigeria, Colombia and Myanmar. Many of these countries are important markets for the Company and new trade restrictions which impair the ability of the Company and/or its customers to conduct business in these countries could adversely affect the results of the Company's operations in some future period."[5]

Similar language lingered in his final quarterly report, filed with the U.S. Securities and Exchange

Commission on May 15, 2000. "[W]e continue to face many risks and uncertainties that could cause actual results to differ from our forward-looking statements including... trade restrictions and economic embargoes imposed by the United States and other countries.," he wrote. "Unsettled political conditions, expropriation or other governmental actions, exchange controls and currency devaluation's may result in increased business risk in some countries in which we operate. Those countries include, among others, Nigeria, Angola, Russia, Libya, and Algeria."[6]

Iraq is one of the few countries that Cheney has found to be an appropriate sanctions target. "One major uncertainty is the potential negative impact on oil prices should Iraq reenter the market," he wrote in his first Halliburton annual report (1995).

"I am not automatically, absolutely opposed to all sanctions," he told the Cato Institute in 1998. "I think there are occasions when an appropriate policy response by the United States is to impose sanctions on some foreign government. But those occasions are relatively few.... I would cite, for example, what the international community has done with respect to Iraq in the period since the Gulf War as an appropriate use of multilateral economic sanctions."

As discussed in the following chapter, Halliburton has done business in Iraq.

## Halliburton and USA-Engage

To counter sanctions against companies doing business in Burma and elsewhere, in 1997, Halliburton officials joined other corporate executives to create the poorly-disguised but powerful lobbying outlet called USA-Engage. This off-shoot of the National Foreign Trade Council (NFTC), housed in the offices of the Wexler Group lobbying firm, has channeled anti-sanctions efforts into the three federal branches. USA-Engage has become a leading voice for the anti-sanctions policies of corporate America. Their website www.usaengage.org is an informative compendium of anti-sanctions speeches, articles and legislative scorecards and updates.

One theory had it that USA-Engage started as a front for Unocal, a company with even more than Halliburton at stake in the Burma sanctions debate.[7] But Halliburton was active early on as well.

One of USA-Engage's initial projects was a successful campaign to block a bill that would have imposed some sanctions against foreign governments that persecute religious groups. Rep. Frank Wolf (R-Va.) and Sen. Arlen Specter (R-Penn.) introduced the bill in May 1997.

Ken Silverstein, in an article for Mother Jones, documented how Halliburton's director of government affairs, Don Deline, organized USA-Engage's attack against the Wolf-Specter initiative.[8] In a memo obtained by Silverstein, Deline discusses a strategy recognizing "that business would not be the best group to be out front of this issue either but that religious leaders and religious organizations should take the lead for best results." [9]

Deline and USA-Engage's strategy worked, and the legislation failed. According to Silverstein, "a report sent out from Wexler's office to coalition members in February

**People's voices—those that recognize a moral component of foreign policy, that do not assume that all American firms automatically spread democracy around the world—these voices are in danger of being silenced by this corporate takeover of foreign policy.**

[1998] boasted that USA-Engage is widely credited for the failure of [Wolf-Specter] to come to a vote in 1997." [10]

## USA-Engage on Burma

On April 22, 1997, the Clinton Administration, by executive order, restricted U.S. corporate investments in Burma. The order prohibits new investments, but exempts direct sales and subcontracts. [11]

The newly created USA-Engage responded immediately. "Today's decision to impose unilateral economic sanctions on Burma represents a failure of American foreign policy. The best tool we have for promoting values and democracy is to be actively engaged abroad. Unilateral sanctions rarely work and are often counterproductive because they isolate a country from American influence," said Frank Kittredge, Vice Chair of USA-Engage and President of the National Foreign Trade Council.[12]

In May 1997, the New York City Council voted to sever ties with companies engaged in business in Burma. Frank Kittredge reiterated the constructive engagement doctrine: "The New York City Council has acted irresponsibly. Its actions will have little or no impact on Burma and will hurt New York's reputation as a business-friendly environment. These local foreign policy actions undermine American leadership and global credibility, and ultimately end up hurting U.S. workers. We firmly believe that promoting U.S. engagement is the best tool we have to promote American values, democracy and prosperity," [13]

**Faced with the sophistication, insider techniques and brute power of USA-Engage, grass-roots and local advocacy campaigns in the US may be sidelined.**

In May 1999, USA-Engage opposed the renewal of President Clinton's executive order banning new U.S. corporate investments in Burma. "The U.S. sanctions against Burma have apparently accomplished nothing — other than hurt the Burmese people," said Kittredge. "History has shown that a far more effective way to encourage change is to choose engagement over isolation." [14]

The President's sanctions against Burma still stand, but the NFTC and USA-Engage also have targeted selective purchasing measures against Burma. The coalition helped to reverse the Clinton Administration's position on local and state initiatives that sanctioned companies doing business in Burma. In 1997, the United States Trade Representative's office defended a Massachusetts anti-Burma sanctions law against a World Trade Organization challenge. By 1998, the Clinton Administration dropped its defense, and actively opposed this and other local and state sanctions. USA-Engage helped to defeat a proposed amendment offered in 1998 by Rep. Dennis Kucinich (D-OH) and Bernard Sanders (I-VT) that would have barred the United States Trade Representative from challenging state and local government sanctions. [15]

In June 2000, the NFTC won its greatest victory to date: a Supreme Court decision striking down a Massachusetts selective purchasing law that discouraged procurement from companies that do business in Burma. Dick Cheney signed an amicus brief urging the Supreme Court to overturn the Massachusetts Burma law.

In all of the statements by Dick Cheney, Frank Kittredge and USA-Engage, there is no recognition of the specific reality of Burma: that foreign investment currently contributes to the strengthening of the military regime and leads to human rights violations and environmental degradation. For all the talk of promoting American values of democracy, there is no acknowledgement of the wishes of the democratically elected (but unseated) government of Burma – namely that foreign companies should refuse to do business with the military junta.

## How USA-Engage Works

USA-Engage's campaign has reached into the most decisive components of the U.S. government: the National Security Council, the State Department, the White House, the Supreme Court, and Congress.

The Wexler Group, a leading Washington lobbying group headed by Anne Wexler, a former aide to President Jimmy Carter, is the front office for USA-Engage. Wexler launched USA-Engage in April 1997. The National Foreign Trade Council paid Wexler $40,000 in 1997 and $80,000 in 1998, according to lobbying expenditure reports.[16] Wexler Group lawyer Gail Harrison is the office's USA-Engage organizer.[17]

USA-Engage's legal team includes the Washington firm Hogan & Hartson, which received $520,000 from the NFTC in 1997, and $80,000 in 1998.[18] National Security Council director Sandy Berger worked at Hogan & Hartson before moving to the Clinton Administration.

With deep ties to elite Democrats and Republicans, USA-Engage has successfully combated new sanctions efforts in the White House and Congress. In its four years of existence, the corporate front has fought such initiatives as:

- the Iran Libya Sanctions Act, which was enacted in 1996;
- proposed sanctions against Sudan (for terrorist activities), "because Sudan supplies most of the world's supply of gum arabic — an integral component to many American-made pharmaceuticals, cosmetics, printing inks, soft drinks and candy";
- a 1997 bill proposed by Congressmen Bill McCollum (R-FL) and Charles Schumer (D-NY) that would impose sanctions on financial transactions with governments that support terrorist activities;
- a 1998 initiative by the Maryland Legislature to impose sanctions against firms doing business in Nigeria;
- a 1999 foreign operations appropriations bill that included sanctions against Indonesia;
- Statements earlier this year by presidential candidates Bill Bradley and John McCain against U.S. Export-Import Bank financing in Russia as punishment for that country's war in Chechnya;
- suggestions by Vice President Al Gore in February 2000 that he would seek tougher labor and environmental standards in any U.S.-China trade pacts;
- sanctions against China, Russia, and Sudan suggested in a May 2000 report by the Commission on International Freedom.[19]

As a former congressman and Cabinet member, Dick Cheney brought a keen sense of how to work Congress to USA-Engage. "When prices are low, lawmakers feel free to use oil as a sanctions weapon," said Cheney in 1997. Oil & Gas Journal paraphrased Cheney as saying that "industry should educate lawmakers about how sanctions can hurt the long-term competitiveness of U.S., which can be replaced easily by foreign competitors."[20]

Cheney's dual perspective led him to this recommendation: "The long-term horizon of the industry is at odds with the short term nature of politics. The U.S. government needs to extend its horizon and avoid quick, light-switch diplomacy."[21]

In September 1999, Cheney, along with several dozen other CEOs, signed a letter to U.S. Senator Trent Lott (R-Miss.), urging action on a USA-Engage backed package of sanctions reform. "[U]nilateral sanctions are often counter-productive, ineffective and costly to other U.S. priorities," Cheney and his corporate peers asserted.[22]

## President's Export Council

Halliburton and its corporate allies have served on several government advisory panels that have pushed the Clinton Administration to back off on the use of sanctions. For example, in 1997, Halliburton and other corporate officials placed USA-Engage anti-sanctions rhetoric on President Clinton's desk through a quasi-governmental body called the President's Export Council (PEC).

The PEC, established by Presidential Executive Order in 1973, advises the President on government policies and trade issues. The council, which meets twice a year, includes 28 business executives, five U.S. Senators, five U.S. Representatives, six cabinet Secretaries, the chairman of the U.S. Export-Import Bank, and the U.S. Trade Representative. [23]

"The Council has often been on the cutting edge of U.S. trade and commercial policy, but never before has its mandate been so consistent with the highest priorities of the Administration it has been asked to advise," boasts its website.

Aaron Judd Jr., an official with Halliburton's subsidiary, Brown & Root, was a member of the PEC's Subcommittee on Export Administration (PECSEA) when it produced a report on the use of unilateral sanctions, which the PEC Full Council then forwarded to President Clinton. The web-published form of this report jumps between the council's webpage within the U.S. government and USA-Engage's own website.

The report recommends that "unilateral economic sanctions should be more consistent with national interests and obligations; the U.S. should avoid extra-territorial measures and secondary boycotts that are contentious; consultation with affected parties, industry, and Congress should be increased; and sunset for sanctions that are not effective should be implemented," as former CBS chief executive Michael Jordan summarized in a PEC meeting on Capitol Hill.[24]

According to Jordan, the PEC has also "urged the establishment of a National Security Council-led review, policy review, and oversight/interagency group; development of contingency planning for hot spots of the world to try to develop alternatives to the kind of knee-jerk sanction activities that had been taking place; systematic evaluation of economic impacts of sanctions by the International Trade Commission (ITC); revised procedures for preserving contract sanctity as we go through the sanction period so that America's reputation as a reliable supplier is not seriously undermined; and, attention to be given to the exploding number of state and local government economic sanctions which are causing real problems. PECSEA believes that the indiscriminate use of sanctions has been a major barrier to the United States, and sanctions reform is necessary."[25]

On June 2, 1998, the PEC's chairman, C. Michael Armstrong, signed a letter on behalf of the council urging President Clinton to pressure state governors to drop state and local boycotts against "those who trade in or with certain foreign countries.... Since such actions that are in conflict with U.S. foreign policy are counterproductive, we urge you now to communicate with the State Governors to ensure that a more transparent and disciplined process is employed." [26]

Halliburton, Proctor & Gamble Company, and Unocal Corporation — all members of the PEC, National Foreign Trade Council and USA-Engage — are among the corporations that were placed on Massachusetts' restricted purchase list.[27]

## State and Treasury Departments

Dale Jones, then-vice chairman of Halliburton, was a member of the Advisory Committee on International Economic Policy to the State Department in September 1997, when it submitted a "Strategic Framework" on U.S. sanctions.

The committee, laden with USA-Engage and NFTC members, asserted that sanctions "often are imposed rapidly and reactively, without adequate deliberation and understanding of either the potential impact on the target's behavior or the domestic, foreign and economic costs of the sanctions. Recent reports conclude that unilateral sanctions adversely affect U.S. workers and firms, damage the reliability of U.S. suppliers and undermine U.S. competitiveness. Also, U.S. unilateral use of economic sanctions has been reported to be on the increase while failing generally to effectively change the behavior of targeted governments."[28]

According to Jacob Heilbrunn writing in The New Republic, then-Undersecretary of State Stuart Eizenstat wielded the committee's report in testimony before Congress the following month. Eizenstat told Congress that the committee's "illustrative matrix of foreign policy tools" showed that sanctions "should be used only when carefully considered by both the executive and legislative branches as to their effectiveness, after all benefits, costs, and consequences are analyzed...."[29] Heilbrunn also wrote that "according to several leading human rights advocates, Eizenstat was involved in the creation of USA-Engage. Eizenstat's office denies this."[30]

Eizenstat remained a friendly voice for the corporate anti-sanctions lobby in 1998, when, according to PEC chairman Armstrong, he testified that the Clinton "Administration was expressing concurrence with the principal policy recommendations of our (1997) report."[31]

Eizenstat then moved to the Treasury Department as the number two official, behind new Secretary Lawrence Summers, where he remained a strong advocate for USA-Engage's agenda. In a July 10, 2000, speech to the Commerce Department's Bureau of Export Administration, Treasury Deputy Secretary Eizenstat outlined the administration's evolving policy on sanctions. Much of his talk was manna for Halliburton and other members of USA-Engage. He opposed a pending Senate bill that would impose sanctions on China for weapons proliferation.

"[S]anctions are often blunt instruments with unintended adverse consequences on innocent parties, as nations of concern choose guns over butter," said Eizenstat. "As a policy, economic sanctions are not a panacea nor are they cost free. The decision to use sanctions must weigh these costs against their anticipated benefits and, if possible, adjust the sanctions to reduce the potential adverse impact on the civilian population. Indeed, used inappropriately, sanctions can impede the attainment of our objectives and come at a significant cost to other U.S. policy goals.... In the global economy of today, there are few products or services in which the United States is the sole supplier. Our ability to unilaterally deny key economic benefits to a particular country is therefore limited. "

Eizenstat, it should be noted, did support some narrowly targeted sanctions, such as President Clinton's executive order prohibiting new investments in Burma. "To maintain our leadership role, the U.S. must sometimes act even though other nations do not feel compelled to do so," he said. "Indeed, unilateral U.S. action may spur others to act as well, or may parallel independent action by others. An example is the EU's sanctions program against Burma, a nation on which the U.S. imposes its own sanctions because of its anti-democratic measures and human rights violations."[32]

But Halliburton and the other members of USA-Engage do not agree even with Eizenstat's argument for moral leadership. For USA-Engage, in the end, commercial interests are far more important.

## Think Tank Reports

Throughout the anti-sanctions campaign, the USA-Engage/NFTC lobby has relied on reports issued by think tanks to buttress its arguments. In a 1998 press release, NFTC president Frank Kittredge "pointed to a growing list of studies and reports that corroborate the call by USA-Engage that because unilateral economic sanctions are often counterproductive, alternatives to economic sanctions should be more widely considered. These studies include reports from the Presidents' Export Council; the International Institute for Economics (IIE); The Heritage Foundation; the National Association of Manufacturers; the American Enterprise Institute; and the CATO Institute."[33]

In a press release last year, USA-Engage boasted that "in the last two years over 30 studies have been issued by well-respected think tanks of all ideological persuasions, trade associations and governmental organizations such as the International Trade Commission and the President's Export Council, on the issue of unilateral sanctions. These studies point to a common theme: that U.S. unilateral trade sanctions have been overused — by Congress and the Executive Branch — and that they are counterproductive, ineffective and often end up hurting U.S. interests more than the target country."[34]

Many of these studies have piggy-backed on a 1997 study by the IIE, which, it turns out, the National Foreign Trade Council helped to fund. According to Silverstein, "the study, confirms an IIE sanctions specialist, Kimberly Elliott, was funded in part by the NFTC."[35] Other studies that Silverstein linked to funding from USA-Engage/NFTC corporate members include those issued by the NAM, the Center for Strategic and International Studies, and the Center for the Study of American Business.[36]

Kimberly Elliott, along with Gary Hufbauer and Jeffrey Schoot updated their 1990 IIE report, "Economic Sanctions Reconsidered" in 1997. This update contained key "findings" in the coalition's arsenal, and formed the backbone of subsequent studies that USA-Engage uses to back its agenda. The IIE summarized these "findings" in an April 16, 1997, press release, which coincided with the creation of USA-Engage. "A new study by the Institute for International Economics concludes that US exports to 26 target countries were reduced by $15 billion to $20 billion in 1995 as a result of economic sanctions implemented by the United States to pursue various foreign policy goals," claimed the IIE. "Resulting job losses in the export sector may have been as high as 200,000 to 250,000. Since export jobs pay 12-15 percent more than the average manufacturing wage, about $1 billion in export wage premiums were lost. Similar losses will continue to accrue annually as long as similar sanctions remain in place."[37]

A stream of subsequent reports flooded Washington. On June 25, 1997, for example, the Heritage Foundation released a backgrounder entitled "A User's Guide to Economic Sanctions," by Robert P. O'Quinn. This paper draws heavily from the IIE study and concludes that sanctions "should be given the same sober consideration accorded the commitment of U.S. troops to battle."

Similarly, a June 1998 Brooking Institute policy brief dovetailed with USA-Engage's agenda. Richard Haass, the institute's foreign policy studies director, opined that "sanctions of any sort must be weighed against the likely costs and benefits of military action, covert programs, and both public and private diplomacy. Sometimes it will be better to use military force. (emphasis added) This was the lesson of Desert Storm and Bosnia—and may yet prove to be the lesson of Kosovo. Cuba is also worth considering in this context. Rather than tighten sanctions (which increased the misery of the Cuban people) and go along with Congress's introduction of secondary sanctions against U.S. allies, the Clinton Administration might have been wiser to launch a cruise missile salvo to take out the MIGs that shot down the unarmed plane flown by Cuban exiles. More broadly, it can be argued that American dollars, tourists, and ideas constitute a greater threat to Fidel Castro and communism in Cuba than the embargo."[38]

The Congressional Budget Office, however, discredited the IIE report upon which these subsequent studies relied. A March 1999 CBO study, titled "The Domestic Costs of Sanctions on Foreign Commerce," concluded that "assessments of economic loss (whether for the nation as a whole or for individual businesses) probably overestimate the costs of sanctions for at least three reasons. First, a number of methodological issues suggest that the costs from raising barriers to trade may be less than the gains from lowering barriers by an equal amount. Second, research on the effects of current sanctions generally fails to account for factors other than sanctions that may contribute to low levels of trade with sanctioned countries. And third, many actions to impose sanctions on trade with particular countries actually involve government assistance, not open commerce."

In an appendix titled "A Critique of Research by Hufbauer and Colleagues on the Direct Costs of Sanctions," the CBO analysts examined the IIE study's methodology. "Hufbauer's research contains a number of potential biases (and) looks only at partial effects (that) produce an overstatement of the export losses due to sanctions.... Aside from concerns about the change in export levels, there are reasons to believe that Hufbauer's estimates of job and income losses may overstate the magnitude of social adjustment in the wake of sanctions. Those reasons relate to his inclusion of estimates of indirect job losses and wage differentials for employees of the export industry."[39]

House International Relations Committee Chairman Benjamin Gilman (R-N.Y.) charged that, "the anti-sanctions movement has been based on what are shown by this study to be myths — the myth that sanctions are imposed willy-nilly, without adequate consideration, and the myth that sanctions are unduly costly to the economy."

"I asked that this (CBO) study be conducted because an anti-sanctions 'craze' has been stirred up by a narrow section of the economy — mainly certain exporters who would prefer to be allowed to sell anything, anywhere, and preferably with a taxpayer subsidy of some kind," Rep. Gilman continued. "I have never asserted that economic sanctions are cost-free. The question is, will we wait forever for other countries to join us in acting against those who help aim weapons at mass destruction against us, degrade the environment, commit genocide, or help send drugs onto our streets? Or will we act?"[40]

Regardless of the economists' analyses, as Heilbrunn wrote, the value of sanctions can not simply be measured in dollars and cents. "Sanctions are a tool that can help America keep faith with people struggling against tyrants," he wrote. "They may cost America business. They may fail to change fundamentally a regime's behavior. But they do deny the moral approbation that the world's thugs crave."[41]

"Sanctions are a tool that can help America keep faith with people struggling against tyrants. They may cost America business. They may fail to change fundamentally a regime's behavior. But they do deny the moral approbation that the world's thugs crave."
—Jacob Heilbrunn, the New Republic

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# Chapter 3: Halliburton Around the World

***"You've got to go where the oil is. I don't think about it [political volatility] very much."***
***– Dick Cheney***[1]

Burma is not the only country in which engagement – particularly by the oil industry – has been controversial. This chapter provides an introduction to Halliburton's global reach, with snapshots of their operations in Azerbaijan, Indonesia, Iran, Iraq, Libya and Nigeria. Although these are just six of the over 120 countries in which Halliburton operates, the company's interests in these places provides an overview of the company's commercial interest in eliminating U.S. sanctions. These commercial interests dovetail perfectly with Dick Cheney and USA-Engage's anti-sanctions policies.

## Background

Halliburton was founded by Earl Halliburton in 1919, who cemented oil wells in Texas. It now provides a wide range of engineering services, technology, and equipment for oil and gas fields, platforms, pipelines, refineries, highways, and military operations.[2] In Cheney's tenure, Halliburton's revenues rose from $5.7 billion in 1994 to $14.9 billion in 1999, fueled primarily by growth outside the United States. According to the company's 1999 annual report, it has more than 7,000 customers in over 120 countries. These customers include the world's largest oil producing companies and countries. Halliburton employs over 100,000 people. It calls itself "the world's largest diversified energy services, engineering, construction and maintenance company." [3]

Most of Halliburton's operations fall under one of three core divisions. The Energy Services Group, the Dresser Equipment Group, and the Engineering and Construction Group.

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**Dallas, Texas 75201**
**Phone: (214) 978-2600**
**Website:**
**www.halliburton.com**

The Energy Services Group includes subsidiaries engaged in activities related to the exploration, development and production of oil and gas. Major subsidiaries include Halliburton Energy Services, Brown and Root Energy Services, Landmark Graphic Corp., Baroid Drilling Fluids, and Sperry-

Sun Drilling. The Dresser Equipment Group includes nine oil-related equipment suppliers. The Engineering & Construction group includes two primary subsidiaries: Kellogg Brown & Root, and Brown & Root Services.

On September 29, 1998, Halliburton acquired a major competitor, Dresser Industries, including the Kellogg engineering company. Most Dresser operations were absorbed within the three groups. The Justice Department forced Halliburton to sell off pieces of some operations in which it gained a virtual monopoly through the merger. Still, the $8.5 billion merger made Halliburton the largest oil services company in the world, passing previously top-ranked Schlumberger Ltd.[4]

While most of Halliburton revenues come from contracted oil and gas industry services, it also earns considerable income from major civil and military projects, such as building roads and deploying infrastructure for overseas U.S. operations. Halliburton ranked as the 17th leading recipient of U.S. defense contracts in 1999. Kellogg, Brown & Root brought in all but $1 million of Halliburton's $657.5 million military loot.[5]

## Cheney and Halliburton's growth

| | Revenues ($billion) | % revenues outside U.S. |
|---|---|---|
| **Pre-Cheney** | | |
| 1994 | 5.7 | 45% |
| 1995 | 5.9 | 51% |
| **Cheney Years** | | |
| 1996 | 7.4 | 55% |
| 1997 | 16.2 | 60% |
| 1998 | 17.4 | 65% |
| 1999 | 14.9 | 68% |

## Overseas Operations

During Cheney's tenure as Halliburton's CEO, annual revenues increased by over $9 billion, fueled mainly by revenues generated outside the United States. Also during Cheney's reign, the company created or continued partnerships with some of the world's most notorious governments. In order to do business with dictators and despots, Halliburton has skirted U.S. sanctions and made considerable efforts to eliminate those sanctions. Halliburton's pattern of doing business with U.S. enemies and dictators started before Dick Cheney joined the company, and continued during his tenure as CEO.

"The press has largely ignored the Cheney-run company's squalid relations with these regimes, where bribery-to-do-business is the rule," charged Doug Ireland in a Nation article last month. "Oil-industry sources say that one way oil-related giants like Halliburton get around the US Foreign Corrupt Practices Act is by giving sizable gifts to the private foundations run by these ruling elites, which makes the ultimate destination of this laundered money nearly impossible to trace."[6]

In the previous chapter, we examined Halliburton's business connections in Burma. The following short profiles of Halliburton's dealings in six other countries — Azerbaijan, Indonesia, Iran, Iraq, Libya, and Nigeria – show that Halliburton's willingness to do business where human rights are not respected is a worldwide pattern.

## Azerbaijan

In 1997, Halliburton subsidiary Brown & Root won a $180 million contract on a major project from the Azerbaijan International Operating Company. The project received $200 million in loans from International Finance Corporation (part of the World Bank) and the European Bank for Reconstruction and Development (see chapter 4).

Dick Cheney headlines a coterie of Washington insiders who have courted Azerbaijan President Heydar Aliyev, a former Soviet Politburo member and head of the local KGB who assumed power in a 1993 coup d'etat. The reason: Azerbaijan's Caspian Sea territory contains a huge, undeveloped, reservoir of oil.

Human Rights Watch has criticized "the treason trials of President Heydar Aliyev's personal enemies, brutal treatment in detention, and continued repression of freedom of speech."[7] In 1992, the U.S. Congress banned official aid to Azerbaijan, in response to the country's blockade and war against Nagorno-Karabakh, an Armenian enclave. Ethnic cleaning has been reported among the country's Armenians.

Dick Cheney was not moved by the Armenian's plight. As Halliburton CEO, Cheney lobbied to remove a Congressional sanction, section 907 of the Freedom Support Act, claiming it was a result only of a strong Armenian-American lobby. "Right now there are sanctions on Azerbaijan," he told a Cato Institute conference in 1998. "We're not allowed to spend any U.S. government dollars in that country. That's not a response to what we perceive to be sound foreign policy in that part of the world. It's more specifically a reflection of a desire by Congress to respond to the concerns voiced by the Armenian-American community, which is bigger than the Azerbaijani-American community. As a result we currently have a prohibition against U.S. government money being spent in Azerbaijan." [8] Cheney did not mention whether he thought the concerns of the Armenian lobby – concerns about ethnic cleansing - might be legitimate.

According to a recent New Republic article, Cheney's "efforts on behalf of Aliyev have been so impressive that, as well as being named honorary adviser to the U.S.- Azerbaijan Chamber of Commerce, Cheney has been awarded the country's 'Freedom Support Award.'"[9]

Other former government officials with ties to the Azeri oil industry include:

- President Clinton's former treasury secretary Lloyd Bentsen, and William White, Clinton's former deputy secretary of energy. Bentsen is a shareholder in, and White is the chair of, Frontier Resources, which obtained a purchase and sale agreement for two Azeri oilfields in June 1998.
- President George Bush's national security advisor Brent Scowcroft. Scowcroft, according to APS Review Downstream Trends, "was reportedly paid $100,000 in 1996 by Pennzoil for consulting on international projects and also earned a $30,000 director's fee from the company, with Pennzoil President Tom Hamilton having become a friend of Aliyev."
- Bush secretary of state James Baker. The AIOC, according to APS, is a client of Baker's law firm.
- Bush chief of staff John Sununu. Sununu's consulting firm, JHS, "was contracted by the Azeri government during Aliyev's visit to the US in July/August 1997."
- President Jimmy Carter's national security advisor, Zbigniew Brzezniski, who according to APS, is a consultant to BP Amoco and has promoted "Baku's cause in Washington."[10]

# Indonesia

Halliburton has extensive investments and contracts in Indonesia. Last year, the government cancelled a contract with Kellogg Brown & Root and Inti Karya Persada Teknik (IKPT) "during a house-cleaning of corruptly-awarded contracts after (former president) Suharto's fall in 1998," according to Agence France Presse. IKPT is owned by former president Suharto's business and golfing buddy, Muhamad "Bob" Hasan. The partnership between KB&R and IKPT had been hired to build an liquid natural gas (LNG) plant in Tangguh, Irian Jaya.[11]

Other Halliburton-related companies doing business in Indonesia include HED (Indonesia) Inc. and Kellogg Indonesia Inc., based in the U.S., and 15 other companies, all based in Indonesia. These include (with Halliburton percentage interest): Brown & Root Indonesia (100%), Halliburton Drilling Systems Indonesia (80%), Gem Sembrown (45%), Halliburton Indonesia (80%), Halliburton Logging Services Indonesia (80%), Indokor Sperry-Sun (100%), Kinhill Indonesia (94%), Landmark Concurrent Solusi Indonesia (80%), NUMAR Indonesia (95%), Udemco Otis Indonesia (80%), Kellogg Sriwidjaja (50%), Baroid Indonesia (40%), Bredero Price Indonesia (37.5%), Dresser Magcobar Indonesia (60%), Sercurity Mulia Indonesia (70%), and SubSea Tritek (100%).[12]

In October 1998, the Indonesia Corruption Watch organization named Kellogg among "about 59 multinational companies which it claims were using collusive, corruptive and nepotistic practices jointly conducted with former president Suharto's family," according to Asia Pulse. "ICW's appeal was especially directed to the Kellogg Overseas Corp., Bechtel and the Chase Manhattan Bank."[13]

# Iran

Iran, the subject of U.S. sanctions since the demise of the Shahs, ranks high on Cheney's wish list of countries he wants engage. The country's offshore oil fields, and a possible oil pipeline route from the Caspian Sea to the Persian Gulf, are prized jewels for developers like Halliburton.

In 1997, the former Defense Secretary spoke of the geopolitical logic of pumping Caspian fuels through Iran. "The unintended result of our policy toward Iran is to give Russia more leverage over the independent states of central Asia and the Caucusus by blocking export routes toward the south," he said.[14]

In June 2000, Cheney said it would be best "to allow American firms to do the same thing that most other firms around the world are able to do now, and that is to be active in Iran. We're kept out of there primarily by our own government, which has made a decision that U.S. firms should not be allowed to invest." [15]

Iran is subject to U.S. federal sanctions. In 1995, President Clinton signed an Executive Order that prohibits U.S. companies from transacting any business in Iran. These sanctions were expanded the following year, when Congress passed, and Clinton signed, the Iran Libya Sanctions Act (ILSA). Under ILSA, the federal government must take action against foreign companies that invest more than $40 million, annually, on oil and gas projects in either Iran or Libya.[16]

In 1998, the newsletter Iran Brief reported that:

> *"the U.S. oil field services giant Halliburton is seeking relief from the Iran Libya Sanctions Act…and has discussed applying for a waiver under the Act with officials at the Department of State as well as senior members of Congress.*

*"Former Secretary of Defense Dick Cheney, Halliburton chairman, spoke with Senator Phil Gramm last month to discuss how the company could be granted relief under ILSA, the sources said. Senator Gramm replaces New York Republican Alfonse D'Amato as chairman of the Senate Banking committee, following D'Amato's defeat in the November elections. Gramm reportedly told Cheney that no one in Congress would want to be seen as openly opposing ILSA, which passed overwhelmingly in 1996, but that the Act would have few champions when it comes up for renewal in 2001. His advice to Cheney was to wait it out and allow ILSA to expire.*

*"But that wasn't enough for Cheney, who has played an outspoken role in the lobbying effort against ILSA and U.S. sanctions in general. The sources said Cheney was planning to petition the Department of State for a waiver under ILSA to allow Halliburton and Dresser Industries to pursue oil field developments...*

*"Cheney's argument with the administration has been that no formal revocation of ILSA is required to allow U.S. oil companies to bid on Iranian contracts. Instead, the President would merely need to revoke the 1995 Executive Order banning U.S. oil companies from new development projects in Iran, which was signed to block the South Pars project then being pursued by CONOCO. Cheney is hoping Clinton will revoke the order sometime next spring - presumably, far enough away from the 2000 election season to have a negative political impact."* [17]

In a 1998 talk in Malaysia, Cheney spoke out against ILSA. Responding to a reporter, he said, "I have made it clear that our [US unilateral] sanctions policy is wrong. The U.S. needs to be much more restrained than we have been in terms of pursuing unilateral economic sanctions. There's enormous damage I think to the US relationships with some friends around the world and I think it's wrong."[18]

Regardless of ILSA and other sanction laws, Halliburton has continued to operate in Iran.

On Sept. 8, 2000, Middle East Economic Digest reported that "(Oil) industry suppliers such as Halliburton are already openly selling to Tehran through subsidiaries."

Before Dick Cheney took over, Halliburton subsidiary Halliburton Energy Services reportedly ran afoul of the antiboycott provisions of the U.S. Export Administration Act for a transaction related to Iran. In October 1997, HES reached a settlement with the Department of Commerce over the allegations. It did not admit or deny the allegations, but agreed to pay a $15,000 civil penalty.

Commerce Department officials claimed that "on fifteen occasions during 1993 and 1994, Halliburton Energy Services, Inc. violated the Regulations when it failed to report, in a timely manner, its receipt of requests to refrain from shipping Israeli goods to Iran.

"The antiboycott provisions of the Export Administration Act and Regulations apply to foreign boycotts fostered or imposed against a country which is friendly to the United States and which is not itself the object of any form of boycott pursuant to United States law or regulation. U.S. individuals and companies are also required to report to the Department, in a timely manner, each boycott-related request they receive," said the department. [19]

## Iraq

Even Iraq, the country against whom Cheney directed the Persian Gulf War, has not escaped Halliburton's business reach during the former defense secretary's tenure.

In July 2000, the International Herald Tribune reported, "Dresser-Rand and Ingersoll-Dresser Pump

Co., joint ventures that Halliburton has sold within the past year, have done work in Iraq on contracts for the reconstruction of Iraq's oil industry, under the United Nation's Oil for Food program."[20]

"Kurdish leaders and U.S. intelligence officials say that Iraq is flagrantly exceeding the limits on oil and diesel fuel sales, and using the proceeds to help equip the brutal regime of President Saddam Hussein," reported the Chicago Tribune in August 2000. A Halliburton spokesman acknowledged to the Tribune that the Dresser subsidiaries did sell oil-pumping equipment to Iraq via European agents.[21]

This information appears to contradict Cheney's response to a question posed by reporter Sam Donaldson in July. "I'm told — and correct me if I'm wrong — that Halliburton, through subsidiary companies, was actually trying to do business with Iraq," said Donaldson.

Cheney replied: "No. No, I had a firm policy that we wouldn't do anything in Iraq, even arrangements that were supposedly legal.... Iraq is different, but we have not done any business in Iraq since the sanctions were imposed. And I had a standing policy that I wouldn't do that."[22]

Dick Cheney did not introduce Halliburton to Iraq – its subsidiaries had already dealt with Saddam Hussein prior to the Gulf War. Halliburton, M.W. Kellogg, and Ingersoll-Dresser Pump Co. have had Iraqi assets frozen since 1990. Dresser and Kellogg, in turn, have been the subject of a class actions suit in Texas. In this suit, Gulf War veterans claim that the companies, which were not part of Halliburton at the time, provided equipment used to develop Iraq's chemical and biological weapons.[23]

## Libya

Halliburton subsidiary Brown & Root has been deeply involved in Libya since the 1980s, principally in the $25 billion Great Man-Made River Project. By managing the project through a U.K. branch, this business legally skirts the Iran-Libya Sanctions Act and other national and multilateral sanctions.

Other Halliburton transactions in Libya, though, were illegal. In 1995, Halliburton agreed to pay $3.81 million in federal court and agency fines for Halliburton Geophysical Services and Halliburton Logging Service's sales to Libya. It paid a $1.2 million U.S. federal court fine for three violations of the U.S. ban on the shipment of goods and services to Libya. It also agreed to pay a civil Department of Commerce fine of $2.61 million.[24]

According to court filings, Halliburton Logging Services exported six pulse neutron generators from the U.S. to Libya, via subsidiaries in Italy and Germany, in 1989. The other subsidiary, Halliburton Geophysical Services, exported spare parts for pulse neutron generators. The Commerce Department considered the generators to be dual use technology. While they can used to gather information on rocks and well casing in oil fields, pulse neutron generators can also be used to trigger nuclear weapons.[25]

Halliburton outlined the case in its 1993 annual report.

> *"Halliburton Geophysical Services, Inc. (HGS), a subsidiary acquired by the Company in 1988, in an unrelated matter, advised the U.S. Departments of Commerce and Justice in March 1992 that the United Kingdom subsidiary of HGS, as a small part of its business, shipped to Libya, during the period from March 1987 through April 1991, United States origin spare parts, primarily for equipment of various types, and performed certain repairs and training on the equipment. The consignee was a Libyan-based geophysical company in which HGS owns an indirect, minority interest. Moreover, certain items validly shipped to this consignee in a third country were subsequently re-exported by it to Libya without specific re-export authorization. After discovering these matters, the U.K. subsidiary terminated all activities in sup-*

*port of Libyan companies and operations. Although no communication has been received from the U.S. Government regarding this matter, it is possible the U.S. Government will take the position that such actions violated the Orders and the Regulations."*

Separately, in April 1991, the U.S. Customs Service launched an investigation into the Libyan operations of another Halliburton subsidiary, Halliburton Logging Services (which Halliburton still owns). Halliburton explained:

*"The tools were exported by HLS and its predecessors to certain foreign affiliates and were re-exported by them to an HLS foreign affiliate in Libya without a validated re-export license," Halliburton reported in 1993. "The shipments involved thermal multigate decay tools used in oil field logging operations and occurred between December 1987 and June 1989. During 1992, HLS received subpoenas to produce documents related to the foregoing matter before a Federal grand jury. The Company believes the U.S. Government will take the position that such shipments violated Presidential Executive Orders imposing sanctions against Libya as well as export regulations of the Department of Commerce."*[26]

Also in its 1993 Annual Report, Halliburton noted that its foreign subsidiaries collected over $63 million in operating revenues from "work performed in Libya," including $8 million in 1991, $10.5 million in 1992, and $44.7 million in 1993.

The Annual Report also says that "in December 1993 the United Nations imposed sanctions on certain transactions between its member nations and Libya. Foreign subsidiaries of the Company are continuing to work in Libya in compliance with these sanctions. Although implementation of the sanctions has caused delay in collection of receivables for such work, payment of such receivables is permitted under the sanctions and the Company expects payments to continue."

On Jan. 1, 1994, Halliburton divested its ownership of HGS. Without HGS, Halliburton's income from Libya dropped from $31 million in 1993 to $12.4 million in 1994.[27] Halliburton's most lucrative dealings in Libya have flowed from the Great Man-Made River Project, for which its Brown & Root subsidiary won a $100 million project management contract after it prepared feasibility studies and drafted the plan specifications in 1984. After President Ronald Reagan imposed international sanctions on companies engaged in Libya in 1986, Brown & Root shifted its project management responsibilities from its Houston to its London office.[28]

"Through selective purchasing laws, citizens and communities in the United States used their democracy to help the cause of democracy in my country, Burma. USA-Engage is trying to take this tool away from us. Why? So that they can make even greater profits at the expense of human rights and environmental protection."
—Ka Hsaw Wa, EarthRights International

In 1997, three unnamed engineers working on the project told The New York Times that they suspect that "the system of underground pipes and reservoirs, which is being built largely with American equipment, has some clandestine military purpose." The Times noted that the project involves building more than 2,000 miles of tunnel, east to west from Tunisia to Egypt, and nearly as far south as Chad and Sudan. "Every 50 to 60 miles along the pipeline, huge underground storage areas are being constructed, and the engineers said they are more elaborate than would be needed for holding water. These sites, made of reinforced concrete, would be suitable for bivouacking troops or storing military supplies," the newspaper reported. [29]

Halliburton continued to operate in Libya throughout Cheney's tenure.[30] According to David J. Lesar, Cheney's successor at Halliburton, the former defense secretary wanted out of Libya but also wanted to preserve the company's long-term relationships with its customers. "He had a fiduciary responsibility to his stockholders," Lesar told The New York Times.[31] U.S. Representative Brad Sherman (D-Calif.) has accused Halliburton of "undermining American foreign policy to the fullest extent allowed by law" by doing business with Iran and Libya.[32]

## Nigeria

A Nigerian environmental justice leader has accused Halliburton of complicity in the death of one protestor and in injuries suffered by several other protestors. Halliburton and its subsidiaries are major contractors in at least three fossil fuel developments in and offshore the Niger Delta.

### Halliburton and Chevron

According to Doug Ireland writing in *The Nation*, Halliburton does contract work for Chevron's oil field development in the Niger Delta. Oronto Douglas, leader of the Chikoko Movement – a pan-Niger Delta resistance organization working for environmental protection, resource control and self-determination for the people of the Niger Delta – claims that Nigeria's Mobile Police killed an unarmed protestor named Gidikumo Sule in July 1997. The protesters reportedly had seized a Halliburton barge at the delta village of Opuama.

Ireland writes:

> *"Halliburton is a major subcontractor of Chevron in Nigeria; their dumping of poisonous chemicals into the water during drilling operations has poisoned the water supply. The Opuama protesters were also denouncing Halliburton's failure to keep its promises to employ local youths. Says the ERA's Douglas, 'The Mobile Police are paid for by the oil companies, both under the military dictatorship of General Abacha we had then and the civilian dictatorship we have now, and deploying them is always done at the oil companies' request. We call them the 'Kill and Go' squads. Their lives were not threatened—these protests always involve nothing more lethal than placards, song and chants.'*
>
> *"Douglas says he is also investigating more recent incidents, in which Halliburton officials ordered what he calls 'brutal repression' of peaceful protesters near Warri and Gbaruamata; four people were seriously injured. Halliburton did not respond to a request for comment."*[33]

Chevron has been sued in U.S. courts for its role in the killing of peaceful protestors in the Niger Delta.

## Halliburton and Bonny Island

In 1995, Kellogg Brown & Root (KB&R, taken over by Halliburton in 1998) joined a American, French, Japanese and Italian consortium to build a $3.8 billion liquid natural gas plant (LNG) on Bonny Island, a seaward outpost of the Niger Delta. KB&R, JGC of Japan, Technip of France, and Snamprogetti of Italy also helped to build one of the largest-ever construction projects in Africa. The national owner has hired the four-company construction team to build a third train; after this enters operation, Bonny Island will export over 8.6 million tons of LNG annually.[34]

The Nigerian LNG plant owners include the state-owned Nigerian National Petroleum Corporation (49%), Shell (24%), and Elf Aquitaine of France (15%). The owners had hoped to obtain $2 billion in World Bank and other multilateral or bilateral institutions, but dropped the plan in 1995 after the U.S. halted aid or government-backed financing in Nigeria.[35]

Oronta Douglas says that "violations of fundamental freedom in the Island is rife. Peaceful protest against companies working in the Island is almost always met with very brutal repression.[36]

Last October, *The American Spectator* reported that in the initial phase of the plant's construction, KB&R "built a village with brick houses for the Bonny Islanders who had lived in mud huts in a village called Finima. Then it leveled Finima, and in its place built barracks and other accommodations for 20,000 workers. Then it brought in the workers."[37]

Completed in 1998, the plant now exports LNG to Brazil and the Mediterranean. "The Bonny Chiefs Council, which rules Bonny Island along with the King, now says the LNG people have not done enough," the article continues, "Meanwhile the LNG people say they can build a road in the Delta— remember there is only the one road now—but the Ogonis have filed an environmental impact request to stop it. The fear now is that the other tribes may retaliate against the Ogonis."[38]

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# Chapter 4: Halliburton The Corporate Welfare King

***"I look back at Halliburton's track record with Ex-Im Bank. I see that we have in recent years been involved in projects in the following [countries] supported, in part, through Ex-Im activities. Algeria, Angola, Colombia, the Philippines, Russia, the Czech Republic, Thailand, China, Turkey, Turkmenistan, Kuwait, India, Kenya, the Congo, Brazil, Argentina, Trinidad and Tobago, Venezuela, Indonesia, Malaysia, and Mexico."***

***– Dick Cheney in a keynote address to the U.S. Export-Import Bank's 1997 annual conference***

Halliburton is a major beneficiary of bilateral and multilateral government aid toward fossil fuel industry developments in developing countries and the former countries of the Soviet Union. The company is a contractor on projects that have been financed by $6 billion in government aid packages since 1992. These packages include loans, credit, guarantees and insurance for fossil fuel projects for which Halliburton has supplied services and equipment.

The entire practice of providing government loans for fossil fuel development is questionable, because public money is being used to perpetuate an industry at the root of climate change. It is also hypocritical, because the countries loaning the money have attempted to burden the developing countries for their fossil fuel emissions in the context of the Climate Convention. The western oil industry, which benefits from these loans and fossil fuel projects, has led the way in attacking the Climate Convention for not requiring carbon reductions from the same developing countries whose fossil fuels they are exploiting![1]

Halliburton's status as a recipient of this form of corporate welfare not only reflects their role in globalizing the fossil fuel industry, but is also another window into the politics of engagement. The loan packages that provide contracts to western companies like Halliburton are part of the "opening of new markets," so beloved by global businesses and USA-ENGAGE. This form of "engagement" is enormously profitable.

According to a recent Baltimore Sun article, "between 1990 and 1994, the export value of goods and services provided by Halliburton and financed through the (U.S.) Export-Import Bank totaled at least $71.9 million. That figure climbed to $279 million in the years 1996 to 1998, according to bank records."[2]

The Center for Public Integrity recently reported that Halliburton has benefited from $1.5 billion in U.S. Export-Import Bank and Overseas Private Investment Corporation loans during Cheney's tenure. [3]

Our examination of U.S. Export-Import Bank, OPIC, World Bank and other bilateral and multilateral aid packages from 1992 to the present reveals Halliburton to be an even grander welfare king than those figures would indicate. During the Dick Cheney era, multilateral and bilateral financial institutions have extended $5.14 billion in financing for fossil fuel projects in which Halliburton has participated. Of this total, $2.13 billion came from the U.S. Ex-Im Bank, $556 million from OPIC, $896 million from the World Bank, and $1.56 billion from other institutions. From 1992 to 1995, the "pre-Cheney" era, Halliburton and its subsidiaries received at least $850 million.

These figures presumably are too low. They do not include U.S. Ex-Im Bank packages to many countries — Argentina, the Congo, China, the Czech Republic, India, Indonesia, Kenya, Kuwait, Malaysia, the Philippines, Trinidad and Tobago, Turkey, and Turkmenistan — for which Cheney thanked the Bank in 1997.

The following outlines the corporate welfare packages from which Halliburton has benefited since 1992. The percentage of each loan which went to Halliburton contracts is unknown.

## Corporate Welfare Projects Involving Halliburton[4]

**Project**
ALGERIA GAS FIELD AND PIPELINE

| Financing Institution | Amount (in millions $US) | Date Approved |
|---|---|---|
| U.S. Ex-Im Bank | $ 70m | 1992 |
| U.S. Ex-Im | $ 252m | 1993 |
| U.S. Ex-Im | $ 150 | 1997 |
| OPIC | $ 55 | 1994 |
| **TOTAL:** | $527m | |

Between 1992 and 1997, the U.S. Export-Import Bank and OPIC poured over $500 million in financing toward the development of the 530 kilometer-long Algerian portion of the Maghreb-Europe natural gas pipeline, and the inputting Hassi R'Mel and Tabenkort gas fields. Halliburton and its subsidiary, Brown & Root, provided oil and gas field services to the Algerian gas field project. MW Kellogg, which became a subsidiary of Halliburton in the 1998 merger with Dresser, provided gas plant renovation services.

**Project**
ANGOLA OIL FIELD DEVELOPMENT

| Financing Institution | Amount | Date Approved |
|---|---|---|
| U.S. Ex-Im | $ 87m | Jan. 1998 |
| U.S. Ex-Im | $ 64m | July 1999 |
| **TOTAL:** | $151m | |

In July 1999, the U.S. Export-Import Bank approved a $64 million direct loan to support the sale of equipment and services by Halliburton, Halliburton subsidiary Brown & Root, and two dozen other U.S. companies to the Chevron-led Cabinda offshore oil field development. This followed a January 1998 approval of $87 million toward the development of Chevron's oil field. In June 1997, Chevron awarded Halliburton subsidiary Brown & Root contracts to help develop two offshore oilfields: the North Nemba extension project in the Cabinda B area; and fields in the A area.

According to Global Witness, much of Angola's oil wealth is used by corrupt government officials for their own personal gain and to fund a brutal civil war. "In effect," says the group, "international oil companies are paying vast sums (the future development potential of Angola) into a black hole." [5]

**Project**
AZERBAIJAN OIL AND GAS FIELDS

| **Financing Institution** | **Amount** | **Date Approved** |
|---|---|---|
| EBRD | $200m | Dec. 1998 |
| World Bank | $200m | FY1999 |
| **TOTAL:** | $400m | |

In August 1997, Halliburton announced that its subsidiary, Brown & Root, won a "major Caspian project." The Azerbaijan International Operating Company (AIOC) granted B&R a $180 million engineering, design and procurement contract for a $2.5 billion-plus expansion of three Caspian sea fields (Chirag, Azeri and Gunashli). BP-Amoco leads the 11-company AIOC consortium. In 1998 and early 1999, the EBRD and the International Finance Corp. of the World Bank Group each extended $200 million in loans toward this expansion, known as the Chirag Early Oil project.

"The project is expected to start an oil boom," reported the IFC. The twin loans are financing the rehabilitation of existing platforms, drilling of new wells, and construction of undersea pipelines, terminals and storage facilities, all of which B&R was hired to develop. Prior to receiving the expansion contract, B&R worked on infrastructure facilities, including housing for AIOC. In addition to its lead contract role, Brown & Root will operate the Chirag-2 oil platform. Baroid Azerbaijan, a Halliburton subsidiary, supplies chemicals for the oil industry from its Baku office.

"Azerbaijan is of great significance, not only for the future of the region but to the future of a diversified and balanced global oil market.... It is important that there be a level playing field for developing the energy resources of Azerbaijan," said Cheney in 1997. "Cooperation and competition among companies should be based on business considerations, not on outside government pressure or so-called spheres of influence. In other words, the development should be approached on economic rather than political basis. This is all part of free and open markets."[6]

**Project**
BANGLADESH GAS PIPELINE

| Financing Institution | Amount | Date Approved |
|---|---|---|
| World Bank | $121m | FY 1995 |
| OPIC | $100m | 1997 |
| **TOTAL:** | $221m | |

During fiscal year 1995, the World Bank approved a financial package to foster the development of pipelines from the Bay of Bengal to mainland Bangladesh. Halliburton is a 25% investor in a venture, with Cairn Energy, Shell, and a Bangladesh national company, to develop the Sangu gas field in the Bay of Bengal. OPIC followed the World Bank with a $100 million insurance package for the Sangu development in 1997.

Sangu, which lies 25 miles offshore Bangladesh, is Halliburton's first major investment in a fossil fuel field development. On April 22, 1998, two years after the company joined the Sangu venture, Cheney visited the gasfield in Bangladesh. It was expected to begin production in May 1998, with a targeted production of 160 million cubic feet of gas per day.[7]

**Project**
BOLIVIA TO BRAZIL GAS PIPELINE

| Financing Institution | Amount | Date Approved |
|---|---|---|
| World Bank | $11m | 1996 |
| World Bank | $310m | 1997 |
| OPIC | $200m | June, 1999 |
| **TOTAL:** | $521m | |

Brown & Root-Murphy is part of a consortium of four companies building a 1,259-kilometer leg of a natural gas pipeline from Bolivia to Brazil. The 1997 World Bank loan ($130 million) and guarantee ($180 million) support the $2 billion+ pipeline construction project from Bolivia to Brazil and gas sector privatization in Brazil. This followed an $11 million FY1996 World Bank package to foster the privatization of Bolivia's oil and gas sector. In December 1996, Amoco purchased a 50% stake in the Chaco oil company, which was slated to supply natural gas to the Bolivia to Brazil pipeline.

According to Amazon Watch, the pipeline goes through Bolivia Grand Chaco National Park, one of the largest intact dry tropical forests in South America. The pipeline project has caused severe and permanent social impacts on small villages in the pipeline route, including prostitution and sexual abuse.

In addition, since not enough gas to fill the pipeline has yet been discovered, the future impacts will include intensive exploration in fragile ecosystems and culturally sensitive regions.

The pipeline has unleashed an intensive round of exploration, new power plants and smaller pipelines, many in ecologically and culturally sensitive areas.

**Project**
CHAD-CAMEROON OIL FIELD AND PIPELINE

| Financing Institution | Amount | Date Approved |
|---|---|---|
| World Bank | $193 million | June, 2000 |
| Ex-Im | $200 million | June, 2000 |
| **TOTAL:** | $393m | |

In June, the World Bank, after over three years of internal discussion and intense dissent from environmental and human rights campaigners, approved a $193 million package to finance the development of oil reserves in southern Chad and a pipeline from the oilfield to a port in Cameroon. The same month, the U.S. Export-Import Bank's directors approved a $300 million loan guarantee to finance the export of equipment and services by numerous U.S. suppliers, including a Halliburton subsidiary, to the Chad-Cameroon development. Halliburton subsidiary Kellogg Brown & Root is developing pump stations and other facilities related to the project. [8]

The Chad – Cameroon pipeline remains a target of human rights and environmental protection campaigns around the world. This is partly because Transparency International has ranked Cameroon as the most corrupt country in the world, and Chadian security forces have reportedly killed more than 20 people in the Doba oil region. Also, according to Amnesty International and the Sierra Club, "Because of its magnitude, the oil pipeline project is a serious threat to the fragile ecosystems in the region. The project is likely to have a serious impact on the Atlantic Littoral forest, one of the most biologically diverse regions in Cameroon." [9]

**Project**
COLOMBIA OIL PIPELINE

| Financing Institution | Amount | Date Approved |
|---|---|---|
| Ex-Im | $246m | 1993 |
| Ex-Im | $10m | 1995 |
| Ex-Im | $12m | 1996 |
| **TOTAL:** | $268m | |

The U.S. Export-Import Bank has backed the development of oil pipelines from the Cusiana and Cupiagua fields in the foothills of the Andes Mountains with $268 million in loans and guarantees issues from 1993 to 1996. Halliburton subsidiary Brown & Root is a contractor on the Cusiana-Cupiagua pipeline.

**Project**
KAZAKHSTAN OIL FIELDS

| Financing Institution | Amount | Date Approve |
|---|---|---|
| OPIC | $5m | 1994 |
| OPIC | $50m | 1996 |
| World Bank | $58m | 1994 |
| World Bank | $66m | 1996 |
| World Bank | $109m | July 1996 |
| **TOTAL** | $288m | |

Kazakhastan and Halliburton have benefited from over $280 million in financing from OPIC and the World Bank since 1994. OPIC launched its bilateral support in Feb. 1994, when it approved $5 million in insurance for the establishment of a barite grinding mill, which produces drilling fluid, to Kazakhstan's oil and gas industry. M-I Drilling, the owner of the mill, is 34% owned by Halliburton. In 1996, OPIC approved a $50 million insurance package for the Karakuduk oil field in western Kazakhstan. The IFC of the World Bank Group approved packages totaling $57.5 million in 1994 and $65.7 million in 1996 for the Akshabulak, Nuraly, and Aksay oil fields in central Kazakhstan. In July 1996, the World Bank approved a $109 million loan to procure parts and equipment for Uzen, the country's second largest oil field.

Halliburton Kazakhstan Oilfield Services' venture with Kazakhstanmunaygaz was one of 14 U.S. oil and gas ventures in the country as of Dec. 1, 1993. Halliburton Kazakhstan Oilfield Services operates throughout Kazakhstan. It imports and operates pumps and conducts drilling operations. In 1994, Chevron awarded Brown & Root a contract to build a plant for the Tengizchevroil joint venture in the country. Halliburton and Brown & Root officials have also visited a vast, undeveloped, basin of gas deposits in southern Kazakhstan.

"It's almost as if the opportunities [in Kazakhastan and Azerbaijan] have arisen overnight," Cheney said in 1998.

The pace of autocratic President Nursaltan Nazarbayev's privatization of the country's fossil fuel sector provoked concerns about graft. "There have been widespread accusations of corruption, coercion and chaos amid the breakneck speed of the sales," reported East European Energy Report in November 1996. [10]

**Project**
MEXICO OIL AND GAS FIELDS

| Financing Institution | Amount | Date Approved |
|---|---|---|
| Japan Export-Import Bank | $1 billion | September 1998 |
| U.S. Export-Import Bank | $375 million | August 1998 |
| U.S. Ex-Im | $161 million | September1998 |
| **TOTAL:** | $1,536m | |

The Japan and U.S. Export-Import Banks have poured over $1.3 billion in financing toward the development of Mexican national PEMEX's Cantarell oil field in the Gulf of Mexico. Halliburton is a leading contractor on the Cantarell development. The U.S. Ex-Im Bank has also agreed to loan $161 million toward the development of the on-shore Burgeos Basin gas field in Mexico. Halliburton is also a contractor on that project. The packages have raised fears in Mexico about the growing U.S. presence in the long-time nationalized gas and oil industry. [11]

**Project**
MOZAMBIQUE GAS FIELD DEVELOPMENT

| Financing Institution | Amount | Date Approved |
|---|---|---|
| World Bank | $30m | June, 1994 |

The World Bank approved a $30 million package toward the development of the Pande Gas Engineering project in Mozambique. The financing, approved in June 1994, was earmarked for pre-development studies for the huge offshore field. Halliburton was hired to conduct the feasibility study.

**Project**
QATAR GAS FIELD

| Financing Institution | Amount | Date Approved |
|---|---|---|
| U.S. Ex-Im Bank | $525m | 1997 |

Halliburton is providing well services to the development of a gas field, one of the world's largest, off the coast of Qatar. MW Kellogg, now a Halliburton subsidiary, has provided procurement services to the $5.8 billion project, in which Mobil is also heavily involved. The U.S. Export-Import Bank backed the project with a $525 million guarantee in 1997. Other bilateral agencies have contributed, including the U.K.'s Export Credit Guarantee Department ($250 million) and Italy's SACE ($185 million).

**Project**
RUSSIA - TYUMEN

| Financing Institution | Amount | Date Approved |
|---|---|---|
| U.S. Ex-Im | $292m | April 2000 |
| EBRD | $8m | Feb. 1994 |
| EBRD | $50m | March 1997 |
| **TOTAL:** | $350m | |

A 1994 U.S. Export-Import Bank tentative package to aid the rehabilitation of the Samotlar oil field in western Siberia was amended in July 1999, when the Bank tentatively approved a $292 million loan guarantee to Tyumen Oil Co. of Russia. Halliburton and 24 other companies were slated to benefit from the loan for the rehabilitation of the Samotlar oil field in western Siberia. In December 1999, the U.S. State Department delayed the loan, stating that it was not in the national interest. The loan delay followed concerns raised about Tyumen's business activities. According to published reports, Cheney weighed in against the State Department move. His efforts included a meeting with Alan Larson, the U.S. Undersecretary of State for Economic, Business, and Agricultural Affairs. In the meeting, he reportedly emphasized the delay's impact on Halliburton. After the State Department dropped its objections, and the Bank issued its final approval for the package, Cheney reportedly attended a Tyumen press conference announcing the deal. The EBRD previously backed the Samotlar oil field development to the tune of $8.25 million in Feb. 1994 and $50 million in March 1997. [12]

**Project**
RUSSIA - SAKHALIN II

| Financing Institution | Amount | Date Approved |
|---|---|---|
| OPIC | $116m | 1997 |
| U.S. Export-Import Bank | $116m | 1997 |
| Japan Ex-Im Bank | $116m | 1997 |
| **TOTAL:** | $348m | |

In 1997, three bilateral agencies, OPIC and the Export-Import Banks of Japan and the United States, each agreed to pour $116 million in financing toward the Sakhalin II oil and gas block development in northeastern Russia. In April 1998, a newly-formed joint venture between Brown & Root and Fluor Daniel, called Arctic Pacific Contractors, was selected to provide engineering, procurement and other services for the Sakhalin II development. The initial contract was valued at $40 million, but could be worth considerably more as the project expands.

The development is controlled by the Sakhalin Energy Investment Co., a collaboration between Marathon Oil, Mitsui, Shell, and Mitsubishi Corp. The consortium is considering either constructing a gas pipeline from Sakhalin to Japan, or building a LNG plant for exporting product to Japan, South Korea, and China. "Environmental regulations have still to be established for oilfield operations in this part of Russia," noted Offshore magazine in November 1998. 13

**Project**
UZBEKISTAN OIL REFINERY AND GAS FIELD

| Financing Institution | Amount | Date Approved |
|---|---|---|
| OPIC | $90m | 1997 |
| U.S. Ex-Im | $59m | 1996 |
| EBRD | $90m | 1997 |
| Japan Ex-IM | $100m | 1996 |
| **TOTAL:** | $339m | |

MW Kellogg and Dresser-Rand, which became Halliburton subsidiaries in 1998, have been involved in the development of fossil fuels in Uzbekistan. These developments received $339 million in U.S., Japanese, and European government bank support in 1996 and 1997. MW Kellogg was a contractor on both projects: the Ferghana oil refinery, and the Kokdumalak gas condensate field. Dresser-Rand supplied gas turbine equipment for the Kokdumalak development.

**EBRD** = European Bank for Reconstruction and Development
**Ex-Im Bank** = Export Import Bank
**OPIC** = Overseas Private Investment Corporation

## CHAPTER ENDNOTES

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