

TOM DAVIS, VIRGINIA,
CHAIRMAN

DAN BURTON, INDIANA
CHRISTOPHER SHAYS, CONNECTICUT
ILEANA ROS-LEHTINEN, FLORIDA
JOHN M. MCGHUGH, NEW YORK
JOHN L. MICA, FLORIDA
MARK E. SOUDER, INDIANA
STEVEN C. LATOURETTE, OHIO
DOUG OSE, CALIFORNIA
RON LEWIS, KENTUCKY
JO ANN DAVIS, VIRGINIA
TODD RUSSELL PLATTS, PENNSYLVANIA
CHRIS CANNON, UTAH
ADAM H. PUTNAM, FLORIDA
EDWARD L. SCHROCK, VIRGINIA
JOHN J. DUNCAN, JR., TENNESSEE
JOHN SULLIVAN, OKLAHOMA
NATHAN DEAL, GEORGIA
CANDICE MILLER, MICHIGAN
TIM MURPHY, PENNSYLVANIA
MICHAEL R. TURNER, OHIO
JOHN R. CARTER, TEXAS
WILLIAM J. JANKLOW, SOUTH DAKOTA
MARSHA BLACKBURN, TENNESSEE

ONE HUNDRED EIGHTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
FACSIMILE (202) 225-3974
MINORITY (202) 225-5051
TTY (202) 225-6852

www.house.gov/reform

HENRY A. WAXMAN, CALIFORNIA,
RANKING MINORITY MEMBER

TOM LANTOS, CALIFORNIA
MAJOR R. OWENS, NEW YORK
EDOLPHUS TOWNS, NEW YORK
PAUL E. KANJORSKI, PENNSYLVANIA
CAROLYN B. MALONEY, NEW YORK
ELIJAH E. CUMMINGS, MARYLAND
DENNIS J. KUCINICH, OHIO
DANNY K. DAVIS, ILLINOIS
JOHN F. TIERNEY, MASSACHUSETTS
WM. LACY CLAY, MISSOURI
DIANE E. WATSON, CALIFORNIA
STEPHEN F. LYNCH, MASSACHUSETTS
CHRIS VAN HOLLEN, MARYLAND
LINDA T. SANCHEZ, CALIFORNIA
C. A. DUTCH RUPPERSBERGER,
MARYLAND
ELEANOR HOLMES NORTON,
DISTRICT OF COLUMBIA
JIM COOPER, TENNESSEE
CHRIS BELL, TEXAS

BERNARD SANDERS, VERMONT,
INDEPENDENT

April 30, 2003

The Honorable Donald H. Rumsfeld
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301

Dear Secretary Rumsfeld:

I am writing about Halliburton's ties to countries that sponsor terrorism.

Halliburton has recently been awarded a leading — and lucrative — role in the U.S. war against terrorism. Yet there is also evidence from press accounts and other sources that indicates that Halliburton has profited from numerous business dealings with state sponsors of terrorism, including two of the three members of President Bush's "axis of evil." I would like to know what the Defense Department knows about these ties and whether you think this should be a matter of concern to the Congress and the American taxpayer.

Republicans in the Administration and Congress have previously expressed great concern about American citizens and companies trading with countries despite U.S. embargoes. For example, the Vice President's chief of staff testified that Marc Rich, who was granted a pardon by President Clinton, could be considered a "traitor" for trading with Iran even if his actions were technically legal. These same concerns appear to be implicated by Halliburton's conduct, yet rather than being criticized, the company is rewarded with valuable government contracts.

Halliburton's Activities in Nations that Sponsor Terrorism

In press accounts and SEC filings, Halliburton and its subsidiaries have been linked to three nations known for their support of terrorism: Iran, Iraq, and Libya. Since at least the 1980s, federal laws have prohibited U.S. companies from doing business in one or more of these countries. Yet Halliburton appears to have sought to circumvent these restrictions by setting up subsidiaries in foreign countries and territories such as the Cayman Islands. These actions started as early as 1984; they appear to have continued during the period between 1995 and 2000, when Vice President Cheney headed the company; and they are apparently ongoing even today.

Iran

President Bush has declared that Iran poses a potential threat to the United States. In his 2002 State of the Union address, he described how Iran “aggressively pursues” weapons of mass destruction and “exports terror, while an unelected few repress the Iranian people’s hope for freedom.” Iran, he memorably declared, is part of:

an axis of evil, arming to threaten the peace of the world. By seeking weapons of mass destruction, these regimes pose a grave and growing danger. They could provide these arms to terrorists, giving them the means to match their hatred. They could attack our allies or attempt to blackmail the United States. In any of these cases, the price of indifference would be catastrophic.¹

According to the State Department, Iran stands out as “the most active state sponsor of terrorism.” Iran’s government is “involved in the planning and support of terrorist acts and supported a variety of groups that use terrorism to pursue their goals.”²

As a result of the country’s terrorist links and pursuit of weapons of mass destruction, President Clinton issued an executive order in 1995 banning U.S. trade and investment in Iran, including the trading of Iranian oil overseas by U.S. companies. Earlier that same year, President Clinton had issued an executive order barring U.S. investment in Iran’s energy sector. In 1996, the U.S. Congress passed the Iran-Libya Sanctions Act, which allowed for U.S. sanctions against foreign companies participating in Iran’s oil industry.

Halliburton, however, was among several U.S. companies that circumvented these restrictions on trading with Iran by providing the country with oil equipment.³ It apparently did this by conducting its business in Iran through foreign subsidiaries. Indeed, Vice President Cheney has even defended this policy. According to the *Financial Times*, he “has said the company is allowed to operate legally in Iran through its foreign subsidiaries.”⁴ Analysts have

¹The President, *State of the Union Address* (Jan. 29, 2002) (online at <http://www.whitehouse.gov/news/releases/2002/01/20020129-11.html>).

²U.S. Department of State, *Patterns of Global Terrorism 2001* (May 2002).

³*U.S. Companies Move Quietly into Iranian Markets*, *Financial Times* (Oct. 5, 2000).

⁴*Id.*

disagreed with this claim, suggesting that Halliburton's deals with Iran may, in fact, have violated U.S. law.⁵

The company apparently continues to do work in Iran even now. This work is reportedly being done through a Cayman Islands subsidiary, Halliburton Products and Services, which opened an office in Tehran in February 2000.⁶ A company brochure offered by the subsidiary apparently states that the company has done work on two offshore Iranian drilling contracts and says that "[w]e are committed to position ourselves in a market that offers huge growth potential."⁷ Halliburton recently agreed to reevaluate its work in Iran after sustained pressure from shareholders, particularly the New York City Police and Fire Department Pension Funds.⁸

Iraq

In 1990, following Iraq's invasion of Kuwait, President George H.W. Bush imposed economic sanctions, including a complete trade embargo, on Iraq. The sanctions ban the export of goods, technology, and services to Iraq. Criminal penalties for violating the Iraqi sanctions range up to 12 years in jail and \$1,000,000 in fines.⁹

Despite these sanctions, the *Washington Post* has reported that Halliburton performed work in Iraq while Vice President Cheney was leading the company. Halliburton had stakes in two companies that signed contracts to sell over \$73 million in oil production equipment and

⁵*Iran Throwing off Its Isolation*, *Washington Post* (Mar. 31, 2001); *See Halliburton Connected to Office in Iran*, *Wall Street Journal* (Feb. 8, 2001).

⁶*Halliburton Connected to Office in Iran*, *Wall Street Journal* (Feb. 8, 2001). "[A] U.S. official said a Halliburton office in Tehran would violate at least the spirit of American law." *Id.*

⁷*Id.*

⁸In 2002, the New York City Comptroller submitted a shareholder resolution on behalf of the New York City Police and Fire Department Pension Funds asking for a review of Halliburton's actions in Iran. New York City Comptroller, *Press Release* (Mar. 21, 2003). After the Securities and Exchange Commission refused to let the company avoid putting the resolution to a vote, Halliburton agreed to review its Iranian operations and the resolution was withdrawn. *Id.* *See* New York City Police and Fire Pension Funds, *Proposed Shareholder Resolution re. Halliburton Company Review and Report on Operations in Iran* (online at <http://www.comptroller.nyc.gov/press/pdfs/HalliburtonResolution3-21-03.pdf>).

⁹U.S. Department of the Treasury, Office of Foreign Assets Control, *Iraq: What You Need to Know about the U.S. Embargo* (Mar. 12, 2003).

spare parts to Iraq while Mr. Cheney was CEO. The companies were subsidiaries of a joint venture between Dresser Industries — which Halliburton acquired in 1998 — and Ingersoll-Rand, another large equipment maker. From 1997 through mid-2000, the subsidiaries sold water and sewage treatment pumps, spare parts for oil facilities, and pipeline equipment to Iraq.¹⁰

The Vice President initially tried to deny this involvement in Iran. In July 2002, he stated on national television: “I had a firm policy that we wouldn’t do anything in Iraq, even — even arrangements that were supposedly legal. . . . [W]e’ve not done any business in Iraq since the sanctions [were] imposed, and I had a standing policy that I wouldn’t do that.”¹¹ A month later, confronted with an admission by a Halliburton spokesman that the company indeed did business with Iraq, Vice President Cheney admitted that “[w]hen we took over Dresser, we inherited two joint ventures with Ingersoll-Rand that were selling some parts into Iraq,” but he said he did not know of this at the time. Mr. Cheney also said that “[s]hortly after we took control of Dresser, we divested ourselves of those two companies.”¹²

Both of these statements, however, have been contradicted by other evidence. Two former senior executives of the Halliburton subsidiaries say they knew of no policy against doing business with Iraq.¹³ One of the executives also said that he was certain that Mr. Cheney would have known about the business with Iraq.¹⁴ Furthermore, Halliburton did not divest itself of the subsidiaries “shortly” after Halliburton took control of Dresser. Instead, the firms traded with Iraq for more than a year under Mr. Cheney, signing almost \$30 million in contracts.¹⁵

Libya

Libya has been implicated in a number of terrorist incidents, including attacks at the Rome and Vienna airports in December 1985; the April 1986 bombing of a Berlin nightclub frequented by armed services personnel; and the bombing of Pan Am Flight 103 over Lockerbie, Scotland, in December 1988, which killed 270 people. As a result of these ties to terrorism, the United States has implemented a series of over 20 sanctions against Libya since 1973 that ban a

¹⁰*Firm’s Iraq Deals Greater than Cheney Has Said*, Washington Post (June 23, 2001).

¹¹*This Week*, ABC News (July 30, 2000).

¹²*This Week*, ABC News (Aug. 27, 2000).

¹³*Firm’s Iraq Deals Greater than Cheney Has Said*, *supra* note 10.

¹⁴*Id.*

¹⁵*Id.*

wide variety of economic activities. Some of the most significant sanctions were put in place by President Reagan in 1986, in response to the Qaddafi regime's repeated use and support of terrorism against the United States and other countries. Those sanctions ban most sales of goods, technology, and services to Libya. They provide for criminal penalties of up to 10 years in prison and \$500,000 in corporate and \$250,000 in individual fines.¹⁶

Despite these sanctions and the Libyan regime's well-documented history of sponsoring terrorism, Brown & Root, a Halliburton construction subsidiary, has worked on a water project in Libya since the 1980s. This project, called the "Great Man-Made River Project," is a system of underground pipes and wells that are purportedly intended to carry water. Some experts believe that the pipes actually have a military purpose. The pipes are large enough to accommodate military vehicles and appear to be more elaborate than is needed for holding water.¹⁷ According to one defense expert, referring to the late North Korean leader, Libya "seems to have taken a leaf out of Kim Il Sung's book and created a potential military arsenal underground."¹⁸

When the project began in 1984, Brown & Root prepared the feasibility studies and drafted the specifications.¹⁹ After the 1986 U.S. embargo on trade with Libya, Brown & Root transferred the work to its British office. As of 1997, it was still the project manager.²⁰

Halliburton continues to work in Libya today. The company's latest annual report specifically identifies "restrictions on our ability to provide products and services to Iran, Iraq and Libya" as among the "risks and uncertainties" that the company faces.²¹

¹⁶U.S. Department of the Treasury, Office of Foreign Assets Control, *Libya: What You Need to Know about the U.S. Embargo* (July 26, 2001).

¹⁷*Libya's Vast Desert Pipeline Could Be Conduit for Troops*, New York Times (Dec. 2, 1997).

¹⁸*Id.*

¹⁹*Id.*

²⁰*Id.*

²¹Securities and Exchange Commission, *Halliburton Company Form 10-K* (Dec. 31, 2002). The report also identifies Libya as one of the "[c]ountries where we operate which have significant amounts of political risk." *Id.*

In addition, Halliburton was fined \$3.8 million in 1995 for re-exporting U.S. goods through a foreign subsidiary to Libya in violation of U.S. sanctions.²²

Halliburton's Contracts with the Defense Department and Other Agencies

Despite its apparent connections with terrorist states, Halliburton appears to be one of the main companies profiting from the war on terror. In May 2001, Brown & Root was awarded a five-year, \$300-million contract to provide logistical support to the Navy. As of August 2002, the Navy had reportedly given Brown & Root \$53 million in work orders over the past 15 months, including \$37 million to build detention cells at Guantanamo Bay, Cuba, where terrorist suspects captured in Afghanistan are being held.²³

In December 2001, Brown & Root was awarded an exclusive, ten-year contract to provide support services to the Army. The contract has no dollar limit and it is reportedly the only logistical arrangement by the Army without an estimated cost.²⁴ It allows Brown & Root to recover its expenses plus profits.²⁵ It appears that this contract has been quite lucrative for the company, producing over \$800 million in revenues. Some of the work has involved supporting U.S. military bases in Afghanistan.²⁶

Brown & Root was also awarded a cost reimbursable design-build contract valued in excess of \$100 million for construction of the new U.S. Embassy compound in Kabul, Afghanistan.²⁷ In addition, the U.S. Department of State awarded Brown & Root two contracts

²²*Cheney Profited Richly from His Time in Office*, Baltimore Sun (Aug. 16, 2000).

²³*Halliburton Subsidiary Overcame Bid Protest, Fraud Investigation to Land Military Contracts*, Associated Press (Aug. 4, 2002).

²⁴*Id.*

²⁵*A Contract to Spend*, MotherJones.com (May 23, 2002).

²⁶*Will Halliburton Clean Up? The Company That Dick Cheney Once Ran Stands to Make Millions Rebuilding Iraq*, Fortune (Apr. 14, 2003).

²⁷*Halliburton, Halliburton Announces Third Quarter Results* (Nov. 7, 2002).

for security upgrades and general construction work at multiple facilities worth at least \$70 million.²⁸

Most recently, the U.S. Army Corps of Engineers entered into a no-bid contract with Brown & Root to extinguish oil well fires and repair the oil infrastructure in Iraq. That contract is worth up to \$7 billion.²⁹ Halliburton was also one of a handful of companies secretly invited to bid on a USAID construction contract to rebuild Iraq worth up to \$680 million.

Halliburton regards this work fighting terrorism as a “growth opportunity” for the company. According to its 2002 annual shareholder report:

We expect growth opportunities to exist for additional security and defense support to government agencies in the United States and other countries. Demand for these services is expected to grow as a result of the armed conflict in the Middle East and as governmental agencies seek to control costs and promote efficiencies by outsourcing these functions. We also expect growth due to new demands created by increased efforts to combat terrorism and enhance homeland security.³⁰

Questions

If true, these facts have potentially serious implications. It appears that a company that has performed — and apparently is continuing to perform — work for state sponsors of terrorism is being given a prominent role in the Administration’s war on terrorism.

Republicans in the Administration and Congress have been quick to express concern about Americans trading with nations upon which the U.S. has imposed embargoes. After President Clinton pardoned a fugitive financier, Marc Rich, who had allegedly violated the Iranian oil embargo, Republicans and Democrats alike expressed outrage. A House report detailed Mr. Rich’s trades with such countries as Iran, Iraq, and Libya and denounced Mr. Rich as a man who “built his fortune by trading with so many enemies of the United States.”³¹ Rep.

²⁸*Id.*; Fair Disclosure Wire, *Fourth Quarter 2002 Halliburton Company Earnings Conference Call* (Feb. 20, 2003).

²⁹Letter from Lt. Gen. Robert B. Flowers to Rep. Henry A. Waxman (Apr. 8, 2003).

³⁰Halliburton, *2002 Annual Report* (undated).

³¹House Committee on Government Reform, *Justice Undone: Clemency Decisions in the Clinton White House*, 107th Cong., 2nd Report, v.1, 110-115 (2002) (H. Rept. 107-454). Describing Mr. Rich’s activities in Libya, the report noted that “[u]nlike the other American oil

Christopher Shays, Vice-Chairman of the House Government Reform Committee, labeled Mr. Rich a “traitor.”³² Even Lewis Libby, the Vice President’s chief of staff and a former lawyer for Mr. Rich, conceded that, while his former client’s conduct may not have been illegal, “you could consider him a traitor for trading with Iran during that period.”³³

While Halliburton’s activities appear to raise similar concerns, the Administration has avoided criticizing the company and has instead rewarded it with lucrative contracts. Congress and the American taxpayer should know more about these contracts and Halliburton’s relationship with Iran, Iraq, and Libya. I therefore respectfully request answers to the following questions:

1. What does the Defense Department know about the work of Halliburton or any of its subsidiaries in any nation that is suspected of supporting terrorism?
2. Has the Administration determined whether Halliburton’s work in Iran, Iraq, and Libya complies with all applicable laws and regulations? If not, does the Administration intend to make such a determination before issuing further contracts or task orders to Halliburton?
3. Was the Administration aware of and did it take into account Halliburton’s work in Iran, Iraq, and Libya when it awarded contracts and task orders to the company and its subsidiaries?
4. What steps, if any, has the Administration taken or does it plan to take to ensure that taxpayer dollars do not go to companies that do business with state sponsors of terrorism — particularly when those dollars are being spent to combat terrorism?
5. How many contracts has the Defense Department awarded to Halliburton since September 11, 2001, and what is the value of these contracts?

companies, Rich ignored the oil embargoes and executive orders of the Reagan Administration designed to punish the terrorist-sponsoring state.” *Id.*

³²House Committee on Government Reform, *Hearing on the Controversial Pardon of International Fugitive Marc Rich*, 107th Cong., 109 (Feb. 8, 2001) (H. Rept. 107-11).

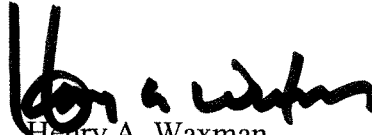
³³House Committee on Government Reform, *Hearing on the Controversial Pardon of International Fugitive Marc Rich*, 107th Cong., 491 (Mar. 1, 2001) (H. Rept. 107-11).

The Honorable Donald H. Rumsfeld
April 30, 2003
Page 9

6. How many task orders has the Defense Department issued to Halliburton since September 11, 2001, and what is the value of these task orders?

I look forward to receiving a response to these important questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Henry A. Waxman". The signature is stylized and cursive.

Henry A. Waxman
Ranking Minority Member