
June 22, 2003

Nation Builders for Hire

By DAN BAUM

The huge effort to restore Iraq's oil industry begins every day two hours south of the Iraq-Kuwait border, at the lavish Crowne Plaza Hotel in Kuwait City. No sooner does the lobby restaurant open at 5 a.m. than a line of middle-aged men in jumpsuits, golf shirts and identical tan caps forms at the breakfast buffet, eschewing the mezzeh and labneh for French toast, home fries and beef bacon. Outside, a couple of dozen silver S.U.V.'s are lined up, and after a quick breakfast the men are off in a swift northbound convoy, each car marked with the sideways V of duct tape that designates American and British vehicles. The road knifes across a packed pebble desert as flat as a griddle, with hardly a plant or a rock gentling the view to a hazy 360-degree horizon. But nobody's minding the scenery.

The men in the S.U.V.'s are all talking at once, handing clipboards and calculators back and forth, trying to make 10,000 impossible things happen in Iraq's oil fields in exactly the right order. A couple are getting in last-minute calls to headquarters in Houston before leaving Kuwaiti cellphone coverage. Though they speak with the drawling soft consonants of the Texas-Oklahoma oil patch, these are truly citizens of the world -- or at least the petroleum-producing corners of it.

For they are the legions of Kellogg Brown & Root, subsidiary of the oil-services giant Halliburton, which in March won an open-ended Army contract to restore Iraq's oil fields to working order. Most have spent years toiling in the raw, scraped and sometimes violent places where oil lurks, and each hews to the oilie's ethic: no place is a hardship. How were your 12 years in Algeria? "Not bad." Your six years at Prudhoe Bay? "Not bad." Your 14 years in Nigeria? "Not bad." Southern Iraq -- searing, bleak, lawless -- is an assignment like any other. Also, they are very well paid.

At the border, where for most Kuwaitis formalities can take an hour, the KBR S.U.V.'s barely slow down. Each man presses his U.S. Department of Defense Contractor ID to the window, and the Kuwaiti guards wave them through. Nobody's controlling the Iraqi side. An hour later, the S.U.V.'s reach an abandoned gas station in the middle of nowhere. In the shade of crumbling walls a company of British soldiers is squatting in the sand, eating packets of weenies-and-beans from their boxed rations. They're a mixture of Royal Engineers, R.A.F. ground troops and 7th Armored Brigade -- the famous Desert Rats who fought Rommel in

North Africa. As the Brits brew tea on their folding tin stoves, Jim Koockogey, a muscular security coordinator for KBR, stands with a clipboard and shouts into the hot wind.

"Tuba Tango: we need two shooters. Arthur power station: two shooters. GOSP Three Romeo: four shooters. . . ." From Kuwait City to here the S.U.V.'s were safe enough in their long silver convoy, but now, traveling singly, they'll need armed guards. The British soldiers toss aside the trash from their rations and drape themselves with weapons and long, glinting belts of ammunition. As the KBR cars roar off toward their daily appointments with Iraqi oil, the soldiers, many of whom fought the hard battles for Basra and Umm Qasr, pile into Land Rovers and fall in behind.

When Dwight Eisenhower warned in 1961 of the "military-industrial complex," he never imagined the regimental descendants of Monty's boys at El Alamein tenting in the desert to baby-sit corporados earning \$10,000 tax-free a month. This, however, is modern might. The military has become the industrial, and vice versa.

Representative Henry Waxman, a Democrat from California, is in high dudgeon lately, suggesting that Vice President Dick Cheney's former chairmanship of Halliburton gave KBR the inside track on the Iraqi oil-fields contract, which could be worth as much as \$7 billion. But the reality is subtler: KBR didn't need any help. It is by now so enmeshed with the Pentagon that it was able essentially to assign the contract to itself.

KBR was founded in 1919 as Brown & Root, and quickly acquired a reputation for taking on the kinds of projects that tend to recall the building of the pyramids. It constructed the gigantic Mansfield Dam in Texas, New Orleans's 24-mile Lake Pontchartrain Causeway, Colorado's Eisenhower Tunnel and the Johnson Space Center, among many other mega-projects. Halliburton acquired it in 1962, and in 1998 merged it with the petrochemical company M.W. Kellogg to form Kellogg Brown & Root. KBR now accounts for almost half of Halliburton's annual \$12.5 billion annual revenue.

The Army says KBR got the Iraqi oil-field contract without having to compete for it because, according to the Army's classified contingency plan for repairing Iraq's infrastructure, KBR was the only company with the skills, resources and security clearances to do the job on short notice. Who wrote the Army's contingency plan? KBR. It was in a position to do so because it holds another contract that is poorly understood yet in many ways more important, and potentially bigger, than the one to repair the oil fields: the Logistics Civil Augmentation Program, or Logcap, which essentially turns KBR into a kind of for-profit Ministry of Public Works for the Army. Under Logcap, which KBR won in open bidding in 2001, KBR is on call to the Army for 10 years to do a lot of the things most people think soldiers do for themselves -- from fixing trucks to warehousing ammunition, from delivering mail

to cleaning up hazardous waste. K.P. is history; KBR civilians now peel potatoes, and serve them, at many installations. KBR does the laundry. It fixes the pipes and cleans the sewers, generates the power and repairs the wiring. It built some of the bases used in the Iraq war.

Writing the oil-field contingency plan was only one of a thousand things KBR did for the Army last year under Logcap. (KBR has a similarly broad contract with the Navy, under which it built, among other things, the cages for suspected terrorists at Guantánamo Bay.) The technical term for Logcap is "cost-reimbursement, indefinite-delivery/indefinite quantity," or "cost-plus," meaning KBR spends whatever it believes necessary to get a job done, then adds from 1 to 9 percent as profit. There's practically no limit on how lucrative Logcap can be, and as the awarding of the Iraqi oil-field contract -- by KBR, to KBR -- demonstrates, Logcap can become a generator of yet more contracts. Nothing like it exists elsewhere in government. That KBR wrote the oil-field plan wasn't considered by the Army a disqualifying conflict of interest -- in fact, just the opposite. "They were the company best positioned to execute the oil-field work because of their involvement in the planning," said Lt. Col. Gene Pawlik, an Army spokesman.

The military has relied on civilian contractors ever since George Washington hired farmers to haul supplies for the Continental Army, and the use of mercenaries is as old as time. But the KBR-style blending of corporations into the fabric of the military is relatively recent. Its genesis is one of the unsung but seminal ideological documents of the Reagan era, a revolution-on-paper that goes by the dry title Circular No. A-76. Issued in 1983 by the budget director, David Stockman, A-76 mandates that government should "rely on commercial sources to supply the products and services the government needs."

Circular No. A-76 wasn't written specifically for the Defense Department, and the military was slow to adopt the approach. It took the end of the cold war for the Pentagon to discover the benefits of outsourcing. The times demanded that the military shrink -- remember all the talk about a "peace dividend"? Oddly, though, the end of the cold war uncorked a froth of conflicts from Africa to the Balkans that the military had to monitor and, in the case of the former Yugoslavia, fight. By one count, the Army has deployed soldiers more than three times as often in the 14 years since the cold war ended than in the cold war's four-decade history, even though it is today down to only two-thirds the size of its cold war peak.

Downsizing the military not only meant doing more with less; it also meant that a lot of former soldiers, sailors, airmen and officers were suddenly on the street looking for the kind of work for which their particular skills would be valuable. The Pentagon still needed those skills. So the downsized warriors joined a constellation of corporations that sold those skills -- everything from data processing to interrogation to bomb disposal -- back to the military at private-sector prices.

In 1992 the Defense Department, under Dick Cheney, hired Brown & Root to write a classified report detailing how private companies could help the military logistically in the world's hot spots. Not long after, the Pentagon awarded the first five-year Logcap -- to Brown & Root. Then Bill Clinton won the election, and Cheney, in 1995, became C.E.O. of Halliburton, Brown & Root's parent company. A lot of Halliburton's business depends on foreign customers getting loans from U.S. banks, which are in turn guaranteed by the government's trade-promoting Export-Import Bank. In the five years before Cheney took the helm, the Ex-Im Bank guaranteed \$100 million in loans so foreign customers could buy Halliburton's services; during Cheney's five years as C.E.O., that figure jumped to \$1.5 billion.

"Clearly Dick gave Halliburton some advantages," a Halliburton vice-president, Bob Peebler, told The Chicago Tribune in 2000. "Doors would open."

Doors continue to swing freely between the corporate boards of companies like KBR, whose livelihood depends on U.S. energy and military policy, and the upper echelons of government, where those policies are set. In addition to its connection to Dick Cheney -- who as vice president continues to be paid "less than \$180,000 a year" in deferred compensation by Halliburton, according to a company spokeswoman -- Halliburton has on its board former Secretary of State Lawrence Eagleburger, who also sits on the board of Phillips Petroleum alongside a former chairman of the Senate Select Committee on Intelligence, David Boren. Among the vice presidents of Booz Allen Hamilton -- another does-everything company that has received millions in military contracts -- is the former Director of Central Intelligence James Woolsey. Of the 30 members of the Defense Policy Board -- the influential Pentagon advisory panel from which Richard Perle was recently forced to resign -- at least nine are directors or officers of companies that won \$76 billion in defense contracts in 2001 and 2002, according to the Center for Public Integrity. Lieut. Gen. Jay Garner, who served as chief civilian administrator of Iraq, ran a subsidiary of L-3 Communications that makes missile systems used in the Iraq war; and L. Paul Bremer III, who took over from Garner, was plucked from a new unit of the insurer Marsh & McLennan that was created a month after 9/11 to profit from the new concern over catastrophic risk.

"I am unabashedly an admirer of outsourcing," Army Gen. Barry McCaffrey told The Dallas Morning News three years ago. "There's very few things in life you can't outsource." McCaffrey now serves on the boards of the weapons makers Raytheon Aerospace and Integrated Defense Technologies, among others.

It's a relatively small club that has both guided U.S. military, energy and Middle Eastern policies over the past three decades and then run the corporations that benefit from those policies. And it's a club that had a long history with Saddam Hussein. A sheaf of declassified 1980's State Department cables demonstrate that

in 1983 Secretary of State George Shultz -- former president of Bechtel -- sent Donald Rumsfeld to meet personally with Saddam Hussein several times, in part to promote an oil pipeline to the Red Sea port of Aqaba. (The accompanying State Department photo of the two men warmly shaking hands is startling, given the recent vitriol between them.) In the midst of negotiations with Rumsfeld, Hussein used poison gas against the Iranian Army. While cables demonstrate the State Department discouraged this, a memo to Eagleburger, then the under secretary of state, noted it may have been American firms that sold Hussein the gas, and outlined the need "to avoid unpleasantly surprising Iraq" with public statements.

By July 2000, Cheney claimed on ABC's "This Week" that neither Halliburton nor its subsidiaries dealt with Iraq at all. "Iraq's different," Cheney said at the time. "I had a firm policy that we wouldn't do anything in Iraq, even arrangements that were supposedly legal." But in fact from 1997 to 2000, when Cheney was running Halliburton, two of its subsidiaries sold Saddam Hussein's government a total of \$73 million in oil-field supplies. The deal didn't violate U.S. sanctions because the subsidiaries, Dresser-Rand and Ingersoll Dresser Pump Company, were foreign.

KBR/Halliburton, then, has rounded the bases when it comes to Iraq. It got rich doing business with Iraq, it got rich preparing to destroy Iraq and it's now getting rich rebuilding Iraq.

Proponents of contracting make the point that as the the overall size of the military shrinks, the "tooth" needs to increase relative to the "tail," or, as one analyst put it, "You want the 82nd Airborne training to kill people and blow things up, not cleaning latrines or trimming hedges." They also argue it's cheaper to hire contractors to do short-term work rather than have the military maintain full-time capabilities it needs only briefly.

A good example is Camp Arifjan, a U.S. Army base about 90 minutes southwest of Kuwait City. Six months ago, this was nothing but a small collection of buildings that was supposed to be a training base. On Oct. 11 -- the day Congress gave President Bush authority to wage war on Iraq -- someone in the Pentagon picked up a phone and told KBR it had nine weeks to turn Arifjan into a full-blown Army base for 7,000 people. The job went to Robert (Butch) Gatlin, a wizened 59-year-old Tennessean who served 32 years in the Army Corps of Engineers before coming to perform the same work, at much greater pay, for KBR.

"When we got here, there was no power or water," Gatlin said as we stepped from the air-conditioned trailer that is KBR's Arifjan headquarters into the blinding desert sun. Within about 72 hours of the Pentagon's call, Gatlin had a handful of KBR specialists -- electricians, carpenters, plumbers -- on planes headed here. Most of the rest were hired locally. "I had a thousand people working here in 24 hours," he said. "The Army can't do that."

KBR essentially took an entire Army base out of containers and made it rise in the middle of the Kuwaiti desert two days ahead of schedule: air-conditioned tents complete with 110-volt outlets for the soldiers' boom boxes, male and female shower blocks, kitchens, a laundry, Pepsi machines, a Nautilus-equipped health club with an aerobics room ("Latin Dance Thurs & Sat!"), a rec center with video games and a stack of Monopoly sets, a Baskin-Robbins and a Subway sandwich shop. (No beer, though; alcohol is illegal in Kuwait.) To conjure Camp Arifjan in a twinkling amid one of the most hostile environments on the planet was by any measure a stunning logistical achievement. And now, as at many bases in the U.S., it's KBR civilian employees, not soldiers, who cook, do the laundry, shuttle supplies and control the airspace overhead. KBR does everything but fight. Though it looks like an Army base, Camp Arifjan effectively is a subsidiary of Kellogg Brown & Root. The Army is merely -- to use Gatlin's term -- the "client."

The advantage to the Pentagon of using contractors goes beyond logistics. Had the Army tried to build Camp Arifjan itself last October, it would have had to mobilize reservists, said Lt. Col. Karen LeDoux, the Logcap commander at Arifjan. Activating reservists means disrupting families and businesses and generating TV coverage of men and women leaving home in uniform. In October, the war was still being debated at the United Nations and in the streets. "It's a political decision to use contractors," LeDoux said. "The Army can get a delicate job done quietly."

Outsourcing military missions also lets the Pentagon do things Congress might not approve. Congress, for example, has said the military can have only 400 U.S. soldiers in Colombia, an oil-rich country destabilized by guerrillas and the cocaine trade. But for years, civilian pilots employed by DynCorp, a KBR competitor, have been flying what amount to combat missions in Colombia under contract to the State Department, spraying coca crops with defoliant and occasionally getting shot at. Representative Janice Schakowsky, Democrat of Chicago, has been trying to put a stop to this kind of end run around Congressional oversight, but in the bellicose post-9/11 atmosphere on Capitol Hill, she can't get traction. Congress would never authorize the U.S. military to perform such a politically explosive mission as the Colombian spraying, Schakowsky argues, and if an American soldier was killed in Colombia it would be Page 1 news.

"Is the U.S. military privatizing its missions to avoid public controversy or embarrassment -- to hide body bags from the media and shield the military from public opinion?" she asks. Iraq, Schakowsky says, is no different. "We talk a lot in Congress about how many U.S. troops are there and for how long, but not at all about the contractors," she said. "They don't have to follow the same chain of command, the military code of conduct may or may not apply, the accountability is absent and the transparency is absent -- but the money keeps flowing."

The General Accounting Office and several watchdog groups say it's not yet even

clear that Pentagon contractors are cheaper in the long run than a larger military; the experiment is still too young. And there are other concerns, first among them the uncomfortable fact that the military can find itself dependent in wartime on people it doesn't fully control. Often, the only people who know how to run the military's new high-tech gear are the geeks of the company that makes it, so the soldiers manning, say, an Abrams tank don't necessarily know how to fix it if it breaks. After visiting Arifjan I met a reserve Air Force colonel in the lobby of the Kuwait Hilton who told me the communications gear on which his job depends is entirely maintained by civilian employees of the manufacturer (he wouldn't tell me which). "We had a problem in the middle of the night and called down for the contractor; they told us he doesn't come in until 9 a.m.," the officer told me. "We're fighting a war, and the contractor doesn't come in until 9 a.m.!" And really, there's no guarantee the contractor will be there at all if things get ugly. Soldiers have to stay put when the shells start falling or face punishment for desertion; contractors who decide the high pay isn't worth the risk can simply leave. As the Defense Department itself put it in a 1991 report, "D.O.D. Components cannot ensure that emergency-essential services performed by contractors would continue during crisis or hostile situations." And that was before the big increase in Pentagon contracting.

From the public's point of view, the increasing use of contractors makes it harder to know what the military is really doing. The Pentagon has lots of maddening rules that citizens have to follow if they want information, but while the Pentagon has secrets, it also fundamentally recognizes that it is a public institution. Not so the contractors, whose first allegiance is to their shareholders and who have little incentive to share information about how they operate. Take salaries. An Army sergeant with four years' service earns \$48,292.03 a year, a captain with two years' service earns \$60,500.47 and a lieutenant colonel with six years' service earns \$87,299.81; the salaries are even posted on the Internet. But when I asked a KBR spokeswoman how much her people were earning for their hard, beerless months in the desert, she said, "We absolutely don't discuss salaries."

"Why not?" I asked. "You're paying them with taxpayer money."

"We absolutely don't discuss salaries," she repeated. (Later, a KBR manager told me on the sly that because he and his colleagues have all their expenses paid by KBR and Americans abroad pay no income tax on the first \$80,000 they earn annually, they expect to net \$120,000.)

At Camp Arifjan, Butch Gatlin spoke of the good old days of the late 90's, when he had signing authority for any purchase up to half a million dollars. Then came the U.S. involvement in Bosnia and Kosovo from 1995 to 2000, when one of every seven Pentagon dollars passed through KBR and both the company and the Pentagon got dinged by the General Accounting Office for overspending. The G.A.O.

said it found "no evidence that cost was taken into consideration." Last year, KBR paid \$2 million to settle federal fraud charges that it inflated the cost of an Army contract in California and "in doing so, it increased its profits at the government's expense."

Now when Gatlin wants to buy anything over \$2,500 -- which is almost everything -- he has to get a signature from an Army officer living at Arifjan. "He signs a lot," Gatlin sighed. Cost-plus contracting offers the Army maximum flexibility; in an emergency or a politically sensitive moment, KBR can quietly throw as much money as necessary at a problem. But the more KBR spends, the more it earns.

Bechtel, another hydra-headed American giant, won what's often called the "mother contract" from the U.S. Agency for International Development to revive Iraq's water, power and electricity and the port of Umm Qasr. Unlike KBR, which fills the Crowne Plaza with a huge regiment of Texans who actually turn wrenches, Bechtel keeps fewer than 50 engineers and managers quartered at the Kuwait Sheraton. Bechtel's client is USAID, not the military, so none of its work is classified, and that makes it easier to hire its muscle locally. So while the lobby of the Crowne Plaza feels like a particularly high-rent sergeants' club -- noisy and smoky, men clumping in work boots across the faux-Persian carpets -- the cool marble lobby of the Sheraton plays the role of officers' billet to the reconstruction campaign. On the Sheraton's black leather sofas, British businessmen perch primly in no-wrinkle blazers, sample cases ready, watching for the company golf shirt of a Bechtel executive to emerge from the elevators.

Robert Sedgbeer, who works for a smallish British company that makes cellphone towers, was fighting jet lag to stay awake. "If I can just get these into the right hands, my trip will be worth it," he said, fingering a stack of company literature and craning his neck for a Bechtel exec. Stephen Thomas, whose aching polite Oxbridge manner belies his 15 years in Oman ("not bad"), said he hopes to sell Bechtel his company's food-service and telecommunications skills. Like Sedgbeer and everybody else in the lobby, he lowered his voice when saying "Bechtel," lest he risk offending the keepers of the golden keys. "We don't often get the chance, in our lifetimes, to see a country with such tremendous oil wealth and virtually no civilian commercial infrastructure get a whole new blueprint," Thomas said eagerly.

The revolving door that spins at the top of the military-industrial ziggurat spins at the bottom too. On my way out of Arifjan, I looked more closely at the heavily armed soldiers guarding the gate and found they weren't soldiers at all, but rather civilian employees of something called Combat Support Associates, a joint venture of three obscure American companies that provide the Army with security, logistics, "live-fire training" and maintenance. In southern Iraq I ran into four big men in full combat gear and Robocop sunglasses whom I also took to be soldiers

until I noticed the tape over the left shirt breasts; instead of US ARMY, it said EODT. That stands for "Explosive Ordnance Disposal Technology," not an Army unit but a company based in Knoxville, Tenn. The Web site says EOD Technology "applies leading-edge geophysical technologies to provide documented efficient solutions to environmental challenges," and what that translates to is: these guys dig up minefields for a living. Their challenge the day I saw them was an unexploded American artillery round that had crashed through an oil pipeline and was buried who-knew-where underneath. All four used to be soldiers; now they do the same work at private-sector wages.

It's an article of faith among KBR's people that they will be in Iraq only a short while. KBR's top client, Brig. Gen. Robert Crear of the U.S. Army Corps of Engineers, is the man in charge of Team RIO (Restore Iraqi Oil), and on a walking tour of the Basra oil refinery he insisted that the Army's role -- and by extension KBR's -- is temporary. "This is an Iraqi operation," he said several times. "The oil belongs to the Iraqi people. We are only support, and only until the infrastructure is up and running."

But neither he nor anybody else was able to say what "up and running" means. Depending on how that question is answered, companies like KBR will be in Iraq for months and will make millions, or years, and make billions. Decades of war and sanctions have left the wellheads, drills, pumps, and pipelines so inefficient and unsafe that, by some estimates, it will take \$50 billion and a decade to fix them.

There is no question that companies like KBR are up to the job. What isn't clear is whether there will come a day, anytime soon, when the United States says, "O.K.; good enough," and goes home -- leaving the Iraqi oil fields patched together and its equipment semi-safe. Or does the effort to "assist the Iraqi people" require a decadelong, oil-financed bonanza for oil-service companies like KBR/Halliburton? If anybody has the answer to that question, he or she is not saying. "That's way above my pay grade," says General Crear.

What's certain is that as long as the Army is in Iraq, KBR will be there with it. In Baghdad every morning, a crowd of desperate job seekers gathers at dawn at the back gate of the old Republican Palace compound, which is now U.S. Army headquarters. At about 7, a Humvee full of KBR men roars up, and like doorkeepers at the old Studio 54 they select a dozen or so grateful men and women for menial tasks on the base. Nobody objected to my watching this scene, but later, when a photographer took out a camera, an Army public-affairs officer walked up with his hand outstretched. "The authorities in charge have decided not to allow access at this time," he said. When asked if those "authorities" were the Army or KBR, the officer sighed and said, "To be honest, the lines get a little blurred sometimes."

Correction: July 6, 2003, Sunday An article on June 22 about Kellogg Brown &

Root, a private company that has won a government contract to help rebuild Iraq, and about the close ties between prominent government officials and private industry referred imprecisely to the position of Richard N. Perle, the former assistant secretary of defense who was hired by the telecommunications company Global Crossing to represent its position in business dealings with the Defense Department. He resigned from the chairmanship of the Defense Policy Board, not from the board itself.

Dan Baum is author of "Smoke and Mirrors: The War on Drugs and the Politics of Failure."

[Copyright 2007 The New York Times Company](#) | [Home](#) | [Privacy Policy](#) | [Search](#) | [Corrections](#) | [XML](#) | [Help](#) | [Contact Us](#) | [Work for Us](#) | [Back to Top](#)