

Part 1 of a two-part series

Big Oil, the United States and corruption in Kazakhstan

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May 12, 2002—On September 11, 2001, federal offices located in the World Trade Center took a direct hit from a hijacked jetliner. Lost in the ruins were records relating to scores of criminal investigations, including two federal grand jury probes of bribery and illegal oil swaps involving ExxonMobil and BP Amoco, the governments of Kazakhstan and Iran, and an American businessman who operated as a “fixer” on behalf of the oil companies. It has been confirmed that, despite the destruction of evidence (which most observers viewed as coincidental, and others as suspicious), these investigations remain open and active.

Although the cases received significant pre-9/11 coverage in the foreign press, and scattered attention in the *New York Times*, *Washington Post*, *Reuters* and the *New Yorker* (a comprehensive expose by Seymour Hersh), mainstream America remains largely unaware of the potentially explosive allegations—and a trail that leads directly to the White House. Prosecutors in New York and Washington have divulged no new information over the past half-year. The silence was broken on March 30, when investigative journalist Michael C. Ruppert re-introduced the story. He continues to track the Byzantine scandal, and the connections to Dick Cheney, John Ashcroft and the Bush administration.

<www.fromthewilderness.com/free/ww3/04_04_02_elephant.html>

In light of the escalating and expanding “9/11 war,” which at its core is a battle for control for the last remaining supplies of world oil (including Central Asia and the Caspian Sea region), the Kazakhstan probe, and what has already been reported in mainstream press accounts, demands an immediate and thorough re-examination.

Kazakhstan: Oil “El Dorado”

According to the US State Department and the Department of Energy, the Caspian Sea region is estimated to hold between 200 and 235 billion barrels—10 times the amount of the North Sea, roughly as much as Iran and Iraq combined, and about a third of the reserves of the Persian Gulf. Working side by side with the US government, major oil companies have invested billions of dollars in the region—but have yet to realize most of their profits.

Kazakhstan, in particular, has been a focus of US oil efforts. In the Spring-Summer 2000 issue of *CovertAction* <http://www.covertaction.org/full_text_69_03.htm>, Karen Talbot provided the following overview, which, in light of recent events, was prescient:

“Kazakhstan is a huge country bordering on the Eastern shore of the Caspian Sea. It has vast petroleum resources. A substantial portion of the oil reserves is in the Tengiz oil fields in the

Caspian Basin. Western oil companies are heavily involved in Kazakhstan. However, the only way to transport the petroleum to market is through existing pipelines in Russia, especially the pipeline that crosses Chechnya and terminates at the Black Sea port of Novorossiysk. There is a feverish activity to construct an underwater pipeline beneath the Caspian Sea, which would make it possible to bypass Russia. The major obstacle to this is a treaty requirement that all five littoral states of the Caspian Sea must agree to such a project. That includes Russia and Iran. US officials have been urging that the legalities regarding the Caspian Sea be disregarded in order to move forward with the trans-Caspian pipeline.”

The Tengiz oil field on Kazakhstan’s Caspian coast is one of the 10 largest oil deposits in the world, and was first developed in 1993 in a joint venture headed by Chevron, which owns 50 percent of the consortium. The resulting enterprise, Tengizchevroil, was later joined by Mobil (now ExxonMobil), a 25 percent owner. The government of Kazakhstan owns another 20 percent, and Russian-American joint venture Lukoil holds a 5 percent share. In November 2000, the Tengizchevroil partners and Lukoil established the Caspian Pipeline Consortium to build a 900-mile pipeline carrying oil from Tengiz to the Russian Black Sea port of Novorossiysk (this pipeline is now operational).

The same Western companies—notably ExxonMobil and BP Amoco—are also involved in exploring another field, Kashagan, which was discovered in the late 1990s. This field is estimated to hold at least 50 billion barrels, but more optimistic projections put the potential figure at 600 billion barrels—twice the reserves of Kuwait.

The key issue for American companies with investments in Kazakhstan has been at the heart of US foreign policy and war planning throughout the region: how to transport oil and gas out of landlocked Caspian/Black Sea fields, while 1) bypassing “hostile” regimes in Iran, Iraq, Afghanistan to the south, and 2) avoiding Russia, and Russian participation (economic, political and military).

Failure to solve this transport issue would result in huge losses for the oil companies. It would also derail the larger geo-strategic goal of the US that has been articulated by Zbigniew Brezezinski and other world policy planners: control and exploitation of the Central Asian Republics.

While the post-9/11 US overthrow of the intransigent Taliban, and installation of a US-approved regime (led by former Unocal consultant Hamid Kharzai), has now cleared one disputed southerly oil transportation corridor through Afghanistan, transport routes remain a strategic problem. Desperate to realize profits, the world oil oligarchy was, and remains, willing to utilize any and all means to achieve their ends, including (but not limited to) violence, racketeering and corruption.

In a *National Geographic* piece on Caspian oil, Robert Cullen said “Corruption is a pandemic problem, so open that even the most casual visitor can see it.” According to Transparency International’s International Perceptions Index, a measure that tracks corruption, Kazakhstan rated an 84 out of a possible score of 99. The only countries of the former Soviet Union that ranked higher in terms of their level of corruption were Kyrgyzstan and Azerbaijan—countries in which the United States and its multinational oil proxies are heavily involved.

“Mister Kazakhstan”

Across all of the Kazakhstan criminal cases, an American businessman named James Giffen has emerged as a central player. Giffen has been described in published accounts as a deal maker, “fixer,” investment banker, public relations man and insider. He has maintained an informal relationship with the CIA, “mainly responding to inquiries about oil and gas matters,” according to Giffen himself. As described by former CIA operative Robert Baer in his book *See No Evil*:

“Jim Giffen was Mr. Kazakhstan. If you wanted an oil concession in Kazakhstan, you went to Giffen because his consulting company, Mercator Corporation, *held the keys to the kingdom*. If you wanted to get out of your concession . . . because you’d been ripped off, you went to Giffen. He collected the commissions and distributed them, no questions asked, as long as the numbers on the check were right.”

Giffen’s shadowy activities began in the 1970s. A lifelong advocate of US trade with Russia, he sold oil field equipment to Russia—an enemy of the US at the time—while serving as vice president for Armco Steel. He developed close ties to Armco’s president, William Verity, Jr., who later served as commerce secretary in the Reagan administration. Another notable Giffen associate was Michael Forrestal, who would later become a member of the National Security Council and a partner at Shearman & Sterling. (Shearman & Sterling remains Kazakhstan’s legal adviser on oil and gas deals.)

During the Carter administration, Giffen played a central role in getting American companies to support the SALT nuclear arms reduction treaty. Also during this period, Giffen began a relationship with Robert Strauss. According to William Greider, it was widely understood that Strauss “arranged deals for American business to develop markets and resources in the newly liberated (Soviet) republics.” In the 1990s, Strauss was the US ambassador to Moscow, chairman of the Democratic National Committee and founder of the Democratic Leadership Council.

Strauss is a senior partner at Akin, Gump, Strauss, Hauer & Feld, the powerful Washington law firm, and Giffen would eventually become one of Akin, Gump’s clients.

Akin, Gump is a registered foreign agent for the Saudi regime. Three of George W. Bush’s closest friends in Texas, James Langdon, George Salem and Barnett “Sandy” Kress (a consultant on the Bush education program) are Akin, Gump partners.

Akin, Gump, whose corporate clients include Enron, McDonnell Douglas and Bechtel, has also represented Saudi Arabians connected to Osama bin Laden, including Khalid bin Mahfouz, Mohammed Hussein Al-Amoudi and Salah Idris. Bin Mahfouz is a former director of BCCI, and is a private banker whose clients include the Saudi royal family.

The Mahfouz and Al-Amoudi families are not coincidentally involved in oil field development projects in Kazakhstan, Azerbaijan and Turkmenistan. According to Professor Peter Dale Scott, “Mahfouz/Al-Amoudi joint ventures include the port facilities in Yemen where the USS Cole was bombed by Islamic militants while it refueled, an alleged chemical weapons plant (El Shifa) in Kenya that former U.S. president Bill Clinton ordered destroyed [in 1998].”

Today, Giffen is still an Akin, Gump client, and the firm has represented him in all criminal proceedings.

While serving on the US-USSR Trade and Economic Council in the 1980s, Giffen founded Mercator Corporation, a private banking and public relations firm, and developed ties with Kazakh President Nursultan Nazarbayev. He became the president's personal advisor, and took on the role of intermediary between US companies, Washington, and the Kazakhstan government.

According to Baer, "Giffen did a lot more than business. He was Washington's de facto ambassador to Kazakhstan. When Kazakh President Nazarbayev wanted to come to Washington, he didn't phone Beth Jones, our (US) ambassador in Alma Ata. He called Giffen, whose office in New York took care of all the arrangements, from travel to meetings to security. Giffen also arranged to do all the legal work and lobbying through his white-shoe law firm, Shearman and Sterling. Nazarbayev poured millions of dollars into the firm, even though no one seemed to know where the money ultimately ended up."

In fact, "de facto ambassador" Giffen arranged the first visit between Nazarbayev and President George Herbert Walker Bush. He also buddied with Al Gore, who chaired a US-Kazakhstan joint commission. In fact, according to a Washington Post account, "such was Giffen's pull that he began traveling to and from Kazakhstan on a Kazakh diplomatic passport, even though he remained a US citizen."

Quoting Baer: "In Washington, Giffen's preferred point of contact was Assistant Secretary of State Tobi Gati, head of State's Bureau of Intelligence and Research. With a contact like Giffen, Gati quickly stopped calling up her own bureau or the CIA for anything on Kazakhstan. She could get everything she wanted from Giffen. For instance, when the CIA found out that Nazarbayev was selling sophisticated arms to North Korea and Iran . . . Gati made the problem quietly disappear with a couple of phone calls to Giffen."

Giffen had his hand in nearly every oil deal in the country. It was through Giffen that Chevron secured a 50 percent stake in Tengiz, a deal worth \$20 billion. Giffen was paid 7.5 cents for each barrel of oil pumped from Tengiz, a multi-million dollar commission. "He seemed to have a stranglehold on almost all oil and gas contracts," recalled a State Department official.

Next: Allegations of bribery and illegal oil swaps, and the connections to the Bush administration

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