

1 INTRODUCTION

AS OF DECEMBER 31, 2007, at least 1,123 private contractors working for the U.S. government or U.S. companies in Iraq had been killed, according to the U.S. Department of Labor. Private contractors constituted the largest occupying force in Iraq during this time period, outnumbering even U.S. forces, with roughly 155,000 contractors employed there as of February 2008.¹ Contractors operating in Iraq have come from around the globe, ranging from citizens of English-speaking countries such as the United States, United Kingdom, Australia, and New Zealand, to contractors from countries such as Chile or Fiji that were not directly involved in the conflict (third-country nationals, or TCNs), to local Iraqis (local nationals, or LNs). Of the DoD contractors, approximately 10,422 were security contractors as of March 2009, although estimates of the numbers of security contractors employed by all entities in Iraq had ranged as high as 30,000 at earlier points in the conflict.² This study is primarily concerned with this subgroup of contractors, the armed security contractors, at least insofar as the Iraq case is concerned.

In Afghanistan, meanwhile, the number of DoD contractors was substantially higher than the number of U.S. troops as of March 2009, with 68,197 contractors compared to 52,300 uniformed military personnel. Again, this does not take into account the number of non-DoD contractors employed in Afghanistan during this period, so the ratio was likely quite a bit higher than these numbers reflect. Nonetheless, these figures reportedly represented the highest recorded percentage of contractors used by the Department of Defense in any conflict in the history of the United States, with contractors comprising 57 percent of the DoD workforce in Afghanistan during this period.³

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Such a story would have been unimaginable thirty years earlier, when superpower competition fueled national militaries. Not until the fall of the Soviet Union and the corresponding “Peace Dividend” were national militaries—particularly the U.S. military—downsized to the extent that outsourcing of non-core military tasks would be deemed acceptable and necessary. Indeed, it was during the Reagan and Thatcher eras that the economic logic and culture of outsourcing government functions gained prominence. Neoliberal economic thinking and government reports throughout the 1980s and 1990s on the cost-saving benefits of privatization and outsourcing led to the development and expansion of private companies that could provide all non-core military services for the troops, leaving the skilled war fighters free to perform the actual combat tasks. These companies provided services such as weapons system maintenance and upkeep, supply transport, cooking, cleaning, and base construction, among many others.

The industry expanded when former U.S. and U.K. military officers, particularly from the Special Forces, built on the legacy of 1960s British and 1980s South African officers in developing the notion of the “private security company” (PSC)—a company that would provide armed bodyguards and convoy security services for various actors in high-risk areas of operation. Former British Special Air Services (SAS) Colonel David Stirling formed the first of the modern private military companies, WatchGuard International, in Britain in 1967. The firm employed former SAS personnel to train the militaries of the sultanates of the Persian Gulf, to provide support for their operations against rebel movements and internal dissidents, and eventually to provide military advisory training teams to clients in the Middle East, Africa, Latin America, and East Asia.

WatchGuard became the model for all future private military companies, and several other British private military companies grew out of this model in the next few decades, including Kulinda Security Ltd., KAS Enterprises, KMS (“Keenie Meenie Services”), Saladin Security, and Defence Systems Ltd. (DSL). Then, in 1989, a member of the South African Defence Force—Luther Eben Barlow—formed Executive Outcomes (EO). Executive Outcomes operated in conflicts throughout the African continent during the 1990s, most notably in Angola, Sierra Leone, Congo, and Burundi. Executive Outcomes was disbanded in 1999, but many former EO officers went on to form their own private military firms, including Alpha 5, Stabilco, Omega Support Ltd., Panasec Corporate Dynamics, and Southern Cross Security.⁴

To distinguish themselves from the less reputable private military companies that operated mainly in African states in the 1980s and early 1990s, modern private security companies are adamant that they provide only defensive services and will not fight offensively or for non-democratic causes. The United States and its allies used private military firms in both the 1990–1991 Iraq War and the Balkans conflicts in the mid-1990s, but the majority of the companies involved in these conflicts were employed to perform logistical functions, not security services. Notably, the United States and its allies employed many fewer contractors in these conflicts than they do in the current wars in Iraq and Afghanistan. The rapid expansion of the private security industry over the past several years is unprecedented in modern times, as is the current practice in Iraq and Afghanistan of deploying private security personnel in large numbers on the ground alongside coalition forces. This is particularly true because today's private security personnel are not formally integrated into the military structure, as is the case with, for instance, French Foreign Legion troops and the French military. Security contractors' position in the military chain of command is therefore constantly in question, which, among other things, leads to a host of potential PSC–military coordination problems.

The privatizing reforms of the 1980s and 1990s that preceded this rapid expansion of the private security industry were designed to make government operations more efficient. Yet some media and governmental reports portray such privatization, when applied to the military sphere, as having actually decreased military effectiveness. This book therefore addresses the puzzle of why reforms that were intended to increase performance may be serving instead to decrease it. The book expands its theoretical inquiry beyond the issue of military effectiveness, however, to examine the ramifications of security privatization for the likelihood that democracies will be victorious in their conflicts.⁵ I examine the impact of private security forces on military effectiveness in three different types of situations: instances of PSC–military co-deployment, such as the current Iraq War; instances of PSC deployment in place of military deployment; and historical cases in which mercenary forces other than PSCs are structurally integrated in a manner similar to, or are actually integrated into, regular military forces. In using these cases to probe this puzzle, the book has two interrelated goals. The first is to compare different situations of privatized force employment, to illustrate PSCs' potential effects on military effectiveness and on the likelihood that democracies will be victorious in their conflicts. The second is to understand the different effects of structure and identity on the

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effectiveness of military forces composed of national armies combined with PSCs, with an eye to providing policy prescriptions for current U.S. policy.

Of primary importance to PSCs' impact on military effectiveness, I argue, are the following: (1) the structural integration of private security contractors into the military forces with which they are deployed; (2) the cohesiveness of the collective identities of private and national military forces deployed together; and (3) the extent to which private security companies and their personnel operate in an ethical manner, complying with the rules and norms of international humanitarian law. In exploring the three different types of cases mentioned above, I conclude that private forces tend to decrease military effectiveness and prospects for the democratic advantage in modern cases of PSC–military co-deployment due to a combination of these structural, identity, and ethical issues. Meanwhile, PSCs often increase the military effectiveness of host nation forces in situations in which they are deployed in place of intervening military forces, yet decrease the chances that the methods of operational behavior are performed with due respect for established legal norms and decrease the prospects for the democratic advantage due to their impact on states' conflict selectivity. Interestingly, however, PSCs do not appear in such instances to have a *better* impact on the host nation forces' military effectiveness than would the regular militaries of democratic intervening states, as indicated by several counterfactual comparison cases in which no PSC was deployed. Furthermore, it appears that if covert PSC activities are revealed to the democratic electorate, a public outcry can result on a scale similar to the outcry that occurs when direct government or state-sponsored military involvement in covert activities is revealed to the public. Finally, PSCs both increase and decrease military effectiveness in historical situations of mercenary forces deployed with national militaries and consistently put ethical force employment at risk, due to a combination of structural and identity-based factors.

While it is hoped that professional, policy, and academic audiences will find these conclusions and this research to be compelling, these different audiences will likely find different aspects of this work to be useful. Policymakers and military professionals who may take for granted that PSCs are here to stay will likely be most interested in the study's recommendations for how to use PSCs most effectively. Those who are more skeptical of the value of PSCs, however, will likely be most interested in two notable implications of the findings elaborated in the following chapters. First, this latter audience will find in the evidence outlined throughout the study a strong critique of the democratic peace hypothesis, as the forthcoming chapters indicate that PSCs can be and

are indeed used by democratic policymakers—often in a covert fashion—to avoid accountability to the citizenry for decisions to go to war. Even though covert PSC activities can sometimes be unintentionally revealed to the public, such an implication bodes poorly for PSCs’ impact on global efforts to create and sustain a peaceful international system.⁶ Second, an audience skeptical of the value of PSCs will note that Chapter 6’s prescription for greater regulatory oversight is a potentially costly recommendation that could ultimately render PSCs relatively uneconomical.

CONTEXT OF OUTSOURCING

The turn to private military and security forces would be impossible if much of the world—driven by a desire for cost savings and improved outcomes—had not already embraced a larger ideological shift toward privatization and the outsourcing of a range of government functions, including the exercise of coercive power and violence. Governments and leaders across the globe have relied on mercenaries and other private forces to supplement or replace their own militaries throughout history. Yet the outsourcing of violence in modern times expands beyond traditional mercenarism and occurs according to both a logic of capacity (that is, the need to fill the demand for forces) and a normative logic.

In many cases, governments have insufficient numbers of soldiers and/or are reluctant to institute a policy of conscription, causing leaders to look elsewhere for the forces necessary to defend the state and carry out the military elements of state policy. As Gil Merom notes with regard to the limitations imposed on democratic leaders by having to institute a policy of conscription, “Those most likely and best able to check the president’s war powers would not do so unless they had a personal stake . . . there is ‘no representation without taxation.’”⁷ Hence—despite the fact that democracies may have the political legitimacy to assemble mass armies with reduced resort to coercion—the potential to outsource violence and military functions offers a way for democratic leaders to handle problems of military capacity without having to impose policies of conscription, thus increasing their electoral prospects. In other words, outsourcing occurs in such instances to bolster the capacity of existing forces. This happens, for instance, with U.N. peacekeeping missions, which are outsourced to small, decrepit state militaries such as the Fijian Army. As the *Fiji Times* notes:

Since the 1970s, this impoverished and remote remnant of the British empire has positioned itself as a discount-soldier surplus store. Its best customer has

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been the UN peacekeeping operations. Today, on the post-September 11 battlefield, Fiji is marketing for hire its 3,500 active soldiers, 15,000 reservists and more than 20,000 unemployed former troops.⁸

Such outsourcing practices have a long historical trajectory. Egypt began outsourcing its war-making activities to mercenaries in 1479 BCE, substituting mercenaries for citizen armies for the next 700 years. The Egyptians actively recruited mercenaries from North Africa (the Nubians) and from tribes in the Aegean Islands and along the Anatolian Coast. Both supply and demand dictated this increase in the use of hired soldiers, as Egyptian citizens preferred to avoid the battlefield and enjoy their riches, and large numbers of poor and/or displaced tribes were simultaneously available to fight for money.⁹ The Israelites, meanwhile, hired soldiers from foreign lands so that local citizens would be free to maintain the economic output necessary to support both the kingdom and the army. The Hebrews began this practice around 1250 BCE. Although David steadily decreased Israel's reliance on foreign soldiers after he assumed power around 925 BCE, Israel never completely stopped hiring mercenaries.¹⁰

The Roman Empire also relied on mercenaries to bolster the capacity of its existing forces.¹¹ When the effects of the Second Punic War on the Italian countryside forced small farmers to sell their land to wealthy landowners and migrate to the cities for menial jobs, poor citizens began to feel distanced from the empire and thus reluctant to risk their lives in the military. Meanwhile, their wealthy counterparts were similarly reluctant to join the military, preferring instead to stay at home and enjoy their wealth.¹² Rome's expansion therefore outgrew its capacity to staff its military with professional soldiers in the fourth century, and the empire was forced to hire mercenaries to keep up with this demand for soldiers.¹³

More recently, both mercenaries and privateers played a critical role in supplementing existing forces in the American Revolution. The British government signed treaties with six German princes in 1776 for the provision of a total of almost 30,000 German soldiers to help fight the colonial uprising in America. Landgrave Frederick II of Hesse-Cassel provided the vast majority of these soldiers, and thus the entire deployed German force was commonly referred to as a Hessian force.¹⁴ The Hessian mercenaries served as British auxiliary forces, fully integrated into the British military system.

On the American side of the conflict, American colonists commissioned approximately 700 ships to fight against the British. These privateers—ships

licensed by the Americans to harass British vessels and confiscate their cargoes—bolstered the American sea presence considerably, fighting alongside the American Navy’s 100 ships. Both Thomas Paine and General George Washington owned stock in privateers.¹⁵ These private ships also played a large role on both the American and British sides in the War of 1812. Congress even granted legal sanction to privateers during this period. With a few extra cannon and men, therefore, any merchant vessel was easily converted into a privateer.¹⁶

Outsourcing under the logic of capacity has similarly occurred in Operation Iraqi Freedom and Operation Enduring Freedom in Afghanistan, primarily due to the expanding definition of what constitutes “warfare” in U.S. military and policy circles. The growing tendency to consider stability, security, transition, and reconstruction (SSTR) missions as an integral component of warfare stretches the U.S. military and coalition forces thin, causing U.S. policymakers to rely on private security companies as an ad hoc supplement to regular military forces. The practice of outsourcing violence has become so commonplace in U.S. policy that the DoD now publicly recognizes the private security industry’s primacy in developing current notions of warfare. Stability, security, transition, and reconstruction missions are now defined as a core U.S. military activity, one in which the DoD explicitly acknowledges that the private sector must play a defining role. Department of Defense Directive 3000.05 now formally includes the private sector in the emerging Pentagon policies pertaining to SSTR missions:

It is DoD policy that stability operations are a core U.S. military mission that the Department of Defense shall be prepared to conduct and support. They shall be given priority comparable to combat operations and be explicitly addressed and integrated across all DoD activities including doctrine, organizations, training, education, exercises, materiel, leadership, personnel, facilities, and planning.¹⁷

This document further indicates that:

Many stability operations tasks are best performed by indigenous, foreign, or U.S. civilian professionals . . . Military-civilian teams are a critical U.S. Government stability operations tool. The Department of Defense shall continue to lead and support the development of military-civilian teams . . . Participation in such teams shall be open to . . . members of the Private Sector [including private sector individuals and for-profit companies] with relevant skills and expertise.¹⁸

The explicit connection drawn between the private sector and this new core mission for the U.S. military is a significant one, illustrating the key role that private contractors now play in conflicts, particularly the stability and reconstruction (S&R) operations that are beginning to be deemed a core military activity—at least in the military doctrine of strong states, and particularly in the relatively pacifist democracies of Europe—in the post-Cold War era. In this scenario, policymakers are pre-disposed to privatize operations that have traditionally been considered as falling under the rubric of operations other than war (OOTW), in order to maintain adequate military capacity for actual war-fighting missions.

The outsourcing of violence occurs for normative reasons as well, however. As Gil Merom defines it, *normative difference* is “the distance between the position of the state and that of the liberal forces (that give meaning to the term ‘society’) concerning the legitimacy of the demand for sacrifice and for brutal conduct [in conquering insurgencies].”¹⁹ In terms relevant to this study’s focus, the leaders of democratic societies have, on occasion, outsourced violence to distance the state from actions in warfare that may be considered illegitimate by their electorate. This occurred, for instance, in the 1990s in Croatia, Sierra Leone, and Colombia, when the United States and Britain hired PSCs to play military assistance roles outside of the public view. Chapter 4 explores the cases of Croatia and Sierra Leone in greater depth.

Violence is similarly outsourced according to a normative logic in the diamond-rich states of Africa, where diamond companies such as Endiama in Angola hire private military companies to push artisanal diamond miners (*garimpeiros*) off their land. In many cases, the private military forces resort to human rights abuses to carry out the company’s wishes. Yet Endiama and other such firms are still able to claim that their diamonds are “conflict free” and mined in accordance with the U.N.–mandated Kimberley Process.²⁰

OUTSOURCING A BROAD RANGE OF GOVERNMENT FUNCTIONS

While the outsourcing of violence has been pervasive throughout history, a broad range of government functions beyond those related to violence has been subject to privatization in recent years. In the case of the United Kingdom, the United States, and much of the Western world, the ideological shift leading to the privatization of government functions took place beginning in the 1980s with the Thatcher and Reagan “revolutions.” As British prime minister throughout the 1980s, Margaret Thatcher was devoted to the principles of

free enterprise, competition, and the market economy. She was a firm believer that state-owned enterprises were inefficient and politicized, and so she began selling off Britain's nationalized industries in the early 1980s. Industries privatized under Thatcher included the National Freight Corporation, part of British Aerospace, Cable and Wireless, British Oil, British Rail Hotels, Associated British Ports, the British water supply, and the country's bus systems.²¹ What began as a slow privatization push gained popularity by Thatcher's later terms in office, as each privatization helped to fund tax cuts, won political support from business and further weakened the opposition Labour Party. British Airways was privatized in 1987, as were Rolls Royce, the British Airports Authority, and the government's remaining shares of British Petroleum. British Steel was privatized in 1988.²² After Thatcher left office, privatizations that had been planned under her leadership—including the continued privatization of the electricity industry—were carried out by her successor, John Major.²³

Meanwhile, in the early 1980s in the United States, Ronald Reagan began espousing what has since become a key tenet of conservative political philosophy: that the nation's basic needs can best be met by private enterprise.²⁴ Such a philosophy was in line with Reagan's overall economic plan, "Reaganomics" or "trickle-down economics," based on a theory proposed by economist David Stockman. The theory called for a hands-off approach to fiscal management and major tax cuts for the wealthy captains of industry to encourage them to invest and thereby stimulate the economy. The program led to excessive budget deficits and was even denounced by Stockman himself at one point, nearly costing him his job.²⁵

In keeping with the privatization pushes of the Thatcher and Reagan administrations, widespread outsourcing and privatization spread to Latin America in the late 1980s and early 1990s. In 1990, economist John Williamson—an expert on international monetary and development issues—coined the phrase "Washington Consensus" to refer to Washington-based economic institutions' political advice to Latin American countries around 1989. These policies included fiscal discipline, tax reform, interest rate liberalization, trade liberalization, liberalization of inflows of foreign direct investment, privatization, deregulation, and secure property rights. Williamson's phrase soon became a synonym for "neoliberal policies" more generally, and the idea of the "Washington Consensus" continues to be pervasive throughout Western economies.²⁶

At the same time, privatization began to take hold in Eastern Europe as well, as economies there started transitioning from communism to capitalism. Eastern European privatization by necessity occurred on a much larger

scale than did privatization in the West, as each Eastern European country had thousands of state enterprises to privatize (compared with tens of enterprises to privatize in Western countries). Furthermore, Eastern European privatization posed a unique challenge in that it occurred in states that were only beginning to develop market economies, had few markets and very little private property at first, and did not have market-oriented legal systems.²⁷ Because no comparable privatization has ever taken place, Eastern European countries had no precedent on which to base their privatization policies. Most of the former socialist countries began with small-scale privatization, selling off small shops, bars, restaurants, and workshops at auctions. To privatize the large state enterprises, a number of countries—Czechoslovakia, Lithuania, Mongolia, Poland, Romania, Russia, and Latvia—adopted voucher privatization programs. The principle underlying such programs is that all resident citizens above a certain age receive an equal number of vouchers that can be exchanged, within a particular time period, for shares in thousands of enterprises that are to be privatized.²⁸ The key lesson derived from the postcommunist privatizations was that the transfer of ownership must happen as quickly and on as large a scale as possible because the state is even less able to manage enterprises during the transition than it was before.²⁹ There are interesting parallels between this and the current situation of co-deploying private and national military forces in theaters such as Iraq and Afghanistan, where the transition to the large-scale use of PSCs has been rocky at best and has challenged U.S. ability to manage its forces. Chapter 3 elaborates on these cases.

MILITARY OUTSOURCING IN THE UNITED STATES

Privatization of the defense sector in the United States took on new meaning in the post-Cold War era, as military downsizing and smaller defense budgets required the Pentagon to rethink how it did business. During the 1991 Persian Gulf War, one-tenth of the people deployed were private contractors. Then-Secretary of Defense Dick Cheney was determined to increase this ratio, and shortly thereafter he commissioned a study on how to quickly privatize the military bureaucracy. Interestingly, Cheney commissioned this study from the private sector itself, from a division of his own future firm, Halliburton.³⁰ The Pentagon carefully considered Halliburton's recommendations, but—somewhat ironically, given its later tendencies to outsource a broad range of government functions—found it necessary to commission a follow-up study within the government. This follow-up study by the Defense Science Board (DSB) Task Force examined outsourcing options for the DoD, publishing its

findings in August 1996 and citing earlier U.S. government policies that had relied on outsourcing to bolster its claims. For instance, it cited a 1955 statement by the Bureau of the Budget (the predecessor of the Office of Management and Budget): “The Federal Government will not start or carry on any commercial activity . . . for its own use if such product or service can be procured from private enterprise.”³¹ The Task Force’s recommendations were completely in line with this 1955 policy, reporting that “all DoD support services should be contracted out to private vendors except those functions which are inherently governmental or directly impact war-fighting capability, or for which no adequate private sector capability exists or can be expected to be established.”³² The report projected that the Pentagon could realize savings of 30 to 40 percent of function costs through such outsourcing practices, generating a potential total annual savings of \$7 to \$12 billion by fiscal year 2002.³³

A subsequent report by the Government Accountability Office (GAO) in December 1997 concluded that the Defense Science Board Task Force’s estimates in this 1996 report were overstated. Agreeing that the Pentagon would be able to achieve cost savings by outsourcing certain activities, the GAO found that there were many legislative barriers to outsourcing—thus, not all logistics activities could be outsourced, as the DSB Task Force had originally argued. The GAO further reported that the DSB’s cost savings estimates were overstated by approximately \$1 billion for contract administration and inventory reduction and by approximately \$1 billion more for reliability improvements. The GAO argued that correcting such overstatements would reduce the DSB’s projected savings by 30 percent.³⁴

This GAO report notwithstanding, Donald Rumsfeld spurred on defense privatization when he entered his post as President George W. Bush’s secretary of defense in 2001. On September 10, 2001, Rumsfeld spoke to the Pentagon officials in charge of overseeing defense contracting, stating:

The topic today is an adversary that poses a threat, a serious threat, to the security of the United States of America. This adversary is one of the world’s last bastions of central planning. It governs by dictating five-year plans. From the capital, it attempts to impose its demands across time zones, continents, oceans, and beyond. It disrupts the defense of the United States and places the lives of men and women in uniform at risk. Perhaps this adversary sounds like the former Soviet Union, but that enemy is gone: our foes are more subtle and implacable today . . . The adversary’s closer to home. It’s the Pentagon bureaucracy.³⁵