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It's a Baker Botts World

by ROBERT BRYCE

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The induction of George W. Bush into the Texas crony network can be traced to a precise date: June 6, 1962. On that date, the gregarious 15-year-old went to work in the mailroom of Houston's oldest and most prestigious law firm, Baker Botts.

Four decades later, the financial/political symbiosis between the Bushes and Baker Botts is stronger than ever. Indeed, no law firm in America has profited more from its association with the two Bush Administrations than Baker Botts. Much of that influence stems from the firm's patriarch, the silver-maned, silver-tongued former Secretary of State, James A. Baker III. And now that Baker has joined George W. Bush's campaign--he is leading the negotiations with the Kerry campaign on the presidential debates--it's assured that he and a battalion of Baker Botts barristers are ready to man the ramparts in the event of another Florida recount scenario.

Nearly four years have passed since Baker stridently proclaimed that "the vote in Florida has been counted and then recounted. Governor George W. Bush was the winner of the vote. He was

also the winner of the recount." It scarcely matters now that Baker's statement wasn't true: When Baker made that pronouncement, on November 11, 2000, the recount had not even begun in two of the four counties the Gore campaign had targeted. The important thing was that Baker stuck to the script. He also kept the entire Bush legal team--which included several Baker Botts lawyers--focused and determined to win at all costs. Shortly after Bush prevailed at the US Supreme Court in 2000, Baker told an interviewer, "I think all this talk about legitimacy is way overblown."

James A. Baker III has never doubted that the Bushes deserve to live in the White House. Their ties go back to the 1950s, when George H.W. Bush met Baker on the tennis courts at the Houston Country Club. At about the same time, Baker Botts began handling the legal work for Bush's company, Zapata Petroleum. It was a reasonable choice: Baker Botts is the second-oldest law firm west of the Mississippi. And since its founding, it has consistently represented the looters, polluters and plutocrats. Baker's great-grandfather Judge James A. Baker made his reputation by representing the infamous railroad robber baron Jay Gould, the man who tried to corner the gold market in 1869. Gould's shenanigans led to "Black Friday," when gold prices collapsed, financial panic ensued and the reputation of President Ulysses S. Grant, who had been duped by Gould, was ruined. After aligning itself with Gould, the law firm began specializing in railroad law. When oil began dominating Texas, Baker Botts began working for Big Oil.

In 1957 Baker was prevented from working at the law firm that employed his father, grandfather and great-grandfather thanks to the firm's new anti-nepotism rule, a policy adopted during his father's tenure. But the nepotism policy was rescinded when the newly out of work former Secretary of State returned to Houston. In fact, the firm welcomed him--at a salary reported to be \$1 million per year. In addition to his job at Baker Botts, Baker also began selling his influence to select corporations. Just thirty-three days after Bill Clinton moved into the White House, Baker, in addition to his duties at Baker Botts, took a job lobbying for Enron in postwar Kuwait and elsewhere.

Baker's history in the diplomatic arena has apparently helped Baker Botts land a surfeit of lucrative international deals involving everything from Russian platinum and Caspian oil to representing Halliburton and the Saudi royal family. In the past few years, Baker Botts--which employs about 650 lawyers, has had annual revenues of about \$365 million and operates offices in Austin, Baku, Dallas, London, Moscow, New York, Riyadh and Washington, DC--has become a major player in big international energy projects, on a par with much bigger international firms like White & Case and Baker & McKenzie.

As soon as George W. Bush got into the White House, a lawyer from a big international firm told me, Baker Botts went from "being a well-regarded firm with experience in the United States and Latin America to being everywhere." That near-omnipresence includes Russia, where it has snared some powerful clients. Last year, Baker Botts advised Russian mining giant Norilsk Nickel MMC in its purchase of Stillwater Mining Company, a Montana-based producer of palladium and platinum. Controlled by a secretive Russian oligarch named Vladimir Potanin, Norilsk faced obstacles at the Treasury Department and Federal Trade Commission. Treasury had to approve foreign purchases of strategic assets, and the FTC had to agree that Norilsk's purchase

of Stillwater would not violate antitrust rules--even though it allowed the Russian firm to control more than 50 percent of the world's market for palladium and platinum. (The two are vital ingredients in both catalytic converters, which reduce pollution from automobiles, and in fuel cells, the pollution-free devices that turn hydrogen into electricity.)

Baker Botts convinced the Treasury Department to approve the deal in just one month. The FTC accelerated its approval process and gave the nod to the deal after just eight months. The speed of the approval left some FTC watchers agog. But then Baker Botts had good help. One of the lead lawyers on the deal was Diana Dietrich, who before working for the law firm had been a lead litigator in the FTC's antitrust division. It may be pure coincidence, but the FTC announced approval of the Norilsk deal on June 16, 2003, just one day before Baker gave a speech in Moscow on the importance of Russian-US relations. The event was co-hosted by the James A. Baker III Institute for Public Policy.

In 2003 Baker Botts advised Houston-based Marathon Oil on its acquisition of Khanty Mansiysk Oil Corporation, which produces oil in western Siberia. The law firm has also carved itself a foothold in the oil-rich Caspian Sea region. It was lead adviser to a consortium of oil companies that wrapped up a \$3.5 billion finance package in February for one of the world's biggest energy projects, the Baku-Tbilisi-Ceyhan pipeline. Critical support for the pipeline came from two US government-backed agencies, the Export Import Bank and the Overseas Private Investment Corporation. The pipeline, which will carry 1 million barrels of oil a day from the Caspian to the Mediterranean, faced fierce opposition from environmental groups. But Baker Botts and the oil companies prevailed. Baker Botts lawyers wrote all the regulations governing the pipeline, overriding domestic laws, including the environmental policies of the nations of Azerbaijan, Georgia and Turkey.

In a recent Los Angeles Times story, James A. Baker IV, the son of the former Secretary of State and a partner in the firm, was asked if Baker Botts's business in the Caspian was profiting from his father's connections. The younger Baker replied that his father had been "reserved in his business development activities, but it would be disingenuous to say it hasn't been an asset."

Over the past nine months, George W. Bush has been using the elder Baker as an asset. Last December, Bush appointed him to be his personal envoy on the matter of Iraq's huge foreign debt. Baker has been negotiating with several foreign governments, including the German and the French. But the key player in the Iraq debt sweepstakes is Saudi Arabia, which holds more Iraqi debt than any other country.

Baker has a long history in Riyadh. He started traveling there while he was Ronald Reagan's Treasury Secretary. As Secretary of State in the first Bush Administration, he was a regular visitor to the House of Saud. After that, Baker and the senior Bush both joined the Carlyle Group, a wealthy merchant bank, which has become something of a retirement haven for former conservative bigwigs, including Reagan Defense Secretary Frank Carlucci and former British

Prime Minister John Major. In 1993 Baker joined Carlyle as an equity partner and senior counselor. Bush joined later on a consulting basis. One of the primary jobs that Baker and Bush had at Carlyle was raising cash--and they were particularly adept at getting it from the Saudis.

Bush and Baker helped convince their pal and hunting buddy Prince Bandar bin Sultan, the longtime Saudi ambassador to the United States, to put money into Carlyle. Other Saudis who invested included two sons of the wealthy Saudi banker Khaled bin Mahfouz. A few million more came from the family of Osama bin Laden.

Baker doesn't like to discuss his business dealings. I caught up with him last fall at a high-dollar benefit at Rice University in Houston for the James A. Baker III Institute for Public Policy. (Prince Bandar gave \$100,000 for the black-tie event, which raised millions for the Baker Institute). I asked Baker if a published report--which estimated that his stake in Carlyle was worth \$180 million--was accurate. Irritated, he replied, "That's bullshit. You print that." When asked how much his Carlyle stake was worth, he replied, yelling, "That's for me to know and you to not know" and refused further questions. On August 12, his representative told me that Baker would not be available to answer questions for this article "due to his travel commitments."

Although Baker now works as an official representative of the United States, none of his personal financial information is available to taxpayers. That's because the White House has deemed him a "special government employee"--a status that shields his financial statements. It's up to the White House general counsel to determine if Baker has any conflicts of interest. Thus far, Bush Administration lawyers haven't found any--despite the fact that Baker Botts represents Exxon Mobil, ConocoPhillips and Occidental, all of which have major business interests in the Persian Gulf. Nor was it considered a conflict for Baker to be a partner in Carlyle. For its part, Baker Botts has said that Baker has forsworn his share of any partnership fees from firm activities that might pose a conflict with his job as debt envoy. In other words, Baker and his cronies are telling the world, "trust us."

Hugh Ray, a partner at the Houston law firm of Andrews Kurth, the firm that employed Baker before he went into politics, says that Baker Botts lawyers are not doing anything improper. And they're not bragging about their connections to the Bush Administration to get new business. Instead, says Ray, they are getting a lot of their work "by default." He adds, "They are the only ones I know who have an active energy practice in the Middle East. They are on the ground in Riyadh, and they have a huge advantage that way. The reason they have a willingness to take a leap like that is because of their contacts. They are connected in the Middle East."

That's a bit of an understatement. Several other big firms, including White & Case and two huge Texas-based firms--Akin Gump and Vinson & Elkins--are also active in the Persian Gulf. But thanks to the Bush-Baker symbiosis, Baker Botts appears to have closer ties to the Saudi royal family than any of the other firms. When two of the most powerful members of the House of Saud--the Saudi defense minister, Prince Sultan bin Abdulaziz Al-Saud, and his brother, Prince

Salman bin Abdulaziz Al-Saud, the governor of Riyadh--needed lawyers to defend them against a lawsuit brought against them and other Saudis by survivors of the 9/11 terrorist attacks, Sultan and Salman hired Baker Botts. The firm categorically denies that it was hired because of any political influence it might have.

Nevertheless, Baker Botts is not shy about touting Baker's experience to clients interested in Saudi Arabia and the Middle East. On its website, the firm says clients can use Baker as "an additional resource on which to rely regarding their activities in the region." Nor is it shy about trying to cash in on the expertise of Robert Jordan, who is the former US ambassador to Saudi Arabia. Within a few months of moving into the White House, George W. Bush named Jordan--the Baker Botts lawyer who had represented him in the early 1990s while the Securities and Exchange Commission (SEC) was investigating Bush's sale of stock in Harken Energy--to be his representative in Riyadh.

Jordan quit his post in Riyadh earlier this year. When he returned to Dallas in April, Baker Botts rehired him and promptly put out a press release saying that Jordan's "wealth of knowledge relating to international matters and key development initiatives in the Middle East will be a great asset to our firm."

Meanwhile, back in Houston, Baker Botts is taking care of another charter member of the Texas crony network: Halliburton. Unfortunately for the oil services giant, Dick Cheney's ineptitude as CEO has left it with a panoply of legal problems. These include allegations that it engaged in improper accounting (Halliburton recently agreed to pay a \$7.5 million fine to the SEC to settle that problem); ongoing investigations by the Pentagon into apparent overbilling for its logistics work in Iraq; and a wide-ranging investigation by French and American authorities into allegations that Halliburton employees paid bribes to secure a contract for a liquefied natural gas plant in Nigeria [see Doug Ireland, "Dick Cheney and the \$5 Million Man," posted June 18 at www.thenation.com/doc.mhtml?i=20040705&s=ireland].

Much of the work for Halliburton is being handled by James Doty, a partner at Baker Botts's Washington office. During the first Bush Administration, Doty spent two years as the general counsel for the SEC. In response to questions about its dealings with Baker Botts, Halliburton issued a statement that said Baker Botts is "one of the best firms in the country and, as such, has a great many exceptional lawyers who, because of their skill, attract prominent clients, of whom we are proud to be included."

Of course Baker Botts employs excellent lawyers. No doubt about it. It's also true that Halliburton's alliance with Baker Botts provides yet another example of how the Texas crony network looks after its own.

On September 2 the Houston Chronicle was the first to report that Baker was joining George W.

Bush's campaign. Baker--who has played a key role in six of the last seven presidential elections, including all four of the races in which a man named Bush has been a candidate--was chosen to joust with Democrat Vernon Jordan over the rules and format for the presidential debates.

Now that that job is done, Baker will surely continue being the Bush family's consigliere . If the younger Bush's campaign begins to falter, or if there's controversy after the polls close, count on Baker to re-emerge as Bush's field marshal. And if Baker can help secure another quadrennium in the White House for the Bushes, Baker Botts will--once again--reap the benefits.

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