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## Who's Profiting From America's Empire of Bases?

Tom Engelhardt

May 15th, 2013

Every now and then, news about U.S. military bases abroad actually gets a little attention. The most recent example: Afghan President Hamid Karzai's announcement that the U.S. will be able to keep nine bases after the 2014 withdrawal of its combat troops. ("They want nine bases... across the country, in Kabul, Bagram, Mazar, Jalalabad, Gardez, Kandahar, Helmand, Shindand and Herat," he told faculty members and students [at Kabul University]. "We agree to give the bases. We see their presence after 2014 in Afghanistan as a positive.") These aren't, of course, small bases. Two of them, Bagram and Kandahar, are veritable monsters, and so offer some indication of Washington's possible plans — evidently still in flux — for keeping U.S. troops, trainers, advisors, special operations forces, CIA types, private security contractors, assorted allied Afghan militias, and whatnot in place once the war is officially "over" and "withdrawal" complete.

Most of the time, though, you have to be a fanatic news jockey to notice pieces about what could be considered the most singular aspect of the American overseas persona: our "empire of bases" (as Chalmers Johnson used to call it). Though base numbers remain staggering and historically unprecedented, most Americans are hardly aware of their existence. So, picking and choosing from the last month of overlooked base news, how many of you noticed that a U.S. KC-135 refueling plane, based at an American "military installation" connected to Manas International Airport near Bishtek, went down over northern Kyrgyzstan? How many of you knew that the U.S. had a military installation in Kyrgyzstan, just a hop, skip, and a jump across Tajikistan from

Afghanistan? How many of you can even locate Kyrgyzstan? (I just checked my own atlas to be sure!)

How many of you heard that a U.S. military helicopter, evidently from a U.S. base — one of a number — in South Korea, crashed recently near the North Korean border? Or that the Chinese press is now plugging for the “return” of the Japanese island of Okinawa, with its huge U.S. military complex? How many of you realized that 68 years after the end of World War II, the U.S. still has dozens of bases there and that Okinawans continue to protest the construction of a new base amid the staggering concentration of foreign military installations on their soil?

How many of you noticed that Spain, going through tough economic times and significant defense cutbacks, has upped its basing relationship with the U.S.? According to the *Christian Science Monitor*, “500 U.S. Marines are in the process of deploying to Morón Air Base in southern Spain as part of a rapid reaction force that will act as the vanguard to protect American interests in the increasingly volatile North African region.” And speaking of Northern Africa, did you notice the report by John Reed at *Foreign Policy* mapping U.S. installations, especially drone bases, there and elsewhere in Africa, including satellite shots of installations you’ve probably never heard of in places like Arba Minch in Ethiopia, Niamey in Niger, the Seychelles islands in the Indian Ocean, and Lamu on the Kenyan coast? (Hey, don’t beat up on yourself. We Americans have next to no idea what’s being done in our name globally!)

You get the gist, right? Set foot just about anywhere on this planet other than China, Russia, and Iran, and you’re likely to find some kind of U.S. base, installation, or shared facility, and some news that goes with it, though you could pay endless attention to the U.S. media and never know that. You can watch our TV news for months and not have the slightest clue that we are the most militarized of global landlords and that this is the face we present to much of the world. Nor would you know that, as TomDispatch regular David Vine reports today, in tough economic times your tax dollars are still flowing bounteously to a small group of private contractors, making money hand over fist supporting that empire of bases. As he indicates, they are working hard to ensure that crony capitalism, like garrisoning the planet, remains as American as superheroes and cheeseburgers. *Tom*

## Where Has All the Money Gone?

### How Contractors Raked in \$385 Billion to Build and Support Bases Abroad since 2001

By David Vine

Outside the United States, the Pentagon controls a collection of military bases unprecedented in history. With U.S. troops gone from Iraq and the withdrawal from Afghanistan underway, it’s easy to forget that we probably still have about 1,000 military bases in other peoples’ lands. This

giant collection of bases receives remarkably little media attention, costs a fortune, and even when cost cutting is the subject *du jour*, it still seems to get a free ride.

With so much money pouring into the Pentagon's base world, the question is: Who's benefiting?

Some of the money clearly pays for things like salaries, health care, and other benefits for around one million military and Defense Department personnel and their families overseas. But after an extensive examination of government spending data and contracts, I estimate that the Pentagon has dispersed around \$385 billion to private companies for work done outside the U.S. since late 2001, mainly in that baseworld. That's nearly double the entire State Department budget over the same period, and because Pentagon and government accounting practices are so poor, the true total may be significantly higher.

Not surprisingly, when it comes to such contracts and given our recent wars, the top two countries into which taxpayer dollars flowed were Afghanistan and Iraq (around \$160 billion). Next comes Kuwait (\$37.2 billion), where the military has had a significant presence since the first Gulf War of 1990-1991, followed by Germany (\$27.8 billion), South Korea (\$18.2 billion), Japan (\$15.2 billion), and Britain (\$14.7 billion). While some of these costs are for weapons procurement, rather than for bases and troop support, the hundreds of thousands of contracts believed to be omitted from these tallies thanks to government accounting errors make the numbers a reasonable reflection of the everyday moneys flowing to private contractors for the world of bases the United States has maintained since World War II.

Beyond the sheer volume of dollars heading overseas, an analysis of Pentagon spending reveals a troubling pattern: the majority of benefits have gone to a relatively small group of private contractors. In total, almost a third of the \$385 billion has flowed into the coffers of just 10 top contractors, including scandal-prone companies like KBR, the former subsidiary of Halliburton, and oil giant BP.

In addition, Pentagon spending on its baseworld has been marked by spiraling expenditures, the growing use of uncompetitive contracts and contracts lacking incentives to control costs, outright fraud, and the repeated awarding of non-competitive sweetheart contracts to companies with histories of fraud and abuse. There's been so much cost gouging that any attempt to catalog it across bases globally would be a mammoth effort. The \$31-\$60 billion in contracting fraud in the Afghanistan and Iraq wars alone, as calculated by the Commission on Wartime Contracting, which Congress established to investigate waste and abuse, suggests the global total could be astronomical.

Since 2001, U.S. taxpayers have effectively shipped hundreds of billions of dollars out of the country to build and maintain an enormous military presence abroad, while major Pentagon contractors and a select group of politicians, lobbyists, and other friends have benefited mightily.

### **Peeling the Potatoes and Bringing Home the Bacon**

While a handful of overseas bases, like Guantánamo Bay, date to the turn of the twentieth century, most have existed since the construction of thousands of bases during World War II.

Although the number of installations and troops ebbed and flowed in the Cold War years and shrank by about 60% once it was over, a significant infrastructure of bases remains. Scattered from Aruba and Belgium to the United Arab Emirates and Singapore, the Pentagon's global landholdings are bigger than all of North Korea and represent by far the largest collection of foreign bases in history.

Once upon a time, however, the military, not contractors, built the barracks, cleaned the clothes, and peeled the potatoes at these bases. This started to change during the Vietnam War, when Brown & Root, better known to critics as "Burn & Loot" (later KBR), began building major military installations in South Vietnam as part of a contractor consortium.

The use of contractors accelerated following the Cold War's end, part of a larger trend toward the privatization of formerly public services. By the first Gulf War, one in 100 deployed personnel was a contractor. Later in the 1990s, during U.S. military operations in Somalia, Rwanda, Haiti, Saudi Arabia, Kuwait, Italy, and especially the Balkans, Brown & Root received more than \$2 billion in base-support and logistics contracts for base construction and maintenance, food services, waste removal, water production, transportation services, and much more.

By the second Gulf War, contractors represented roughly one in two deployed personnel in Iraq, with the company now known as KBR employing more than 50,000 people, or enough to staff 100 army battalions. Burger Kings, Starbucks, and car dealerships, as well as air conditioning, steak, and ice cream became regular features of often city-sized bases. However, this wasn't a phenomenon restricted to war zones. U.S. bases worldwide look much the same, which helps explain the staggering taxpayer dollars they consume.

### **Calculating Costs in a "Dysfunctional" System**

The problem is, it's remarkably difficult to figure out who's been benefiting from all the taxpayer money. The government doesn't bother to compile such information. This meant I had to pick through hundreds of thousands of contracts and research scores of companies in countries worldwide.

I began with publicly available government contract data and followed a methodology for tracking funds used by the Commission on Wartime Contracting. This allowed me to compile a list of every Pentagon contract with a "place of performance" — that is, the country where most of a contract's work is performed — outside the United States since the start of the Afghan war (fiscal year 2002).

There were 1.7 million of them.

Scrolling through 1.7 million spreadsheet rows, one for each contract, offered a dizzying feel for the immensity of the Pentagon's activities and the money spent globally. Generally, the companies winning the largest contracts have been doing one (or more) of four things: building bases, running bases, providing security for bases, and delivering fuel to bases. Among those 1.7 million contracts, there was one for \$43 for sand in South Korea and another for a \$1.7 million

fitness center in Honduras. There was the \$23,000 for sports drinks in Kuwait, \$53 million in base support services in Afghanistan, and everything from \$73 in pens to \$301 million for U.S. Army industrial supplies in Iraq.

Cheek by jowl, I found the most basic services, the most banal purchases, and the most ominous acquisitions, including concrete sidewalks, a traffic light system, diesel fuel, insect fogger, shower heads, black toner, a 59” desk, unskilled laborers, chaplain supplies, linen for “distinguished visitor” rooms, easy chairs, gym equipment, flamenco dancers, the rental of six sedans, phone cards, a 50” plasma screen, billiards cues, X-Box 360 games and accessories, Slushie machine parts, a hot dog roller, scallops, shrimp, strawberries, asparagus, and toaster pastries, as well as hazardous waste services, a burn pit, ammo and clips, bomb disposal services, blackout goggles for detainees, and confinement buildings.

The \$385 billion total is at best a rough estimate; the real totals are surely higher. The Federal Procurement Data System that’s supposed to keep track of government contracts “often contains inaccurate data,” according to the Government Accountability Office. Harvard University economist Linda Bilmes calls the system “dysfunctional.” For example, hundreds of thousands of contracts have no “place of performance” listed at all. There are 116,527 contracts that list the place of performance as Switzerland, even though the vast majority are for delivering food to troops in Afghanistan and at bases worldwide.

The unreliable and opaque nature of the data becomes clearer when you consider that the top recipient of Pentagon contracts isn’t a company at all, but a category labeled “miscellaneous foreign contractors”; that is, almost 250,000 contracts totaling nearly \$50 billion, or 12% of the total, have gone to recipients we can’t identify. As the Commission on Wartime Contracting explains, “miscellaneous foreign contractors” is a catch-all “often used for the purpose of obscuring the identification of the actual contractor[s].”

The reliability of the data only worsens when we consider the Pentagon’s inability to track its own money or pass an audit. Identifying the value of contracts given to specific companies is made more difficult by a general lack of corporate transparency, as well as complicated subcontracting arrangements, the use of foreign subsidiaries, and frequent corporate name changes.

Still, examining the top contractors is illuminating. Let’s start with the top three whose names we know:

**1. KBR:** Among the companies bringing home billions, the name Kellogg, Brown & Root dominates. It has almost five times the contracts of the next company on the list and is emblematic of broader problems in the contracting system.

KBR is the latest incarnation of Brown & Root, the company that started paving roads in Texas in 1919 and grew into the largest engineering and construction firm in the United States. In 1962, Halliburton, an international oil services company, bought Brown & Root. In 1995, Dick Cheney became Halliburton’s president and CEO after helping jump-start the Pentagon’s ever-greater reliance on private contractors when he was President George H.W. Bush’s secretary of defense.

Later, while Cheney was vice president, Halliburton and its KBR subsidiary (formed after acquiring Kellogg Industries) won by far the largest wartime contracts in Iraq and Afghanistan. It's difficult to overstate KBR's role in the two conflicts. Without its work, there might have been no wars. In a 2005 interview, Paul Cerjan, a former Halliburton vice president, explained that KBR was supporting more than 200,000 coalition forces in Iraq, providing "anything they need to conduct the war." That meant "base support services, which includes all the billeting, the feeding, water supplies, sewage — anything it would take to run a city." It also meant Army "logistics functions, which include transportation, movement of POL [petroleum, oil, and lubricants] supplies, gas... spare parts, ammunition."

Most of KBR's contracts to support bases and troops overseas have come under the multi-billion dollar Logistics Civilian Augmentation Program (LOGCAP). In 2001, KBR won a one-year LOGCAP contract to provide an undefined quantity and an undefined value of "selected services in wartime." The company subsequently enjoyed nearly eight years of work without facing a competitor's bid, thanks to a series of one-year contract extensions. By July 2011, KBR had received more than \$37 billion in LOGCAP funds. Its experience reflected the near tripling of Pentagon contracts issued without competitive bidding between 2001 and 2010. "It's like a gigantic monopoly," a representative from Taxpayers for Common Sense said of LOGCAP.

The work KBR performed under LOGCAP also reflected the Pentagon's frequent use of "cost-plus" contracts. These reimburse a company for its expenses and then add a fee that's usually fixed contractually or determined by a performance evaluation board. The Congressional Research Service explained that because "increased costs mean increased fees to the contractor," there is "no incentive for the contractor to limit the government's costs." As one Halliburton official told a congressional committee bluntly, the company's unofficial mantra in Iraq became "Don't worry about price. It's 'cost-plus.'"

Not surprisingly, in 2009, the Pentagon's top auditor testified that KBR accounted for "the vast majority" of wartime fraud. The company has also faced accusations of overcharging for everything from delivering food and fuel and supplying housing for troops to providing base security services.

After years of bad publicity, in 2007, Halliburton spun KBR off as an independent company and moved its headquarters from Houston to Dubai. Despite KBR's track record and a 2009 guilty plea for bribing Nigerian government officials to win gas contracts (for which its former CEO received prison time), the company has continued to receive massive government contracts. Its latest LOGCAP contract, awarded in 2008, could be worth up to \$50 billion through 2018.

**2. Supreme Group:** Next on the list is the company that's been described as the KBR for the Afghan War. Supreme Group has won more than \$9 billion in contracts for transporting and serving meals to troops in Afghanistan and at other bases worldwide. Its growth perfectly symbolizes the soldiers-to-contractors shift in who peels the potatoes.

Supreme was founded in 1957 by an Army veteran who saw an opportunity to provide food for the hundreds of U.S. bases in Germany. After expanding over several decades into the Middle

East, Africa, and the Balkans, the company won multi-billion-dollar “sole source contracts” that gave it a virtual monopoly over wartime food services in Afghanistan.

Today, in a prime example of the revolving door between the Pentagon and its contractors, Supreme’s chief commercial officer is former Lieutenant General Robert Dail. From August 2006 to November 2008, Dail headed the Pentagon’s Defense Logistics Agency (DLA), which awards food contracts. In 2007, Dail presented Supreme with DLA’s “New Contractor of the Year Award.” Four months after leaving the Pentagon, he became the president of Supreme Group USA.

Recently, Supreme has faced growing scrutiny over the way it’s won competition-free contracts, with service fees as high as 75% of costs and reportedly for more than three-quarters of a billion dollars in overbilling. Last month, Supreme had the *chutzpah* to sue the Pentagon for awarding a new \$10 billion Afghanistan food contract to a competitor that underbid Supreme’s offer by \$1.4 billion.

**3. Agility Logistics:** Next on the list is Agility Logistics, a Kuwaiti company. It won multi-billion-dollar contracts to transport food to troops in Iraq. When the Pentagon decided against awarding similar contracts in Afghanistan to a single firm, Agility partnered with Supreme in exchange for a 3.5% fee on revenues. In 2009 and 2010, grand juries indicted Agility for massive contracting fraud, and the Pentagon suspended the company and 125 related companies from receiving new contracts. In 2012, a judge issued a default judgment against Agility in a whistleblower suit seeking more than \$1 billion for overcharging the government.

### **The Rest of the Top 10: A Pattern of Misconduct**

Things don’t get much better farther down the list. Next come DynCorp International and Fluor Intercontinental, which along with KBR won the latest LOGCAP contracts. Awarding that contract to three companies rather than one was intended to increase competition. In practice, according to the Commission on Wartime Contracting, each corporation has enjoyed a “mini-monopoly” over logistics services in Afghanistan and other locations. DynCorp, which has also won large wartime private security contracts, has a history littered with charges of overbilling, shoddy construction, smuggling laborers onto bases, sexual harassment, and sex trafficking.

Although a Fluor employee pled guilty in 2012 to conspiring to steal and sell military equipment in Iraq, it’s the only defense firm in the world to receive an “A” on Transparency International’s anti-corruption index that rates companies’ efforts to fight corruption. On the other hand, number seven on the list, ITT (now Exelis), received a “C” (along with KBR and DynCorp).

The last three in the top ten are BP (which tops the Project on Government Oversight’s federal contractor misconduct list) and the petroleum companies of Bahrain and the United Arab Emirates. After all, the U.S. military runs on oil. It consumed five billion gallons in fiscal year 2011 alone, or more than all of Sweden. In total, 10 of the top 25 firms are oil companies, with contracts for delivering oil overseas totaling around \$40 billion.

### **Spreading the Love**

Contractors are hardly alone in raking in the dollars from the Pentagon's baseworld. Pentagon officials, military personnel, members of Congress, and lobbyists, among others, have all benefited — financially, politically, and professionally — from the giant overseas presence. In particular, contractors have spread the love by making millions in campaign contributions to members of Congress. According to the Center for Responsive Politics, military contractors and their employees gave more than \$27 million in election donations in 2012 alone, and have donated almost \$200 million since 1990.

Most of these have gone to members of the armed services and appropriations committees in the Senate and House of Representatives. These, of course, have primary authority over awarding military dollars. For the 2012 elections, for example, DynCorp International's political action committee donated \$10,000 to both the chair and ranking member of the House Armed Services Committee, and made additional donations to 33 other members of the House and Senate armed services committees and 16 members of the two appropriations committees.

Most contractors also pay lobbyists hundreds of thousands of dollars to sway military budgeteers and policymakers their way. KBR and Halliburton spent nearly \$5.5 million on lobbying between 2002 and 2012, including \$420,000 in 2008 when KBR won the latest LOGCAP contract and \$620,000 the following year when it protested being barred from bidding on contracts in Kuwait. Supreme spent \$660,000 on lobbying in 2012 alone. Agility spent \$200,000 in 2011, after its second indictment on fraud charges, and Fluor racked up nearly \$9.5 million in lobbying fees from 2002 to 2012.

### **Shrinking the Baseworld**

Today, there are some signs of baseworld shrinkage. The hundreds of bases built in Iraq are long gone, and many of the hundreds built in Afghanistan are now being shut down as U.S. combat troops prepare to withdraw. The military is downsizing an old base in the Portuguese Azores and studying further base and troop reductions in Europe. While many in Congress are resisting an Obama administration request to reduce "excess capacity" among thousands of domestic bases through two new rounds of the Base Realignment and Closure process, at least some current and former members of Congress are calling for a parallel effort to close bases abroad.

At the same time, however, the military is building (or exploring the possibility of building) new bases from Asia and Africa to the Persian Gulf and Latin America. Small drone bases are on the rise from Niger to Saudi Arabia. Even in Europe, the Pentagon is still building bases while closing others.

Much work remains to be done to figure out who's been benefiting from the Pentagon's baseworld. The billions in contracts that sustain our bases, however, are a good reminder that there are immediate savings available by reducing troop deployments and Cold War bases abroad. They are also a reminder of where we should look when we're told there isn't enough money for Head Start or hospitals or housing.

For decades, tens of billions of dollars in overseas spending have ended up in the coffers of a select few, with many billions leaking out of the U.S. economy entirely. Stemming those leaks

by cutting overseas spending and redirecting precious resources toward long-neglected non-military needs is an important way to help revive an economy that has long benefited the few rather than the many.

### **Top 25 Recipients of Pentagon Contracts Abroad**

<b>CONTRACT AWARDEE</b>	<b>TOTAL IN BILLIONS</b>
1. Miscellaneous Foreign Contractors	\$47.1
2. KBR, Inc.	44.4
3. Supreme Group	9.3
4. Agility Logistics (PWC)	9.0
5. DynCorp International	8.6
6. Fluor Intercontinental	8.6
7. ITT/Exelis, Inc.	7.4
8. BP, P.L.C.	5.6
9. Bahrain Petroleum Company	5.1
10. Abu Dhabi Petroleum Company	4.5
11. SK Corporation	3.8
12. Red Star Enterprises (Mina Corporation)	3.8
13. World Fuel Services Corporation	3.8
14. Motor Oil (Hellas), Corinth Refineries S.A.	3.7
15. Combat Support Associates Ltd.	3.8
16. Refinery Associates Texas, Inc.	3.3
17. Lockheed Martin Corporation	3.2
18. Raytheon Company	3.1
19. S-Oil Corporation (Ssangyong)	3.0
20. International Oil Trading Co./Trigeant Ltd.	2.7
21. FedEx Corporation	2.2
22. Contrack International, Inc.	2.0
23. GS/LG-Caltex (Chevron Corporation)	1.9
24. Washington Group/URS Corporation	1.6
25. Tutor Perini Corporation (Perini)	1.5
<b>SUBTOTAL</b>	<b>\$201.8</b>
<i>All Other Contractors:</i>	\$183.4
<b>TOTAL</b>	<b>\$385.2</b>