

MEMORANDUM FOR THE RECORD

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Interviewee Background

In 1988, Mr. Miller became Vice President in charge of Exploration and Production activities for the Union Oil Company of California's ("UNOCAL") Central Regional Headquarters in Midland, Texas. From 1989-1993, his area of responsibility was switched to the Louisiana and Gulf of Mexico Region. In 1993 Mr. Miller was named Vice President of UNOCAL's New Ventures Group, and was initially responsible for the acquisition of opportunities in Azerbaijan. In 1994, he began working on other projects for UNOCAL in Central Asia, one of which was in Turkmenistan.

UNOCAL desired to gain new rights to transport and market natural gas in South Asia, such as Pakistan and India. As such, UNOCAL attempted to develop a pipeline project out of Central Asia, which would entail running a pipeline through Afghanistan to a location in Pakistan that was half-way between Karachi and the border, with the primary market being South Asia. In September 1995 UNOCAL signed a deal with the Government of Turkmenistan ("GOT") to develop the pipeline project. However, UNOCAL abandoned the project in the fall of 1998 soon after the US launched a cruise missile attack on Afghanistan in response to the bombings of the US Embassies in Nairobi, Kenya and Dar Es Salem, Tanzania. Also at about this time, the Government of Pakistan ("GOP") conducted a test of nuclear weapons. As a result, UNOCAL knew the project would fail because it needed cooperation amongst the Government of India ("GOI"), the GOP, and the Taliban in Afghanistan. After UNOCAL abandoned this project, Mr. Miller became UNOCAL's Vice President of Exploration and Production in Alaska. He officially retired from UNOCAL on November 1, 2000.

History of UNOCAL's Involvement in Afghanistan

Mr. Miller stated that Turkmenistan had vast gas reserves but no way of getting them to the markets of South Asia. Following the break-up of the former Soviet Union, the Government of Russia stopped piping gas from Turkmenistan because it wanted to market its own gas reserves. Mr. Miller said that the GOT could only access soft currency markets such as other Central Asian republics. The GOT tried to export gas to

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Azerbaijan, but relations between the GOT and the Government of Azerbaijan ("GOA") were strained because the GOA wanted to find and market its own gas reserves to Turkey. Mr. Miller also believed that the GOT was selling some gas to Iran and trying to develop that market; however he stated that Iran had its own gas and laying a pipeline across the Caspian was a difficult task.

As a result, the GOT turned to UNOCAL in 1995 to explore the feasibility of exporting the country's gas reserves. Mr. Miller believed that UNOCAL signed an agreement with the GOT in September 1995. The agreement provided that the GOT would sell gas to UNOCAL and UNOCAL would transport the gas through Afghanistan into Pakistan and then into India. UNOCAL had the responsibility of developing markets for the gas in India and Pakistan.

When asked if UNOCAL had a relationship with the US Embassy in Turkmenistan, Mr. Miller said that any time UNOCAL did business overseas, it developed a relationship with the Embassy in that country. He commented that the US Ambassador and Embassy staff were a good source of information for UNOCAL and its competitors regarding political risks associated with the country of interest. As such, Mr. Miller contacted the US Ambassador in Ashgabat in 1995 to ask whether the Ambassador believed that the envisioned pipeline plan could be successful. Mr. Miller said that the Ambassador did not think the plan was unreasonable and thought that UNOCAL could succeed, provided the right political circumstances in Afghanistan. Mr. Miller did not know if this was the larger US Government "USG" view. He did not believe that the Ambassador made this statement in an attempt to dissuade UNOCAL from constructing a pipeline through Iran. He emphasized that the Ambassador only provided information, not encouragement. Mr. Miller said that he believed that the project was "a long shot" but worth the risk because it could be highly profitable for UNOCAL if it succeeded. He commented that any large company's portfolio consists of the right mix of low risk, "bread and butter projects," and high risk, "moon shots;" this was UNOCAL's "moon shot."

Mr. Miller stated that the Afghan pipeline project would cost about \$2 billion. He said that the idea was to move 2 billion cubic feet of gas per day through the pipeline. Mr. Miller believed that UNOCAL expected a 12-14% return on its investment. Following the signing of the agreement between UNOCAL and the GOT, UNOCAL began exploring the feasibility of transporting the gas through Afghanistan. Before actually engaging the various warlords in Afghanistan, Mr. Miller said that UNOCAL needed to put together a consortium of multinational companies because the project was "too big for any one company." He commented that a multinational consortium was preferable because it would provide political leverage in the event that dealings with the government of the host country became difficult. In such a situation, each company would ask its respective ambassador to apply pressure on the host government; the more pressure, the more likely the host government would comply.¹

¹ As an example, he said that when UNOCAL and its consortium were negotiating a deal in Azerbaijan, the negotiating team for the Azerbaijanis tried to extort a bribe from them. As a result, the multinational consortium each went to their respective ambassador and all of the ambassadors confronted the President of Azerbaijan, who remedied the situation.

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Mr. Miller stated that one member of the consortium was Delta Oil, a Saudi company. He said that Delta brought to the consortium an understanding of Muslim culture and "coached [UNOCAL] on the right and wrong things to do when dealing with the Taliban, who were Islamic fundamentalists." Mr. Miller stated that UNOCAL's relationship with Delta started in Azerbaijan. The owner of Delta and the Executive Vice President of UNOCAL wanted to explore opportunities in Central Asia. He said that the relationship between the two companies was good, so they agreed to develop the Afghan pipeline project together. Delta would get a percentage share of the project, but Mr. Miller stated that the two companies never came to an agreement on the exact percentage. Eventually, UNOCAL and Delta had "a falling-out" in 1998/1999. Mr. Miller said that Delta claimed it had a relationship with the GOP and the Pakistani Inter-Services Intelligence Directorate ("ISID"). However, he believes that Delta exaggerated its connections. Mr. Miller stated that he had no direct knowledge of Delta working with ISID.

Mr. Miller said that he had a meeting with the head of ISID at which he detailed UNOCAL's plan for the pipeline project in Afghanistan. He told the head of ISID that in order to fund the project, UNOCAL required additional financing from investors such as the World Bank, but that UNOCAL would not be able to obtain investors if Afghanistan was in turmoil. Mr. Miller said that in addition to the Pakistani ISID, he met with all of the warlords in Afghanistan to attempt to convince them of the benefits that the pipeline would bring to Afghanistan.

Mr. Miller said that initially, UNOCAL made contact with groups other than the Taliban. He elaborated that UNOCAL flew Abdul Rashid Dostum and five guests to Houston for meetings. Mr. Miller stated that UNOCAL's message was the same in all of the meetings with all of the factions: "Stop fighting so lenders will have confidence and invest in a project that will benefit Afghanistan."

The benefits that Mr. Miller preached were jobs for the Afghan people, a chance to show the rest of world that investment in Afghanistan was possible, and revenue in terms of tariffs associated with gas passing through the country. He said that the governing party of Afghanistan would be paid for every million cubic foot of gas that passed through the country, which would give them the incentive to keep the project operating. Mr. Miller emphasized that UNOCAL did business with all of the different factions operating in Afghanistan because cooperation amongst all of them was necessary for stability. UNOCAL did not play favorites.

UNOCAL's Involvement with the USG

Mr. Miller stated that he had meetings with representatives from the State Department, [redacted] and the NSC. At these meetings he would detail UNOCAL's plans for Afghanistan and ask if the representatives saw any problems with UNOCAL's approach. Mr. Miller would also solicit their opinions on political developments in the region. He stated that the USG was skeptical that UNOCAL's project would succeed due to political difficulties such as stability in Afghanistan and cooperation between the GOP and GOI.

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Mr. Miller said that he visited Washington once every couple of months. At the NSC, he met with Sheila Heslin. At the State Department, he met with Robin Raphel, Assistant Secretary of State for South Asian Affairs, her successor, Karl Inderferth, and the Under Secretary of State for Political Affairs, Thomas Pickering. Mr. Miller stated that the meetings were information exchanges and he did not ask the officials for help. The USG officials did discuss their concerns with the Taliban's human rights abuses and treatment of women. He never heard them mention terrorism.

Mr. Miller stated that the USG officials were supportive of the project because they believed it could bring a sense of peace and stability to the region due to the necessity for cooperation amongst several countries. However, as time went by, the officials became increasingly skeptical of the success of project and the USG's view of Taliban became more negative. When asked if UNOCAL was driving the State Department's foreign policy towards Afghanistan, Mr. Miller said that was ridiculous. Likewise, Mr. Miller stated that UNOCAL never pressured the USG officials to recognize the Taliban.

Engaging the Taliban

Mr. Miller was asked about a news article in which a UNOCAL representative stated that UNOCAL was happy that the Taliban had taken control of large portions of Afghanistan. Mr. Miller said that the quote was inaccurate and taken out of context. He said that in 1996 after the Taliban took control of Kabul, UNOCAL representative, Chris Taggart, said that if the Taliban was able to end the fighting and bring peace and stability to the country, it would be beneficial. Mr. Miller clarified that UNOCAL did not care whether it was the Taliban or some other group that gained control so long as the governing party could restore peace and help people get on with their lives.

In 1996 Mr. Miller visited Afghanistan for the first time. First, he traveled to Qandahar where he met with the Taliban. Next, he traveled to Herat and met with the Taliban representative there and then drove back to Qandahar for more meetings with the Taliban. Mr. Miller also met with former Afghan President Mohammad Najbullah and other Afghan dignitaries. He then went to Pakistan where he met with the Taliban Ambassador to Pakistan.

Mr. Miller said that in all, he had four to five meetings with the Taliban Ambassador in Islamabad, two to three meetings with the Taliban in Qandahar, two to three meetings with Taliban representatives in Herat, and hosted a Taliban delegation in Houston for several days. The Taliban delegation to Houston consisted of Foreign Minister Wakil Ahmed Muttawakil and eight to ten Taliban representatives. UNOCAL took the delegation to an offshore platform in the Gulf of Mexico to show them UNOCAL's operations and establish credibility. Mr. Miller stated that in all of his meetings with the Taliban, they only discussed the pipeline and not larger political issues.

When asked about the Taliban's reaction to the project, Mr. Miller said that they were hard to read. He does not think they ever completely understood what UNOCAL was

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trying to do. For example, at a meeting with the Taliban Ambassador in Islamabad, Mr. Miller showed a slide of a piece of 36 inch pipe being laid. The Ambassador's jaw dropped as he pointed to the piece of pipe and said, "Is this the entire pipeline?" In terms of understanding Western business practices, financing, etc., Mr. Miller said that the Taliban "didn't have a clue." He stated that the more he dealt with them, the more hopeless he felt about the project.

Mr. Miller never got a sense of the Taliban's human rights abuses from his dealings with them, nor did he witness any violations first-hand but noted that he had heard stories regarding the abuses. On one of Mr. Miller's trips to Qandahar, in an attempt to generate good will, he brought soccer balls, Frisbees, and sacks of candy to give to kids. That night he was walking with Taliban representatives and saw Afghans in a park that was surrounded by destruction. The Taliban permitted Mr. Miller to give the soccer balls and Frisbees to the kids to play with. Regarding women, he said that he saw women in burkas and knew that women stayed out of sight but never witnessed them being mistreated. During his dealings with the Taliban, Mr. Miller never got the sense that the Taliban were becoming more radical, however he read such information in the media and did not doubt the veracity of it.

When asked about the USG's relationship with the Taliban, Mr. Miller said that the USG did not have an Embassy in Kabul so issues pertaining to Afghanistan were handled out of Embassy Islamabad. His impression was that USG was not interested in Afghanistan. However, he noted that, as time passed, the USG grew more concerned about the Taliban, specifically about their treatment of women. He recalled that at a meeting with the USG in Washington, a woman on President Clinton's staff who worked on women's issues attended and was antagonistic towards him for UNOCAL's dealings with the Taliban.

When asked if the articles stating that UNOCAL was "in bed with the Taliban" were an accurate characterization of the relationship, Mr. Miller stated that it was an outright misrepresentation. He emphasized that UNOCAL's relationship with Taliban was the same as with all of the other factions operating in Afghanistan. He said that UNOCAL approached all of the factions evenhandedly and did not want to get involved in Afghanistan's internal politics.

Mr. Miller said that he never met with Ahmad Shah Masood, leader of the Taliban opposition group, the United Islamic Front for the Salvation of Afghanistan ("the Northern Alliance"); however he had telephone conversations with Masood's brother who was in London. Mr. Miller told him what UNOCAL was trying to do and sent him the same information packets he had provided to other factions. Mr. Miller was not aware of any USG relationship with the Northern Alliance.

The GOP's Relationship with the Taliban

Mr. Miller stated that when UNOCAL began commercial negotiations with the GOP, he had a lot of interface with the Pakistani Minister of Energy. He believed that the GOP was supportive of the Taliban, more so than any of the other factions, because they

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wanted the Taliban to bring stability to the country which in turn would enable UNOCAL to begin the pipeline project. He said that the GOP consistently attempted to pressure UNOCAL to get started with the pipeline project by setting deadlines for UNOCAL to begin work. Mr. Miller told the GOP that their deadlines meant nothing to UNOCAL because of the unstable political situation within Afghanistan. The GOP wanted the project started even if there was still fighting in Afghanistan. Mr. Miller had no first-hand knowledge of the type of support that the GOP provided to the Taliban or which elements of GOP were close to Taliban.

UNOCAL's Advisory Council

Mr. Miller stated that by 1996/1997 UNOCAL had major problems with Delta Oil. Delta continued to represent itself as if it had all the knowledge UNOCAL needed for project and resented UNOCAL's reliance on outside help. Mr. Miller stated that UNOCAL formed a committee of experts that met every other month or once a quarter to discuss the political risks associated with the project and advise UNOCAL on actions necessary for the success of the project. This Advisory Council consisted of Robert Oakley, former US Ambassador to Pakistan, Zalmay Khalilzad, of the RAND Corporation, and Tom Gouttierre, of the University of Nebraska. UNOCAL paid them a retainer for their services.

Mr. Miller said that members of this Advisory Council would meet with foreign government officials but not on behalf of UNOCAL. Mr. Miller told them that they could meet with government officials to learn more about the political situation in the respective country but Council members were not to push the project. Mr. Miller also believed that Council members met with people in the USG, but he likewise instructed Council members not to push the project. UNOCAL had an office in Washington with a small staff but it was used as an administrative office, not a base for lobbying.

Mr. Miller stated that UNOCAL never gave the Taliban any money or advances. He was not aware if Delta had ever provided any kickbacks to the Taliban but said that UNOCAL would have never approved such actions. Mr. Miller said that in 1997, when the Taliban came to the US to meet with State Department officials, UNOCAL hosted a dinner for the delegation at the Watergate hotel.

Mr. Miller said that UNOCAL provided humanitarian aid to Afghanistan. UNOCAL established a training facility in Qandahar to begin training Afghans in skills and trades that would be useful, especially for the pipeline project (e.g. welding, concrete, electrical work). UNOCAL wanted to use as many Afghans as possible in the pipeline project but noted that the skills would also be useful in rebuilding Qandahar. He also stated that he told the Taliban that UNCOAL did not share its attitude towards women and that UNOCAL intended to employ women and provide them with benefits. Initially, the Taliban objected but UNOCAL told the Taliban that their treatment of women was creating a lot of problems for UNOCAL so the Taliban finally allowed UNOCAL to provide aid and training to women. Mr. Miller said that the training was being provided

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through the University of Nebraska and UNOCAL made payments through Tom Gouttierre.

UNOCAL's Abandonment of the Project

UNOCAL abandoned the pipeline project in the fall of 1998 soon after the US launched a cruise missile attack on Afghanistan in response to the bombings of the US Embassies in Nairobi, Kenya and Dar Es Salem, Tanzania. At the same time, the GOP conducted a nuclear weapons test and it was believed that the GOI would retaliate. Because the project required regional cooperation, especially amongst the GOP and GOI, Mr. Miller told UNOCAL's CEO that it was time to terminate the project.

Mr. Miller believed that the GOP was critical of UNOCAL's decision to withdraw from the project. He commented that he considers the Afghan pipeline project to be the black hole of his career.


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