

Part 2 of a two-part series

Big Oil, the United States and corruption in Kazakhstan

By Larry Chin

Online Journal Contributing Editor

May 16, 2002—Two federal grand juries, one in New York and the other in Washington, are investigating allegations of bribery and illegal oil swaps involving ExxonMobil and BP Amoco, the governments of Kazakhstan and Iran and agents 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. This second installment details the specific charges in the case, and the connections to the Bush administration.

Bribery or Just Business?

The first case now being investigated by the federal grand juries involves charges that American businessman James Giffen orchestrated payments of more than \$1 billion dollars from ExxonMobil, Amoco Kazakhstan Petroleum (BP Amoco), and Phillips Petroleum to President Nazarbayev and other senior Kazakhstan officials, including former oil minister Nurlan Balgimbayev and former prime minister Akezhan Kazhegeldin. The Foreign Corrupt Practices Act prohibits bribery of foreign officials.

The suspicious transactions, which took place between May 1997 and September 1998, involved the channeling and laundering of funds through escrow accounts, shell companies and foundations located in Switzerland, the British Virgin Islands and Lichenstein, and held by Kazakh officials and their families. Swiss investigating magistrate Daniel Devaud examined from 50 to 60 accounts of four banks: Credit Agricole Indosuez, Credit Suisse, Pictet, and United European Bank. Devaud first alerted the US Justice Department to his findings in 2000.

Payments were made from the US bank accounts of several international oil companies to a numbered account, held at Bankers Trust in New York. From that numbered account, disbursements were made to Giffen. It is alleged that Giffen and Kazakh officials conducted a series of illegal transfers from the Kazakhstan treasury into private accounts benefiting the Kazakh officials.

Akin, Gump, Strauss, Hauer & Feld, the powerful Washington law firm, described allegations of misconduct against their client Giffen as “without substance” and said he was operating under the direction of the Kazakh government.

Illegal Oil Swaps

Giffen is also prominent in the second Kazakhstan grand jury probe into allegations that ExxonMobil violated the US trade embargo with Iran (the 1996 Iran Trade Sanctions Act) with illegal oil swaps in 1997. Prosecutors are investigating charges that Kazakhstan shipped oil to Iran in return for Iranian oil delivered in the Persian Gulf. According to the Wall Street Journal (4/01), “such swaps, that many oil companies consider a practical method of moving oil from landlocked regions to the market.”

In the months leading up to 9/11, prosecutors had intensified the probe, by issuing subpoenas of records and grilling ExxonMobil executives, who have issued repeated denials.

Federal authorities began working on the case in 1999, triggered by a British case in which a Jordanian businessman Farhat Tabbah filed a claim in British court alleging that Giffen had stiffed him out of \$40 million of commissions for his help in the oil swaps. According to reporter Seymour Hersh’s investigation of the case, Tabbah claims that London oil trader Friedhelm Eronat helped Tabbah arrange the shipments between Mobil and the Kazakhstan government. Eronat denied a major role in the deal.

Although Giffen is accused of helping to arrange the swaps, Akin, Gump has argued that he did not violate the trade embargo because he was working for Kazakhstan—not a company and not the US government. Prosecutors have also looked into the role of Bryan Williams, a former Mobil executive involved in the company’s operations in the former Soviet Union.

Desperate Measures

In what appears to be a bizarre and unprecedented response by President Nazarbayev to the increasing pressure from multiple criminal investigations, the Kazakhstan government passed laws in the summer of 2001 making money laundering virtually legal.

According to Marg Reynolds of Radio Free Europe/Radio Liberty (July 10, 2001), Kazakh citizens were allowed to “return funds in foreign accounts to banks within the country with no questions asked regarding source of the money and no threat of fines, taxes, or inquiries.” Even more dubious, according to this report was a second measure that called for “the scheduled destruction of all tax records between 1995 and 2000. Those taking advantage of the amnesty include Zeinulla Kakimzhanov, head of the State Revenues Ministry and James Giffen, US businessman and former adviser to President Nursultan Nazarbayev.”

On September 14, 2001, mere days after the infamous 9/11 attacks, the Swiss justice department delivered the results of its own investigation into Kazakhstan oil industry corruption to US officials. With much of the world fixated on 9/11, the explosive conclusions garnered virtually no public attention.

The report, according to *Le Temps* (9/24/01) was “particularly compromising for the current president of Kazakhstan, Nursultan Nazarbayev, a former director of US oil company Mobil, J. Bryan Williams III, and a star director of Genevan bank CAI, who ‘stepped down’ in 1999 after having been bribed by clients. The investigations carried out in Geneva for corruption and money laundering clearly show an institutional system of kick-backs set up in the 1990s by US

business man James Giffen, who served as an intermediary between certain oil companies and the leaders of Kazakhstan.”

A Tangled Web

The activities of ExxonMobil, BP Amoco and Kazakh officials (and James Giffen) prior to September 11 continue to be scrutinized by the grand juries. What demands immediate attention were the activities of high-ranking members of the current Bush administration—and how these activities are connected to the Bush “energy policy” and the 9/11 War itself. Investigative reporter Michael C. Ruppert is currently exploring these connections.

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

Of significance:

1. During the period in which the bribery and oil swaps occurred, Vice President Dick Cheney was the president of Halliburton, the world’s largest oil-service, exploration and engineering firm.

Halliburton, which is heavily involved with Exxon Mobil and BP Amoco ventures in Kazakhstan, is a member of the American Chamber of Commerce in Kazakhstan.

According to its official web site, “Halliburton is serving the needs of the Kazakhstan oil industry along with our subsidiaries Baroid, Sperry Sun, Landmark Graphics, Brown & Root Engineering Services, and we have locations in Almaty, Atyrau, Aktau and Aksai.

http://www.amcham.kz/cgi-bin/basa.cgi?ln=eng&name_Firm=HALLIBURTON

2. The Bush administration energy task force led by Cheney is currently the center of a constitutional battle for the release of records. Does the insistent Bush/Cheney secrecy and stonewalling have something to do with Kazakhstan?

3. In an explosive case of conflict of interest, Attorney General John Ashcroft has not recused himself from involvement with the two Kazakhstan grand jury cases, despite the fact that ExxonMobil, BP Amoco and other corporations implicated in these ongoing cases were major funders of his 2000 Senate campaign. ExxonMobil was the largest contributor (\$11,600). BP-Amoco contributed \$4,000, Enron \$7,499, Chevron \$7,500 and Halliburton \$3,500.

Ruppert has confirmed through numerous interviews with federal prosecutors in Washington and New York that Ashcroft has taken unusual actions to exert control over the investigations.

Other Destroyed Evidence

In addition to information on the Kazakhstan case, other evidence tying the Bush administration and multinational business and oil interests with Central Asian regimes and terrorists was lost on September 11.

FBI deputy director John O'Neill, who resigned in protest over how the Bush administration had blocked his investigations into Osama bin Laden, the al-Qaeda network and Saudi Arabia to protect US oil interests, died in the 9/11 attacks. O'Neill, who had led investigations of the Osama bin Laden and the al-Qaeda network for years (including the 1993 World Trade Center bombings, and the bombings of a US base in Saudi Arabia in 1996, the US embassy bombings of 1998 and the 2000 bombing of the USS Cole), had recently landed the job as the head of security at the World Trade Center.

The case of O'Neill, and the reporting of the O'Neill story by French journalists Jean-Charles Brisard and Guillaume Dasquie (in the still-unavailable-in-the-US book, *Bin Laden: La Verite Interdite*) is strongly supported by separate investigations, including one by reporters Greg Palast and David Pallister in a November 2001 article in the Guardian (London).

The investigative offices of the Securities and Exchange Commission (the SEC) were also destroyed, and with it, documents and records relating to investigations of insider trading, money laundering and stock market fraud.

The Final Oil Coup

While it remains to be seen where the explosive Kazakhstan grand jury probes lead from here, what is already obvious to the objective observer is clear: the American rampage for control of the world's last remaining oil reserves continues to drive every policy decision of the Bush administration.

On November 28, 2001, George W. Bush congratulated Russia, Kazakhstan and Exxon-Mobil and Chevron on the beginning of work on the Caspian Pipeline Consortium (CPC). In his speech, Bush waxed about "the realization of the new national energy strategy elaborated by his administration," which would finally result in the "diversification of oil deliveries to the USA" and its markets. In a telling demonstration that his image as hapless foreign policy innocent is a sham, the ruthless Bush praised the construction of Baku-Ceyhan, Baku-Supsa, Baku-Novorossiysk, and Baku-Tbilisi-Erzurum pipelines—apparently without garbling a word.

But new conflict in the Caspian appears inevitable. In a summit held on April 24, 2002, the leaders of the five countries sharing the shores of the Caspian sea—Kazakhstan, Russia, Iran, Turkmenistan and Azerbaijan (an American surrogate) "failed to agree on how to divide the spoils of an area gearing up for an oil and gas bonanza, delaying development of the crucial region and fanning tensions."

Turkmenistan's President Niyazov warned that the contest would "bring bloodshed."

Sources

Special thanks to Mike Ruppert for breaking this story, and to Peter Dale Scott for his wisdom and advice.

Robert Baer, *See No Evil* Crown Publishers, 2002

Robert Cullen, *National Geographic*, “The Rise and Fall of the Caspian Sea,” May 1999

Michael Dobbs, David Ottoway, Sharon LaFraniere, *Washington Post* “American at Center of Kazakh Oil Probe” July 25, 2000 http://iicas.org/english/an_en_27_7_00.htm

David Johnston, *New York Times*, “Kazakh Mastermind, or New Ugly American?” December 17, 2000 <http://www.nytimes.com/2000/12/17/business/17GIFF.html?pagewanted=all>

Michael Klare, *The Resource Wars*, Owl Books, 2001

Le Temps “Switzerland hands USA explosive report on corruption in petroleum industry” September 24, 2002, http://66.186.195.249/2001/gate_en/09_24_Explosivereport_eng.htm

Lara Marlowe, *Irish Times*. “US efforts to make peace summed up by one word: oil” . <http://www.ireland.com/newspaper/world/2001/1119/wor8.htm>

Maggie Mulvihill, Jonathan Wells and Jack Meyers, *Boston Herald*, “White House connections: Saudi agents close Bush friends,” December 11, 2001 http://www.bostonherald.com/news/americas_new_war/akin1112001.htm

Greg Palast, David Pallister, *Guardian* (UK) “FBI and US spy agents say Bush spiked bin Laden probes before 11 September,” November 7, 2001 <http://gregpalast.com/detail.cfm?artid=103&row=1>

Dale Allen Pfeiffer, *From the Wilderness*, “The Background is Oil,” December 27, 2001.

Pravda, “US President congratulated Russia, Kazakhstan and Oman on the beginning of work of the Caspian Pipeline Consortium,” November 11, 2001

Ahmed Rashid, *Jihad*, Yale University Press 2000

Ahmed Rashid, *Taliban*, Yale University Press 2002

Reuters, “US investigating businessman in Kazakh bribes” September 25, 2000

Michael C. Ruppert, *From The Wilderness*, “The Elephant In the Living Room,” March 30, 2002. http://www.fromthewilderness.com/free/ww3/04_04_02_elephant.html

Statement by Philip T. Reeker, State Department Deputy Spokesman
November 24, 2000 <http://secretary.state.gov/www/briefings/statements/2000/ps001124.html>

Antonina Redko, “New Oil Discovery of the USA?” <http://digmo.com/~in-c/kaz.htm>

Peter Dale Scott, "The Press on the BCCI-bin Mahfouz-bin Laden Intelligence Nexus"
<http://socrates.berkeley.edu/~pdscott/q4c.html>

Karen Talbot, *CovertAction*, "Chechnya: More Blood for oil" Spring-Summer 2000

Ian Traynor, *Guardian* (UK), "Jostle to plunder Caspian riches turns nasty," April 25, 2002
<http://www.guardian.co.uk/oil/story/0,11319,690166,00.html>

Wall Street Journal, "Kazakhstan: US investigates possible payments to government officials from oil firm funds" http://support.casals.com/aaaflash1/busca.asp?ID_AAAControl=2618

Wall Street Journal April 9, 2001 <http://www.qipc.net/news/april/apr0012.htm>

Larry Chin is a freelance journalist and an Online Journal Contributing Editor.

Copyright © 1998–2002 Online Journal™. All rights reserved.