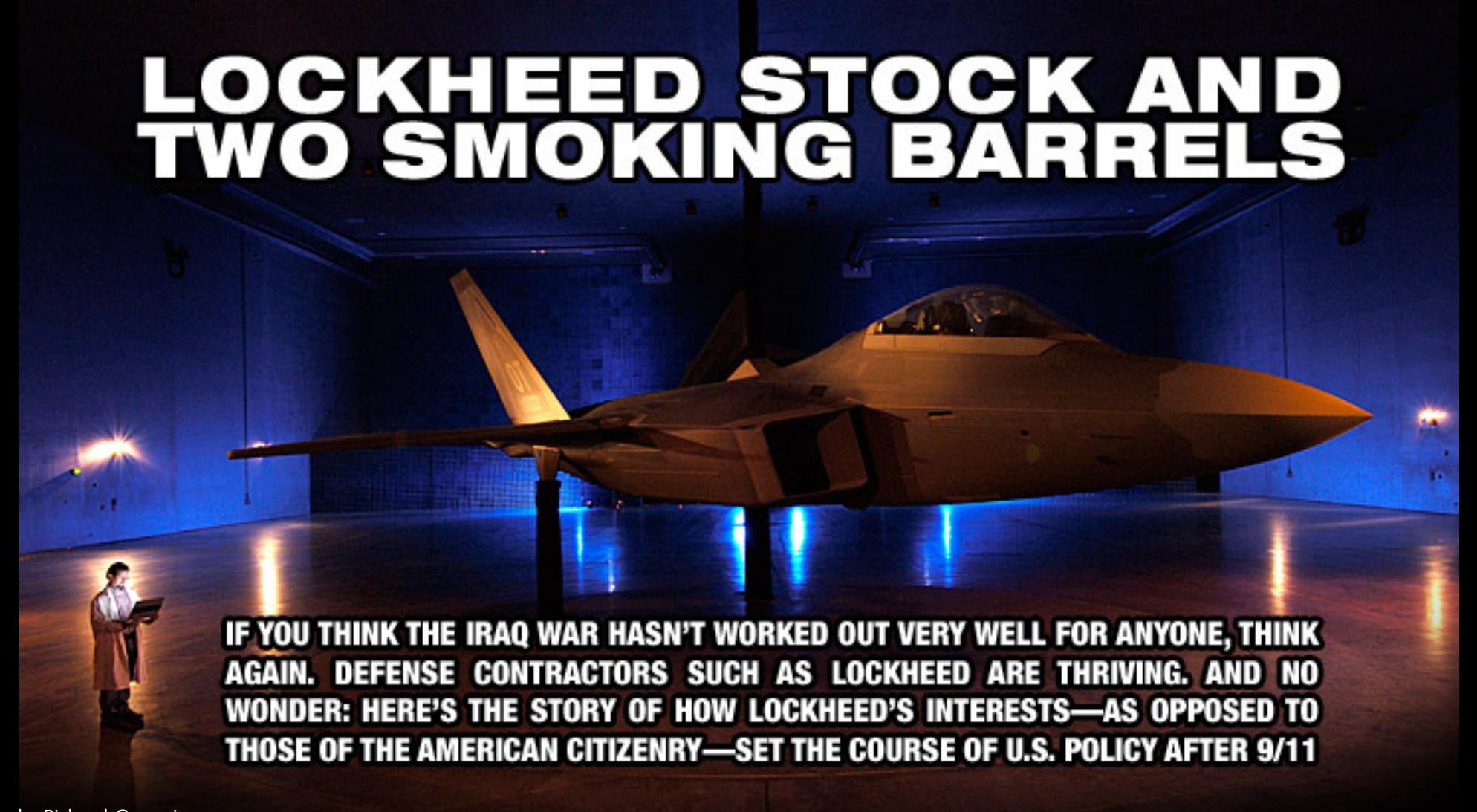


# LOCKHEED STOCK AND TWO SMOKING BARRELS



**IF YOU THINK THE IRAQ WAR HASN'T WORKED OUT VERY WELL FOR ANYONE, THINK AGAIN. DEFENSE CONTRACTORS SUCH AS LOCKHEED ARE THRIVING. AND NO WONDER: HERE'S THE STORY OF HOW LOCKHEED'S INTERESTS—AS OPPOSED TO THOSE OF THE AMERICAN CITIZENRY—SET THE COURSE OF U.S. POLICY AFTER 9/11**

by Richard Cummings

In November of 2002, Stephen J. Hadley, deputy national security advisor, asked Bruce Jackson to meet with him in the White House. They met in Hadley's office on the ground floor of the West Wing, not far from the offices of Vice President Dick Cheney and then-National Security Advisor Condoleezza Rice. Hadley had an exterior office with windows, an overt indicator of his importance within the West Wing hierarchy.

This was months before Secretary of State Colin Powell would go to the United Nations to make the administration's case for the invasion of Iraq, touting the subsequently discredited evidence of weapons of mass destruction. But according to Jackson, Hadley told him that "they were going to war and were struggling with a rationale" to justify it. Jackson, recalling the meeting, reports that Hadley said they were "still working out" a cause, too, but asked that he, Jackson, "set up something like the Committee on NATO" to come up with a rationale.

Jackson had launched the U.S. Committee on NATO, a nongovernmental pressure group, in 1996 with Hadley on board. The objective of the committee, originally called the U.S. Committee to Expand NATO, was to push for membership in the NATO military alliance for former Soviet bloc countries including Poland, Hungary and the Czech Republic.

What Bruce Jackson came up with for Hadley this time, in 2002, was the Committee for the Liberation of Iraq. The mission statement of the committee says it was "formed to promote regional peace, political freedom and international security by replacing the Saddam Hussein regime with a democratic government that respects the rights of the Iraqi people and ceases to threaten the community of nations." The pressure group began pushing for regime change—that is, military action to remove Hussein—in the usual Washington ways, lobbying members of congress, working the media and throwing money around. The committee's pitch, or rationale as Hadley would call it, was that Saddam was a monster—routinely violating human rights—and a general menace in the Middle East.

"I didn't see the point about WMDs or an Al Queda connection," Jackson says. In his mind the human rights issue was sufficient to justify a war.

Jackson had long been a proponent of unseating Hussein, and the committee dovetailed with his quite real sense of mission. In addition to his role in the Committee for the Liberation of Iraq and the U.S. Committee on NATO, he had also been president of the Project for Transitional Democracies, organized to "accelerate democratic reform" in Eastern Europe.

Still, there is another way to view Jackson's activities. As *The New York Times* put it in a 1997 article, "at night Bruce Jackson is president of the U.S. Committee to Expand NATO, giving intimate dinners for senators and foreign officials. By day, he is director of strategic planning for Lockheed Martin Corporation, the world's biggest weapons maker."

That's how D.C. works. Many of the people making decisions have been in and out of the same set of revolving doors connecting government, conservative think tanks, lobbying firms, law firms and the defense industry. So strong is the bond between lobbyists, defense contractors and the Pentagon that it is known in Washington as "the iron triangle." And this triangle inevitably gets what it wants. Why? Because in the revolving door system, a defense contractor executive can surface as an official in the Department of Defense, from which position he can give lucrative contracts to his former employer, and his prospects for an even better paying job in the private sector brighten. Former aides to members of congress become handsomely paid lobbyists for the companies they were able to help in their position on Capitol Hill. Such lobbyists can spread their corporate-funded largesse to the friendliest members and their aides on the Hill. And so on.

These "blow-dried Republican lobbyists," as one Washington district court judge calls them, wield far more power than most of the elected officials in town. Forget dime-a-dozen congressmen. It's these operatives who get the best tables at the Capital Grille, where the power brokers lunch and sup. The lobbyists have their own lockers there, with personalized nameplates, where they store their vintage wines, ports and whiskies. They dine on the fine aged beef you can see through a window that allows guests to gaze into the refrigerated meat storage area. These people make up the K Street oligarchy that, despite all the vituperative rhetoric in recent years about campaign finance reform and insidious special interests, run Washington.

Bruce Jackson is a perfect example of this. While vice president for strategy and planning for Lockheed from 1999 to 2002, Jackson, by his own account, was also "responsible for the foreign policy platform at the 2000 Republican National Convention," to which he was a delegate. (The platform involved a dramatic increase in defense spending.) His title at the convention was chair of the platform subcommittee on foreign policy. He also served as co-chairman of the finance commission of

Bob Dole's 1996 campaign. Prior to joining Lockheed, Jackson had served as executive director of the Project for the New American Century (PNAC), the think tank whose principles included Dick Cheney. PNAC served as the Bush administration's blueprint for preemptive war and authored a 1998 open letter to President Bill Clinton calling for military force to oust Saddam Hussein.

But forget Jackson. In 2002, he was on the outside. Stephen Hadley, looking out of the windows from his West Wing office, was on the inside. Sure, Hadley had the requisite government experience for a deputy national security advisor. He had been an assistant secretary of defense under Bush's dad. But he had been through the revolving door, too: Stephen Hadley, the point man for justifying the invasion of Iraq, had also lawyered at Shea & Gardner, whose clients included Lockheed.

Of course, all the frothing at the mouth about lobbyists, money and special interests can seem from outside the Beltway as much ado about nothing. The government hands out contracts. The beneficiaries or those who want to be beneficiaries buy steak dinners for the officials who hold the purse strings. Big deal. The problem, though, is that, upon closer scrutiny, this is not how the system works. It's actually much more sinister than that, allowing the interests of America to be subverted by the interests of corporate America. As you'll see here, your elected officials did not deliberate on how best to protect their constituents, decide bombing Iraq was the best way and then order some provisions and weapons. On the contrary, this is the story of how Lockheed's interests, as opposed to those of the American citizenry, set the course of U.S. policy after 9/11.

For the war companies, things have worked out perfectly. Whatever the rationale for the invasion of Iraq, business is booming. Not long after Bush took office, Lockheed Martin's revenues soared by more than 30 percent, as it was awarded \$17 billion in contracts from the Department of Defense, a far cry from the lean years of the Clinton administration. (Under Clinton, it did win \$2 billion in contracts with the Department of Energy for nuclear weapons activity; recently Bush called for 125 new nukes a year, opening up new contract horizons in that area, as well.) Its stock went from 16.375 in October of 1999 to 71.52 in June of 2002. As professor of finance at the State University at Buffalo Michael Rozeff observes, "the stock market anticipates many events."

Lockheed Martin reported 2002 sales of \$26.6 billion, a backlog of more than \$70 billion and free cash of \$1.7 billion. And that was before the war in Iraq.



**W**hen it came to organizing the Committee for the Liberation of Iraq, Jackson, by his own admission, "knew nothing about Iraq." So while he agreed to serve as its chairman, he turned day-to-day operations over to Republican operative Randy Scheunemann, who took the position of executive director. Scheunemann was a member of the board of directors of PNAC. Scheunemann also served as treasurer of Jackson's Project on Transitional Democracies, and had been a consultant on Iraq to Donald Rumsfeld. He had also been a staffer for Mississippi Senator Trent Lott when Lott was the senate majority leader—Scheunemann had in fact authored the Iraq Liberation Act. The act authorized the \$97 million in Pentagon aid that would fund the Iraq National Congress, led by Ahmed Chalabi, who subsequently got close to *New York Times* reporter Judith Miller, explaining to her where Saddam Hussein's WMDs were supposedly located.

Jackson then turned to his old friend Julie Finley, whom he refers to as the "grande dame" of Washington Republican politics and fundraising, to serve as treasurer of the Committee for the Liberation of Iraq. She had held dozens of positions in Republican affiliated groups, and had served as chairman of the board of directors of Jackson's Project on Transitional Democracies. She also knew how to leverage her connections: Among those signing on as board members of the Committee for the Liberation of Iraq in 2002 were Richard Perle, then the chairman of the Defense Advisory Board, former U.N. Ambassador Jeanne Kirkpatrick and former CIA Director James Woolsey. Former Secretary of State George Schultz signed on to the advisory board.

A key member of the Committee for the Liberation of Iraq was Rend Al-Rahim Francke, the founder of the Iraq Foundation, which, according to its tax return, was 99 percent funded by U.S. government grants. The Iraq Foundation, in turn, provided logistical support for the anti-Saddam Hussein propaganda documentary *Voices of Iraq* and facilitated its distribution. The objective was the manipulation of public opinion to support regime change to oust Saddam Hussein, all in support of the goals of the Committee for the Liberation of Iraq.

If the names and organizations connected to the Committee for the Liberation of Iraq seem to blur together, it's no coincidence. Many of the people involved had been in and out of that set of revolving doors connecting government, conservative think tanks, lobbying firms and the defense industry. And many shared another common bond, as well: a link to Lockheed Martin.

By the time the committee had assembled, they had a number of contacts in the Bush administration—many of whom also had Lockheed connections. Bush had appointed Powell A. Moore assistant secretary of defense for legislative affairs serving directly under Secretary of Defense Donald Rumsfeld. From 1983 until 1998, when he had become chief of staff to Republican Senator Fred Thompson of Tennessee, Moore was a consultant and vice president for legislative affairs for Lockheed.

Albert Smith, Lockheed's executive vice president for integrated systems and solutions, was appointed to the Defense Science Board. Bush had appointed former Lockheed chief operating officer Peter B. Teets as undersecretary of the Air Force and director of the National Reconnaissance Office, where he made decisions on the acquisition of reconnaissance satellites and space-based elements of missile defense. Former Secretary of Transportation Norman Mineta, the only Democrat appointed by Bush to his cabinet, worked for Lockheed, as did Bush's Secretary of the Navy, Gordon England. Haley Barbour, chairman of the Republican National Committee before becoming the governor of Mississippi, worked for a Lockheed lobbying firm. Joe Allbaugh, national campaign manager of the Bush-Cheney ticket and director of FEMA during the first two years of the Bush administration (he appointed his college friend Michael Brown as FEMA's general counsel), was a Lockheed lobbyist for its rapidly growing intelligence division.

Dick Cheney's son-in-law, Philip J. Perry, a registered Lockheed lobbyist who had, while working for a law firm, represented Lockheed with the Department of Homeland Security, had been nominated by Bush to serve as general counsel to the Department of Homeland Security. His wife, Elizabeth Cheney, serves as deputy assistant secretary of state for Middle Eastern affairs.

Vice President Cheney's wife, Lynne, had, until her husband took office, served on the board of Lockheed, receiving deferred compensation in the form of half a million dollars in stock and fees. Even President Bush himself has a Lockheed Martin connection. As governor of Texas, he had attempted to give Lockheed a multimillion-dollar contract to reform the state's welfare system.

Soon after taking office in 2001, Bush had also appointed Lockheed president and CEO Robert J. Stevens to his Commission on the Future of the United States Aerospace Industry. The future of that industry was, of course, in an expanding defense budget, and a war in Iraq wouldn't hurt Lockheed's bottom line.

Jackson has the perfect pedigree for this insular, incestuous world of interconnections. His father, William Jackson, was the first person to hold the position of national security advisor, under Dwight Eisenhower. Growing up, his neighbors had included the historian and diplomat George Kennan, author of the doctrine of containment during the Cold War, and William Bundy, a Johnson administration hawk. Jackson graduated from the elite St. Mark's boarding school in Massachusetts and then attended Princeton. In the 1980s Jackson worked for presidents Reagan and Bush under Secretary of Defense Caspar Weinberger, as well as Richard Perle and Paul Wolfowitz.

Next Jackson worked in proprietary trading at Lehman Brothers, an investment bank, before leaving for Martin Marietta, then one of the top defense corporations. Jackson's role was director of strategic planning and corporate development projects, which involved the merger of Martin Marietta with the 800-pound gorilla of the industry, Lockheed. Jackson remained with the new entity, Lockheed Martin.

Today Jackson's Washington apartment is discreetly elegant. Aside from shelves of books, there is another item on the wall in Jackson's apartment worthy of note: It is a signed photograph of George W. Bush together with Jackson and Julie Finley, the fund-raiser who was treasurer of the Committee for the Liberation of Iraq. Sitting in his apartment, which also serves as his office, Jackson describes his role at Lockheed Martin as "non-technical." He worked at developing strategies to improve sales and find new markets, moving the company in directions that were profitable.

Meanwhile, in his "spare time," Jackson worked to promote the expansion of NATO and Iraq liberation, worked to get Bush elected and helped establish the administration's foreign policy. While Jackson sees his role as head of the United States Committee on NATO as an idealistic one, separate from his job, NATO expansion proved a valuable marketing tool for Lockheed Martin, as Eastern European and Central Asian countries upgraded their obsolete militaries, and, as we'll see, also provided a way to gain support among former Soviet bloc countries for Bush's coming war in Iraq.

The collateral benefits of Jackson's activities to Lockheed Martin were unambiguous, leading one to conclude that while he might have thought he was using them, in reality they were using him. Jackson argues that only "literary types" would see a connection between Lockheed Martin and the Iraq war as "seamless." He insists that his own activities were "not part of my day job. What I did at other times was my own business. There are lesbians who work for Lockheed Martin. One of them might be a belly dancer at night."

As for the same names—many of them people with Lockheed Martin connections—appearing on the letterhead of groups pressing for military action in Iraq and for NATO expansion, Jackson quips: "How many intellectuals are there in Washington? Twenty? We all share the same concerns."

Jackson acknowledges that he "gave William Kristol money" to help start the *Weekly Standard*, which advocated military action to remove Saddam Hussein, just as he had earlier joined with Kristol at the PNAC—all by virtue of their shared ideology, as he explains it. But if the connection between Lockheed Martin and the Iraq war was not seamless, neither was it serendipitous. For example, Lockheed also supported the pro-war *Weekly Standard* as a paying advertiser.

"It used to be just an airplane company," John Pike, a military analyst and director of GlobalSecurity.org says about Lockheed Martin. "Now it's a warfare company. It's an integrated solution provider. It's a one-stop shop. Anything you need to kill the enemy, they will sell you."

They also will tell you who the enemy is. And whether it was seamless or serendipitous, Stephen Hadley, referred to by *The New York Times* as one of the more significant Lockheed operatives in the Bush White House, was there to tie it all together.



Still, while Lockheed Martin may look invincible now, it was not always so. Its rise has been fraught with disaster and catastrophe, even near-extinction, from which it ultimately became determined to insulate itself, free from the vicissitudes of the free market.

During Lockheed's dark days, its failures were so notorious they inspired *Captain Lockheed and the Starfighters*, a 1974 concept album by Robert Calvert, the lead singer of the British prog rock band Hawkwind. Ian "Lemmy" Kilmister, Hawkwind's bassist prior to founding Motörhead, also contributed to the LP, a send-up of the true story of West Germany's experiences with Lockheed's Starfighter jet, the F-104G.

Rejected by the American Air Force, Lockheed sold the Starfighters to the West German air force. Of the 916 jets sold to West Germany, 292 crashed, killing 116 pilots.

The opening track on *Captain Lockheed and the Starfighters* is clumsily titled "Franz Joseph Strauss, Defence Minister, Reviews the Luftwaffe in 1958, Finding It Somewhat Lacking in Image Potential," done by Calvert in a crazed German accent, impersonating, in Monty Python manic style, the "Uber-Teutonic Defence Minister." But German officials were not laughing, and government investigations of the purchase ensued. Meanwhile, Lockheed also sold the Starfighter to the Japanese, with 54 of their F-104Gs also falling from the sky.

As a manufacturer of civilian airliners, Lockheed had foundered from the time its propeller-driven Constellation was grounded in 1946 by the Civilian Aeronautics Board after a series of crashes that year. It also discontinued its Electra turboprop commercial airliner two years after it was introduced in 1959 when three crashed in one year.

To add insult to injury, the Navy, by now moving into jets, canceled a contract for the W2V-1, a military version of the Model 1649 designed to serve as an airborne early-warning craft. Not only were the 1649s unable to compete with new jets, their engines were "temperamental" by Lockheed's own admission. And while Lockheed was able to offset some of these losses by going into the missile business with the founding of Lockheed Missile Systems Division (later Lockheed Missiles and Space Company) and promoting its Polaris and Trident series—which served as the company's cash cows during hard times—its bad business decisions and overruns continued to threaten its profitability.

Finally shifting to jet aircraft, Lockheed still foundered. The company designed and built the JetStar, thinking it had a guaranteed market with the Air Force, which led Lockheed to believe that as many as three hundred of the aircraft would be ordered if Lockheed won the competition for the UCX, or "utility transport, experimental." In the event, the Air Force bought only 16 of the advanced aircraft, leaving a residual sense of "betrayal" in the company, as executives interviewed by Walter J. Boyne expressed in his corporate history of Lockheed, *Beyond The Horizons*.

As Boyne details, Lockheed fared no better in the commercial jet sweepstakes, precipitating a crisis that almost destroyed the company. By failing to acquire Douglas when it had an opportunity to do so, Lockheed allowed McDonnell to beat them to the punch in 1967, a lesson Lockheed management would not forget. Lockheed had hoped to allow Douglas to go under because of late deliveries of both its DC-8 and DC-9, and then pick it up at a cheap price, transforming Lockheed into a much larger and more powerful company than Boeing. Instead, Lockheed found itself in competition with McDonnell Douglas to fill the commercial jet niche between the Boeing 707 (and its counterpart, the DC-8) and the new 747. Its answer was the L-1011 TriStar.

Designed with three engines for non-stop transcontinental flights, Lockheed opted to go with Rolls-Royce for the engines because of Rolls' willingness to provide needed funding for development. Also, American Airlines appeared to favor the Rolls-Royce engine, and Lockheed assumed it would therefore be able to sell American the TriStar. But Franklin Kolk, American's chief engineer and father of the wide-body jet, favored a twin engine aircraft and, disappointed in Lockheed for not following his advice, pushed American to purchase DC-10s instead.

Dan Houghton, Lockheed's CEO, who had previously headed its nuclear missile division, frantically offered the L-1011 TriStar to Eastern and TWA at a drastically reduced price. But since there were Congressional rumblings about Lockheed using a foreign engine—with dollars leaving America for Britain—Houghton concocted a scheme to announce a sale of 50 L-1011s to Air Holdings in Britain to show that money would be coming into the United States to more than offset what was going out to Rolls-Royce. GE offered its engine to United Airlines at a favorable rate, assuming that Lockheed would switch from Rolls-Royce to win a United contract. But Lockheed refused to redesign the TriStar to accept the GE CF6 engine because of the \$100 million cost of such a conversion. Houghton, believing he still had the American deal, was convinced United would fall in line and accept the RB 211 engine from Rolls-Royce. But United used its leverage to drive down the price of the competing engines and planes. Then it stabbed Lockheed in the back by going with the Douglas DC-10, announcing its intention to buy 60 with an option to buy 30 more.

With the deck stacked against it, Lockheed proceeded with the Rolls-Royce engine that, unexpectedly, then failed the standard test for "susceptibility to bird-strike damage." When three dead chickens were fired into one of the engines while it was in operation, it blew apart. Rolls was obliged to redesign the engine, producing one that was heavier and more costly and increasing the cost of the TriStar.

Competition from GE drove down the price of engines, causing Rolls-Royce to hemorrhage money. On February 4, 1971, it declared bankruptcy. Lockheed was thrown into turmoil. Having created a \$50 million state-of-the-art facility to produce the L-1011s, it suspended production and laid off 4,000 employees. But Richard Nixon and Ted Heath, Britain's prime minister, joined forces to attempt to salvage Rolls-Royce and Lockheed.

Heath arranged for Britain to take over Rolls-Royce as "Rolls-Royce 1971," as it was registered on the London Stock Exchange—a bit of socialism for the privileged. Nixon's Secretary of the Treasury, John Connally, negotiated a deal between Britain and the United States to continue production of the RB 211 and the L-1011 TriStar, with Britain agreeing to make the engine as long as America would guarantee the L-1011 would continue to production. As part of the deal, Lockheed agreed to pay \$120 million more for the engines. It was all in vain, however, as Lockheed was eventually obliged to discontinue the L-1011 in the wake of a bribery scandal during their attempts to get Japan to buy the aircraft. *Beyond The Horizons* offers an excellent look at this entire episode.

Lockheed learned a number of things from the L-1101 experience. First and foremost, it didn't pay to compete in the private sector. Instead, the company shifted gears; these days 80 percent of its business comes from federal government contracts. Moreover, Lockheed would load the government with its own people and then hire former defense department employees, creating a revolving door that would guarantee friends in the right places. That goal, of course, has been achieved and sustained.

Also in the wake of the L-1011 debacle, Lockheed's business practices became aggressive in the extreme. It charged the Pentagon \$646 for a toilet seat and delivered C-5A transport planes—that cost millions of dollars—without installing thousands of essential parts. It paid bribes to foreign officials to help unload planes no one wanted, including giant long-distance transports to Indonesia, the Philippines, Brazil and Italy, until the passage of the Foreign Corrupt Practices Act of 1977 made such actions illegal. Undeterred, in 1995 Lockheed paid an Egyptian official \$1.2 million to secure a contract for three C-130 cargo planes. A Lockheed executive promised a federal judge that the company would henceforth make a "commitment to the highest ethical standards of conduct," but this was not until it was obliged to pay \$145.3 million in penalties. Also, in 1994, Lockheed received a \$13 million fine under the Arms Export Control Act when it supplied information that could have been used to improve the accuracy of Chinese ballistic missiles. The U.S. government charged Lockheed with 30 violations of arms export laws in connection with having aided Chinese satellite technology.

Lockheed also learned never again to miss out on the chance to gobble up other defense contractors or merge with them on favorable terms. After developing the F-22 (later known as the F/A 22) with General Dynamics and Boeing, Lockheed took over General Dynamics' Forth Worth aircraft division. And in 1995, it made the decision that would change the face of the industry. Lockheed would merge with Martin Marietta, which itself had gobbled up the aerospace division of General Electric. President Clinton wanted the merger so a new, more technologically advanced company could emerge, capable of building a new Joint Strike Fighter supersonic warplane.

Lockheed met secretly with its financial advisor, Morgan Stanley, which considered the deal beneficial, at least to the stock market. Dick Cheney served on the Board of Morgan Stanley. His 2004 financial disclosure statement lists Lockheed stock options and \$50,000 in Lockheed stock, but also investments in a number of Morgan Stanley funds. In 2000, *The New York Times* reported that "Mr. Cheney has a much larger brokerage account at Morgan Stanley Dean Witter, on whose board he serves, but he did not report any trades in that account on his and his wife's tax returns.... Mr. Cheney and his wife Lynne had previously disclosed only the first two pages of their tax returns for 1990 through 1999, holding back the supporting documentation that show details of investment income."

Overall, the new Lockheed Martin received about \$1 billion from U.S. government coffers for costs related to the merger, which as Geov Parrish noted in *Mother Jones*, included "approximately \$31 million" paid in executive bonuses.

But all did not go well with the merger. Lockheed Martin incurred further debt when it acquired the defense electronics and system integration business of Loral Space & Communications. Joint ventures with Russia to launch satellites also cost Lockheed Martin a considerable amount of money. Lockheed poured almost a billion dollars into the ventures as of 1999 before security issues limited the number of Russian launches of U.S. built satellites to 20.

Then, in 1999, with profits tumbling, Vance Coffman, the chairman and now CEO, shook up the company, reorganizing its management structure to create what it described as a "new customer focused organizational realignment." In short, it was a strategy designed to respond to another lesson learned in the course of doing business: By becoming part of the decision-making process, Lockheed Martin could ensure that defense budgets would expand and not contract.

The shakeup got into high gear as the price of its shares tumbled to its all-time low of \$16.375. Executives left in droves. Lockheed Martin announced the retirement of Peter Teets, the company's president and chief operating officer. (Two years later Teets was appointed as undersecretary of the Air Force in the Bush administration.) Coffman chaired a search committee for new blood, eventually appointing as CFO (and in 2001, CEO) Robert J. Stevens, formerly a vice president of Lockheed Martin's strategic development organization. Stevens, says Jackson, is "as straight arrow as you get, an all-American guy," who "polishes his own shoes."

While working as head of strategic planning, Stevens had devised a strategy he could implement as CEO to turn Lockheed Martin around and make it the master of its fate. And as he served on Bush's Commission to Examine the Future of the United States Aerospace Industry from 2001 to 2002, he had the president's ear.

In 1999, when Stevens left strategic planning to become chief financial officer, Jackson became vice president for strategy and planning, their careers intersecting at a crucial time. Stevens developed the strategy for Lockheed to outpace Boeing, General Dynamics, Raytheon and Northrop Grumman as the top Pentagon contractor through aggressively pursuing federal contracts while eschewing the risks of the marketplace in the private sector. He started pouring large sums of PAC money to members of Congress to garner their cooperation and hired the armies of lobbyists for which Lockheed Martin became famous. According to Jackson, Lockheed Martin has hired "200 lobbyists," who in turn "hire other lobbyists" to work on Lockheed accounts. (One of them is Katherine Armstrong, daughter of a policy aide to Ronald Reagan. It was Katherine Armstrong who hosted the infamous Dick Cheney hunting party at Armstrong Ranch where Cheney accidentally shot a leading Republican lawyer.) Fees to lobbyists in a given year likely exceed \$10 million.

When the United States gives military aid to its allies, the benefits accrue to Lockheed Martin, too. Israel, for example, spends much of the \$1.8 billion a year it receives in military aid from the U.S. on planes and missile systems from Lockheed—and that's in years when it is not actively at war with Hezbollah. Lockheed's market is worldwide, selling F-16 fighters, surveillance software and other equipment to more than 40 countries. The United Arab Emirates, forced to give up its deal to run American ports through its state-run Dubai entity, has been a major customer, spending more than \$6 billion on F-16 fighters in 2000 as it looked forward to the Bush presidency. No wonder Bush threatened to veto legislation barring the ports deal.

Stevens has boasted that Lockheed Martin not only creates the technology, it makes military policy as well. He told *The New York Times* in November of 2004 that Lockheed stands at “the intersection of policy and technology,” which, he observed, “is really a very interesting place to be. We are deployed, entirely in developing daunting technology” that “requires thinking through the policy dimensions of national security as well as technology.” He acknowledges “this is not a business where in the purest economical sense there’s a broad market of supply and demand.”

And although he may shine his own shoes, Stevens is paid \$7 million a year, not counting bonuses and stock options. In 2002, Stevens left Bush’s aerospace commission, becoming a member of the influential Council on Foreign Relations, and Jackson left Lockheed Martin to work on the Project on Transitional Democracies and the Committee for the Liberation of Iraq. Stevens and Jackson were tag team wrestlers, Mr. Inside and Mr. Outside, of Team Lockheed. And, increasingly, the distinction between Lockheed Martin and the government began to blur as the war in Iraq became inevitable.



With the 2002 election over and Democrats increasingly hawkish on Iraq, Bush made his State of the Union address on January 29, 2003, uttering this now famous line: “The British government has learned that Saddam Hussein recently sought significant quantities of uranium from Africa.” The threat of Saddam Hussein was established and the American people bought it. And the person claiming responsibility for leaving that line in was Hadley.

In February of 2003, Jackson helped draft a declaration for the 10 Eastern European foreign ministers—all countries up for NATO membership and associated with Jackson’s expansion efforts—that became known as the “Vilnius Ten,” rebuking French President Jacques Chirac’s opposition to attacking Iraq. The declaration stated: “The newest members of the European community agree that we must confront the tyranny of Saddam Hussein and that the United Nations must act now.” Jackson achieved this success when he attended a dinner party at the Slovak embassy in Washington and told assembled diplomats from the countries, according to *The American Prospect*’s John B. Judis, that signing the declaration would help win U.S. approval of their membership.

On March 20, 2003, America attacked Iraq. “Shock and Awe” began at night, with Lockheed Martin Stealth F-117 Nighthawks leading the assault. Looking like gigantic, venomous black bats, the V-shaped killers with their sharply spiked tail wings swept over Baghdad in search of the concrete shelters and reinforced bunkers where it was believed Saddam Hussein and his inner circle were concealed. Light ground forces moved swiftly toward Baghdad. An American blitzkrieg had been launched.

The F-117 had been reconfigured to carry a 2,000-pound bunker buster bomb, accurately guided by new technology to hit its target at a vertical impact angle with a warhead called the BLU-109. The Lockheed Missiles and Space Company manufactured it. Lockheed’s Keyhole and Lacrosse satellites beamed images from the war back to the military, employing its Theater Battle Management Core Systems, specialized software used to coordinate communications between intelligence systems and ground forces to assist the air campaign. Lockheed U-2 and the SR-71 Blackbird spy planes joined with its F-16 and the F/A 22 jet fighters in support of the F-117s. Army and Marine ground troops unleashed Lockheed Hellfire laser-guided anti-armor missiles to demolish helicopters and land attack vehicles, and PAC-3 missiles, a highly agile, “hit-to-kill” interceptor, to provide air defense for ground combat forces. Lockheed Javelin portable missiles were used to considerable effect, particularly later in the invasion of Fallujah. Lockheed’s “arsenal of democracy” was in full display.

Five days later, Bush asked Congress for \$74.7 billion to pay for six months of combat, separate from the regular defense budget. But by June, it had become obvious that the “uranium from Africa” intelligence had been deeply flawed and erroneous. Acknowledging the CIA had warned him in two separate memos that the Agency would not stand by the information suggesting Iraq was trying to buy yellowcake uranium in Niger to reconstitute a nuclear weapons program, Stephen Hadley had this to say about it: “When the language in the drafts of the State of the Union referred to efforts to acquire natural uranium, I should have either asked that they—the 16 words given to that subject—be stricken, or I should have alerted DCI Tenet. And had I done so, this would have avoided the whole current controversy. And in my current position, I am the senior-most official within the NSC staff, directly responsible for the substantive review and clearance of presidential speeches. The president and the national security advisor look to me to ensure that the substantive statements in those speeches are the ones in which the president can have confidence. And it is now clear to me that I failed in that responsibility in connection with the inclusion of these 16 words in the speech that he gave on the 28th of January.”

Yet when Colin Powell resigned as secretary of state and National Security Advisor Condoleezza Rice took his place, Stephen Hadley was promoted to take her position as national security advisor. Hadley’s “error” had enabled Bush to go to war, the big payoff for Lockheed Martin.

But how had the British government gotten the intelligence on the African uranium so wrong? How had MI6, the most fabled intelligence service in the world, allowed itself to be misled by dubious sources? While Tony Blair and his government deny any pressure was put on its intelligence services, the stakes were high for Britain to join America in the war. And here again Lockheed loomed large.

In October of 2001, the Pentagon announced it was awarding Lockheed Martin a nearly \$20 billion contract for the next phase of the development of the Joint Strike Fighter, called the F-35. To the industry, it was “the deal of the century,” despite the fact that the century had only just begun. In beating out Boeing, Lockheed asserted itself as the undisputed leader of military contractors for decades to come, if not forever. But it did not go it alone. It brought in on the deal not only Northrop Grumman, but also the beleaguered BAE Systems, Britain’s, and Europe’s, largest defense contractor. Under the terms of the contract, BAE was responsible for building the aft fuselage and the tails; Lockheed the forward fuselage and wings; and Northrop the middle fuselage.

On September 30, 2005, following Britain’s participation in the invasion of Iraq and with its ground troops still on the ground as other coalition partners, such as Spain, pulled out their troops, according to John A. Smith of Lockheed’s Fort Worth operation: “Lockheed Martin and the U.S. Department of Defense formalized a \$25.7 billion Joint Strike Fighter system development and demonstration contract that effectively replaces the \$19.7 billion SDD contract under which the JSF was operating previously.” As this was all covered by the fiscal year 2005 Congressional budget, it “requires no additional Congressional funding.”

Smith explains that nine countries will use the F-35—the United States, the U.K., Italy, the Netherlands, Turkey, Canada, Australia, Denmark and Norway—with all nine negotiating for what they will buy in the future, with sales worth \$257 billion. (Israel has recently indicated its intention of converting its air force to F-35s in a deal worth \$5 billion.) He explains that this is the fifth year of 12 in the systems development stage. Smith further explains that there is “no fixed percentage” as to how the three participating companies receive money, which is paid out on an “as needed” basis.

Bush couldn’t go into Iraq without a major ally and Lockheed knew it. To sweeten the pot for Blair, Lockheed dragged BAE Systems into the F-35 deal. When BAE still struggled prior to the war (Goldman Sachs reported that BAE would have to cut its dividend), Lockheed began renegotiating the contract—with the new version unveiled in 2005, giving BAE billions more to be paid “as needed.” This put BAE back on its feet, able to build the Typhoon jet fighter for sale to Saudi Arabia in a \$70 billion deal, saving 10,000 BAE jobs and 4,000 Rolls-Royce jet engine building jobs.

Meanwhile, a government accountability office report for Congress says the Defense Department is investing too heavily in the F-35 without knowing whether the aircraft will work properly. The report criticizes the Pentagon plan to spend \$49 billion on 424 fighters before full testing on the stealth plane is completed in 2013. “Starting production before ensuring the design is mature through flight testing significantly increases the risk of costly design change that will push the program over budget and behind schedule,” the report concludes. But that is all light years away, as far as Lockheed and BAE are concerned. As Bob Elrod, a senior executive at Lockheed’s

fighter plane division boasted, "We're looking at world domination of the market."

To make things even better for Blair, Lockheed brought the British in on the new presidential helicopter deal, notwithstanding the loud protests of then-Democratic Senator Joseph Lieberman from Connecticut, where Sikorsky—America's leading helicopter manufacturer and the losing bidder—is located.

Meanwhile Jackson closed down the Committee for the Liberation of Iraq in June 2003 because its human rights rationale for the war had been abandoned.

"We were cut out," Jackson explains, "after the whole thing went to Rumsfeld. The Department of Defense didn't want anyone looking over their shoulder. Rumsfeld took it all away from State." Jackson had lined up people like Vaclav Havel of the Czech Republic, Natan Sharansky of Israel and Carl Bildt, the prime minister of Sweden, to support the Committee for the Liberation of Iraq, but Bush and Rumsfeld took off in another direction. Stephen Hadley explained to Jackson that "terrorism and WMDs" were now the rationale for the war, not human rights.

News of torture at Abu Ghraib prison undermined all of Jackson's efforts and, to his credit, he called for Rumsfeld's resignation. He acknowledges that things are not going well in Iraq, but still sees the removal of Saddam Hussein as morally justified. He declines to predict how it will all end.



Poland, one of the countries Bruce Jackson helped gain membership in NATO, also joined the "coalition of the willing," sending troops to Iraq as a desperate Bush scrambled to find allies in the war. Poland also spent 976 million Euros (more than \$1.6 billion) in 2006 upgrading its military, almost all of it going to Lockheed Martin for the first eight F-16 warplanes to be delivered this year, part of a total of the 48 F-16s it has ordered. Mounted on a wall in Jackson's apartment is a glass case containing an ornate antique Polish sword and scabbard, a gift in appreciation of his efforts. Lockheed Martin must have been appreciative, as well: Jackson can tell you the exact price of Lockheed Martin shares.

But Jackson and Hadley—promoted to national security advisor despite his "error" on the uranium—weren't the only beneficiaries among the core group of war advocates. In Washington, the revolving door is already working to the benefit of many involved. Randy Scheunemann, for instance, the president of the Committee for the Liberation of Iraq, became president of the Mercury Group, which lobbied for Lockheed Martin and other corporate clients, before setting up his own firm, Scheunemann and Associates, and then Orion Strategies, which, among other things, consults with companies and countries seeking to do business in Iraq. Rend Al-Rahim Francke, member of the Committee for the Liberation of Iraq and founder of the Iraq Foundation that facilitated the film *Voices of Iraq*, was appointed Iraqi ambassador to the United States in November of 2003.

When Assistant Secretary of Defense Powell Moore left the government in 2005, though not an attorney, he joined the powerful international law firm McKenna Long & Aldridge, which specializes in aerospace and defense, as managing director of federal government relations. According to the firm's description of its activities, it provides "legal services to some of the largest and fastest growing companies in the aerospace, electronics and information technology field, names such as Lockheed Martin, Boeing, Northrop Grumman, SAIC and TRW."

Edward C. Aldridge, who was the undersecretary of defense for acquisitions, technology and logistics responsible for the November 2001 approval of the Lockheed contract to build F-35, left government in 2003 and now serves on Lockheed's board of directors. That's Washington in an era when the war companies run things.

What, if anything, can be done about the oligarchy of the war companies and the K Street lobbyists pulling the strings in our capital? Is there no way to break the iron triangle? Jackson agrees that contractors doing business with the government should be prohibited by law from making political contributions. He says the contractors would favor this because the situation is not as most people think it is. He insists it's the elected officials who "shake down" the contractors for contributions and not the other way around. Of course, this may be the best indicator, in a roundabout way, of just how powerful the war companies are—in the name of special interest reform the legislators would be cut out of the action from the flow of defense money they can apparently no longer control.

Former Long Island Democratic Representative Otis Pike, who served in the Marines and was a hawk on Vietnam, once said privately, while still in office, that the only solution was to "nationalize" the defense industry. Pike's attitude regarding national security evolved as a result of experiences chairing the Pike Committee investigating abuses by the CIA in the 1970s. Since half of Lockheed Martin's business now comes from its IT division, there is no reason why it should not be broken up under the anti-trust laws into two separate companies, without any damage to its ability to innovate. Also, a war-profits tax of the type imposed by Britain on its military contractors during World War I to help pay for the cost of the war—since they were profiting from it—might be in order.

But none of this is the concern of the beautiful and the brilliant young techies, black, white, brown and yellow, male and female, gay and straight, who throng to Washington to work for the subcontracting firms locating there in droves. In March of 2005, Lockheed Martin acquired Sytex, which provides "personnel and technological solutions to the Pentagon's Northern Command, the Army Intelligence and Strategic Command and the Department of Homeland Security," making Lockheed one of the biggest recruiters of private interrogators, "unaccountable to any legal authority or disciplining procedure," as Corpwatch puts it.

In March of 2006, Lockheed Martin won the lion's share of a \$20 billion contract by the U.S. Army to develop cutting-edge technology to support the Army's "reconnaissance, communications, surveillance and intelligence gathering in combat situations." According to Lockheed spokeswoman Wendy Owen this was a "major victory" for Lockheed Martin, which has been aggressively promoting its systems and information technology divisions, which account for half of its business. It already provides surveillance services for United States ports.

That night, March 16, when the local press announced the \$20 billion contract, Cafe Citron, off Dupont Circle, was packed with revelers. Latin music throbbed as they laughed and shouted, partying with abandon, knocking down the drinks. For those in the war business, life is good.



# THE TIES THAT BIND

## Lockheed is the biggest operator, but hardly the only one

*Speaker of the House Nancy Pelosi says it's time to "drain the swamps" of Washington D.C. What she's attacking—in part—are the incestuous links between legislators, lobbyists and private sector companies looking for government pork. It won't be easy. Here's a quick look at some of the iron triangle interconnections at other defense firms also making a killing in the current war climate.*

### **The Boeing Company**

**Defense Revenue (2004):** \$17.1 Billion

**Defense Products:** P-8 Poseidon anti-submarine aircraft, KC 767 air-to-air tanker.

**Bedfellows:** Richard Perle's venture capital firm, Trireme Partners, received \$20 million from the Boeing Company. He's also a member of the Pentagon's Defense Policy Board. James Roche's resignation from the post of secretary of the Air Force was prompted by the investigation Senator John McCain launched into a shady non-competitive Boeing tanker deal Roche encouraged. The investigation eventually landed two of the defense contractor's officials in jail.

### **Northrop Grumman**

**Defense Revenue (2004):** \$11.9 Billion

**Defense Products:** B-2 Bomber, RQ-4 Global Hawk unmanned aerial drone, "Star Wars" laser systems.

**Bedfellows:** Former undersecretary for defense and current president of the World Bank Paul Wolfowitz is a former Northrop Grumman consultant. Former Pentagon official Douglas Feith has been investigated several times for distorting prewar intelligence on Iraq. In addition to holding the number three position at the pentagon, Feith founded the Feith & Zell law firm, whose clients included Northrop Grumman. He can be credited for creating the now disbanded Office of Strategic Intelligence, which, among other things, provided fake news items to the foreign media in order to gain support for the war in Iraq.

### **General Dynamics Corporation**

**Defense Revenue (2004):** \$9.6 Billion

**Defense Products:** M1 Abrams Main Tank, Trident subs, EFV Amphibious Assault Vehicle.

**Bedfellows:** Gordon England, former secretary of the Navy, began his career with no prior military or government experience. Rather, he was plucked by the Bush administration from the position of executive vice president of General Dynamics. Former Secretary of State Colin Powell served on the board of Gulfstream Aerospace—a company whose clientele included Kuwait and Saudi Arabia, and which was taken over by General Dynamics.

### **Halliburton**

**Defense Revenue (2004):** \$8 Billion

**Defense Services:** Provides the military with services such as construction, clean-up and troop support.

**Bedfellow:** Vice President Dick Cheney was CEO of Halliburton from 1995 until his resignation in 2000, and has been accused by Democrats in Congress of having an influence on no-bid contracts awarded to the company he once ran.