

Committee on Oversight and Government Reform
And
The Subcommittee on National Security and Foreign Affairs

Opening Statement of
Chairman Henry A. Waxman
July 26, 2007

“Allegations of Waste, Fraud, and Abuse at the New
U.S. Embassy in Iraq”

Today the Committee is holding a hearing on the State Department’s single largest construction project in the world: the \$600 million U.S. embassy in Baghdad. This is the first oversight hearing Congress has held on this immense project.

We will hear today from the State Department witnesses that the embassy will be built on time and under budget.

I hope they are right. Billions of taxpayer dollars have been squandered on contracts in Iraq. There should be at least one major project that’s done right.

But there are red flags involving the embassy complex that should not be ignored.

On July 5, the Washington Post ran a front-page article that described “a cascade of building and safety blunders” in the facility being built to house the embassy security guards. This facility was built by the same company, First Kuwaiti, that is building the main embassy. It was delivered to the embassy with the assurance that it “meets and exceeds” contract requirements. It passed the inspections required by the State Department. And it seemed like a success.

But when the kitchen equipment was turned on for the first time in May, the appliances didn’t work and the electrical wiring melted, creating a serious fire hazard. Embassy officials cabled Washington: “Poor quality construction ... [I]f safety issues ... inherent construction deficiencies ... left the post with no recourse but to shut the camp down, in spite of the blistering heat in Baghdad.”

Over two months later, the base for the guards remains shuttered.

As we will learn today, there are other red flags. The oversight and management of the embassy project appears to be in disarray. The State Department agency responsible for the day-to-day oversight of the project is the Office of Overseas Buildings Operations (OBO). But the OBO appears to be in a raging battle with the State Department officials in Baghdad who will ultimately live and work at the new embassy.

The conflicts are so severe that the senior OBO official who is supposed to be on-the-ground in Iraq monitoring the construction of the new embassy has been banished from the country.

It does not help matters that there are only three career State Department officials on site to oversee this massive project. Everyone else is a private contractor.

The project has also been beset by allegations that the prime contractor, First Kuwaiti, has used forced labor to build the embassy, violating the laws against human trafficking and sending exactly the wrong message to Iraqis and the rest of the world about U.S. respect for human rights. This Committee called this hearing to investigate these allegations. As the principal oversight committee in the House, that's our job.

Unfortunately, the State Department has taken exactly the wrong approach to our inquiry. The Department has gone into full bunker mentality, stonewalling the Committee's document requests and obstructing our efforts to conduct legitimate oversight of the embassy project.

The Committee sent a letter on July 10 requesting documents in preparation for today's hearing. We asked for a list of eight discrete, clearly identified memos, reports, and cables. We also asked for a set of broader documents, including communications, briefings, and meeting minutes. We informed the Department that we wanted the eight documents we specifically identified before today's hearing. The rest could be produced afterwards.

In response, the Committee was told almost daily that these documents were on the way. We were told: they are being gathered ... they are being reviewed ... they are in the approval process ... they will be here tomorrow.

But aside from two incomplete cables, none of the documents were provided. Finally — two weeks after we requested these eight documents — we issued a subpoena for the documents. The due date was yesterday at 4:00 p.m.

The Department produced none of the documents by the deadline.

Just this morning, the State Department faxed over a handful of documents that were required under the subpoena. Some of these documents raise new questions. In one e-mail exchange, the Senior Coordinator of the State Department's Office to Monitor and Combat Trafficking in Persons writes that he has "strong concerns" about allegations of "human trafficking among State contractors in Iraq." The State Department official in charge of overseeing the embassy project instructs his staff: "Do not respond to these folks. As you can see, no matter what you say, you cannot win." The fact that the Department is resisting congressional oversight doesn't mean that the project is failing. But it inspires no confidence in the Department's assertions that everything is on track.

We have also received limited cooperation from the State Department's prime contractor on this project, First Kuwaiti. We sent an invitation to company officials to testify here

today, but they refused. We asked to interview knowledgeable First Kuwaiti officials, but they refused. We asked for a telephone call to ask questions, but they refused.

First Kuwaiti did make a substantial document production to the Committee and did provide a written statement. But from the standpoint of the U.S. taxpayer, its refusal to testify is another red flag. The State Department awarded First Kuwaiti a contract to build the largest U.S. embassy in the world. The company is being paid half a billion dollars in taxpayer funds. Yet it is acting as if it is unaccountable to Congress and the taxpayer.

There is one party in this process that did cooperate with the Committee, and that is KBR. KBR has provided the documents we asked for, gave a briefing to Committee staff, and agreed to testify here today. And they took these steps even though they know that I have been outspoken about my concerns about other KBR projects in Iraq.

Despite the obstacles we faced, today's hearing will raise important questions about the embassy project. Witnesses will describe evidence of substandard labor conditions and shoddy construction work. Internal cables will reveal a Department at war with itself.

My goal is to use this hearing to begin to sort through the claims and counterclaims that envelop the embassy project. We won't answer every question that has emerged about this secretive project. But if we can shed more light on some, we will be doing our job.

I hope the embassy project opens on time and under budget. But real questions about the project are being raised, and these need to be addressed.

This is an unusual hearing in that it is being held as a joint hearing of the full Committee and its National Security Subcommittee. The hearing is being held jointly in recognition of the extensive work that the Subcommittee has been doing for the past several months to examine the allegations of human trafficking by First Kuwaiti. For this reason, after Ranking Member Davis is recognized for his statement, Subcommittee Chairman Tierney and Subcommittee Ranking Member Shays will be recognized for their opening statements.