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Making big profit from conflict

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Waging war has become big business, and private military and security companies (PMSCs) have gained tremendous influence via the privatisation of large slices of military and security functions in international conflicts – in some instances, their personnel numbers well outstrip uniformed forces in war zones. In the first of a series on this complex subject, an expert analyst looks at how PMSCs have become big players in the business of conducting war.

It seems as if United States President Barack Obama has at long last decided to come true on his election promise.

He recently announced, to the appreciation of many of his supporters, that the pull-out of American troops from Iraq and Afghanistan is about to commence.

This announcement, which was later followed by Afghanistan President Hamid Karzai's unexpected order to ban private security companies from future work in Afghanistan, was surely met with much less enthusiasm by those making money from doing contract work for the military in conflict zones.

Just how much money is to be made becomes evident when it is noted that the cost of the wars in Iraq and Afghanistan to date stands at \$1.06 trillion.

The Obama administration, despite the plans to reduce the troops in Iraq and Afghanistan, has asked for \$708 billion for the US military for 2011. Of this, \$549bn is

earmarked for basic military expenditures and the remaining \$159bn for the wars in Iraq and Afghanistan.

Not only is the amount of \$708bn nearly equivalent to the military spending of all other nations in the world combined, but it is about seven times as much as China spends and 13 times as much as Russia.

If approved, it will be an increase in total defence spending of 2.2%, which is ironically 6.1% higher than peak defence spending during the George W. Bush administration.

A large percentage of the \$708bn will land up with a multitude of very satisfied private military contractors.

Arrival of the PMSCs

In recent years, particularly in the West, large slices of military and security sectors became privatised in the hands of private military and security contractors. In the process, a very lucrative but competitive business model developed.

The contributions of PMSCs to war efforts have now grown to a point where they have become indispensable. It is unimaginable that the US government could in future wage a war without the help and support of PMSCs.

A Pentagon official has admitted that, “We don’t have that organic capacity anymore, so we’re forced to go to war with contractors.”

The big PMSCs know this. Paul Lombardi, a former chief executive officer of Dyncorp – one of the major private military contractors in the US – once boasted: “You could fight without us, but it would be difficult.”

A recent Pentagon report estimated that the US Defense Department relies on 766 000 private contractors at an annual cost of about \$155bn.

A Washington Post study, which included all categories, estimated that the US Defense Department employs 1.2 million private contractors. Some estimates place the figure closer to 1.6 million.

PMSCs manifest in many different forms and some provide a myriad services. The trait of the PMSCs is that a particular service or function is provided on contract in exchange for payment that the principal, in this case the US military, is not prepared or equipped to do and would prefer to outsource.

Not a new concept

The concept of PMSCs is not new. It is, in fact, a very old practice and part of statecraft and warfare since the earliest of times. Some will refer to it in derogatory terms as

mercenary activity or more euphemistically, “entrepreneurial violence.” The extent to which PMSCs can be likened to mercenaries, if at all, is open for debate.

The current popular view seems to indicate there is general consensus that PMSCs have become accepted as an integral part of the military establishment. Attention should focus on how best to regulate it and prevent PMSCs from being exploited for mercenary and other illegal activities.

The extensive use by the United Nations, in Africa in particular, of PMSCs to carry out specific tasks in support of peacekeeping operations, has contributed significantly to soften criticism directed at these PMSCs.

Application

A growing number of states, international organisations, non-governmental organisations and multinational corporations are relying on services provided by PMSCs.

The US and Britain are the world’s most active users of PMSCs and provide the headquarters for the vast majority of private military and security contractors. It is not surprising that the US tops the list and exceeds the rest by the proverbial mile.

Already in 1961, in his farewell address to the American people, President Dwight Eisenhower warn against the danger of the “military-industrial complex” playing too much of a commanding role in the US economy.

Eisenhower’s warning was clearly not taken seriously and today, more than ever before, can the prominent and sometimes dominant role of the “military-industrial complex” be seen in the formulation of US policy, particularly foreign policy. So prominent is this influence that a perception is widely held that US foreign policy and US military policy are two sides of the same coin.

The “military-industrial complex”, many would argue, has become the mainstay of the US economy.

In 2008, according to an authoritative report, \$55.2bn was concluded in weapons deals worldwide. Of that total, the US was responsible for US\$37.8bn or 68.4% of the total weapons traded.

The American global monopoly of weapons sales is neither accidental nor unintentional. The constant and lucrative growth of this market keeps the massive weapons industry in the US afloat. It contributes significantly to the handsome profits announced annually in the financial reports of the many private companies that were contracted.

Any cutback in production will have dire consequences. Without its giant military jobs programme, the US unemployment rate would be over 11.5% instead of the present 9.5%. It came as no surprise that, when Defense Secretary Robert Gates recently

announced plans to cut spending on military contractors by more than a quarter over the next three years, he was immediately cautioned by members of Congress of the negative consequences of such a policy.

Not altruistic

There is a strong and not unfounded perception that the underlying reason for the US self-appointed task as the world's policeman is not as altruistic as Washington wants all to believe. The motive, so the argument goes, is much more selfish and driven by influence and profit.

To substantiate this argument, reference is made to the many highly placed and well-connected individuals involved in making and controlling US military policy. They are also the ones who profit when the US is at war. An illuminating example, one of many, is the case of the Science Applications International Corporation (SAIC).

SAIC is an \$8-billion private corporation involved in defence, intelligence and homeland security contracting. A significant number of influential members of the US national security establishment are directly linked to SAIC. Among them are John M. Deutch, undersecretary of Energy under President Jimmy Carter and CIA director under President Bill Clinton; Rear Admiral William F. Raborn, who headed the development of the Polaris submarine; and Rear Admiral Bobby Ray Inman, who served variously as director of the National Security Agency, deputy director of the CIA and vice director of the Defense Intelligence Agency. Before becoming the incumbent Secretary of Defense, Robert Gates was also a member of SAIC's board of directors.

Vested interest in conflict?

SAIC helped supply the faulty intelligence about Iraq's weapons of mass destruction, which generated ample contracts for SAIC in Iraq. When no weapons of mass destruction were found, SAIC personnel became part of the commission set up to investigate how American intelligence could have been so disastrously wrong.

During the watch of Donald Rumsfeld, the Bush administration's combative Secretary of Defense, the use of PMSCs in Iraq escalated to as many as 100 000 in an attempt to try to offset the pressure on the US armed forces.

By September 2009, the number of private contractors in Iraq had risen to about 114 000, compared with 130 000 military forces; while there were approximately 104 000 US-paid contractors in Afghanistan, compared with 64 000 uniformed personnel.

The privatisation of war and the use of private military and security contractors really took off during the Bush administration. The role of Vice President Dick Cheney and the strong lobby of private military contractors to make this possible are well documented.

Surprisingly, it seems as if there is no slowing down under President Obama.

