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## Counterpunch

### *A Theft Bigger Than Madoff*

## Iraq Reconstruction: the Greatest Fraud in US History?

By PATRICK COCKBURN

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**I**n what could turn out to be the greatest fraud in US history, American authorities have started to investigate the alleged role of senior military officers in the misuse of \$125bn (£88bn) in a US -directed effort to reconstruct Iraq after the fall of Saddam Hussein. The exact sum missing may never be clear, but a report by the US Special Inspector General for Iraq Reconstruction (SIGIR) suggests it may exceed \$50bn, making it an even bigger theft than Bernard Madoff's notorious Ponzi scheme.

"I believe the real looting of Iraq after the invasion was by US officials and contractors, and not by people from the slums of Baghdad," said one US businessman active in Iraq since 2003.

In one case, auditors working for SIGIR discovered that \$57.8m was sent in "pallet upon pallet of hundred-dollar bills" to the US comptroller for south-central Iraq, Robert J Stein Jr, who had himself photographed standing with the mound of money. He is among the few US officials who were in Iraq to be convicted of fraud and money-laundering.

Despite the vast sums expended on rebuilding by the US since 2003, there have been no cranes visible on the Baghdad skyline except those at work building a new US embassy and others rusting beside a half-built giant mosque that Saddam was constructing when he was overthrown. One of the few visible signs of government work on Baghdad's infrastructure is a tireless attention to planting palm trees and flowers in the centre strip between main roads. Those are then dug up and replanted a few months later.

Iraqi leaders are convinced that the theft or waste of huge sums of US and Iraqi government money could have happened only if senior US officials were themselves

involved in the corruption. In 2004-05, the entire Iraq military procurement budget of \$1.3bn was siphoned off from the Iraqi Defense Ministry in return for 28-year-old Soviet helicopters too obsolete to fly and armored cars easily penetrated by rifle bullets. Iraqi officials were blamed for the theft, but US military officials were largely in control of the Defense Ministry at the time and must have been either highly negligent or participants in the fraud.

American federal investigators are now starting an inquiry into the actions of senior US officers involved in the program to rebuild Iraq, according to The New York Times, which cites interviews with senior government officials and court documents. Court records reveal that, in January, investigators subpoenaed the bank records of Colonel Anthony B Bell, now retired from the US Army, but who was previously responsible for contracting for the reconstruction effort in 2003 and 2004. Two federal officials are cited by the paper as saying that investigators are also looking at the activities of Lieutenant-Colonel Ronald W Hirtle of the US Air Force, who was senior contracting officer in Baghdad in 2004. It is not clear what specific evidence exists against the two men, who have both said they have nothing to hide.

The end of the Bush administration which launched the war may give fresh impetus to investigations into frauds in which tens of billions of dollars were spent on reconstruction with little being built that could be used. In the early days of the occupation, well-connected Republicans were awarded jobs in Iraq, regardless of experience. A 24-year-old from a Republican family was put in charge of the Baghdad stock exchange which had to close down because he allegedly forgot to renew the lease on its building.

In the expanded inquiry by federal agencies, the evidence of a small-time US businessman called Dale C. Stoffel who was murdered after leaving the US base at Taiji north of Baghdad in 2004 is being re-examined. Before he was killed, Mr Stoffel, an arms dealer and contractor, was granted limited immunity from prosecution after he had provided information that a network of bribery – linking companies and US officials awarding contracts – existed within the US-run Green Zone in Baghdad. He said bribes of tens of thousands of dollars were regularly delivered in pizza boxes sent to US contracting officers.

So far, US officers who have been successfully prosecuted or unmasked have mostly been involved in small-scale corruption. Often sums paid out in cash were never recorded. In one case, an American soldier put in charge of reviving Iraqi boxing gambled away all the money but he could not be prosecuted because, although the money was certainly gone, nobody had recorded if it was \$20,000 or \$60,000.

Iraqi ministers admit the wholesale corruption of their government. Ali Allawi, the former finance minister, said Iraq was "becoming like Nigeria in the past when all the oil revenues were stolen". But there has also been a strong suspicion among senior Iraqis that US officials must have been complicit or using Iraqi appointees as front-men in corrupt deals. Several Iraqi officials given important jobs at the urging of the US administration in Baghdad were inexperienced. For instance, the arms procurement chief at the centre of the Defence Ministry scandal, was a Polish-Iraqi, 27 years out of Iraq, who had run a pizza restaurant on the outskirts of Bonn in the 1990s.

In many cases, contractors never started or finished facilities they were supposedly building. As security deteriorated in Iraq from the summer of 2003 it was difficult to check if a contract had been completed. But the failure to provide electricity, water and sewage disposal during the US occupation was crucial in alienating Iraqis from the post-Saddam regime.