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Trudy Rubin | Conflicts of interest on war and business hurt U.S. image

By Trudy Rubin

When it comes to the Iraq war, images matter as much as guns.

President Bush has tried to frame this war as a moral crusade against evil. But many people in the Middle East, in Europe and even in America think this is a war to "grab" Iraqi oil and line the pockets of White House cronies. This is a gross oversimplification.

Yet the administration seems determined to convince cynics their worst fantasies are real.

How else to explain why U.S. officials gave one of the first contracts for postwar reconstruction - a contract to fight fires and assess the damage to Iraq's oil infrastructure - to Halliburton Co.? That's the outfit that Vice President Cheney headed until 2000. The contract was let without any bidding.

No dollar limit has been set on this cost-plus deal, but it should be worth tens of millions.

Then we have the U.S. Agency for International Development *inviting* a small, select group of politically well-connected U.S. companies to bid for up to \$900 million in primary contracts to reconstruct Iraq - a task that could ultimately cost tens of billions.

Of course Halliburton was included, although it is under investigation by the Securities and Exchange Commission. (Another invitee was Bechtel, an engineering giant with close Republican connections.) But British companies were excluded, which has left our most loyal ally steaming. The Brits are told they may get some of the smaller subcontracts, but that doesn't mollify them much.

There are practical explanations offered for the closed bidding process. The administration wants to move fast on reconstruction; U.S. firms have experience, and the rules permit exceptions to open bidding for national security reasons.

But come on. Ex-oil man Cheney was a driving force behind the Iraq war, and now the administration gives his former employer a lucrative contract? There's no way you can make this one look good.

Bathsheba Crocker, who co-directs a project on postwar Iraq for the Center for Strategic and International Studies, says the administration would have been wiser to open the process up to wider bidding. "It will look a lot worse if Halliburton gets the USAID contract, too," she says. "Then it really starts looking bad."

But members of this moralistic administration seem to lose their bearings when it comes to war and conflict of interest.

Consider the case of Richard Perle, a tireless advocate of an Iraq war. He holds a key, though voluntary, job as the chair of the President's Defense Policy Board. Still, he is subject to federal ethics rules, which bar him from using public office for private gain.

Perle, who is close to Defense Secretary Donald Rumsfeld, has been retained as an adviser by the large telecommunications company Global Crossing to overcome Defense Department resistance to its proposed sale to an Asian company. This would effectively put the company - whose worldwide fiber optics network is used by the U.S. government - under Chinese ownership. But never mind.

Perle spoke recently, according to the New York Times, on a conference call sponsored by Goldman Sachs, in which he advised participants on possible investment opportunities arising from the war. The luncheon title: "Iraq Now, North Korea Next?" He sits on the board of two companies that sell equipment for homeland defense.

What's most disturbing about such behavior is what it portends for the aftermath of the war. If the administration doesn't care now about perceived conflicts of interest, how can it expect the world - or Iraqis - to take seriously its pledges to remake Iraq for the better?

The White House could rebuff cynics by checking conflicts of interest and expanding the bidding for initial reconstruction - bringing in companies from allied nations and even from some countries that opposed the war. At some point, a new Iraqi government should start controlling the process itself.

Most important, when it comes to restarting oil production, U.S. officials must ensure an open, transparent process that brings in Iraqi oil experts, and includes some kind of international oversight board.

But you won't fight a negative image unless you care how others view you. And in that regard, this White House seems willfully blind.

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Whoops: Hot news flash! Richard Perle is resigning as chairman of the Defense Policy Board, though he has yet to apologize for his behavior. Still no sign of shame.

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