

Kyrgyzstan - Fueling the Afghan War

Tuesday 18 May 2010, by [ROSTON Aram](#) (Date first published: 21 April 2010).

In Napoleon Bonaparte's day an army may have marched on its belly, as the French emperor famously quipped, but the modern-day American military campaign in Afghanistan needs not just food but also fuel. Diesel for the MRAPs and Humvees, aviation fuel for the planes and helicopters—that's the fodder for the military surge under way in Afghanistan. Fuel is precious there—they call it liquid gold—and the effort to keep it flowing has created an array of bizarre monopolies, strange alliances and allegations of corruption entangling the US government.

This is the story of two interlinked and secretive offshore companies run by a former Army intelligence officer. The firms run a specialized monopoly of massive proportions. Their niche: supplying aviation fuel for US military operations in Afghanistan—enough to fill two Olympic-size swimming pools each and every day of the year.

The companies' names are Red Star Enterprises and Mina Corp. In Afghanistan, Red Star Enterprises has a sole source contract worth more than \$1 billion, won without competition, to deliver fuel to Bagram Air Base, that central hub of the war effort. *The Nation* has obtained an unusual "memorandum of agreement" [1] between Red Star and the US military authorities, giving the firm exclusive ownership of a fuel pipeline that feeds directly into the base.

Similarly, in nearby Kyrgyzstan, a staging ground for the Afghan war, Mina has another sole source contract, awarded without any announcement, to provide fuel to a huge and controversial base. The contract has been at the center of corruption and kickback allegations, and the companies have been accused of enriching the families of two successive heads of state, both of whom presided over kleptocratic and repressive regimes—an arrangement that fostered great resentment in the country. Violence exploded on the streets in early April, leaving eighty protesters dead, and President Kurmanbek Bakiyev was forced to flee. The new, provisional government sees Red Star and Mina in a very specific light. The chief of staff, Edil Baisalov, tells *The Nation* that the firms have served as "an indirect way for the Pentagon to bribe the ruling families of Kyrgyzstan." (These allegations are the subject of a Congressional hearing tomorrow, convened by the House Subcommittee on National Security and Foreign Affairs.)

Baisalov's charge is a serious one but not new, nor as outlandish as it may seem, although the companies deny it. The eight-year saga of high-stakes contracts and secretive deals raises serious questions about how the Afghan campaign has been run, not only by the Bush administration but also under President Barack Obama. Sole source contracts have continued under the current administration, and if the Kyrgyz authorities are correct, the Pentagon contractors are still doing what they did under Bush. After all, the thirst for oil and fuel can only grow as President Obama's Afghan surge ramps up.

The man in charge of Red Star's and Mina's operations is a good-natured retired Army lieutenant colonel named Chuck Squires, now 56 years old. A lanky and broad-shouldered fellow with a good sense of humor, he has a graduate degree in Russian studies from Harvard. Before 9/11, he was the defense attaché at the US Embassy in Bishkek, Kyrgyzstan. Back then, when he was still in the military, the Republic of Kyrgyzstan was just another impoverished and mountainous ex-Soviet republic, with a per capita income a little higher than that of Cambodia. It was just one pawn in the

Great Game between Russia and the United States, and it was not easily accessible, bordered by Tajikistan, Uzbekistan and Kazakhstan on the south, west and north, respectively, and by China on the east. Nor was it strategically important, although its huge inland lake did serve as a testing site for advanced Russian torpedoes.

That is because shortly after 9/11, Kyrgyzstan agreed to host a US air base. At the time, Kyrgyzstan's president was Askar Akayev, who presented himself as an innovative reformer and economist. The United States did not pay much for the base rights, although this was a source of controversy within the country and a matter of concern for the State Department. At the time, Donald Rumsfeld's Pentagon was holding sway over Colin Powell's State Department. The Defense Department insisted it was in charge of all negotiations, and the State Department's input wasn't wanted. "You stay out of it" is how a former State Department official remembers the Pentagon's tone.

The Manas base, dubbed the Ganci base, after a firefighter killed on 9/11, was like the FedEx hub through which the US military flies material and people to Afghanistan from around the world. The base hosts tankers and other planes, and operates as a transfer facility for troops.

Red Star Enterprises and Mina Corp. soon appeared on the scene like mysterious strangers. They had a rather ethereal, offshore quality and some intriguing connections. For example, Red Star had the same London address and phone number as Iraq Today, a purportedly independent and short-lived newspaper launched in the wake of the invasion of Iraq. The paper had been set up by a former journalist who worked with Mina Corp.—which, of course, was connected to Red Star.

Over the years neither Red Star nor Mina seems to have even bothered to put up a website. They both have offices in London, but they are both incorporated on the island of Gibraltar, a British territory off Spain with impenetrable secrecy laws for corporations. Various private investigators have been unable to determine who really owns them.

Though Red Star had no apparent track record, it was hired by the Pentagon to supply the base's massive fuel needs. Red Star's director of operations: the now retired Lieutenant Colonel Squires. Squires returned to Bishkek as a civilian, coordinating Red Star's contract work. The Pentagon's Defense Energy Support Center hired Red Star to supply its fuel. It was a huge contract, totaling \$240 million over three years.

Even if the Kyrgyz government wasn't getting paid much for the base, the Akayev family was reaping tens of millions. It was heavily involved in business at the airport, running the two companies that operated as Red Star's subcontractors. One of them was run by Akayev's son, and the other by his son-in-law, and from 2002 to 2005 Red Star, operating on its US government contract, paid the firms about \$120 million.

It may have just been business, but the way Kyrgyz investigators later saw it, Red Star, the prime contractor, was the cut out for funneling funds to the Akayev family.

It was all cozy until violence hit the streets of Bishkek in 2005, foreshadowing what was to come five years later. The "Tulip Revolution" forced Akayev to flee and abdicate, and then the secrets of the Akayev regime began to tumble out, in scandal after scandal. The new government, headed by President Kurmanbek Bakiyev, even asked the US government for help investigating the former regime. The FBI's Eurasian Unit churned out an extraordinary report that laid bare a "vast amount of potential criminal activities associated with the Akayev Organization." The president and his family were accused of "siphoning off at least \$1 billion from the Kyrgyz state budget." It was as if the Kyrgyz government had been some kind of criminal enterprise within which the United States ran a

military base.

After the revolt, people thought things might be different. The new government seemed to bring a fresh sense of integrity for a short while, before it began to stack its own skeletons in the closet. Despite his claims to be a reformer, Bakiyev appeared to go about replicating the patterns of his predecessor in a deliberate manner. “He really didn’t think twice. They inherited this,” says one consultant who dealt with Bakiyev shortly after the revolution. “We really in great detail uncovered the scheme. And I think the moment they figured out how it worked, they went and did it.”

Peter Zalmayev of the Eurasia Democracy Initiative puts it this way: “Bakiyev came in under the premise he would clean [the government] up and make it more transparent. But he replaced the structure they had with Akayev and his son with his own family.” Word quickly spread that Bakiyev’s youngest son, Maksim, was in business too. The insiders said he was taking over “Manas International”—through frontmen.

Meanwhile, Bakiyev’s associates were making powerful US connections. For example, one of his allies set up a bank called AsiaUniversalBank (AUB) in Bishkek. On its board were two august former US senators: former US Republican presidential candidate Bob Dole, currently associated with the lobbying firm Alston & Bird, and J. Bennett Johnston, the longtime Louisiana senator, who has his own firm. Dole was paid several hundred thousand dollars for his role, which included one trip to Bishkek and a few board meetings in Washington.

Meanwhile, what mattered to the United States was the base at Manas. There, the airfield was still lined with squadrons of KC-135 Stratotankers, which needed constant filling for their missions over the skies of Afghanistan.

Red Star kept up its work, supplying fuel.

But Red Star was also busy elsewhere at the same time. Chuck Squires and Red Star were now focused not just on Kyrgyzstan but directly on Afghanistan. To do business with the US military in Afghanistan usually means operating at Bagram Air Base, the sprawling compound—a virtual military city—about an hour north of Kabul.

Col. Jonathan Ives was then the base commander at Bagram. Red Star, he says, was synonymous with aviation fuel, trucking it down from Uzbekistan along an old and treacherous route through the mountains from Mazar-i-Sharif to Kabul, passing at one point through the Salang Pass, a 1.5-mile tunnel through a mountain. Ives says Red Star trucked in more than 250,000 gallons of the precious stuff each day—a staggering amount. Each tanker truck can carry a maximum of 9,000 gallons, so Red Star would have had convoys of about thirty tractor-trailers per day.

In October 2007 Red Star scored a remarkable coup. Squires signed a deal with Ives that allowed Red Star to build and own a pipeline that ran from the base for all that fuel. Ives says that Red Star had purchased land near Bagram Air Base. “It was farmland, so they purchased the land and the rights.” In the memorandum of agreement between Red Star and the military, obtained by The Nation, Red Star promises it “will install, at no cost to the United States Government (USG), a petroleum pipeline for transfer of TS-1 jet fuel.” Significantly, the agreement says, “Red Star will retain ownership of the pipeline.”

It is intriguing that the firm signed such a document rather than an ordinary contract. “It is very unusual—very unusual,” said professor Charles Tiefer, an expert on contract law at the University of Baltimore School of Law who sits on the US government’s eight-member Commission on Wartime Contracting. I asked him who would regulate such an agreement. “Nobody,” he answered. “There is

no regulation of it because it's not supposed to happen, because it is trying to create a loophole where there is none in the Competition in Contracting Act."

Whatever the legal basis for the contract, not only the fuel pipeline but the land underneath it was owned by Red Star. Indeed, trucks would be able to gain access to the pipeline only through Red Star property. Red Star, in other words, controlled all access to the pipeline that would bring fuel to the thirsty US air base. It was as if the company offered to build a door to a US base and then controlled anything that went through the door. "I think it is pretty clever, if you want to say that," says Ives. "It is shrewd business," he added, a bit ruefully. He says he thought the pipeline was a good idea because it limited fuel trucks' access to the base and made things safe. He didn't realize, he says, that the pipeline Red Star built would give it a monopoly.

But that's what it did. Within four months of that memorandum of agreement, the United States announced it planned to offer a sole source contract to Red Star for 194 million gallons of fuel over two years. There were some complaints by a potential competitor, but it had no access to the pipeline. That summer, in August 2008, Red Star was awarded the contract for \$720 million. It had locked in the monopoly.

On March 4, 2009, barely six weeks in office, Barack Obama pledged to crack down on government procurement waste and fraud, and "to dramatically reform the way we do business on contracts across the entire government." Standing next to Senator John McCain, his adversary in the election but an advocate of contract reform as well, he said, "We need more competition for contracts and more oversight as they are carried out." That day he sent out a memo asking all federal agencies to work on a way to end sole source contracts.

But when it came to Red Star and Mina, things stayed very much the same. On July 29, about five months after the president's speech, the Defense Department did not bother issuing a solicitation or requesting bids for the fuel contract. Instead, it quietly issued a new, \$243 million contract to Mina to keep selling fuel to the base at Manas. The government used an unusual clause in the federal rules to justify this: the "national security" exemption. Under that provision, "Full and open competition need not be provided for when the disclosure of the agency's needs would compromise the national security."

"It went from competitive to sole source," says lawyer Ronald Uscher, who represents a competitor to Red Star and Mina called IOTC. In 2007 Mina had actually won the contract through a process that ostensibly included competitive bidding—though it beat out IOTC, whose bid had been almost 3 percent lower. Using the Freedom of Information Act, Uscher tried to obtain information about Mina's bid, but the Defense Department refused to tell him how Mina and Red Star gauged their price changes. Normally these are based on worldwide fuel prices, but not in Kyrgyzstan. Here it would be kept a secret. "There is nothing secretive about the price of jet fuel in 99.9 percent of the world," says Uscher, "except at Manas Air Base in Kyrgyzstan, apparently!" Then, in 2009, Uscher complains, "You have a sole source secret contract to supply fuel to Manas awarded to Mina with no other competitors having oversight and no citizens having oversight."

Why the secrecy? And what was the national security requirement that dictated avoiding competition? Did Mina's source for fuel have anything to do with it?

Officials in Kyrgyzstan's provisional government say it straight out: Mina Corp., the affiliate of Red Star, was paying funds to Maksim Bakiyev, the president's son. The new government's chief of staff Baisalov says that in order to keep the air base secure and supplied with fuel, the United States essentially "bribed the Kyrgyz ruling family. First it was Akayev and then it was Bakiyev. On one hand, the White House and the US State Department, they announce these noble goals, democracy,

good government, and on the other hand, the military comes in and overrides everyone else.” The Defense Logistics Agency, which oversees the Defense Energy Support Center, wouldn’t comment specifically on that, even to deny it. “We can’t speak to that,” said DLA spokesman Dennis Gauci. “You’ll have to speak to Mina Corp.”

A representative of Mina, who asked not to be named, denied any wrongdoing. “There was no consideration given to the ownership interests of any supplier.” If Maksim Bakiyev did have any ownership interest, he said, Mina didn’t know about it. The company, he told me, was reaching out to the interim Kyrgyz government to try to explain it to them. (Mina emphasizes it does vital work “by providing mission-critical fuel supplies to the troops and civilians that are carrying out the mission in Afghanistan.”)

With the collapse of the Bakiyev regime, a whole web of money and power has been exposed. That bank, AUB, on whose board sat ex-Senators Dole and Johnston? Its accounts have been frozen, and the new government says it was laundering money.

The provisional government in Kyrgyzstan says it will leave the base open for now. And the United States, with the Afghan surge under way, needs that base now more than ever. But the Kyrgyz government is making a new demand: it is launching a criminal investigation of the Bakiyev regime and its profits—and it wants the US government to help.

Aram Roston

P.S.

* April 21, 2010 | This article appeared in the May 10, 2010 edition of The Nation.:
<http://www.thenation.com/article/fueling-afghan-war-0?page=0,0>

* Research support for this article was provided by the Investigative Fund at The Nation Institute.

Footnotes

[1] <http://www.thenation.com/sites/default/files/images/pdfs/red-star-memo-watermark.pdf>