

corporate profile

Halliburton



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Introduction

Are you looking for a company to help you drill that oil well you always wanted? Or do you need a company to build and manage bases for your invading army in newly conquered territory? Or maybe you want to build a new baseball stadium or put in a new super-highway. Do you live in Russia or the United Kingdom or Oman? No problem, I know just the company with a global reach that can supply you with all of these services (just be careful they don't overcharge you or destroy precious ecosystems). Don't worry about how big or expensive the project is this company will be able to find the financing from their friends at the big international financial institutions and large corporate welfare providers in the United States. Worried about threats to the environment? Not a problem, this company has enough political connections (the Vice President of the United States used to be their Chief Executive Officer) in the United States and around the world to deal with those unfriendly environmental regulations.

If you are looking for a company like this I would highly recommend Halliburton, a Texas based corporation with a diversified and huge operational capacity and enough scandals, political connections and legal problems to be the subject of an entire book¹ and numerous websites and publications.

Known primarily for their huge contracts with the United States Government for work in Iraq and their intimate links to present and past US presidencies, Halliburton seems to be in a class of its own. They have developed into a company with the capacity to provide a huge range of services to the oil and gas sector and the ability to supply logistical help on a huge scale to the US Army in combat zones.

Halliburton was founded in 1919 by Erle Halliburton in Oklahoma as an oil well services company. Over the years Halliburton diversified its operations through the acquisition of three companies, including: in 1957 Brown & Root a road construction company, general contractor and builder of the world's first offshore platform; in 1996 Dresser industries an oilfield products manufacturer; and Kellogg, already owned by Dresser, a developer of technologies for petroleum refining and petrochemical processing and builder of facilities based on those technologies.

Regardless of their technical and operational capacity one of their biggest claims to fame, or infamy, is that US Vice President and former Secretary of State Dick Cheney served as CEO and Chairman of the company from 1995 until 2000. This link between the company and the highest office of the Executive in the Government of the United States immediately puts Halliburton under scrutiny for, as this profile will show, any number of contracts and operations. Both Cheney and Halliburton have gone to great lengths to play down their previous relationship. This public relations effort could have had some affect in hiding a number of lower profile cases of cronyism (see social profile below), however, when Halliburton was awarded huge contracts by the US military without a bidding process, the public and even the mainstream media began to question the Vice President's link to the company. To make matters worse, attention to Halliburton's government contracts became even more intense when it surfaced that the company had overcharged the government for their work in Iraq. This prompted a number of ongoing investigations into the contracts and the company itself and it seems as if it is now common knowledge that Halliburton is Dick Cheney's old company.

As this profile will show, Halliburton's links to the US government are just the tip of the iceberg when it comes to controversies, scandals and problem contracts. The profile is broken into five sections and follows a specific methodology designed to provide a snapshot of the company's operations, economic situation, political connections, social/environmental/contractual track record and institutional investors.

The operational profile is designed to explain the company's different operating segments and how the company organizes its global business. This section provides information about what the company actually produces and how. The executive committee and the board of directors are named along with their annual salaries. Halliburton's public relations initiatives are looked at in this section as well as their links to universities around the world.

¹ Briody, D., "The Halliburton Agenda: The Politics of Oil and Money", Hoboken N.J.: Wiley, 2004

Halliburton's financial situation is covered in the second section of the profile. This section covers the company's latest financial data, marketing campaigns and provides a history of lawsuits directed against the company.

Most large corporations in the United States have deep connections to the political process through donations, lobbying and the revolving door between former executives and public office and vice versa. Halliburton is no different, and due to its intimate links with Dick Cheney, could be seen as a master in the game of political influence. An interesting phenomenon discussed in this section is the drop in Halliburton's level of political contributions and lobbying expenditures after Cheney took office in 2000. In the world of corporate government links, Cheney and Halliburton is the political connection to end all political connections.

The social profile focuses on a number of Halliburton's problem contracts including their work in Iraq. It continues with a snapshot of the company's environmental, labour and human rights record relating to their worldwide operations. The profile ends with information on Halliburton's institutional investors.

The purpose of the profile is to look at many aspects of Halliburton's operations and dealings from a critical perspective. The information provided here will act as a tool for dissecting and analyzing certain parts of Halliburton in order to discern its strengths and vulnerabilities. The profile presents strategic information and intelligence on Halliburton in such a way that will be useful for front-line activities against the company. It is hoped that through this profile some kind pressure can be brought upon a company that in some ways epitomizes cronyism and the term profits before people.

1. Organizational Profile

Halliburton and its subsidiaries employ 100,000 people in more than 100 countries, where they service over 7000 clients.

Ranked 322nd on the Fortune 500 in 2003 (400th in 2002)

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Stock Symbol – HAL (on the NYSE)

Halliburton's main law firms:
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Halliburton's insurance company: Equitas

1.1 Executives and their salaries

In July 2000 David Lesar succeeded Dick Cheney as Chairman and CEO of Halliburton Company. Before joining Halliburton, Lesar was employed by the infamous Arthur Andersen Company now Accenture (Anderson was Enron's accountant).

Executive	Salary + bonus	Stock options
David Lesar, President, CEO, Chair of the Board	\$4,591,424	\$275,768
Christopher Gaut, Chief Financial Officer, Executive Vice President	\$1,268,334	\$550,000
Joh Gibson jr., President and CEO of Energy Services Group	\$1,498,274	
Albert Cornelison jr. Executive Vice President, General Counsel	\$844,808	
Mark McCollum, Senior Vice President, Chief Accounting Officer		
Robert Harl, Chair of Kellogg, Brown and Root	\$974,095	
Andrew Lane, President and CEO of Kellogg, Brown and Root		

1.2 Board of Directors

Robert Crandall: Director since 1986 – Crandall is Chair Emeritus of AMR Corporation/American Airlines.

Kenneth Derr: Director since 2001 – Derr is the retired chair of the board of Chevron Corporation and is the company's former chief executive officer.

Charles Dibona: Director since 1997 – Dibona is the former president of American Petroleum Institute, a major petroleum industry lobby group.

William Howell: Director since 1991 – Howell is Chair Emeritus of J.C. Penney Company and is the company's former CEO.

Ray Hunt: Director since 1998 – Hunt is Chair of the Board, CEO and President of energy company Hunt Consolidated.

David Lesar: Lesar is Chair of the Board and CEO of Halliburton.

Aylwin Lewis: Director since 2001 – Lewis is President, Chief Multibranding and Operating Officer of YUM! Brands Inc, owners of A&W, Kentucky Fried Chicken, Pizza Hut, Taco Bell and Long John Silvers.

Landis Martin: Director since 1998 – Martin is Chair and CEO of Titanium Metals Corporation.

Jay Precourt: Director since 1998 – Precourt is Chair and CEO of natural gas company Scissor Tail Energy LLC.

Debra Reed: Director since 2001 – Reed is President and Chief Operating Officer of Southern California Gas Company and San Diego Gas & Electric Company.

C.J. Silas: Director since 1993 – Silas is the retired Chair and CEO of oil, gas and chemical company, Phillips Petroleum.

1.3 Business areas

Halliburton's operations are split into two main business groups, the Energy Services Group, which covers the company's oil and gas services, and Kellogg Brown and Root, Halliburton's engineering and construction group, infamous for its contracts in Iraq. The two groups are divided into various business segments as follows:

Energy Services Group – Halliburton Energy Services Group, provides solutions for the exploration, development and production of oil and gas. The Energy Services Group provides

Halliburton with nearly two-thirds of the company's revenues and more than 80 percent of its operating income. The group consists of the following four business segments:

- **Drilling and Formation Evaluation** – \$1.64 billion in sales 2003, 10% of annual revenue: This segment is primarily involved in the drilling of oil and gas wells. Its major services and products offered include: drilling systems and services; drill bits; logging and perforating.
- **Fluids** – \$2.03 billion in sales 2003, 12.4% of annual revenue: Halliburton's Fluids segment focuses on fluid management and technologies to assist in the drilling and construction of oil and gas wells. The segment offers products including cementing and drilling fluid systems. Cementing is the process used to bond the well and its casing while isolating fluid zones
- **Production Optimization** – \$2.77 billion in sales 2003, 17% of annual revenue: Once a well is drilled, Halliburton's Production Optimization segment tests, measures and helps manage and improve well production. The segment enhances oil and gas reservoirs through pressure pumping services.
- **Landmark and Other Energy Services** – \$547 million in sales 2003, 3.3% of annual revenue: This is Halliburton's information technology segment, providing exploration and production software information systems, consulting services, real-time operations among other services. Landmark Graphics software transforms seismic, well log and other data into detailed computer models of petroleum reservoirs. The models are then used by customers to enhance their business.

Engineering and Construction Group

- **KBR (Kellogg Brown and Root)** – \$9.27 billion in sales 2003, 56.9% of annual revenue: KBR (Kellogg Brown and Root), Halliburton's Engineering and Construction group provides a wide range of services to governments and industrial customers around the world. KBR has the capabilities to build, operate and manage a wide variety of infrastructure related facilities including: gas processing facilities and chemical plants; prisons; stadiums; and highways. The company also provides logistical support for the United States military in the form of military base management which includes everything from food, beds and mail service to laundry, sanitation and utilities. In the past year, this section of Halliburton has caused the most harm to the company's reputation because of its contracts with the US military for services in Iraq (see below).

1.4 Government contracts

"Oh, I have no idea. I was not aware of the contract at all. There's, you know, hundreds of contracts in an institution as large as this, in all the services, and the defense agencies. I would say this. I think the implication of the question is unfair, in this sense -- the Vice President has absolutely no economic interest in any company that he was ever connected with. I have no economic interest. None of the other people serving in the government have an economic interest in any company they were previously associated with. Therefore, it ought not to look bad. It only will look bad if people raise the question, and say it looks bad. It does not look bad. And it should be accompanied by the truth, which is that the Vice President has no economic interest in that company; has not since the day he became Vice President." Donald Rumsfeld – Responding to a question regarding Halliburton's 2002 LOGCAP III contract, July 15, 2002² (according to White House press releases Dick Cheney received \$1,598,977 in 2001, \$162,392 in 2002 and \$178,437 in 2003 in "bonuses or deferred compensation" from Halliburton Company)³

² CNBC Interview with Donald Rumsfeld, published on the US Department of Defense Website, http://www.defenselink.mil/news/Jul2002/t07152002_t15cnbca.html

³ "Vice President Dick Cheney and Mrs. Cheney Release 2002 Income Tax Return", White House Press Release, April 11, 2003, <http://www.whitehouse.gov/news/releases/2003/04/20030411-8.html>; "Vice President Dick Cheney and Mrs.

In 2004 Halliburton ranked 16th on the industry publication Defense News' list of the top 100 company's ranked by revenue from US government defense contracts. Halliburton's 2003 revenue from contracts with the US military reached \$2.7 billion dollars, or 16.6% of their total annual revenue for the year. Aside from their top 20 ranking among the world's war privateers, what is significant about this figure is that it is 458% or \$2.2 billion dollars higher than their income from military contracts in 2002.⁴ This meteoric rise (they ranked 61st 2002) is primarily attributable to the company's huge logistical and reconstruction contracts with the US government for work in Iraq.

Total value of military contracts equals \$21 billion⁵

As of November 2004, the total value of Halliburton's existing military contracts totaled \$21 billion. This figure represents the total amount the company expects to receive from military contracts it is engaged in for different governments around the world. The \$21 billion figure comes from the following sources:

- United States Army's Logistics Civil Augmentation Program – 40 percent
- United Kingdom's Ministry of Defence – 15 percent
- US Army's Restore Iraqi Oil (RIO) infrastructure contract – 12 percent
- Balkans Support Contract – 9 percent
- United States Central Command – 7 percent
- US Army's Project Contracting Office (PCO) oil infrastructure contract – 6 percent
- Los Alamos National Laboratory – 4 percent
- US Navy's CONCAP contract – 2 percent

Halliburton's subsidiaries have been involved in providing services for the US military since the early 1940s. During the Vietnam War KBR's predecessor Brown and Root was part of a consortium of four companies that constructed close to eighty-five per cent of the infrastructure needed by the US Army during the Vietnam War.⁶ The consortium built roads, landing strips, harbours and military bases in areas under US control. The company's recent military work began in 1992 when the Pentagon paid Brown and Root Services \$3.9 million to produce a report on how private companies could help provide logistical support for US troops in potential war zones around the world. Later that year, Brown and Root Services became the U.S. Army's first Logistics Civil Augmentation Program (LOGCAP) contractor providing services and logistics to the military.⁷ Since then KBR has been contracted to support contingency events in countries and regions including, Somalia, Haiti, Hungary, Croatia, Bosnia, Kuwait, Afghanistan, Zaire, Turkey, the Balkans and Uzbekistan. In the Balkans alone Halliburton has been paid \$3 billion for its logistical support of U.S. troops. The company is paid by the US Government through a cost-plus arrangement where KBR is guaranteed to recover expenses as well as receive a set profit provided the terms of the contract are met.⁸

What is cost-plus?

Many of the contracts Halliburton receives from the US government are known as 'cost-plus' contracts. The contracts work as follows: In the case of KBR's no-bid cost-plus logistics work for the US government in Iraq, the company purchases goods (fuel, towels, food, etc...) and services (subcontractors), from its own pocket

Cheney Release 2003 Income Tax Return", White House Press Release, April 13, 2004, <http://www.whitehouse.gov/news/releases/2004/04/20040413-5.html>

⁴ Defense News Top 100, <http://www.defensenews.com/content/features/2004chart1.html>

⁵ "Total value of Halliburton's military contracts equals \$21 million", Halliburton Watch, December 9, 2004, http://www.halliburtonwatch.org/news/merill_report.html

⁶ Mayer, J., "Contract Sport: What did the Vice President do for Halliburton", The New Yorker, February 16, 2004

⁷ Bryce, R., "Cheney's multi-million dollar revolving door", Mother Jones, August 2, 2000

⁸ Halliburton website, <http://www.halliburton.com/kbr/govServ/index.jsp>

⁹ "Total value of Halliburton's military contracts equals \$21 million", Halliburton Watch, December 9, 2004, http://www.halliburtonwatch.org/news/merill_report.html

to perform the contract. The US military then reimburses KBR for those expenses. KBR is then paid a fee, which translates into its profit, of one to seven percent of the value of the expenses.⁹ Essentially KBR buys the inputs required for the contract (cost) and the military reimburses the company and pays an additional fee (plus). The arrangement is widely criticized because of the potential for overcharging.

Judging from their rise through the ranks of defense contractors, the US 'war on terrorism' has been very profitable for Halliburton and its subsidiaries. They have been able to follow, and profit from, the US military's movements throughout the globe. On top of their operations in Iraq, KBR has been contracted to build the cells holding suspected al Qaeda and Taliban members in Guantanamo bay, and to manage a wide range of tasks at Khanabad Air Base in Uzbekistan. The New York Times reported in 2002 that in Uzbekistan the company employed Uzbeks, paying them in accordance with "local laws and customs" but operating under United States health and safety guidelines, while recent work at Guantanamo was completed by workers from the Philippines and India.¹⁰

While KBR's large number of military contracts is alarming due to the company's historic links with different US administrations (see political profile below), another troubling circumstance is a number of cases where KBR allegedly defrauded the military through the inflation of contract prices. In one such case in 2002 KBR agreed to pay the US government \$2 million in order to settle allegations that it had submitted false claims and made false statements in connection with 224 delivery orders in the mid-nineties.¹¹ On a number of other occasions Halliburton and KBR have been ordered to pay settlements to end investigations and lawsuits (see lawsuit section below).

The manner in which Halliburton has been awarded its military contracts is widely seen as problematic. Because of the present US administration's close ties to the oil industry and due to Vice President Dick Cheney's connection to Halliburton, many of the company's past and present military contracts are questionable. The awarding of a major contract to manage Iraq's oil fields by the US military even prompted US Senator Joseph Lieberman, a military hawk himself who is on the right wing of the democratic party, to write a letter to the Governmental Affairs Committee saying that: "I have been concerned for some time about the manner in which the Bush Administration has awarded a number of contracts related to the rebuilding efforts in postwar Iraq, including the contract awarded to KBR...I...believe that the administration should be forthright and open with the American people about the details of all of the rebuilding contracts in Iraq".¹²

The following is a list of Halliburton's recent contract activity with the United States Government:

November 2004: US Army – KBR was awarded \$12.12 million in contract extensions for logistics and temporary construction services to be performed for the US Army in Bosnia, Croatia, Kosovo, Macedonia, Hungary and Houston, Texas. The extensions are all part of a \$1.9 billion contract awarded to KBR in 1998.¹³

July 2004: US NAVY – KBR was selected by the Naval Facilities Engineering Command to continue providing construction and related services to the US Navy and other Department of Defense agencies around the world. Under the construction capabilities contract (CONCAP), KBR could be directed by the Navy to provide: program planning; scheduling; design; engineering; transportation; construction management and quality control; personnel; equipment;

¹⁰ Gerth, J., Van Natta Jr, D., "In Tough Times, a Company Finds Profits in Terror War", New York Times, July 13, 2002

¹¹ "Halliburton unit settles Qui Tam lawsuit", Halliburton press release, February 8, 2002,

http://www.halliburton.com/news/archive/2002/corpnws_020802.jsp

¹² "Lieberman calls for Halliburton hearings", May 20, 2003, <http://www.corpwatch.org/issues/PID.jsp?articleid=6288>

¹³ United States Department of Defense Office of the Assistant Secretary of Defense (Public Affairs) Contracts, <http://www.defenselink.mil/contracts/2004/ct20041104.html>

materials; labor; and travel. The contract is for one year with four one-year options and is not to exceed \$500 million.¹⁴

July 2004: Iraq – KBR was awarded a \$20.65 million cost-plus-fixed-fee contract by the US Army (Coalition Provisional Authority) to establish and operate an operations center/logistics movement control center in Iraq.¹⁵

July 2004: Iraq – KBR was awarded a \$61.88 million firm fixed price contract to design and construct an aircraft parking ramp at the Balad Air Base in Iraq. The contract was awarded by the US Army Corps of Engineers and was expected to be completed by late December 2004.¹⁶

May 2004: US Navy – KBR was awarded a \$175 million five-year contract by the US Navy to rehabilitate facilities and perform alteration and repair work at the Hampton Roads Naval facilities in Virginia.¹⁷

January 2004: Iraq – KBR was awarded \$1.2 billion cost-plus-award-fee contract by the US Army Corps of Engineers for the Southern region of Iraq including Kuwait. The contract is for the Restore Iraqi Oil program in the Southern section of Iraq. Under the contract KBR will provide a full range of services to the US Army.¹⁸

January 2004: Iraq – KBR was awarded a contract from the US Army Corps of Engineers' Transatlantic Programs Center (CENTCOM) to provide quick response contracting capabilities to changing environments within the CENTCOM's area of operation (25 countries from Southern Africa to Central Asia). KBR will provide a range of engineering services such as construction, including new work, restoration, renovation or repair; combined design-build activities; temporary base operations; short-term operations; and maintenance services. The contract is worth \$500 million for the first year, and potentially \$1 billion more with the contract's four one-year options (\$250 million/year).¹⁹

September 2003: Vieques Island, Puerto Rico – KBR was chosen by the US Navy to build a ferry terminal at Vieques Island in Puerto Rico. Vieques Island is the site of a US Navy bombing range. Over the years citizens have mounted resistance to the military activities. Bombing ended in 2003. KBR will receive \$9.4 million for the project which is part of a \$300 million contract awarded to the company in 2000.²⁰

June 2003: Guantanamo Bay – Brown and Root Services, a division of KBR was awarded a further \$12.49 million dollars for construction services to the US military base in Guantanamo Bay, Cuba. The project involves maintenance to detention facilities.²¹

March 2003: Iraq – KBR was awarded a major no-bid contract from the United States government to extinguish oil well fires and to evaluate and repair the petroleum infrastructure in Iraq. The contract was originally limited to extinguishing oil well fires, but was quietly extended to included the operation of Iraq's oil fields and the distribution of the oil. The extension of the

¹⁴ "KBR Chosen To Continue Supporting U.S. Navy Under CONCAP Contract", Halliburton press release, July 27, 2004, http://www.halliburton.com/news/archive/2004/kbrnws_072704.jsp

¹⁵ United States Department of Defense Office of the Assistant Secretary of Defense (Public Affairs) Contracts, <http://www.defenselink.mil/contracts/2004/ct20040714.html>

¹⁶ United States Department of Defense Office of the Assistant Secretary of Defense (Public Affairs) Contracts, <http://www.defenselink.mil/contracts/2004/ct20040702.html>

¹⁷ "KBR wins Job Order Contract With U.S. Navy For Hampton Roads Naval Facilities", Halliburton press release, May 17, 2004, http://www.halliburton.com/news/archive/2004/kbrnws_051704.jsp

¹⁸ "KBR reviews terms and conditions of major contracts in support of US troops", Halliburton press release, January 22, 2004, http://www.halliburton.com/news/archive/2004/kbrnws_012204.jsp

¹⁹ *ibid*

²⁰ United States Department of Defense Office of the Assistant Secretary of Defense (Public Affairs) Contracts, <http://www.defenselink.mil/contracts/2003/ct20030912.html>

²¹ United States Department of Defense Office of the Assistant Secretary of Defense (Public Affairs) Contracts, http://www.defenselink.mil/contracts/2003/c06132003_ct416-03.html

contract to include Iraq's oil fields indicates the privatized and nepotistic nature of the US government's post war plans (many of which were decided prior to the war) for Iraq. Halliburton and the US government's plan to deal with Iraq's oil fields began in November 2002 (months before the second US-led war on Iraq began) under Halliburton's Logistics Civil Augmentation Program (LOGCAP) III contract. The implementation of the plan will be executed through the contract awarded in March 2003.²² The awarding of the March 2003 contract has elicited calls from US politicians asking the Governmental Affairs Committee to hold hearings in order to investigate the bidding (or lack thereof) process. The US Army corps of Engineers originally projected that KBR's Iraq contract would reach \$600 million dollars. Because of the structure of the contract, however, the "amount that Halliburton could receive in the future is virtually limitless", says Democratic Representative Henry Waxman.

August 2002: Los Alamos National Laboratory – In August 2002, KBR was awarded a five-year \$145 million/year contract from the United States Department of Energy's Los Alamos National Laboratory for site support services. KBR, along with its joint venture partners Shaw Group, Inc. and Los Alamos Technical Associates (LATA), function as a subcontractor to the University of California, which operates the Laboratory. The scope of the contract includes maintenance services for structures, systems and components in non-reactor nuclear, special use, and non-hazardous facilities. KBR provides maintenance, maintenance planning and work control, including state-of-the-art preventive and predictive maintenance.²³ Los Alamos develops and applies science and technology to ensure the safety and reliability of the U.S. nuclear deterrent and solve national problems in defense, energy, environment and infrastructure.

July 2002: Guantanamo Detention Center, Cuba – Halliburton was awarded a \$9.7 million contract to build an additional 207 cell internment center at the US naval base in Guantanamo, Cuba to hold suspected Al Qaeda and Taliban prisoners.²⁴ The treatment of the prisoners held in Guantanamo has been widely criticized by human rights groups including Amnesty International.

March 2002: California – KBR was awarded a \$46 million contract over 4.5 years for base operating support services for the US navy's air facility at El Centro, California. The work includes operations and maintenance of utility systems, refrigeration and compressed air equipment, ground electronics, weapons ranges, support equipment, family housing facilities, and buildings, structures, and grounds maintenance. Work also includes food service, supply services, transient aircraft services, and morale, welfare, and recreation services.²⁵

December 2001: U.S. ARMY – Halliburton KBR's Government Operations division was awarded the U.S. Army Logistics Civil Augmentation Program (LOGCAP) III contract. The LOGCAP contract privatizes routine army functions. Awarded by the US Department of Defense, this is a no-cap, cost-plus-award contract to build forward operating bases to support troop deployments for the next nine years.²⁶ Under the LOGCAP III contract, KBR was tasked in November 2002 to develop the contingency plan for extinguishing oil well fires in Iraq. The nature of the contract requires Halliburton to support US troops wherever the President decides to take his 'war on terrorism'. Halliburton made \$2.5 billion from base support services during the 1990s.²⁷

²² "KBR Implements Plan for Extinguishing Oil Well Fires in Iraq", Halliburton Press Release, March 24, 2003, http://www.halliburton.com/news/archive/2003/kbrnws_032403.jsp

²³ "KBR awarded site support services contract at Los Alamos National Laboratory", Halliburton press release, August 8, 2002, http://www.halliburton.com/news/archive/2002/kbrnws_080802.jsp

²⁴ Aldinger, C., "Halliburton to Build New Cells at Guantanamo Base" Reuters, July 27, 2002

²⁵ "Halliburton KBR wins base operations support contract from U.S. Navy", Halliburton press release, March 6, 2002, http://www.halliburton.com/news/archive/2002/kbrnws_030602.jsp

²⁶ "Halliburton KBR Wins Logistics Civil Augmentation Contract from US Army", Halliburton Press Release, December 17, 2001, http://www.halliburton.com/news/archive/2001/kbrnws_121701.jsp

²⁷ Green, J., "USA: Halliburton – To the Victors Go the Markets", Facing South, February 1, 2002, <http://www.corpwatch.org/news/PND.jsp?articleid=1752>

May 1999 U.S. – Brown & Root Services (now known as KBR) was awarded a contract by the U.S. Department of State to perform fast track delivery of security improvements at U.S. embassies and consulates throughout the world. Valued at up to \$100 million, the two year contract with one additional option year, requires BRS to perform physical security and technical security systems surveys, followed by detailed design, construction and installation of improved systems for up to 150 facilities throughout the world.

1.5 Lawsuits

Halliburton is no stranger to high profile lawsuits. From overcharging the United States government on military contracts to bribery suits and enormous liability cases, Halliburton has a history of dealing with large and scandalous lawsuits. The following is a short list of Halliburton's recent litigation.

November 2004: Australia/Iraq – In November 2004, Australian company Morris Corporation hired by Halliburton as a subcontractor to supply meal services for the US military in Iraq, sued Halliburton for failing to pay catering bills. The company, which shared in a \$100 million catering contract with a Kuwaiti company, is suing Halliburton for \$27 million in unpaid bills.²⁸ It was Morris Corp. that hosted George Bush during his photo opportunity visit to Baghdad International Airport for Thanksgiving in November 2003.

November 2004: Virginia/Kuwait/Iraq – Kuwaiti sub-contractor La Nouvelle General Trading & Contracting, which supplied logistical support to the US military in Iraq and Kuwait for Halliburton, sued the company in US District Court in Virginia for failing to pay \$224.4 million for services.²⁹ Halliburton withheld payment as a result of the US government's ongoing investigation into the company's overbilling for services in Iraq and Kuwait.

1998 – 2004: United States, Asbestos case – *"Halliburton and Dresser are an outstanding business and cultural fit. This is a win-win combination for both companies' shareholders, customers and employees."* Dick Cheney commenting on Halliburton's acquisition of Dresser Industries In a February 1998 Halliburton Press release³⁰

When Dick Cheney orchestrated the acquisition of Dresser industries in February 1998, he also saddled Halliburton with nearly 300,000 pending legal claims by former Dresser employees involving asbestos-related health problems. The claims actually stem from a company acquired by Dresser in 1967, which from 1953 to 1981 manufactured or distributed at least 31 products containing asbestos. When Halliburton revealed that it was liable for the asbestos claims in December 2001, its stock dropped 43% in one day. One year later, the company decided that instead of going to trial over the claims would settle all of its asbestos related cases.³¹ Halliburton agreed with plaintiffs in the Dresser Industries liability case to set up a \$4.2 billion trust fund for asbestos victims. \$2.775 of the fund will be in cash, while the remainder will come in the form of stock and notes. While the usual consequence for corporations dealing with asbestos related liability cases is bankruptcy, Halliburton is employing creative ways of using bankruptcy proceedings to avoid a total collapse from the weight of the payout. Halliburton subsidiaries KBR and DII (formerly Dresser industries) have filed for Chapter 11 bankruptcy protection thereby shielding the company from future damages. The bankruptcy judge approved a deal with Halliburton's insurers that allowed the business units to emerge from bankruptcy on December

²⁸ Dunn, M., "\$27 m bid after deal goes sour", Herald Sun, November 2, 2004

²⁹ Ivanovich, D., "Army, Halliburton talk settlement", The Houston Chronicle, October 23, 2004

³⁰ "Halliburton and Dresser Industries Announce \$7.7 Billion Stock Merger", Halliburton Press Release, February 26, 1998, http://www.halliburton.com/news/archive/1998/corpnws_022698.jsp

³¹ "Halliburton may still dodge its obligation to asbestos victims", Corporate Truth Squad, Alert #4, March 19, 2004, <http://www.e-guana.net/organizations/org/CTS4reHalliburtonFINAL.pdf>

28, 2004.³² This restructuring will allow Halliburton to avoid contributing most of its assets to the \$4.2 billion trust fund.

In December 2004 a federal court judge approved Halliburton's settlement of asbestos claims finally bringing an end to the company's liability.³³ In January 2005, KBR and Dresser emerged from bankruptcy proceedings.

1998 – 2004: United States, Crooked accounting – In August 2004, the United States Security and Exchange Commission found that Halliburton secretly changed its accounting practices when Dick Cheney was CEO. The SEC fined the company \$7.5 million.³⁴ See Political Profile below for more details on Halliburton's crooked accounting practices and Cheney's direct involvement.

1994 – 2004: Nigeria bribery scandal – Fraud investigators in four different countries – Nigeria, France, the United States (US Justice Department and the SEC) and the United Kingdom – are looking into suspicious payments made by a consortium, including Halliburton, to secure a \$2 billion contract to build a natural gas plant in Nigeria. At the center of the investigation are \$132 million in 'advisory' fees that Halliburton has admitted the consortium TSKJ paid to London lawyer Jeffrey Tesler who then used the money to bribe Nigerian officials.³⁵ Tesler was originally hired by TSKJ as an agent in 1995 and reappointed to the position in 1999 with KBR acting as the lead partner for the consortium.³⁶ In November 2004, Halliburton admitted in an SEC filing that improper payments may have been made to Nigerian officials from TSKJ.³⁷ Most of the alleged payments took place when Vice President Dick Cheney was CEO of Halliburton.

In September 2004, Nigeria's President Olusegun Obasanjo officially banned Halliburton and TSKJ from bidding on future government contracts. The ban was not actually related to the bribery scandal, but to a case where Halliburton negligently caused the disappearance of two sensitive radioactive devices for taking measurements in oil wells. For a comprehensive outline of the many details of surrounding the scandal, please refer to the Halliburton Watch website: http://www.halliburtonwatch.org/about_hal/nigeria_timeline.html

May 2003: Nigeria – Halliburton admitted that one of its subsidiaries operating in Nigeria paid a \$2.4 million bribe to a Nigerian government official in return for tax breaks related to Halliburton's Nigerian operations where the company is building a natural gas plant and an offshore oil and gas facility. The company said in a United States Securities and Exchange Commission (SEC) filing that the bribes were paid between 2001 and 2002 to "an entity owned by a Nigerian national who held himself out as a tax consultant, when in fact he was an employee of a local tax authority".³⁸

2000 – 2002: California – In February 2002 KBR paid the US government \$2 million to settle allegations that it overcharged for the decommissioning of Fort Ord military base near Monterey California. The suit alleged that the company submitted false claims and made false statements on 224 delivery orders between April 1, 1994 and Sept. 30, 1998.³⁹

1.6 Strategic Partners

³² Cameron, D., "Halliburton seeks to end asbestos deal", Financial Times, November 29, 2004

³³ Deutsch, C., "Court approves Halliburton settlement", The New York Times, December 4, 2004

³⁴ Norris, F., "Halliburton settles SEC accusations", The New York Times, August 4, 2004

³⁵ Nisse, J., "Non-stick Cheney faces his big test over Halliburton", The Independent on Sunday, November 7, 2004

³⁶ "Halliburton and Nigeria: A chronology of key events in the unfolding bribery scandal", Halliburton Watch website, http://www.halliburtonwatch.org/about_hal/nigeria_timeline.html

³⁷ "Halliburton admits bribes 'may have been paid' in Nigeria", Agence France Press, November 8, 2004

³⁸ Leopold, J., "US VP's former company continues to break laws while profiting from terror", Online Opinion, May 16, 2003, <http://www.onlineopinion.com.au/view.asp?article=348>

³⁹ Thompson, D., "Defense contractor settles military fraud lawsuit for \$2 million", The Associated Press, February 8, 2004

Landmark, Halliburton's oil services software unit, has strategic alliances with a number of large corporations for the development and delivery of information technology solutions and hardware. Their alliances include: IBM; Intel; SGI; Sun Microsystems; United Devices.

1.7 PR and Advertising

Halliburton's PR firm – Vollmer, <http://www.vollmerpr.com/>

Television commercials – When the scandals surrounding Halliburton began to pile up early in 2004, CEO David Lesar decided that it would be a good idea 'clear up the record' about his company and their government operations. The ads were designed to address criticism of the company and to assure viewers that Halliburton was awarded its billion dollar contracts in Iraq "because of what we know, not who we know".⁴⁰ The ads don't mention that the company employs a number of former military personnel or that over 90 percent of its political contributions over the last ten years have gone to the Republican candidates (see political profile below). The New York Times quoted an ad agency executive saying that "Martha Stewart would not take out a paid ad and say, 'Before you buy any of my housewares, just remember I'm innocent'. It's a bizarre strategy". The article also quoted a Republican member of Congress who said that the ads were pitiful and were "about as believable as a crocodile going onto the Senate floor and voting".⁴¹ Halliburton did not disclose whether the ads were made in-house or by an outside agency. In 2003 the company spent a relatively low \$300,000 on advertising.⁴²

1.8 University Links

Halliburton has donated millions of dollars in the way of grants to a number of universities around the world. Most of the donations, usually in the form of software and services, come from Halliburton's Landmark Graphics Corporation, a supplier of software and services for the upstream oil and gas industry. Landmark's website states that their Global University Grant partnerships are "created on the basis of corporate strategies and technical directions with the intent of not only aiding the Universities involved by providing valuable 'hands-on' experience, but also leveraging new and emerging technologies and research from these institutions to the benefit of Landmark".⁴³ Universities selected for this program use the software both to instruct students as part of the course curriculum and to conduct academic research.

Some recipients of grants from Landmark include:

Memorial University of Newfoundland (MUN), Canada – Since 2000, MUN has received \$22.9 million in integrated software and support services from Landmark. In November 2000, the university received \$9 million⁴⁴ and then another \$13.9 million⁴⁵ in March 2004.

University of Saskatchewan, Canada – In August 2002, the University of Saskatchewan was one of seven universities around the world who were granted a share of \$28.3 million in integrated software and services from Landmark. The other six universities are:

- **Curtin University of Technology, Perth, Australia**

⁴⁰ "Halliburton CEO featured in new television advertising", Halliburton press release, February 5, 2004, http://www.halliburton.com/news/archive/2004/corpnws_020504.jsp

⁴¹ Bumiller, E., "In season of campaigns, Halliburton joins in", The New York Times, February 23, 2004

⁴² Charski, M., "Halliburton defends its actions in Iraq", Adweek.com, February 5, 2004

⁴³ Landmark Graphics Corporation website, <http://www.lgc.com/landmark/aboutus/universitygrantprogram/default.htm>

⁴⁴ "Landmark grants US \$9.0 million in integrated software and services to Memorial University of Newfoundland", Landmark press release, November 21, 2004

⁴⁵ "Halliburton's Landmark division grants \$13.9 million to Memorial University of Newfoundland", Halliburton press release, March 5, 2004

- **Damascus University**, Damascus, Syria
- **Harvard University**, Cambridge Massachusetts
- **Montana Tech**, Butte, Montana
- **Ohio State University**, Columbus, Ohio
- **The University of Utah**, Salt Lake City, Utah

University of Sydney, Australia – In May 2003, Landmark granted \$20 million in integrated software and services to the University of Sydney

Royal University and the **University of Stavanger**, Norway – In May 2002, Landmark expanded its collaboration with the two universities by sponsoring a three-year research associate program.

2. Economic Profile

2.1 Financial data

*“During 2003, Iraq related work contributed approximately \$3.6 billion in consolidated revenues and \$85 million in consolidated operating income, a 2.4% margin before corporate costs and taxes”.*⁴⁶

“The United States Government has become a major customer of ours with total revenues of approximately \$4.2 billion, or 26% of total consolidated revenues, for 2003” In 2002, revenues from the USG represented less than 10% of total consolidated revenues.⁴⁷

Financial data	2003	2002	% change
Revenue	\$16.27 billion	\$12.57 billion	29.4%
Net income	(\$820) million	(\$908) million	9.6%
Long term debt	\$3.41 billion	\$1.18 billion	188%

[Source: Wall Street Journal]

Halliburton’s increase in annual revenue is related to the company’s contracts with the United States Government. Halliburton’s work for the US government in 2003 represented \$4.2 billion in annual revenue or 26% of the total for the year. Iraq related work in 2003 contributed approximately \$3.6 billion in consolidated revenue and \$85 million in operating income. Regardless of higher revenue in 2003, income remained negative due to losses from asbestos related issues.

First 3 quarter results			
Financial data	As of September 30, 2004	As of September 30, 2003	% change
Revenue	\$15.26 billion	\$10.87 billion	40.3%
Net income	(\$766) million	\$127 million ⁴⁸	
Long term debt	\$3.89 billion		

[Source: Wall Street Journal]

Revenue by segment:

Segment	2003	2002	% Change
Drilling and Formation Evaluation	\$1.64 billion	\$1.63 billion	.6%
Fluids	\$2.03 billion	\$1.81 billion	12.3%
Production Optimization	\$2.76 billion	\$2.55 billion	8.3%
Landmark and Other Energy Services	\$547 million	\$834 million	(34.4%)
Total Energy Services Group	\$6.99 billion	\$6.83 billion	2.3%
Engineering and Construction Group (KBR)	\$9.27 billion	\$5.73 billion	61.7%
Total revenue	\$16.27 billion	\$12.57 billion	29.4%

⁴⁶ Halliburton 2003 annual report

⁴⁷ Halliburton 2003 annual report

⁴⁸ In the fourth quarter of 2003, Halliburton registered \$947 million negative result for net income. This figure brought the annual net income down to (\$820) million.

Revenues by geographic region:

International revenues were 73% of total revenues in 2003 and 67% of total revenues in 2002. The rise is attributable to Halliburton's increased government services contracts.

Region	2003	2002	% change
United States	\$4.41 billion	\$4.13 billion	6.7%
Iraq	\$2.39 billion	\$1 million	2398%
United Kingdom	\$1.47 billion	\$1.52 billion	(3.2%)
Other (numerous countries)	\$7.98 billion	\$6.91 billion	15.4%
Total	\$16.27 billion	\$12.57 billion	29.4%

2.2 Tax avoidance

Companies like Halliburton are always looking for ways to avoid paying taxes. One way to do this is to incorporate subsidiaries inside countries where the company pays little or no taxes. Countries like this are known as 'tax havens'. Of Halliburton's 144 subsidiaries (listed in Appendix 1) only 34 are incorporated in the United States. While many of Halliburton's foreign subsidiaries have real and ongoing operations, a number of them are incorporated inside tax haven countries where their physical presence amounts to a mailing address. Under US tax laws, if a US corporation incorporates a subsidiary in a foreign company it is considered a foreign citizen and is no longer considered a US resident. This means that Halliburton does not have to pay US taxes on income from its foreign based subsidiaries if the money is retained and reinvested outside the United States. This income is taxable only if it returns to the United States. An important aspect of US tax laws is that foreign incorporated subsidiaries can legally be controlled by its parent company headquartered in the United States. Companies like Halliburton are therefore legally allowed to become incorporated in a low-tax country, obtain a mailing address and avoid paying taxes on foreign income. Halliburton's subsidiaries based in tax havens usually own plants or operations in other higher tax countries. Since the tax haven company is the legal owners of the operations in the other country, Halliburton avoids paying taxable income on the operations.⁴⁹ From the list of Halliburton's subsidiaries listed in the Appendix, 11 are situated in the Cayman Islands which has very little corporate income tax. During Dick Cheney's time as CEO of the company the number of Halliburton subsidiaries situated in offshore tax havens grew from 9 to 44. Halliburton went from paying \$302 million in company taxes in 1998 to receiving an \$85 million dollar tax refund in 1999.⁵⁰

In 2002 Citizen Works reported that 58 of Halliburton's subsidiaries were incorporated in tax havens. The watchdog group ranked the company seventh among Fortune 500 companies with the most offshore tax-haven subsidiaries.⁵¹

2.3 Sales by customer – Where they operate *"You've got to go where the oil is. I don't worry about it [political volatility] a lot."* Dick Cheney – Addressing the [Texas] Panhandle Producers and Royalty Owners Association annual meeting in 1998⁵²

⁴⁹ "Halliburton's tax haven explained", Halliburton Watch, http://www.halliburtonwatch.org/about_hal/taxhaven.html

⁵⁰ Durtman, L., Grey, C., "Cheney, Halliburton and the Spoils of War", Citizen Works, April 4, 2003, <http://www.corpwatch.org/article.php?id=6288>

⁵¹ <http://www.citizenworks.org/corp/tax/top25.php>

⁵² Bruno, K., Valette, J., "Cheney and Halliburton; Go Where the Oil Is", Multinational Monitor, Vol. 22, No. 5, May 2001, <http://multinationalmonitor.org/mm2001/01may/may01corp10.html>

Halliburton epitomizes the term 'multinational corporation'. Along with its subsidiaries, it has operations in dozens of countries around the world, including some with questionable human rights abuses. In the past Halliburton has had no problem extending its operations into countries that are sworn enemies of the United States. Some of the countries where Halliburton does business include:

Africa: Algeria, Angola, Cameroon, Republic of Congo, Egypt, Equatorial Guinea, Gabon, Ivory Coast, Mauritania, Nigeria, South Africa, Tanzania, Tunisia

Asia: Azerbaijan, Bangladesh, Brunei, China, India, Indonesia, Japan, Kazakhstan, Komi Republic, Malaysia, New Guinea, Pakistan, Philippines, Russia, Thailand, Turkey, Singapore, Vietnam

Europe: Austria, Belgium, Czech Republic, Denmark, France, Germany, Greece, Italy, Korea, Netherlands, Norway, Romania, Spain, Sweden, United Kingdom

Middle East: Afghanistan, Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Yemen

North America: Canada, Mexico, United States

South/Central America and the Caribbean: Argentina, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Monserrat, Panama, Peru, Suriname, Trinidad, Venezuela

2.4 Recent transactions with international customers

This list provides a snapshot of Halliburton and its subsidiaries' operations and activities around the world over the past few years.

December 2004: United Kingdom – KBR was awarded a contract by the Ministry of Defense to oversee the building of the UK's two new £4 billion Royal Navy aircraft carriers. Labour MPs have stated that they will oppose any involvement by Halliburton in the project.⁵³

October 2004: Oman – Halliburton was awarded three major oil services contracts in Oman by Petroleum Development Oman (PDO) valued between \$400 and \$500 million over five years.⁵⁴ PDO is owned by the Government of Oman (60% interest), Royal Dutch/Shell Group (34% interest), Total (4% interest) and Partex (2% interest).

August 2004: Kazakhstan – KBR signed a memorandum of understanding (MOU) with the Kazakh Institute of Oil Gas (KING) with the goal of combining their specific skills and expertise. The MOU also promotes collaboration for the purposes of securing contracts for Halliburton's engineering and construction business in Kazakhstan.⁵⁵

August 2004: United Kingdom – The British Government's Highways Agency appointed KBR to carry out a feasibility study into high occupancy vehicle lanes for specific highways in the UK.⁵⁶

June 2004: Ireland – DirectRoute, a KBR consortium, was awarded a contract to design, build, finance and operate a section of highway in Ireland. The contract was awarded by the National Roads Authority. The DirectRoute consortium consists of KBR Ltd, Strabag AG, John Sisk & Son (Holdings) Ltd, Lagan Holdings Ltd, Roadbridge Ltd. and the First Irish Infrastructure Fund (a joint

⁵³ Porter, A., "Anger as navy carrier contract goes to America", Sunday Times, December 5, 2004

⁵⁴ "Petroleum Development Oman awards Halliburton contracts up to \$500 million", Halliburton press release, October 21, 2004

⁵⁵ "Halliburton's KBR Announces Agreement With Kazakh Institute Of Oil And Gas", Halliburton press release, August 3, 2004, http://www.halliburton.com/news/archive/2004/kbrnws_080304.jsp

⁵⁶ "KBR awarded UK government feasibility study into high occupancy vehicle lanes", Halliburton press release, July 14, 2004, http://www.halliburton.com/news/archive/2004/kbrnws_071404.jsp

AIB/European Investment Bank fund established for the purpose of investing in PPP projects and private sector infrastructure developments in Ireland and across Europe).⁵⁷

May 2004: Mexico – Halliburton's subsidiary in Mexico, Halliburton de Mexico, was awarded a 2-year \$175 million contract by the country's state-owned oil company PEMEX to drill 27 wells in the Southern part of the country.⁵⁸

February 2004: Angola – KBR was awarded a contract to provide engineering, procurement and construction management services for British Petroleum's Greater Plutonio's oil fields located offshore Angola.⁵⁹

February 2004: United Kingdom – The UK Ministry of Defence awarded KBR a contract to provide logistics and infrastructure support to British military operations and exercises worldwide. The CONLOG contract (contract for logistics support) has a core value of £12 million but could be worth up to £50 million annually based on British military activities in recent years.⁶⁰ The contract is similar to KBR's LOGCAP contract with the US Government.

December 2003: Nigeria – Halliburton's information technology subsidiary, Landmark Graphics Corporation was awarded a five-year \$25 million contract from Nigeria's Department of Petroleum Resources in Nigeria. The contract calls for the design, development and operation of a National Data Repository for Nigerian oil exploration and production data.⁶¹

July 2003: Brazil – Halliburton Energy Services was awarded a contract by Petroleo Brasileiro (Petrobras) to provide services for its Campos Basin development offshore Brazil. The contract is for two years with an option for two additional years.⁶²

July 2003: United Kingdom – KBR's joint venture with Mowlem plc, Aspire Defence, was named by the UK's Ministry of Defence as the provisional preferred bidder to upgrade and provide management services to the British Army's garrisons at Aldershot and Salisbury Plain. The contract is worth £4 billion.⁶³

May 2003: Indonesia – One of Halliburton's main subsidiaries KBR and its joint venture partner JGC Corporation of Japan were awarded a contract by British Petroleum Limited of Indonesia worth approximately \$1.4 billion to provide design, procurement, construction and commissioning services for a liquefied natural gas plant for BP's Tangguh project in Teluk Bintuni, Papua Province, Indonesia.⁶⁴ See Indonesia below.

March 2003: Malaysia – An incorporated entity of Halliburton, Halliburton Energy Services (Malaysia) Sdn Bhd, was awarded a multi-million dollar contract from Shell Malaysia E&P (SMEP) to supply equipment for Shell's Malaysian operations.⁶⁵

⁵⁷ "KBR consortium awarded Rathcormac-Fermoy bypass DBFO", Halliburton press release, June 21, 2004, http://www.halliburton.com/news/archive/2004/kbrnws_062104.jsp

⁵⁸ "Halliburton Awarded \$175 Million Contract By Pemex", Halliburton press release, May 6, 2004, http://www.halliburton.com/news/archive/2004/esgnws_050604.jsp

⁵⁹ "KBR Wins Contract For Bp Angola's Greater Plutonio Deep Water Development", Halliburton Press Release, February 10, 2004, http://www.halliburton.com/news/archive/2004/kbrnws_021004.jsp

⁶⁰ "KBR Awarded Contract For CONLOG", Halliburton press release, February 2004, http://www.halliburton.com/news/archive/2004/kbrnws_020304.jsp

⁶¹ "Landmark Awarded \$25m Contract For Nigerian National Data Bank", Halliburton press release, December 12, 2003, http://www.halliburton.com/news/archive/2003/lgnws_121203.jsp

⁶² "Halliburton Awarded \$31 Million Contract For Stimulation Vessel In Brazil For Petrobras", Halliburton press release, July 24, 2003, http://www.halliburton.com/news/archive/2003/hesnws_072403.jsp

⁶³ "KBR Consortium Named As Provisional Preferred Bidder For British Army Garrison Improvement Project", Halliburton press release, July 23, 2003, http://www.halliburton.com/news/archive/2003/kbrnws_072303.jsp

⁶⁴ "Way Beyond Petroleum", New Internationalist Magazine, Issue 344, April 2002

⁶⁵ "Shell Malaysia - E&P Awards Halliburton/Enventure Gt Solid Expandable Tubular Contract", Halliburton press release, March 3, 2003

February 2003: Kazakhstan – A Halliburton subsidiary, Landmark Graphics Corporation, signed an agreement with the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan to design develop and implement a national databank operation for exploration and production data.⁶⁶

October 2002: Algeria – KBR and its 50/50 joint venture partner Japanese company JGC Corporation were awarded a contract by petroleum giant BP and its partner, Algerian national oil company Sonatrach for the engineering and construction of, facilities and pipeline systems for the In Amenas Project in Southern Algeria.⁶⁷

July 2002: Mexico – Halliburton Energy Services, a division of Halliburton, was awarded a \$44 million contract by Mexico's national oil company Pemex to supply tools and services for the Cantarell Bloque Sur Field project in the Bay of Campeche. A Halliburton Press Release states that "this contract solidifies our [Halliburton's] position as a premier provider of state of the art technology for Pemex". The Cantarell offshore oil field represents almost 30 percent of Mexico's total oil reserves, with 12 billion barrels in reserves.⁶⁸ Beginning in the mid-nineties, Halliburton has received hundreds of million's of dollars in contracts to do work for Pemex. Much of this money was provided to the Mexican government through the United States Export-Import Bank. While British and American oil operations in Mexico were nationalized in 1938, Mexican President Vincente Fox has hinted at his desire to privatize Mexico's oil operations.⁶⁹

July 2002: Czech Republic – KBR, in consortium with other corporations, signed a \$1.5 billion contract with the Czech Government for a 30-year concession to design, build, finance and operate an 80KM portion of the Trans-European Network of highways. The payment structure of the project is based on shadow tolls.⁷⁰

June 2002: Kuwait – Halliburton subsidiary Landmark Graphics Corporation (LGC) and Kuwait's national oil company, Kuwait Oil Company (KOC), have signed a five year agreement giving KOC access to LGC's geophysical, geological, reservoir management, project date management and economic modeling technologies. Halliburton claims that the agreement will improve business processes in the exploration for oil and gas and will create a strategic relationship between the two companies. The Kuwaiti government gained 100% ownership of KOC in 1975. KOC was founded by the Anglo-Persian Oil Company, which is now known as British Petroleum, and Chevron.⁷¹

April 2002: China – KBR was awarded a contract from Petro China's Daqing Petrochemical Company to design two 100 kiloton per annum ethylene cracking furnaces for an ethylene facility at Wolitun, Daqin city in Heilongjiang Province, Peoples' Republic of China.⁷²

March 2002: South Korea – Halliburton Energy Services won several contracts with Korea National Oil Corporation to provide parts and services to Korea's offshore gas fields.⁷³

⁶⁶ "Landmark graphics signs agreement with the ministry of energy of Kazakhstan to develop and implement national data bank operation", Halliburton press release, February 25, 2003,

http://www.halliburton.com/news/archive/2003/lgnws_022503.jsp

⁶⁷ "JGC/KBR joint venture team receives \$745 million contract to provide EPC for in Amenas gas project in Algeria", Halliburton press release, October 30, 2002, http://www.halliburton.com/news/archive/2002/kbrnws_103002.jsp

⁶⁸ "Halliburton Energy Services Awarded \$44 Million Contract in Mexico", Halliburton press release, July 1, 2002, http://www.halliburton.com/news/archive/2002/hesnws_070102.jsp

⁶⁹ Espinoza, M., "Cheney's Oil Investments and the Future of Mexico's Democracy", CorpWatch, August 8, 2000, <http://www.corpwatch.org/article.php?id=464>

⁷⁰ "KBR signs contract for the Czech Republic's D47 motorway", Halliburton press release, July 4, 2002, http://www.halliburton.com/news/archive/2002/kbrnws_070402.jsp

⁷¹ "Kuwait Company and Landmark Sign Five-Year Technology Access Agreement", Landmark Press Release, June 24, 2002, <http://www.lgc.com/landmark/news/pressreleases/20020624---kuwait+oil+company+and+landmark.htm>

⁷² "KBR to provide its score™ technology for Petrochina's Daqing ethylene cracking furnaces" Halliburton press release, April 30, 2002, http://www.halliburton.com/news/archive/2002/kbrnws_043002.jsp

⁷³ Halliburton energy services wins multiple offshore Korea contracts with the Korea national oil corporation", Halliburton press release, March 25, 2002, http://www.halliburton.com/news/archive/2002/hesnws_032502.jsp

February 2002: Italy/Algeria – A business unit of Halliburton Energy Services, Halliburton Subsea, was awarded a contract by the Transmediterranean Pipeline Company Limited (TMPC) to inspect its Algeria-Italy gas pipelines. TMPC is a joint venture between Italian company SNAM SPA and the Algerian National Company Sonatrach.

February 2002: Peru – Halliburton KBR along with Hunt Oil Company signed a contract to design a \$1 billion liquefied natural gas plant (LNG) to ship liquefied natural gas from the Peruvian coast to the United States.⁷⁴ The plant facility is to be located southeast of the capital Lima and is part of the controversial \$2.6 billion Camisea oil exploration project located in one of the world's most ecologically prized rainforests in the Peruvian Amazon. Amazon Watch has labeled the project as currently the most damaging project in the Amazon Basin. Aside from the LNG plant, the project involves the construction of oil wells and two pipelines to run side by side to the Peruvian coast through a region described by scientists as “the last place on earth” to drill for fossil fuels.

December 2001: Egypt – KBR and its joint venture partners, JGC Corporation of Japan and Tecnicas Reunidas SA of Spain were awarded a contract valued at \$1 billion to construct, engineer and procure a Liquefied Natural Gas project in the Egyptian port of Damietta. The contract was awarded by SEGAS, Spanish giant Union Fenosa's operating company in Egypt.⁷⁵

November 2001: Saudi Arabia – Halliburton Energy Services Group was awarded a contract to provide services for three years for the Saudi Arabian Oil Company's (Saudi Aramco) Qatif Field development project.⁷⁶

August 2001: Algeria – KBR and its joint venture partner JGC Corporation of Japan signed a contract for the engineering, procurement and construction of the In Salah Gas facilities, infrastructure and gathering systems in Southern Algeria for BP/Sonatrach. The development will require a \$1.7 billion investment.⁷⁷

July 2000: Brazil – Halliburton and Brazil's national oil company Petrobras signed contracts worth \$2.5 billion to develop the Barracuda and Caratinga oil fields in Brazil. The contracts were to be performed with Petrobras' Exploration and Production unit.⁷⁸ Unlike other state owned operations in Brazil, the complete privatization of Petrobras has yet to occur, however the 1997 Petroleum Regulation Act allowed private sector participation in oil and gas sector exploration and production, refining, transport, distribution, import/export, co-generation projects, and power plant construction and operation. Petrobras must now compete with private companies for these contracts. In October 2004, the first of two oil tankers converted into floating production, storage and offloading vessels began its voyage to the oil field in Campos Basin.⁷⁹

⁷⁴ “Halliburton KBR receives contract to assess feasibility of constructing LNG facility in Peru”, Halliburton press release, February 13, 2002, http://www.halliburton.com/news/archive/2002/kbrnws_021302.jsp

⁷⁵ “Halliburton KBR and partners awarded \$1 billion Egyptian LNG project”, Halliburton press release, December 19, 2001, http://www.halliburton.com/news/archive/2001/kbrnws_121901.jsp

⁷⁶ “Halliburton awarded \$140 million contract by Saudi Aramco”, Halliburton Press Release, November 14, 2001, http://www.halliburton.com/news/archive/2001/hesnws_111401.jsp

⁷⁷ “JGC/KBR joint venture team receives \$620 million contract to provide EPC for In Salah gas venture in Algeria”, August 15, 2001, http://www.halliburton.com/news/archive/2001/kbrnws_081501.jsp

⁷⁸ “Halliburton company signs \$2.5 billion contract for development of Barracuda and Caratinga oil fields offshore Brazil”, Halliburton press release, July 5, 2000, http://www.halliburton.com/news/archive/2000/corpnws_070500.jsp

⁷⁹ “Halliburton announces major milestone toward completion of Barracuda-Caratinga project in Brazil”, Halliburton press release, October 13, 2004

3. Political Profile

Obviously the company still believes in the power of political influence, otherwise why hire Dick Cheney as your CEO in 1995, a man who had absolutely no business experience whatsoever? He was a career politician. Seemed to be no reason to hire him. But if you look at what took place between 1995 and 2000, while Dick Cheney was CEO, it's very clear why they hired him. I think he had a tenfold increase in the amount of loans that Halliburton was given by the US export-import bank. He shot them up the list of the Pentagon's top contractors. On and on, the Government contracting business just grew wildly during Dick Cheney's tenure there. And so I think it's very obvious that Halliburton has a legacy of a very political business that continues today.⁸⁰ Author Dan Briody responding to a question about the similarities between Halliburton's links with Lyndon Johnson and their present links with Dick Cheney.

3.1 Past and Present Links to the Government of the United States

Dick Cheney⁸¹ – Secretary of Defense, United States Government (1988 - 1993), CEO of Halliburton (1995 – 2000), Vice President of the United States (2000 - present): Dick Cheney's connection to Halliburton has become one of the highest profile cases of corporate/government links in the world. While many politicians have worked in the private sector and many corporate executives have served in the US government, the relationship between Halliburton and Cheney, when taken in the context of the company's recent contract activity, almost defines the phenomena of the 'revolving door'. If Cheney had retired in 2000 instead of running for Vice President, his life of public service before joining Halliburton would be enough to cause alarm.

Before serving as Wyoming's lone congressperson, from 1977 until 1988, Cheney served in the Nixon and Ford administrations. From 1989 until 1993 Cheney held the position of Secretary of Defense under George Bush Sr. where, during his tenure, he was responsible for directing the US invasion of Panama and orchestrating the first Gulf War. While serving as Secretary of Defense, Cheney conveniently changed the rules restricting private contractors from doing work on US military bases. He subsequently oversaw the awarding of billions of dollars in Department of Defense contracts to Halliburton, his future employer.

When Dick Cheney joined Halliburton in 1995 he was lacking in business experience and had little knowledge of the petroleum industry. He did, however, have intimate knowledge and connections with oil-producing countries from his time as Secretary of Defense. During his time as CEO, Halliburton grew to be the US' top oil services company, the fifth-largest military contractor and the biggest non-union contractor in the United States.⁸² Between 1995 and 2000 Halliburton was awarded \$2.3 billion in contracts compared with the \$1.2 billion from 1990 to 1995. During this time the percentage of Halliburton's revenue from overseas operations went from 51% to 68%.⁸³ Also under Cheney, the number of Halliburton subsidiaries situated in offshore tax havens grew from 9 to 44. With the move to tax havens Halliburton went from paying \$302 million in company taxes in 1998 to receiving an \$85 million dollar tax refund in 1999.⁸⁴

⁸⁰ Briody, D., interviewed by Amy Goodman of Democracy Now, May 17, 2004, <http://www.democracynow.org/article.pl?sid=04/05/17/1431237>

⁸¹ For a comprehensive chronology of Dick Cheney's association with Halliburton please visit the Halliburton Watch website: http://www.halliburtonwatch.org/about_hal/chronology.html

⁸² Lee, M., "Cheney made million off oil deals with Hussein", San Francisco Bay Guardian, November 13, 2000

⁸³ Bruno, K., Vallette, J., "Halliburton's Destructive Engagement" Earth Rights International, September 2000, <http://www.earthrights.org/pubs/halliburton.shtml>

⁸⁴ Durtman, L., Grey, C., "Cheney, Halliburton and the Spoils of War", Citizen Works, April 4, 2003, <http://www.corpwatch.org/article.php?id=6288>

While Halliburton's operations expanded under Cheney, this did not always translate into good financial performance. Along with a downturn in the oil industry and big losses on some of its long-term contracts, Halliburton's acquisition of Dresser Industries and its liability problems (they acquired 300 000 asbestos related liability cases that have yet to be settled) led to a slump in the company's stock. The losses prompted Cheney (as CEO Cheney had final responsibility for Halliburton's books) and Halliburton's former accounting firm, Arthur Andersen (now known as Accenture) to change its accounting policies.⁸⁵ In a 1996 promotional video, Cheney praised Andersen (Accenture) for going above and beyond routine audits for Halliburton: "One of the things I like that they do for us is that, in effect, I get good advice, if you will, from their people based upon how we're doing business and how we're operating, over and above the, just sort of the normal by-the-books audit arrangement".⁸⁶

The New York Times reported that two former Dresser Industries executives concluded that Halliburton had instituted aggressive accounting practices after the merger to obscure its losses. With the accounting change, Halliburton began to book revenue on contracts that were still being disputed with customers for going over budget. Halliburton assumed that its customers would pay at least part of the overrun in production costs. Before 1998, Halliburton reported revenue from overruns only after settling with its customers.⁸⁷

The policy change allowed Halliburton to book \$89 million in unsettled claims as revenue in 1998 compared to a negative figure the year before. In 1999 the revenue from these claims had grown to \$98 million, to \$106 million by 2000 (the year Cheney left) and reached \$234 million in 2001. Even though the accounting change involved a small amount of money compared to Halliburton's billions in annual revenue, the shift in policy came at a time when the company was looking to regain investor confidence after the problems stemming from the takeover of Dresser.⁸⁸

The company failed to disclose the accounting change to its investors or the Securities Exchange Commission for over a year. The creative accounting prompted an SEC investigation and has led to a number of lawsuits. In one lawsuit filed in June 2002, Halliburton shareholders who purchased stock in the company between July 22, 1999 and May 28, 2002 alleges that Halliburton issued a series of materially false and misleading statements between these dates.⁸⁹

Judicial Watch, a self declared legal and ethical watchdog over the United States government, filed a lawsuit in Dallas Texas against Dick Cheney, other Halliburton directors as well as Halliburton itself for "alleged fraudulent accounting practices which resulted in the overvaluation of the company's shares, thereby deceiving investors and others." The case was eventually thrown out.⁹⁰

On May 30 2003 Halliburton announced that it had agreed to settle about 20 shareholder lawsuits that accused the company and Dick Cheney of aggressive accounting practices. Halliburton did not disclose the amount of the settlements, but stated that the payment "is immaterial and will not impact second quarter results". They also refused to accept any wrongdoing in the settling of the case.⁹¹ In August 2004 the SEC found that Halliburton had indeed secretly changed its

⁸⁵ Pizzo, S., "George and Dick's amazing corporate misadventures", CorpWatch, July 10, 2002, <http://www.corpwatch.org/article.php?id=2988>

⁸⁶ "Cheney Praises Andersen In Video", CBS News Websites, July 11, 2002, <http://www.cbsnews.com/stories/2002/07/08/politics/main514453.shtml>

⁸⁷ Berenson, A., Bergman, L., "Under Cheney, Halliburton Altered Policy On Accounting", The New York Times, May 22, 2002

⁸⁸ *ibid*

⁸⁹ "Halliburton hit by shareholder lawsuit", Dallas Business Journal, June 6, 2002

⁹⁰ "Federal court dismisses judicial watch lawsuit against Halliburton", Halliburton press release, September 8, 2003, http://www.halliburton.com/news/archive/2003/corpnws_090803.jsp

⁹¹ "Halliburton Reaches Agreement to Settle Class Action Lawsuits", Halliburton press release, May 30, 2003, http://www.halliburton.com/news/archive/2003/corpnws_053003.jsp

accounting practices and subsequently fined the company \$7.5 million.⁹² A company press release following the SEC's announcement stated that "Halliburton neither admitted nor denied the SEC's findings".⁹³

Donald A. Deline – Halliburton Lobbyist: Deline is a former counsel to the Senate Armed Services Committee and used to be a member of the Industry Sector Advisory Committee on Services.⁹⁴ He is also a former Chair of anti-sanction organization USA-Engage.

Charles Dominy – Vice President of Government Affairs: Dominy is Halliburton's chief lobbyist, although his official title at the company is Vice President, Government Affairs. Dick Cheney hired Dominy in 1995 after a 32 year career with the US Army where he reached the rank of Lieutenant General with the United States Army Corps of Engineers, the division which oversees Halliburton's contracts in Iraq. Dominy was hired as the company in 2001.

Lawrence S. Eagleburger – member of Halliburton's board of directors until May 2003: Served as Secretary of State from 1992-1993 under George Bush Senior. He was the Acting Secretary of State in 1992 and the Deputy Secretary of State from 1989-1992.⁹⁵

David Gribbin – former Halliburton Vice President of Government Affairs (1996-2000): Gribbin was a high school classmate of Dick Cheney and has spent most of his career as one of his closest aides including administrative assistant; executive director of the Republican Policy Committee; executive director of the House Republican Conference; and as chief of staff to the House Republican Whip. Gribbin left Halliburton with Cheney to become director of congressional relations for the Bush-Cheney transition team.⁹⁶

Lyndon Johnson – former President of the United States: Halliburton's influence in Washington dates back to the 1930s when former President LBJ was first elected to Congress. In return for LBJ's lobbying on Capitol Hill, Brown and Root provided huge amounts of financial support for Johnson's political campaigns. Dan Briody commented that the "Brown Brothers were incredible contributors to Lyndon Johnson's campaigns; bags of cash passed around, hundreds of thousands of dollars funding campaigns the likes of which the nation had never seen at that time".⁹⁷ Johnson returned the favour by helping the company out in Washington. Dan Briody, author of *The Halliburton Agenda*, says that LBJ would literally "push through task orders and change orders for contracts that they [Brown and Root] were working on to get more public funding for big dam projects, and then push them towards Navy ship building during WWII, got them contracts to build air bases, Corpus Christi, all the way up until the Johnson presidency when he was working for them to get space contracts. These guys built the Houston space center and also some strange contracts for the National Science Foundation. Goes on and on".⁹⁸

Joe Lopez – Senior Vice President Government Operations: A 1999 Halliburton press release stated: "In a strategic move to balance its government and commercial resume, Halliburton has announced that recently retired Admiral "Joe" Lopez has joined the management ranks of one of its business units, Brown & Root Services (BRS) [now KBR]." Lopez, former US Navy Admiral and one of Cheney's military aides during his time at the Pentagon, is responsible for KBR's military contracts. In March 2002 Lopez was appointed to the Commission on Post-Conflict Reconstruction, set up by the Center for Strategic and International Studies to develop specific

⁹² Norris, F., "Halliburton settles SEC accusations", *The New York Times*, August 4, 2004

⁹³ "Halliburton settles SEC investigation", Halliburton press release, August 3, 2004

⁹⁴ Sarasohn, J., "Berger's firm to aid oil interests in Iraq", *The Washington Post*, September 16, 2004

⁹⁵ Harry Walker Agency Biography, http://www.harrywalker.com/speakers_template.cfm?Spea_ID=100&SubcatID=167

⁹⁶ Biography of Dave Gribbin, Naval Post Graduate School Superintendent's Distinguished Lecture Series, http://www.nps.navy.mil/PAO/GuestSpeaker/dave_gribbin_bio.htm

⁹⁷ Briody, D., interviewed by Amy Goodman of Democracy Now, May 17, 2004,

<http://www.democracynow.org/article.pl?sid=04/05/17/1431237>

⁹⁸ *ibid*

proposals to enhance U.S. participation in international reconstruction efforts in war-torn countries such as Afghanistan, Bosnia, and Kosovo.⁹⁹

George Sigalos – Director of government relations for Halliburton KBR: Sigalos served in the administrations of Presidents Ronald Reagan and George H.W. Bush as well as an aide to Commerce Secretaries C. William Verity and Robert Mosbacher and Treasury Secretary Nicholas Brady.¹⁰⁰

3.2 Government and big business associations

American Petroleum Institute (API) – Halliburton Board member Charles Dibona is a former president of the Institute while Board member Ray Hunt is presently a member. The American Petroleum Institute is the primary trade association for the oil and gas industry in the United States representing more than 400 members. The API is essentially a lobby group which participates in policy making forums.¹⁰¹ The group actively lobbies against environmental policy and is a vocal opponent of the Kyoto Protocol. The API has spent millions on lobbying the United States government on behalf of the oil and gas industry over the past ten years. The Center for Responsive Politics reported that the institute spent \$11.70 million on in-house and outside lobbyists between 1997 and 2000. After George W. Bush was elected in 2000, however, spending on lobby activities seems to have dropped. In 2002, for example, according to the US Senate's Office of Public Records, the API spent \$260,000 on lobby activities.¹⁰²

National Defense Industrial Association (NDIA) – Halliburton subsidiary, Brown and Root Services is a member of the NDIA, the defense industry's largest trade association. The NDIA's stated mission is to provide a forum between the Defense industry and the United States Government on issues such as the business and technical aspects of the government-industry relationship. One of the NDIA's primary concerns is the government's policies and practices in acquiring defense products from defense manufacturers. The organization holds dozens of annual symposiums and seminar series, publishes the National Defense Magazine, and maintains a membership of over a thousand corporations.¹⁰³ It is a strong advocate for a continental missile defense system.

National Foreign Trade Council (NFTC) – Halliburton is on the Board of the NFTC, which advocates for the international and public policy priorities of its business members. Vice President of the United States and former CEO of Halliburton Dick Cheney is quoted on the NFTC website saying that "From the point of view of Halliburton, one of the most valuable organizations we are a part of is the NFTC".¹⁰⁴

National Petroleum Council (NPC) – The NPC is a federally chartered but privately funded advisory committee, designed to represent the views of the oil and gas industry in advising, informing and making recommendations to the Secretary of Energy. When it was chartered in 1946 the NPC was charged with coordinating industry/government cooperation in times of war or emergency. In reality, however, the NPC has become a tool of political influence for the oil and gas industry in Washington. The NPC's membership is made up a number of powerful oil and gas companies and many of George W. Bush's biggest fundraisers. Past members include present US Commerce Secretary Don Evans (Evans announced his resignation in November 2004), the former CEO of oil company Tom Brown Inc., Kenneth Lay, the disgraced former CEO of Enron,

⁹⁹ Chatterjee, P., "Dick Cheney: Soldier of Fortune", CorpWatch, May 2, 2002, <http://www.corpwatch.org/issues/PID.jsp?articleid=2469>

¹⁰⁰ "The Lobbying World", The Hill, February 19th, 2003, <http://www.hillnews.com/business/021903.aspx>

¹⁰¹ American Petroleum Industry website, <http://api-ec.api.org/frontpage.cfm>

¹⁰² United States Senate Office of Public Records, <http://sopr.senate.gov/>

¹⁰³ National Defense Industrial Association, <http://www.ndia.org/>

¹⁰⁴ NFTC website, <http://www.nftc.org/default.asp?Mode=DirectoryDisplay&id=1&Category=All>

and a number of Bush pioneers¹⁰⁵.¹⁰⁶ Dick Cheney was a member of the NPC during the late 1990s. During Cheney's time with Halliburton some of the major initiatives the NPC succeeded in convincing the US Energy Department to consider included the exemption of the energy industry from public disclosure laws and a relaxation of federal rules for drilling for oil and gas on federal land.¹⁰⁷ David Lesar, Halliburton's present CEO, is also a member while director Ray Hunt is a former Chair.

USA-Engage – Halliburton is a member of USA-Engage, a broad-based organization representing individuals and corporations who view the US' unilateral economic sanctions imposed on various countries as damaging to the US economy. USA-Engage directly targets US sanctions restricting US companies from investing but does not distinguish between the nature of different government sanctions and how they may negatively impact local populations. They view sanctions strictly as barriers to profit for US corporations. USA-Engage is supported by powerful lobby groups, including The Wexler Group, who have successfully combated new sanctions efforts in the White House and Congress.¹⁰⁸

US Coalition of Service Industries (USCSI) – The USCSI is the key group pushing services privatization and liberalization through the General Agreement on Trade in Services (GATS) at World Trade Organization (WTO) and the Free Trade Agreement of the Americas service negotiations.

Office of the United States Trade Representative (USTR) Industry Consultations Program – Galen Cobb, Director of Industry relations for Halliburton Energy Services Group sits on the Industry Sector Advisory Committee (ISAC) on Energy. Donald A. Deline, Director of Government Affairs for Halliburton, sits on the Industry Sector Advisory Committee (ISAC) on Services. The ISACs are the USTRs front line for advice on trade related policy, including GATS, FTAA, Fast Track. ISAC members, made up of executives from large corporations, provide advice and information for the US administration on issues that affect US industry. Halliburton's involvement in the ISACs gives them incredible power in the process of influencing the position of the US administration towards the energy sector.¹⁰⁹

WTO Energy Services Coalition – This umbrella group represents the interests of many of the key corporations and lobby groups that are pushing for private energy services, including Halliburton and the USCSI. The group advocates a strong US position on liberalizing barriers to energy services trade and investment across borders, viewing the main aim of the next round of GATS negotiations to be to "substantially increase global market access opportunities for Energy service providers". They are very concerned that other countries may be aiming for a narrower definition of energy services in the GATS negotiations that will exclude "coverage under the GATS for some American energy services companies who are global leaders in the sector". They are calling on the US government to use "continued diligence" in challenging this. Halliburton lobbyist Donald A. Deline jointly chaired the coalition with E. Joseph Hillings, a vice president of Enron when the ESC was founded in 1999.¹¹⁰

3.3 Corporate Welfare

¹⁰⁵ Bush 'pioneers' are individuals who pledge to raise more than \$100,000 in donations for the Bush-Cheney campaigns in 2000 and 2004

¹⁰⁶ Bogardus, K., "A Pipeline of Influence", The Center for Public Integrity, July 15, 2004, <http://www.publici.org/oil/report.aspx?aid=348>

¹⁰⁷ *ibid*

¹⁰⁸ Bruno, K., Vallette, J., "Halliburton's Destructive Engagement" Earth Rights International, September 2000, <http://www.earthrights.org/pubs/halliburton.shtml>

¹⁰⁹ USTR website, <http://www.ita.doc.gov/td/icp/mission.html>

¹¹⁰ Dobbin, M., "U.S. Eyes Canadian Energy", The Toronto Star, January 13, 2003

Halliburton is a regular recipient of large amounts of corporate welfare. Millions of dollars in public monies channeled through various lending institutions end up financing Halliburton projects around the world. Halliburton has received financing from the following organizations:

Overseas Private Investment Corporation (OPIC) – The Overseas Private Investment Corporation was developed as an agency of the US government in 1971 to help US corporations invest in emerging markets around the world. OPIC provides low cost financing and insurance to US corporations and is widely considered a major provider of corporate welfare.¹¹¹ Between 1993 and 2004, Halliburton has benefited from \$246 million in loan guarantees from OPIC.¹¹²

Export-Import Bank (Ex-Im Bank) – From 1993 until early 2004, Halliburton and its subsidiaries have been involved in projects in Algeria, Angola, Chad, Cameroon, China, Colombia, Mexico, Nigeria, Qatar and Russia that have received loans totaling \$4.22 billion from the US Government's Export-Import Bank.¹¹³ The Ex-Im Bank supports the financing of exports from U.S. corporations to countries in the South. The bank assumes credit and country risks the private sector is unable or unwilling to accept. Essentially, however, the bank provides massive amounts of corporate welfare to some of the world's largest corporations. When Dick Cheney was in charge of the company between 1996 and 2000, the Bank showered Halliburton with \$2.7 billion in export financing.¹¹⁴ Halliburton primarily exported oil field services to oil producing nations. Some of the Bank's recent loan activity involving Halliburton is listed below.

- **2003, 2004, Mexico** – In both 2003 and 2004, Halliburton has been included in a group of oil services companies that have received \$800 million in loans from the Ex-Im Bank. Mexico's state oil company, PEMEX will use the equipment and services financed with these loan guarantees for the Pidiregas oil and gas fields in the Bay of Campeche.¹¹⁵
- **2002, Mexico** – The bank authorized a \$500 million loan to Halliburton and KBR for well drilling, exploration and production services at the Cantarell oil field project in the Bay of Campeche offshore Mexico. Halliburton will be supplying Mexico's state oil company PEMEX with these services.¹¹⁶
- **2001, Algeria** – Halliburton Energy Services was given a 51.4 million loan by the Bank for the export of oil field services to Sonatrach, Algeria's state oil company. The services included an oil well workover/stimulation project at the Hassi Messaoud and Tin Fouye Tabankort oil fields.¹¹⁷
- **2001, Mexico** – Ex-Im Bank approved a \$300 million long-term guarantee to equipment and services export by to PEMEX for the Cantarell Oil Field project in the Bay of Campeche offshore Mexico.¹¹⁸
- **2000, Russia** – Ex-Im Bank approved a \$292 million loan guarantee to support oil field equipment and services exports to Russia's Tyumen Oil Company for the rehabilitation of the Samotlor oil field in western Siberia.¹¹⁹

¹¹¹ Eviatar, D., "Public Money in the Pipeline", Mother Jones, January/February 2003, http://www.motherjones.com/news/outfront/2003/01/ma_216_01.html

¹¹² "Houston, we have a problem: An alternate annual report on Halliburton", A Corpwatch Report, April 2004, http://www.halliburtonwatch.org/about_hal/houston.pdf

¹¹³ "Houston, we have a problem: An alternate annual report on Halliburton", A Corpwatch Report, April 2004, http://www.halliburtonwatch.org/about_hal/houston.pdf

¹¹⁴ *ibid*

¹¹⁵ "Ex-Im Bank \$400 million guarantee enables 95 US companies to sell oil and gas field equipment and services to Mexico", Export Import Bank press release, March 7, 2003, <http://www.exim.gov/pressrelease.cfm/975AD855-1032-5B0F-B0A10A64E732CF16/>; "Ex-Im Bank backs US exports to Mexico's PEMEX for new Pidiregas oil and gas field development projects", Export Import Bank press release, September 30, 2004, <http://www.exim.gov/pressrelease.cfm/54F50178-9B60-7E54-F9F0DCBCCB9DE34/>

¹¹⁶ Export Import Bank 2002 Annual Report, <http://www.exim.gov/about/reports/ar/ar2002/authoriz.pdf>

¹¹⁷ Export Import Bank 2001 Annual Report, <http://www.exim.gov/about/reports/ar/ar2001/AuthList.pdf>

¹¹⁸ *ibid*

¹¹⁹ "EX-IM Bank approves financing for US oil industry exports to Russia's Tyumen Oil Company", Export-Import Bank press release, <http://www.exim.gov/pressrelease.cfm/D4948A6A-9DB6-9FD1-347A41E9E8DBA07B/>

World Bank Group (WBG) – Halliburton and its subsidiaries have received millions of public dollars from World Bank Group organizations to ‘help’ finance the company’s operations in the Global South. Four organizations, under the umbrella of the WBG, finance oil and gas projects for large multinationals. Two of these organizations, the International Bank for Reconstruction and Development (IBRD) and the International Development Agency finance public sector projects. The remaining organizations, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), finance private sector projects. The IFC, for example, states that it “promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives.”¹²⁰ In reality, however, the IFC and the other three organizations are institutional supporters of corporate welfare enabling large corporations to expand into new international markets using public monies. The non-governmental organization Sustainable Energy and Economy Network says that “no company has benefited more from World Bank fossil fuel extraction financing than Halliburton”.¹²¹ In fact, between 1992 and 2004 Halliburton received \$2.5 billion in financing from the IFC for oil and gas projects in Azerbaijan, Bangladesh, Brazil, Chad, Cameroon, Georgia, India, Kazakhstan, Mozambique, Russia and Thailand.¹²²

Inter American Development Bank (IDB) – The leading public financier in Latin America and the Caribbean, the IDB, provides \$8-9 billion annually to member countries and the private sector.¹²³ The IDB has financed two environmentally damaging oil and gas projects involving Halliburton. In 1997, Halliburton subsidiary, KBR was among a group of energy corporations to received \$240 million in financing from the IDB for the construction of the Bolivia to Brazil gas pipeline. In 2003, Halliburton, along with other multinationals, received \$130 million in financing from the IDB for the environmentally damaging Camisea gas project in Peru.¹²⁴

Other – According to Halliburton watch, between 1993 and 2004 the company also received financing from the African Development Bank (\$100 million), Asian Development Bank (\$230.9 million), and the European Bank for Development and Reconstruction (\$230 million).¹²⁵

3.4 Political Contributions

Year	PAC	Soft Money
2004	\$187,000 (10% Dem, 90% Rep)	
2002	\$149,250 (11% Dem, 89% Rep)	\$14,000 (100% Rep)
2000	\$182,252 (3% Dem, 97% Rep)	\$194,700 (100% Rep)

3.5 Lobby expenditures

Since Bush took the White House in 2000, Halliburton lobby expenditures have dropped by 50 percent. During the final two years of the Clinton administration the company spent \$1.2 million lobbying US politicians in Congress, the House of Representatives and the Executive Branch. This number was cut in half during the first two years of the Bush administration. In contrast to the drop in lobby expenditures, Halliburton’s income from government contracts has skyrocketed. In 2003 the company made over \$3.9 billion in revenue from defense contracts with the United States Government, whereas during the Clinton administration revenue from all Department of

¹²⁰ International Finance Corporation Website, <http://www.ifc.org/about>

¹²¹ Valette, J., Kretzmann, S., “Tug of War: The Winners and Losers of World Bank Fossil Fuel Finance”, Sustainable Energy and Economy Network, April 2004, http://www.seen.org/PDFs/Tug_of_war.pdf

¹²² *ibid*

¹²³ Martinez, N., “Destabilizing Investments in the Americas II”, Sustainable Energy and Economy Network, March 2004, http://www.seen.org/PDFs/energy_report_final.pdf

¹²⁴ *ibid*

¹²⁵ “Houston, we have a problem: An alternate annual report on Halliburton”, A Corpwatch Report, April 2004, http://www.halliburtonwatch.org/about_hal/houston.pdf

Defense contracts never exceeded \$1 billion.¹²⁶ The company has stated that the cuts to lobby expenditures reflect a decision to rely on industry groups representing the company's interests. James Thurber, a professor at American University, however doubts their explanation saying in The Boston Globe that "They're [Halliburton] already in; they don't need to lobby anymore".¹²⁷

Judging from their mid-year (2004) lobby filings, however, it seems as if the company has increased spending on in-house and outside lobbyists. For the first 6 months of 2004 Halliburton spent \$520,000 on outside lobbyists and \$250,000 on in-house lobbyists.

The following is a list of names of Halliburton's present in-house lobbyists:

Donald A. Deline – Deline is a member of the Industry Sector Advisory Committee on Services, former Chairman of anti sanction organization USA-Engage. Deline is also a former counsel to the Senate Armed Services Committee.¹²⁸

Charles Dominy – Dominy is Halliburton's chief lobbyist, although his official title at the company is Vice President, Government Affairs. Dick Cheney hired Dominy in 1995 after a 32 year career with the US Army where he reached the rank of Lieutenant General with the United States Army Corps of Engineers, the division which oversees Halliburton's contracts in Iraq. Dominy was hired as the company's chief lobbyist in 2001.

Barbara Jones

George Sigalos, director of government relations for Halliburton KBR, served in the administrations of Presidents Ronald Reagan and George H.W. Bush as well as an aide to Commerce Secretaries C. William Verity and Robert Mosbacher and Treasury Secretary Nicholas Brady.¹²⁹

¹²⁶ Beelman, M., "Halliburton lobby costs see big drop", The Boston Globe, March 27, 2004

¹²⁷ *ibid*

¹²⁸ Sarasohn, J., "Berger's firm to aid oil interests in Iraq", The Washington Post, September 16, 2004

¹²⁹ "The Lobbying World", The Hill, February 19th, 2003, <http://www.hillnews.com/business/021903.aspx>

4. Social Profile

4.1 Controversies

Iraq “Don’t worry about price. It’s cost-plus” – Halliburton and its subsidiaries have a long history of doing business in Iraq. In 1990 USA Today reported that prior Iraq’s invasion of Kuwait Halliburton was one of about 25 companies that had operations in the country. After the cease-fire between Iran and Iraq in 1988 and before Iraq invaded Kuwait, Brown and Root had completed a number of oil services contracts in the country. All operations ceased after the US Government, with Cheney as secretary of defense, imposed a trade embargo after Saddam’s invasion of Kuwait. After the first invasion of Iraq was over, the US imposed deep sanctions on Iraq, bringing trade with the country to an abrupt halt. It appeared for the time being as if Halliburton would have to forget about continuing its operations in the region.¹³⁰

This is the line Dick Cheney took during his Vice Presidential campaign, when in 2000 he said that as CEO of Halliburton he had a firm policy against trading with Iraq and that the company had not done any business in the country since the UN sanctions were imposed in 1990.¹³¹ In reality, however, while Cheney was CEO Halliburton was part owner of two companies (Dresser Rand and Ingersoll-Dresser Pump) that signed contracts to sell more than \$73 million in oil production equipment and spare parts to Iraq between 1997 and 2000. A Halliburton executive interviewed by the Washington Post in June 2001 is certain that Cheney knew about the contracts.¹³²

By 2000, Halliburton had ceased operations in Iraq but was eager to reenter the country and exploit its incredible oil reserves. The company got its wish when the United States invaded Iraq in 2003 subsequently offering the company a number of lucrative contracts to repair the country’s oil fields and to supply logistical support for the US military (see government contract section above).

The US government’s choice of Halliburton initiated a strong public outcry against cronyism between corporate America and the present US administration. Since late 2003, however, the uproar surrounding Halliburton’s government contracts have spread to the Pentagon where in February 2004 the Inspector General launched a criminal investigation into Halliburton’s overbilling for fuel imports. Since then, the investigation has widened to include other alleged overbilling by the company. The following outlines some of the controversies surrounding Halliburton’s Iraq operations.

Overbilling on Gas imports

The criticism about overspending began after Halliburton, through a Kuwaiti subcontractor, started importing gasoline and other fuel to Iraq from Kuwait and Turkey. The US Government’s Defense Contract Audit Agency issued a draft report in December 2003 saying that Halliburton subsidiary KBR had overcharged for fuel purchases by \$61 million.¹³³ US taxpayers will end up paying for the overcharges.

Halliburton was awarded the contract to satisfy the fuel needs of the occupying forces in Iraq. In December 2003 the New York Times reported that the US government was paying the company

¹³⁰ Montague, E., Gregory, E., “Crisis freezes already-cool trade ties”, USA Today, August 27, 1990

¹³¹ “Houston, we have a problem: An alternate annual report on Halliburton”, A Corpwatch Report, April 2004, http://www.halliburtonwatch.org/about_hal/houston.pdf

¹³² Lynch, C., “Firm’s Iraq deals greater than Cheney has said”, The Washington Post, June 23, 2001

¹³³ Verloy, A., “Documents reveal concern regarding Halliburton Contracts”, The Center for Public Integrity, November 3, 2004, <http://www.publicintegrity.org/wow/report.aspx?aid=420&sid=100>

an average of \$2.64 per gallon to import fuel from Kuwait and \$1.24 per gallon from Turkey. This total is more than twice what others were paying to import fuel from Kuwait.¹³⁴ Between May and late October 2003, Halliburton imported 61 million gallons of fuel from Kuwait and 179 million from Turkey at a cost of more than \$383 million. The same New York Times article quotes American oil economist Phil Verleger saying "I have never seen anything like this in my life...That's a monopoly premium – that's the only term to describe it. Every logistical firm or oil subsidiary in the United States and Europe would salivate to have that sort of contract".¹³⁵

The shady story continued in January 2004 when Halliburton announced that it had fired two employees who had taken \$6.3 million in kickbacks from a Kuwaiti subcontractor for similar oil delivery contracts.¹³⁶ The company reimbursed the Pentagon to cover what Halliburton called 'potential overbilling charges'.¹³⁷ Around the same time an audit report from the Defense Contract Audit Agency found several deficiencies in KBR's billing system and in February 2004 the Pentagon's Inspector General launched a criminal investigation into whether KBR overcharged the government while importing fuel from Kuwait and Turkey.¹³⁸ The whistle blowers who came forward with information regarding gas import overcharging have disclosed that high level Halliburton officials told employees that the high prices charged by vendors was not a problem, and that the government would reimburse the company regardless of the cost. They also said that the company engaged in wasteful spending including purchasing expensive embroidered hand towels used at a Baghdad exercise facility for US troops. Other allegations include: the company's practice of avoiding competition among vendors; the invitation of unjustifiably high quotes from vendors; and the reliance on an inadequate list of preferred vendors.¹³⁹

Overbilling on Meals

Encouraging the Pentagon to widen its investigation of Halliburton's operations in Iraq was the discovery that the company was overbilling the government for the number of meals it serves in Iraq and Kuwait. In February 2004 Halliburton issued a press release stating that it would temporarily stop billing the Pentagon for the meals it serves to American troops in Iraq and Kuwait through a number of subcontractor services.¹⁴⁰ The company said it would withhold \$174 million in payments until the issue is resolved. The issue came to light when an audit of meal services from the Arifjan base in Kuwait was extended to over 50 camps in Iraq and Kuwait. According to the Wall Street Journal, the Saudi sub-contractor at Arifjan billed for an average of 42,042 meals a day in July 2003 but only served 14,053. This resulted in an overcharge of \$16 million over seven months.¹⁴¹ In light of the accusation of overbilling on meals, the Pentagon held back \$186 million in payments to KBR.¹⁴²

Investigations and audits

A number of audits and investigations of Halliburton's billing practices for its government contracts have been launched in the past 18 months. The following list outlines some of these ongoing activities by various US and international agencies involving Halliburton.

¹³⁴ Van Natta, D., "A region inflamed", The New York Times, December 10, 2003

¹³⁵ *ibid*

¹³⁶ "Houston, we have a problem: An alternate annual report on Halliburton", A Corpwatch Report, April 2004, http://www.halliburtonwatch.org/about_hal/houston.pdf

¹³⁷ "Halliburton credits government \$6.3 million for potential over billing until investigation complete", Halliburton press release, January 23, 2004, http://www.halliburton.com/news/archive/2004/corpnws_012304a.jsp

¹³⁸ Verloy, A., "Documents reveal concern regarding Halliburton Contracts", The Center for Public Integrity, November 3, 2004, <http://www.publicintegrity.org/wow/report.aspx?aid=420&sid=100>

¹³⁹ Waxman, H., Dingell, J., "Don't Worry About Price: Whistle Blowers Sound the Alarm on Halliburton in Iraq", Multinational Monitor, March 2004, Vol.25/No. 3

¹⁴⁰ "Halliburton voluntarily suspends billing for the next month", Halliburton press release, February 16, 2004, http://www.halliburton.com/news/archive/2004/corpnws_021604.jsp

¹⁴¹ "Halliburton accused US army was overcharged for Kuwaiti camp meals", The Guardian, February 3, 2004

¹⁴² Eckholm, E., "Pentagon auditor urges Army to withhold some payments to Halliburton", The New York Times, November 25, 2004

- **Federal Bureau of Investigation (FBI)** – In October 2004, the FBI launched a criminal investigation into whether or not the Pentagon broke the law in awarding contracts in Iraq and the Balkans to Halliburton.¹⁴³ The FBI was interested in interviewing Bunnatine Greenhouse, the top civilian contracting official for the Army Corps of Engineers, after she called for a high-level investigation into what she saw as threats to the integrity of the federal contracting system. Greenhouse charged that the United States Army granted Halliburton large logistics contracts in Iraq and the Balkans without following proper rules designed to ensure competition and fair prices to the government. She witnessed Army officials allowing representatives from Halliburton to attend meetings where the terms of a contract the company was about to receive were being discussed. Some of the contracts she questioned included KBR's 5-year \$7 billion no-bid contract¹⁴⁴ for Iraqi oil repairs and a no-bid \$165 million contract extension for KBR's logistical services in the Balkans. After raising questions about the Halliburton contracts, Greenhouse said that she was excluded from major decisions and that her job status was threatened.¹⁴⁵
- **Army Material Command and the Defense Contract Audit Agency** – In November 2004, the Pentagon's special auditor for Iraq recommended that the US military hold back some payments to Halliburton until questions about the company's spending are resolved. The auditor agreed with recommendations made by the Army Material Command and the Defense Contract Audit Agency in August that the US government withhold 15 percent of monthly payments to the company until spending was more adequately justified. The issue surrounds how the Pentagon should deal with close to \$2 billion in bills submitted by Halliburton without receipts or proof that it paid reasonable prices for its \$10 billion logistics contract. Federal rules dictate that if a government contractor with an open ended agreement (cost-plus) has not defined its activities and expenses, the government should protect its interests by paying no more than 85 percent of invoices until all costs are accounted for.¹⁴⁶ In order to limit the financial impact of such a decision, the company has said that it will in turn withhold 15 percent of payments to its subcontractors.

4.2 Environmental track record

Hydraulic Fracturing – Where else in the world does Halliburton use this process?

In 1949 Halliburton successfully tested a process known as hydraulic fracturing where elements, including toxic chemicals and diesel fuel, are pumped at very high pressure into the ground in order to extract more oil. The process has generated controversy over the years due to the threat posed to drinking water. Halliburton and other energy companies actively fought against efforts to regulate the procedure under the federal Safe Drinking Water Act by lobbying the Clinton administration to exempt fracturing from regulations under the Act. The industry lobby had little luck until Dick Cheney began designing a national energy strategy only days after he was inaugurated as Vice President in 2000. Cheney made sure that hydraulic fracturing – a topic of less importance than many other energy issues – would be considered by the energy task force. Not surprisingly the task force asserted that oil and gas production would be hurt by regulation under the Safe Drinking Water Act, even though the US Environmental Protection Agency (EPA) had yet to complete a seven-year (1997-2004) study into the impacts of the process.¹⁴⁷

¹⁴³ Burkeman, O., Howard, M., "FBI investigates how Iraq contracts were given to Halliburton", The Guardian, October 29, 2004

¹⁴⁴ This contract was later shortened to one year and supplanted by a competitive bidding process after it publicly came under fire in the media and in US Congress.

¹⁴⁵ Eckholm, E., "A top US contracting official for the Army calls for an inquiry in the Halliburton case", The New York Times, October 25, 2004

¹⁴⁶ Eckholm, E., "Pentagon auditor urges Army to withhold some payments to Halliburton", The New York Times, November 25, 2004

¹⁴⁷ Hamburger, T., Miller, A.C., "A Changing Landscape", Los Angeles Times, October 14, 2004

In October 2004 the Los Angeles Times reported that in 2001 then EPA Administrator Christie Whitman asked Cheney to alter the recommendation exempting fracturing from regulation.¹⁴⁸ The EPA was concerned that their incomplete report on the impact of the process on drinking water could eventually culminate in a regulatory action.

In the spring of 2001, when Cheney's task force released its report, the reference to fracturing's exemption from regulation was gone, but the benefits of the process were covered in detail without any mention of the EPA's ongoing study. The national energy bill, which was endorsed by both Bush and Cheney in 2003 but is stalled in the US Senate, included a provision that fracturing would be exempt from EPA drinking water regulation. There is widespread speculation that Cheney directly intervened on behalf of hydraulic fracturing.

When the EPA's report on the process was released in June 2004, it claimed that hydraulic fracturing posed little or no threat to drinking water supplies and that the process does not warrant any more study. A number of EPA employees quickly criticized the report for not following approved methodology and for relying on a panel of 'experts' with conflicts of interest as well as for failing to include field research. The study relied on existing reports instead of proceeding with fieldwork. Led by Denver based EPA employee Weston Wilson, a group of agency workers sent a letter to members of Congress saying that the report was "scientifically unsound and contrary to the purposes of the law".¹⁴⁹ The letter notes that coal beds in Colorado that produce natural gas occur in aquifers used for drinking supplies and that based on available studies the EPA's conclusion that the practice poses little threat is "unsupportable". The letter also points out that the report was supported by a peer review panel full of conflicts of interest including two of the panel members with links to Halliburton. One is a senior technical advisor at the company and the other is a former employee who now manages an industry-funded research institute. Wilson concludes the letter saying: EPA's failure to regulate the injection of fluids for hydraulic fracturing of coal bed methane reservoirs appears to be improper under the Safe Drinking Water Act and may result in danger to public health and safety".¹⁵⁰

4.3 Labour track record

Iraq – In September 2004 Halliburton recruited 112 people for jobs in Iraq after holding job fairs in 22 cities in the United States. The company says that workers can make \$60,000 to \$100,000 a year working an 84 hour week.¹⁵¹ The likelihood of being killed on the job, however, is very high. Since the US invaded Iraq, 59 Halliburton employees (including subsidiaries) have been killed on the job.¹⁵² This number will certainly rise with the ongoing involvement of Halliburton in the US military's murderous operations in Iraq.

Like every good multinational, Halliburton imports cheap unskilled labour for work in Iraq through subcontractors. Kuwaiti and Saudi firms hire South Asian workers for \$300 a month to work for Halliburton in Iraq's oil fields or as cooks in the military's mess halls. Iraqi workers make \$150 a month, half what the imported labourers make and far less than the \$8,000 a month an unskilled American worker is paid by Halliburton.¹⁵³

Cuba, Guantanamo Bay – In 2002, after the US Navy hired Halliburton to build its infamous prisons at the US base in Guantanamo Bay, Cuba, the company hired 199 Filipino workers

¹⁴⁸ *ibid*

¹⁴⁹ Letter is available at <http://www.latimes.com/media/acrobat/2004-10/14647025.pdf>

¹⁵⁰ *ibid*

¹⁵¹ "Great Society", *The Militant*, Vol.68/No.32, September 7, 2004, <http://www.themilitant.com/2004/6832/683230.html>

¹⁵² "Tribute to employees from the attack in Mosul" Halliburton press release, December 22, 2004, http://www.halliburton.com/news/archive/2004/kbrnws_122204a.jsp

¹⁵³ "Houston, we have a problem: An alternate annual report on Halliburton", A Corpwatch Report, April 2004, http://www.halliburtonwatch.org/about_hal/houston.pdf

through the Manila based Company Anglo-European Services. Workers were paid \$2.50 an hour for 12 hours a day, were housed in tents, had their own guards and were not allowed to leave their compound. Halliburton was later served with a lawsuit for refusing to let the workers form a union.¹⁵⁴

Pensions – Halliburton also has a poor track record of swindling employees out of pension funds. When Halliburton acquired Dresser Industries in 1998, it merged Dresser's pension fund with one of its own much smaller pension funds. In 2000, the company sold its stake in a unit of Dresser Industries. After the 2000 transaction Halliburton no longer viewed the unit's employees as employees. By treating them as if they had resigned, Halliburton stopped the workers vesting service in the pension plan. Workers were told that they would remain active participants in the plan and would not be eligible to take out their money until they retired or left the company.¹⁵⁵

In 2001, Dick Cheney's successor, David Lesar, changed the pension plan in order to urge workers to take their money and leave the fund before retiring or terminating their employment. Changes were made without notifying the workers. In early 2002, Halliburton unexpectedly began urging workers to take their pension plans early, or lose their right to take their benefits in a single payment. When the workers started signing up to receive their money, they found out that the benefits available to them were much less than what they had been told by Dresser Industries. They also found out that Halliburton was now treating them as if they had resigned, while most of them continued to work in the same office as they had before Halliburton bought and sold Dresser Industries.¹⁵⁶ As of December 2004, the workers are still trying to find out what happened to their pension money. As for Dick Cheney, when he retired in 2000, he was given a \$20 million retirement package, and he continues to make \$150,000 a year from the company.

4.3 Problem Contracts – *"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*¹⁵⁷

Halliburton has reputation for accepting contracts from governments with poor human rights records. As well, Halliburton is notorious for lobbying the US government in order to remove sanctions against countries with poor human rights records. (**note:** the following is only a small sample of Halliburton and its subsidiaries' large number of problem contracts)

Angola – Halliburton and its subsidiaries were awarded contracts in Angola worth hundreds of millions of dollars from the state oil company and large multinationals. Political and multinational business elites in Angola have been accused of taking billions of dollars in oil revenues while millions of Angolans continue to live in incredible poverty. For its part, Halliburton has benefited from \$200 million in support from the Export-Import Bank (see corporate welfare section) for oil field development in the country's Cabinda oil fields. In addition to Halliburton's complicity in the rape of Angola's natural resources, the environmental watchdog group Global Witness, has uncovered questionable links between the Angolan government and Halliburton regarding the company's success at landing big contracts in the country. The allegations are rooted in Halliburton's successful attempt at securing a \$68 million Export Import Bank loan for Angola in 1998 at the height of an arms-for-oil scandal ('Angolagate') where billions of dollars in arms and oil-backed loans for the Angolan government were provided in return for lucrative oil contracts for Western oil companies (including Tota-Fina-Elf, Chevron, Texaco, Phillips Petroleum, Exxon Mobil and BP-Amoco). The US embassy in the capital of Luanda allegedly assisted Halliburton in securing the loan from the Exim Bank.¹⁵⁸ Some of Halliburton's contracts in Angola include: 1999

¹⁵⁴ *ibid*

¹⁵⁵ Williams Walsh, M., "Halliburton uses loophole to reduce payouts at an upstate New York Unit", The New York Times, October, 14, 2004

¹⁵⁶ *ibid*

¹⁵⁷ Bruno, K., Vallette, J., "Halliburton's destructive engagement", Earthrights International, September 2000

¹⁵⁸ "All the President's Men: The devastating story of oil and banking in Angola's privatised war", A Global Witness Report, March 2002, <http://www.globalwitness.org/reports/show.php/en.00002.html>

(ELF Aquitaine); 2002 (BP Angola); 1995 (Chevron); 2000 (Sociedade Nacional de Combustivos de Angola, SONANGOL); 1997 (SONANGOL, Chevron).

Azerbaijan – In 1997, KBR, a wholly owned subsidiary of Halliburton Company, won a contract from the Azerbaijan International Operating Company to provide engineering design and procurement services for the development of the GCA (Guneshli Chirag Azeri) offshore oil fields in the Caspian Sea. The region's rich oil and gas resources are estimated at \$4 trillion. Washington-based lobby group, the American Petroleum Institute, a voice for the major U.S. oil companies, called the Caspian region, "the area of greatest resource potential outside of the Middle East." The potential for companies like Halliburton to benefit from these resources was enough for CEO Dick Cheney to lobby congress to remove congressional sanctions against Azerbaijan imposed because of concerns about the ethnic cleansing of Armenians in Nagorno Karabakh.¹⁵⁹ Cheney claimed that the sanctions only came from the Armenian American lobby.¹⁶⁰

Bangladesh – In 1996 Halliburton, along with UK based Cairn Energy, began developing the Sangu oil field. The project began when a deal was struck between the Prime Ministers of Bangladesh and the UK along with the two companies. The World Bank also approved a \$120 million financing package for the project. The project began with the hope of establishing a supply of cheap and reliable energy to the people of Bangladesh where in 2000 only 17 percent of the country's 130 million people had access to electricity. While the country does not allow exports, the World Bank decided that domestic consumption would not be profitable and pushed for gas exports. A move to exports, which is strongly supported by the likes of Halliburton, will effectively force Bangladesh to sell off its precious gas reserves, of which it only has enough for twenty years of domestic consumption. Former World Bank chief economist, Joseph Stiglitz told reporters in 2003 that "It is better for Bangladesh to keep its gas reserve for the future. Gas reserve is your security against any volatility of energy prices on the international market. One should be very careful about the pace of extraction...If you exploit your reserves quickly, you will have to be dependent on imports later."¹⁶¹ The battle over whether or not to allow exports rages on. While gas production has increased with private investment, Bangladesh is required to pay for services in foreign currency, a move that has put one of the world's poorest countries \$74 million in debt to foreign multinationals.¹⁶²

Bolivia – In 1997 Brown and Root Energy Services (now KBR), a subsidiary of a 50-50 joint venture between Halliburton and Murphy Bros. International, was awarded contracts in Brazil and Bolivia to build parts of the 3,000 km Bolivia-Brazil pipeline. The pipeline, completed in 1999, has had negative social and environmental impacts on low-land Bolivia and the Pantanal region of Western Brazil. The pipeline cuts through Bolivia's Grand Chaco National Park, one of the largest intact dry tropical forests in South America. Amazon Watch reports that some of the social and environmental impacts of the project on one Bolivian community include: shortages of food and medicine; reduced water and telephone access; pollution from noise and trash; situating the pipeline within 600 meters of a school; illegal logging; construction of new access roads into the forest; misconduct by construction workers, including the sexual abuse of local women.¹⁶³

Burma – Halliburton has provided services to the controversial Yadana and Yetagun pipeline projects in Burma. Halliburton joined with British company Alfred McAlpine to provide commissioning services to the Yadana pipeline during the early 1990s. A Halliburton and Saipem joint venture, European Marine Contractors (EMC) laid the offshore portion of the Yadana pipeline in 1996-1997, and a subsidiary of Dresser Industries (purchased by Halliburton in 1998) manufactured the coating for the Yetagun pipeline in 1998. The construction of both pipelines has

¹⁵⁹ Cohn, M., "Cheney's black gold", The Chicago Tribune, August 10, 2000

¹⁶⁰ Bruno, K., Vallette, J., "Halliburton's destructive engagement", Earthrights International, September 2000

¹⁶¹ Valette, J., Kretzmann, S., "Tug of War: The Winners and Losers of World Bank Fossil Fuel Finance", Sustainable Energy and Economy Network, April 2004, http://www.seen.org/PDFs/Tug_of_war.pdf

¹⁶² ibid

¹⁶³ Amazon Watch Website, Mega-Projects, http://www.amazonwatch.org/megaprojects/bolivia_gas.html#bolivia_brazil

negatively impacted the Burmese population. Thousands of Burmese villagers were forced to work on the construction of both pipelines and their related infrastructure. Due to forced relocation, people lost their homes and were subjected to rape and torture or were killed by soldiers hired by the contracted companies as security guards for the pipelines. In 2000, Dick Cheney admitted on Larry King Live that his company had done contract work in Burma. Cheney denied that Halliburton had broken the U.S. law imposing sanctions on Burma, which forbids new investments in the country.¹⁶⁴ He stated that: "You have to operate in some very difficult places and oftentimes in countries that are governed in a manner that's not consistent with our principles here in the United States...But the world's not made up only of democracies".¹⁶⁵ Burma is run by a military regime (the military junta seized power in 1962) which has been accused of gross human rights abuses, including the forcible relocation of civilians and the widespread use of forced labour, which includes children.

Indonesia – Halliburton has extensive investments and contracts in Indonesia. In 1998 the Indonesian group Corruption Watch named KBR among a list of 59 multinational companies it claims was using collusive, corruptive and nepotistic practices conducted with former president Suharto's family.¹⁶⁶ KBR was recently (May 2003) awarded a contract valued at approximately \$1.4 billion to construct a two-train liquefied natural gas (LNG) processing plant and associated support facilities in Teluk Bintuni, Papua Province, Indonesia.¹⁶⁷ The contract, for British Petroleum, is expected to be completed by 2006. There are severe environmental and social implications of such a large project when it is situated in an ecologically sensitive region and when the Indonesian military could potentially become involved (an Indonesian general has labeled BP's project an object of national economic interest, which under Indonesian law means it must be protected by the military).

Kazakhstan – Halliburton has been awarded a number of contracts for work on three major oil developments in Kazakhstan. Both the company and the country have benefited from hundreds of millions in financing from the Overseas Private Investment Corporation and the World Bank for the various projects. In 2003, a federal grand jury in New York indicted a US businessman on bribery charges alleging that he bribed two Kazakh officials in transactions involving a number of corporations including Halliburton. The corruption charges surround a \$120 million loan from the International Finance Corporation (World Bank) for the Karachaganak oil project where Halliburton is working as a contractor.¹⁶⁸

Nigeria – Halliburton and its subsidiaries have operated as contractors in Nigeria for corporations including Chevron, Elf, Shell and state oil company Nigeria LNG Ltd. Halliburton's operations in Nigeria have recently been plagued with a fraud (see lawsuit section above) scandal, but the company has also been involved in human rights abuses in the country. In one case involving a Halliburton contract, environmental groups in Nigeria accused the company of murder. During a protest against the dumping of poisonous chemicals into the water during drilling operations that poisoned the water supply of a village in the Niger delta in 1997 (during Cheney's time as CEO), an unarmed protestor was killed by Nigeria's Mobile police. The protesters were denouncing the dumping and Halliburton's failure to keep its promise to employ local youths.¹⁶⁹ Oronto Douglas, a leader of an indigenous minority who leads Nigeria's Environmental Rights Action commented: "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

¹⁶⁴ Bruno, K., Vallette, J., "Halliburton's destructive engagement", Earthrights International, September 2000

¹⁶⁵ Bruno, K., Valette, J., "Cheney and Halliburton: Go Where the Oil Is", Multinational Monitor, Vol. 22, No. 5, May 2001, <http://multinationalmonitor.org/mm2001/01may/may01corp10.html>

¹⁶⁶ "Way Beyond Petroleum", New Internationalist Magazine, Issue 344, April 2002,

<http://www.newint.org/issue344/beyond.htm>;

¹⁶⁷ "KBR-JGC Consortium is Winning Bidder for Tangguh LNG Project Valued at \$1.4 Billion", Halliburton Press Release, April 25, 2003, http://www.halliburton.com/news/archive/2003/kbrnws_042503.jsp

¹⁶⁸ "Houston, we have a problem: An alternate annual report on Halliburton", A Corpwatch Report, April 2004, http://www.halliburtonwatch.org/about_hal/houston.pdf

¹⁶⁹ Leopold, J., "US VP's former company continues to break laws while profiting from terror", Online Opinion, May 16, 2003, <http://www.onlineopinion.com.au/view.asp?article=348>

always done at the oil companies' request. We call them the 'Kill and Go' squads, because they can kill and go away with no questions asked. At Opuama, the order to open fire was given by Halliburton officials. Their lives were not threatened - these protests always involve nothing more lethal than placards, song and chants".¹⁷⁰

¹⁷⁰ Ireland, D., "Tricky Dick", The Nation, August 10, 2000, <http://www.thenation.com/doc.mhtml?i=20000821&s=ireland>

5. Stakeholder Profile

5.1 Institutional holdings

The following is a list of the 10 largest institutional investors in Halliburton as of September 30, 2004. The percentage of Halliburton stock held by other institutions or funds (institutional holdings), such as pension funds is 72.2%.

Institutions	Share Holdings
MSDW & Company	30,480,921
Capital Research & Mgmt Co.	25,075,000
Fidelity Management & Research	23,168,778
Wellington Management Co. LLP	19,915,841
Barclay's Bank	15,118,970
State STR Corp.	12,826,544
Aim Management Group	11,562,439
Lord Abbett and Co.	10,085,337
Vanguard Group Inc	9,557,341
MFS Investment Management	8,359,807

[Source: Wall Street Journal]

APPENDIX

The following is a complete list of Halliburton's subsidiaries and affiliates. The list provides a clear vision of Halliburton's global scope. Highlighted subsidiaries are located outside of the United States:

Avalon Financial Services, Ltd. (Cayman Islands)
Baroid Algeria De Service Aux Puits Spa (Algeria)
Baroid Corp. (United Kingdom)
Baroid De Venezuela, Sa (Venezuela)
Baroid Gmbh (Germany)
Baroid International Inc. (United States)
Baroid International Trading, Llc (United States)
Baroid Ltd. (United Kingdom)
Baroid Nigeria, Inc. (United States)
Baroid Of Nigeria Ltd. (Nigeria)
Beheersmaatschappij Van Aandelen In Textielverwerkende. (Netherlands)
Bitc (Us) Llc (United States)
Bitc Holdings (Us) Llc (United States)
Bpm Minerals, Llc (United States)
Breswater Marine Contracting Bv (Netherlands)
Brown & Root Cayman Holdings, Inc. (Cayman Islands)
Brown & Root Construction Pty Ltd. (Australia)
Brown & Root Projects Pty Ltd. (Australia)
Cebar Sdn Bhd (Brunei Darussalam)
Combisa, S De RI De Cv (Mexico)
Corporacion Mexicana De Mantenimiento Integral S De RI De Cv (Mexico)
Devonport Management Ltd. (United Kingdom)
Devonport Royal Dockyard Ltd. (United Kingdom)
Dii Industries, Llc (United States)
Dresser Kellogg Energy Services (Nigeria) Ltd. (Nigeria)
Dresser Kellogg Energy Services Inc. (United States)
Georgetown Finance Ltd. (Caymans Islands)
Granherne International (Holdings) Ltd. (United Kingdom)
Granherne Ltd. (United Kingdom)
Gva Consultants Aktiebolag (Sweden)
Halliburton Acquisitions Ltd. (United Kingdom)
Halliburton Affiliates, Llc (United States)
Halliburton Argentina Sa (Argentina)
Halliburton As (Norway)
Halliburton Australia Pty. Ltd. (Australia)
Halliburton Bv (Netherlands)
Halliburton C.I.C.S. Inc. (Cayman Islands)
Halliburton Canada Holdings, Inc. (United States)
Halliburton Co. (United States)
Halliburton Company Germany Gmbh (Germany)
Halliburton Consolidated Pty Ltd. (Australia)
Halliburton De Mexico, S De RI De Cv (Mexico)
Halliburton Denmark As (Denmark)
Halliburton Energy Development (North Sea), Inc. (United States)
Halliburton Energy Services (Malaysia) Sdn Bhd (Malaysia)
Halliburton Energy Services Nigeria Ltd. (Nigeria)
Halliburton Energy Services, Inc. (United States)
Halliburton Epc-22 Holdings, S De RI De Cv (Mexico)
Halliburton Equipment Company Sae (Egypt)
Halliburton Far East Pte Ltd. (Singapore)
Halliburton Global, Ltd. (Cayman Islands)
Halliburton Group (Barbados) Srl (Barbados)
Halliburton Group Canada (Partnership) (Canada)
Halliburton Group Canada Inc. (Canada)
Halliburton Group Holdings (1) Co. (Canada)
Halliburton Holding Germany Gmbh (Germany)
Halliburton Holdings (No. 2) Ltd. (United Kingdom)
Halliburton Holdings (No. 3) Ltd. (United Kingdom)
Halliburton Holdings 2002 Bv (Netherlands)
Halliburton I Cayman, Ltd. (Cayman Islands)
Halliburton Industries Ag (Liechtenstein)
Halliburton Interim, Inc. (United States)

Halliburton International, Inc. (United States)
Halliburton Italiana Spa (Italy)
Halliburton Latin America Sa (Panama)
Halliburton Ltd. (United Kingdom)
Halliburton Manufacturing & Services Ltd. (United Kingdom)
Halliburton Netherlands Operations Bv (Netherlands)
Halliburton Norway Holdings Cv (Netherlands)
Halliburton Operations Nigeria Ltd. (Nigeria)
Halliburton Overseas Ltd. (Cayman Islands)
Halliburton Products & Services Ltd. (Cayman Islands)
Halliburton Produtos Ltda (Brazil)
Halliburton Sakhalin Ltd. (Cyprus)
Halliburton Sas (France)
Halliburton Servicios Ltda (Brazil)
Halliburton Trinidad Ltd. (Trinidad & Tobago)
Halliburton West Africa Ltd. (Cayman Islands)
Halliburton Worldwide Ltd. (Cayman Islands)
 Hbr Energy, Inc. (United States)
 Hbr NI Holdings, Llc (United States)
 Hed (Indonesia), Inc. (United States)
 Hes Corp. (United States)
 Hes Holding, Inc. (United States)
 Hes Indonesia Holdings, Inc. (United States)
 Hes Oilfield Operations (Nigeria), Inc. (United States)
Howard Humphreys & Partners Ltd. (United Kingdom)
Howard Humphreys Group Ltd. (United Kingdom)
Kbr Australia Pty Ltd. (Australia)
 Kbr Group Holdings, Llc (United States)
Kbr Holdings Pty Ltd. (Australia)
 Kbr Indonesia Holdings, Inc. (United States)
 Kbr Overseas, Inc. (United States)
Kbr Production Services Pty Ltd. (Australia)
 Kbr Technical Services, Inc. (United States)
Kbr Water Services Pty Ltd. (Australia)
Kellogg Brown & Root (Canada) Co. (Canada)
Kellogg Brown & Root (Services) Ltd. (United Kingdom)
Kellogg Brown & Root (U.K.) Ltd. (United Kingdom)
 Kellogg Brown & Root Algeria Inc. (United States)
Kellogg Brown & Root Asia Pacific Pte Ltd. (Singapore)
Kellogg Brown & Root Dh Ltd. (United Kingdom)
Kellogg Brown & Root Holding Bv (Netherlands)
Kellogg Brown & Root Holdings (U.K.) Ltd. (United Kingdom)
Kellogg Brown & Root Holdings Ltd. (United Kingdom)
Kellogg Brown & Root International, Inc. (Delaware)
Kellogg Brown & Root International, Inc. (Panama)
Kellogg Brown & Root Ltd. (United Kingdom)
Kellogg Brown & Root Netherlands Bv (Netherlands)
Kellogg Brown & Root Offshore Contractors 2 Bv (Netherlands)
Kellogg Brown & Root Projects Ltd. (United Kingdom)
Kellogg Brown & Root Pty Ltd. (Australia)
 Kellogg Brown & Root, Inc. (United States)
 Kellogg Overseas Corp. (United States)
Kinhill Holdings Pty Ltd. (Australia)
Kinhill Pacific Pty Ltd. (Australia)
Landmark Eame Ltd. (United Kingdom)
Landmark Graphics As (Norway)
 Landmark Graphics Corp. (United States)
Laurel Financial Services Bv (Netherlands)
 Mw Kellogg Constructors Inc. (United States)
Mw Kellogg Ltd. (United Kingdom)
Mashhor Well Services Sdn Bhd (Brunei Darussalam)
Mid-Valley, Inc. (United States)
North Sea Assets Ltd. (United Kingdom)
 Oilfield Services Receivable Corp. (United States)
Pt Brown & Root (Indonesia)
Personal Para Soluciones Optimas, S De RI De Cv (Mexico)
Petrodata As (Norway)
Petroleum Engineering Services Norge As (Norway)
Pt Baroid (Indonesia)
Pt Halliburton (Indonesia)

Pt Halliburton Logging Services (Indonesia)
Rockwater Holdings Ltd. (United Kingdom)
Rockwater Ltd. (United Kingdom)
Security Dbs Nv (Belgium)
Servicios Halliburton De Venezuela, Sa (Venezuela)
Servicios Profesionales Petroleros, S De RI De Cv (Mexico)
Sigma 3 (North Sea) Ltd. (United Kingdom)
Sperry-Sun Saudi Arabia Ltd. (Saudi Arabia)
Subsahara Serivces Inc. (United States)
Wltd Ltd. (United Kingdom)
Wltd, Inc. (United States)