

Corporate Warriors: The Rise and Ramifications of the Privatized Military Industry

(International Security, Vol. 26, No. 3, Winter 2001/2002.)

A failing government trying to prevent the imminent capture of its capital, a regional power planning for war, a ragtag militia looking to reverse its battlefield losses, a peacekeeping force seeking deployment support, a weak ally attempting to escape its patron's dictates, a multinational corporation hoping to end constant rebel attacks against its facilities, a drug cartel pursuing high-technology military capabilities, a humanitarian aid group requiring protection within conflict zones, and the world's sole remaining superpower searching for ways to limit its military costs and risks.¹ When thinking in conventional terms, security studies experts would be hard-pressed to find anything that these actors may have in common. They differ in size, relative power, location in the international system, level of wealth, number and type of adversaries, organizational makeup, ideology, legitimacy, objectives, and so on.

There is, however, one unifying link: When faced with such diverse security needs, they all sought external military support. Most important is where that support came from: not from a state or even an international organization but rather the global marketplace. It is located here that a unique business form has arisen that I term the "privatized military firm" (PMF). PMFs are profit-driven organizations that trade in professional services intricately linked to warfare. They are corporate bodies that specialize in the provision of military skills—including tactical combat operations, strategic planning, intelligence gathering and analysis, operational support, troop training, and military technical assistance.² With the rise of the privatized military industry, actors in the global system can access capabilities that extend across the entire spectrum of military

activity—from a team of commandos to a wing of fighter jets—simply by becoming a business client.

PMFs represent the newest addition to the modern battlefield, and their role in contemporary warfare is becoming increasingly significant. Not since the eighteenth century has there been such reliance on private soldiers to accomplish tasks directly affecting the tactical and strategic success of engagement. With the continued growth and increasing activity of the privatized military industry, the start of the twenty-first century is witnessing the gradual breakdown of the Weberian monopoly over the forms of violence.³ PMFs may well portend the new business face of war.

This is not to say, however, that the state itself is disappearing. The story is far more complex than that. The power of PMFs has been utilized as much in support of state interests as against them. As Kevin O'Brien writes, "By privatizing security and the use of violence, removing it from the domain of the state and giving it to private interest, the state in these instances is both being strengthened and disassembled."⁴ With the growth of the privatized military industry, the state's role in the security sphere has become deprivileged, just as it has in other international arenas such as trade and finance.

The aim of this article is to introduce the privatized military industry. It seeks to establish a theoretical structure in which to study the industry and explore the industry's impact on the overall risks and dynamics of warfare. The first section discusses the emergence and global spread of PMFs, their distinguishing features, and the reasons behind the industry's rise. The second section examines the organization and operation of this new player at the industry level of analysis (as opposed to the more common focus on individual firms). This allows the classification of the industry's key characteristics and variation. The third section offers a series of propositions that suggest potential consequences of PMF activity on international security. It also demonstrates how

critical issue areas such as alliance patterns and civil-military relations must be reexamined in light of the possibilities and complications that this nascent industry presents.

The Emergence of the Privatized Military Industry

The activity and significance of the privatized military industry have grown tremendously, yet its full scope and impact remain underrealized. The following section explains the emergence of this phenomenon. It begins by exploring how widespread and important the PMF business has become. It then briefly examines the history of past profit-motivated actors in the military realm, with an eye toward establishing the distinguishing factors of this latest corporate form. Finally, it lays out the causal synergy of forces that led to the PMF industry's rise, including changes in the market of security after the end of the Cold War, transformations in the nature of warfare, and normative shifts toward privatization and broader outsourcing trends.

THE GLOBAL REACH OF THE PRIVATIZED MILITARY INDUSTRY

The last decade witnessed a surge in PMF activity around the globe. PMFs have operated in relative backwaters, key strategic zones, and rich and poor states alike (see Figure 1). For example, Saudi Arabia's military relies almost completely on a multiplicity of firms to provide a variety of services—from operating its air defense system to training and advising its land, sea, and air forces. Even Congo-Brazzaville, with less strategic importance and wealth, once depended on a foreign corporation to train and support its military—in this case from Levdan, an Israeli firm. PMFs have also influenced the process and outcome of numerous conflicts. They are credited, for example,

with being or having been a determinate actor in wars in Angola, Croatia, Ethiopia-Eritrea, and Sierra Leone.

Figure 1: The Global Activity of the Privatized Military Industry, 1991-2001



(Areas where PMFs have been active in **bold**)

The privatized military industry's reach extends even to the world's remaining superpower. Every major U.S. military operation in the post-Cold War era (whether in the Persian Gulf, Somalia, Haiti, Zaire, Bosnia, or Kosovo) has involved significant and growing levels of PMF support. The 1999 Kosovo operations illustrate this trend. Before the conflict, PMFs supplied the military observers who made up the U.S. contingent of the international verification mission assigned to the province. When the air war began, other PMFs not only supplied the logistics and much of the information warfare aspects of the NATO campaign against the Serbs, but they also constructed and operated the refugee camps outside Kosovo's borders.⁵ In the follow-on KFOR peacekeeping operation, PMFs expanded their role to include, for example, provision of critical aerial surveillance for the force.⁶ The U.S. military has also employed PMFs to perform a range of other services—from military instruction in more than 200 ROTC programs to operation of the computer and communications systems at NORAD's Cheyenne Mountain base, where the U.S. nuclear response is coordinated.⁷

Individuals, corporations, states, and international organizations are increasingly relying on military services supplied not by public institutions but by the private market. Unfortunately, our understanding of this market is limited theoretically, conceptually, and even geographically. Much of what has been written on PMFs focuses on individual company case studies and is confined to specific regions (usually in Africa), not on the industry more broadly.⁸ Moreover, there have been no theoretically grounded frameworks of analysis to elucidate the variation in PMF activity or their impact, no attempts to examine the industry from either an economic or a political perspective, no comparative analyses of PMFs with firms in other industries or within the PMF industry itself, and no explorations of what the presence of these firms signifies for security studies. In addition, much of the existing literature is highly polarized, aimed at either extolling PMFs or condemning their mere existence.⁹ And because the firms and their opponents are usually focused on promoting their agendas, rather than on broadening understanding, they often misuse this literature for their own ends.

PRIVATE MILITARIES IN HISTORY: DISTINGUISHING THE CORPORATE WAVE

A general assumption about warfare is that it is engaged in by public militaries (i.e., armies of citizens) fighting for a common political cause. This assumption, however, is an idealization. Throughout history, participants in war have often been for-profit private entities, loyal to no one government. Indeed the state monopoly over violence is the exception in history rather than the rule.¹⁰ Every empire, from Ancient Egypt to Victorian England, utilized contract forces. As Jeffrey Herbst notes, “The private provision of violence was a routine aspect of international relations before the twentieth century.”¹¹

In the grand scheme, the modern state is a relatively new form of governance, appearing only in the last 400 years, and did itself draw extensively from private military sources to consolidate its power.¹² Even in the modern period, when states began to predominate, organized private militaries remained active players. For example, the overwhelming majority of forces in the Thirty Years' War (1618–48) and the ensuing half-century of fighting were privately contracted, as were the generals who led them.¹³ Like the post–Cold War period, the seventeenth century was a time of systemic transition, when governments were weakened and military services available on the open market. During the following era of colonial expansion, trading entities such as the Dutch and English East Indies Companies operated as near-sovereign powers, commanding armies and navies larger than those in Europe, negotiating their own treaties, governing their own territory, and even minting their own money.¹⁴ These firms dominated in non-European areas considered beyond the accepted boundaries of the sovereign system, such as on the Indian subcontinent, where local capabilities were weak and transnational companies the most efficiently organized units—again, similar to many areas of the world today.

By the twentieth century, the state system and the concept of state sovereignty had spread across the globe. Norms against private armies had begun to build in strength as well. Once organized into large integrated enterprises, the primary players in the private military trade were freelancing ex-soldiers (what we conceive of today as mercenaries), motivated essentially by personal gain. Mercenaries, it should be noted, are conventionally understood to be individual-based in unit of operation and thus ad hoc in organization (*Les Affreux*, the Terrible Ones, of the Congo conflict in the 1960s are the archetype). They work for only one client and, focused as they are on combat, provide only one service: guns for hire. Although their trade is technically banned

by international law, mercenaries remain active in nearly every ongoing conflict. But because of their ad hoc nature, they lack cohesion or discipline, and thus their strategic impact is limited.¹⁵

Today's PMFs represent the evolution of private actors in warfare, yet they are fundamentally different. The critical analytic factor is their modern corporate business form. PMFs are hierarchically organized into incorporated and registered businesses that trade and compete openly on the international market, link to outside financial holdings, recruit more proficiently than their predecessors, and provide a wider range of military services to a greater variety and number of clients. Corporatization not only distinguishes PMFs from mercenaries and other past private military ventures, but it also offers certain advantages in both efficiency and effectiveness.

PMFs operate as companies first and foremost, focusing on their relative advantages in the provision of military services. As business units, they are often tied through complex financial arrangements to other firms, both within and beyond their own industry. Many of the most active firms—such as MPRI (which boldly proclaims in its advertisements to have "the greatest corporate assemblage of military expertise in the world"), Armorgroup, and Vinnell—are subsidiaries of larger corporations listed on public stock exchanges. For military-oriented multinational corporations (MNCs) such as Dyncorp and TRW, the addition of military services to their list of offerings helps them to maintain profitability in times of shrinking public contracts. For companies such as mining and energy MNCs that are not directly involved in security issues, links with PMFs provide an easy means for them to manage their political risks abroad.

Corporatization also means that PMFs are profit-driven businesses. Instead of relying on the ad hoc, black-market structuring and payment system associated with mercenaries, PMFs maintain permanent corporate hierarchies. As a result, they can make use of complex corporate financing—ranging from the sale of stock shares to intrafirm trade—and can engage in a wider

variety of deals and contracts. In comparison, mercenaries tend to demand payment in hard cash and cannot be relied on beyond the short term. Thus for PMFs, it is not the people who matter but the structure they are within. Many PMF employees have been mercenaries at one time or another, but the processes of their hire, their relationships to clients, and their impacts on conflicts have been very different.

Also unlike mercenaries, privatized military firms compete on the open global market. PMFs are considered legal entities that are contractually bound to their clients. In many cases, they are at least nominally tied to their home states through laws requiring registration and licensing of foreign contracts. Rather than denying their existence, as many mercenaries do, most PMFs publicly advertise their services, including on the World Wide Web.¹⁶

Finally, PMFs offer a much wider array of services to a greater variety of clients than do mercenaries. As one executive notes, PMFs are “structured organizations with professional and corporate hierarchies... We cover the full spectrum—training, logistics, support, operational support, post-conflict resolution.”¹⁷ Moreover, PMFs can work for multiple clients in multiple markets/theaters at once—something mercenaries could never do.

REASONS BEHIND MILITARY PRIVATIZATION

The confluence of three momentous dynamics—the end of the Cold War and the vacuum this produced in the market of security, transformations in the nature of warfare, and the normative rise of privatization—created a new space and demand for the establishment of the privatized military industry. Importantly, few changes appear to loom in the near future to counter any of these forces. As such, the industry is distinctly representative of the changed global security environment at the start of the twenty-first century.

THE GAP IN THE MARKET OF SECURITY. Massive disruptions in the supply and demand of capable military forces after the end of the Cold War provided the immediate catalyst for the rise of the privatized military industry. With the end of superpower pressure from above, a raft of new security threats began to appear after 1989, many involving newly emerging ethnic or internal conflicts. Likewise, nonstate actors with the ability to challenge and potentially disrupt world society began to increase in number, power, and stature. Among these were local warlords, terrorist networks, international criminals, and drug cartels. These groups reinforce the climate of insecurity in which PMFs thrive, creating new demands for such businesses.¹⁸

An additional factor is that the Cold War was a historic period of hypermilitarization. Its end thus sparked a chain of military downsizing around the globe. In the 1990s, the world's armies shrank by more than 6 million personnel. As a result, a huge number of individuals with skill sets uniquely suited to the needs of the PMF industry, who were often not ready for the transition to civilian life, found themselves looking for work.¹⁹ Complete units were cashiered, and many of the most elite units (such as the South African 32d Reconnaissance Battalion and the Soviet Alpha special forces unit) simply kept their structure and formed their own private companies. Line soldiers were not the only ones left jobless; it is estimated that 70 percent of the former KGB joined the industry's ranks. Meanwhile, massive arms stocks opened up to the market: Machine guns, tanks, and even fighter jets became available to anyone who could afford them.²⁰ Thus downsizing fed both supply and demand, as new threats emerged and demobilization created fresh pools of PMF labor and capital.

At the same time, there has been a decrease in the capabilities of states to respond to many of the threats. Shorn of their superpower support, a number of states have suffered breakdowns in governance. This has been particularly true in developing areas, where many regimes possess sovereignty in name only and lack any real political authority or capability.²¹ The result has been

failing states and the emergence of new areas of instability. Given their often poorly organized local militaries and police forces, the security apparatuses of these regimes can be exceptionally deficient, resulting in a near military vacuum. Moreover, the almost complete absence of functioning state institutions has meant that outsiders have begun to assume a wider range of political roles traditionally reserved for the state. Among these is the provision of security.²²

The traditional response in dealing with areas of instability used to be outside intervention, typically by one of the great powers. The end of the Cold War, however, reordered these states' security priorities. The great powers are no longer automatically willing to intervene abroad to restore stability. Devoid of ideological or imperial value, conflicts in many developing regions no longer pose serious threats to the national interests of these powers. In addition, public support is more difficult to garner. As a result, intervention into potential quagmires against diffuse enemies has become less palatable and the potential costs less bearable. Casualty figures beyond single digits are routinely seen as a political, and thus a military, defeat.²³

PMFs aim to fill this void. They are eager to present themselves as businesses with a natural niche in an often-complicated, post-Cold War world order. As one company executive explains, "The end of the Cold War has allowed conflicts long suppressed or manipulated by the superpowers to re-emerge. At the same time, most armies have got smaller and live footage on CNN of United States soldiers being killed in Somalia has had staggering effects on the willingness of governments to commit to foreign conflicts. We fill the gap."²⁴

TRANSFORMATIONS IN THE NATURE OF WARFARE. Concurrent with the reordering of the security market are two other critical underlying trends. First, warfare itself has been undergoing revolutionary change at all levels. At high-intensity levels of conflict, the military operations of great powers have become more technologic and thus more reliant on

civilian specialists to run their increasingly sophisticated military systems. At low-intensity levels, the primary tools of warfare have not only diversified but, as stated earlier, have become more available to a broader array of actors. As a result, the motivations behind many conflicts in the developing world are increasingly criminalized or defined by the profit motive in some way. Both directly and indirectly, these parallel changes have heightened demand for services provided by the privatized military industry.

Until recently, wars were decided by Clausewitzian clashes of great numbers of men fighting it out on extended fronts. With the growing access to sophisticated technology, however, strategic consequences can now be achieved by relative handfuls, sometimes even by individual soldiers who are not even on the battlefield. According to this concept of the "revolution in military affairs," the nature of the professional soldier and the execution of high-intensity warfare is changing.²⁵ Fewer individuals are doing the actual fighting, while massive support systems are required to upkeep the world's most modern forces.

The requirements of high-technology warfare have also dramatically increased the need for specialized expertise, which often must be drawn from the private sector. For example, recent U.S. military exercises reveal that its "army of the future" will be unable to operate without huge levels of technical and logistics support from private firms.²⁶ Other advanced powers are also setting out to privatize key military services. Great Britain, for instance, recently contracted out its aircraft support units, tank transport units, and aerial refueling fleet—all of which played vital roles in the 1999 Kosovo campaign.²⁷ Another change in the postmodern battlefield requiring greater civilian involvement is the growing importance of information dominance (particularly when the military's ability to retain individuals with highly sought-after and well-paying information technology skills is well-nigh impossible). As one expert notes, "The U.S. army has

concluded that in the future it will require contract personnel, even in the close fight area, to keep its most modern systems functioning. This applies especially to information-related systems. Information-warfare, in fact, may well become dominated by mercenaries.”²⁸

At the same time, the motivations behind warfare also seem to be in flux. This has been particularly felt at low-intensity levels of conflict, where weak state regimes are facing increasing challenges. The state form triumphed because it was the only one that could harness the men, machinery, and money required to take full advantage of the tools of warfare.²⁹ This monopoly of the nation-state, however, is over. As a result of changes in the nature of weapons technology, individuals and small groups can now easily purchase and wield relatively massive amounts of power. This plays out in numerous ways, the most disruptive of which may be the global spread of cheap infantry weapons, the primary tools of violence in low-intensity warfare. Their increased ease of use and devastating potential is reshaping local balances of power. Almost any group operating inside a weak state can now acquire at least limited military capabilities, thus lowering the bar for creating viable threats to the status quo.³⁰

Importantly, this shift encourages the proliferation and criminalization of local warring groups. According to one expert in contemporary warfare, "With enough money anyone can equip a powerful military force. With a willingness to use crime, nearly anyone can generate enough money."³¹ As a result, conflicts in a number of places (Columbia, Congo, Liberia, Tajikistan, etc.) have lost any of the ideological motivation they once possessed and instead have become more about petty groups fighting to grab local resources. Warfare itself thus becomes self-perpetuating, as violence generates personal profit for those who wield it most effectively (which often means most brutally), while no one group can eliminate the others.³² PMFs thrive in

such profit-oriented conflicts, either working for these new conflict groups or reacting to the humanitarian disasters they create.

THE POWER OF PRIVATIZATION AND THE PRIVATIZATION OF POWER. Finally, the last few decades have been characterized by a normative shift toward the marketization of the public sphere. As one analyst puts it, the market-based approach toward military services is “the ultimate representation of neo-liberalism.”³³

The privatization movement has gone hand in hand with globalization: Both are premised on the belief that the principles of comparative advantage and competition maximize efficiency and effectiveness. Fueled by the collapse of the centralized systems in the Soviet Union and in Eastern Europe, and by successes in such places as Thatcherite Britain, privatization has been touted as a testament to the superiority of the marketplace over government. It reflects the current assumption that the private sector is both more efficient and more effective. Harvey Feigenbaum and Jeffrey Henig sum up this sentiment: “If any economic policy could lay claim to popularity, at least among the world’s elites, it would certainly be privatization.”³⁴ Equally, in modern business, outsourcing has become a dominant corporate strategy and a huge industry in its own right. Global outsourcing expenditures will top \$1 trillion in 2001, having doubled in just the past three years alone.³⁵

Thus, turning to external, profit-motivated military service providers has become not only a viable option but also the favored solution for both public institutions and private organizations. The successes of privatization programs and outsourcing strategies have given the market-based solution not only the stamp of legitimacy, but also the push to privatize any function that can be handled outside government. As a result, the momentum of privatization has spread to areas that were once the exclusive domain of the state. The last decade, for example, was marked by the cumulative externalization of functions that were once among the nation-state's defining

characteristics, including those involving schools, welfare programs, prisons, and defense manufacturers (e.g., Aerospatiale in France and British Aerospace). In fact, the parallel to military service outsourcing is already manifest in the domestic security market, where in states as diverse as Britain, Germany, the Philippines, Russia, and the United States, the number of private security forces and the size of their budgets greatly exceed those of public law-enforcement agencies.³⁶

That the norm of privatization would cross into the realm of military services is not surprising. As Sinclair Dinnen notes, “The current revival in private military security is broadly consistent with the prevailing orthodoxy of economic rationalism, with its emphasis on ‘downsizing’ government and large-scale privatization.”³⁷ The privatized military industry has thus drawn on precedents, models, and justifications from the wider “privatization revolution,” allowing private firms to become potential, and perhaps even the preferred, providers of military services.

Organization and Operation of the Privatized Military Industry

This section explores the structure of the privatized military marketplace. It then develops a system of classification that captures the key internal variation of this marketplace.

INDUSTRY CHARACTERISTICS

The privatized military industry is not an overly capital-intensive sector, particularly compared to such traditional industries as manufacturing. Nor does it require the heavy investment needed to maintain a public military structure (from bases in important congressional districts to untouchable pension plans). The barriers to entry are relatively low, as are the economies of scale. Whereas state militaries require regular, substantial budget outlays to sustain themselves, PMFs need only a

modicum of financial and intellectual capital. All the necessary tools are readily available on the open market, often at bargain prices from the international arms bazaar. The labor input—predominantly former soldiers with skill sets unique to the industry—is also relatively inexpensive and widely available. Spurring their recruitment is the comparatively low pay and declining prestige of many state militaries: PMF employees tend to receive two to ten times as much as they did in the military, allowing the best and brightest to be lured away.

The expansion of the privatized military industry has been acyclical, with revenues continually rising. This is another way of saying that economic and political crises are fueling demand beyond the sector itself. The secretive nature of the industry prevents exact data collection, but best estimates suggest annual revenues of as much as \$100 billion. Over the next few years, revenues are expected to increase about 85 percent in industrial countries and 30 percent in developing countries, a further indication of the industry's robust health and growing power.³⁸

Many PMFs operate as “virtual companies.” Similar to Internet firms that limit their expenditure on fixed (brick and mortar) assets, most PMFs do not maintain standing forces but rather draw from databases of qualified personnel and specialized subcontractors on a contract-by-contract basis.³⁹ This globalization of resource allocation builds greater efficiency with less operational slack.

The overall number of firms in the industry is in the high hundreds, with market caps ranging from a few hundred thousand dollars to twenty billion dollars. A rapid consolidation of the industry into larger transnational firms, however, is under way. The 1997 merger of the London-based Defense Service Limited with the U.S. firm Armor Holdings and the purchase of MPRI by L-3 in 2000 exemplify this trend. Having made twenty global acquisitions in the last three years,

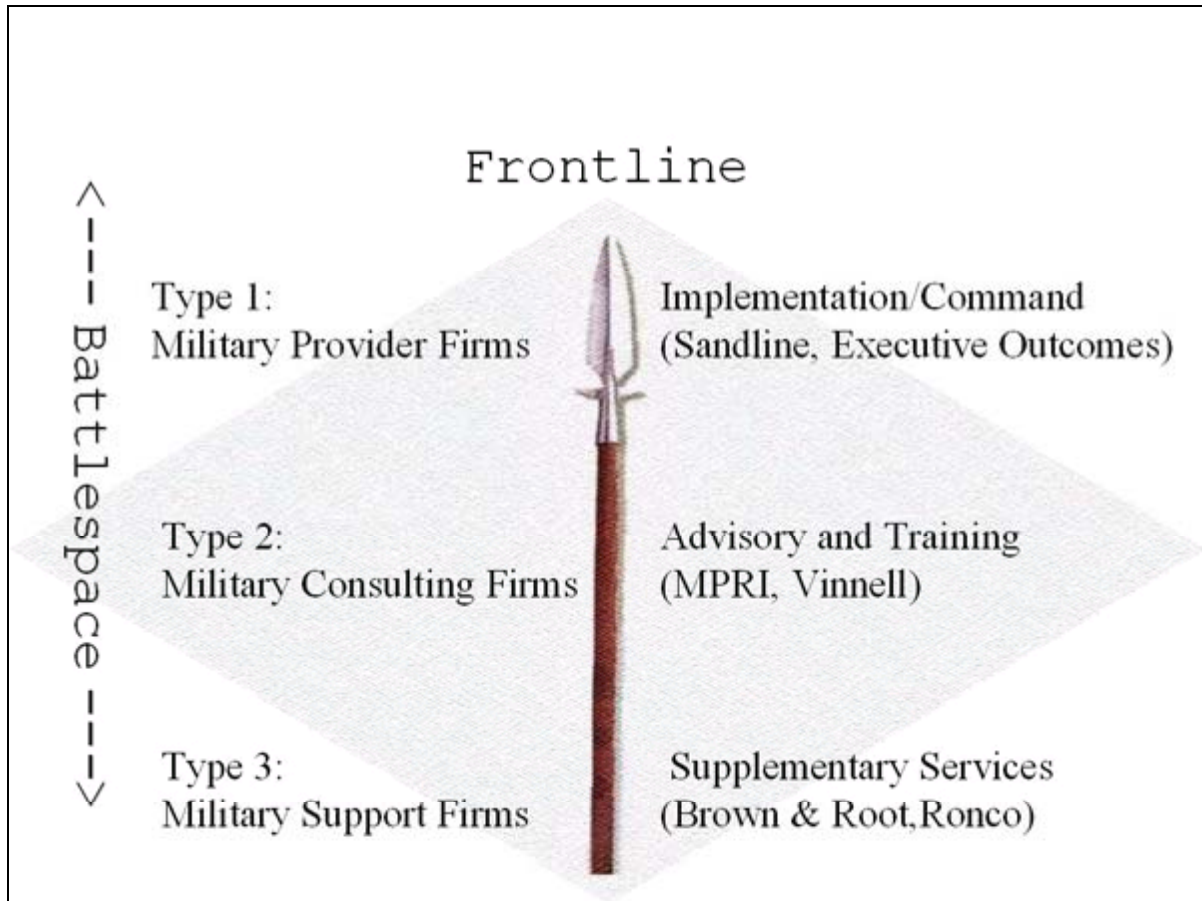
Armor Holdings is notable for having been named among *Fortune* magazine's 100 fastest-growing companies in both 1999 and 2000, one of the few non-high-technology firms to do so.⁴⁰

The reason for this industry consolidation centers on the global branding necessary to compete in the world market. The big international companies have social capital and established records that allow them to increase their market share rapidly, while more easily offering a wider range of services to tackle complex security situations. There remains a niche, however, for more aggressive smaller firms that can make informal deals that bigger firms cannot. Such companies can more easily insinuate themselves into the political networks of local regimes or utilize the barter system of payment. Larger firms, with their more highly scrutinized accounting procedures and monitoring by institutional investors, are restricted from engaging in such practices.

INDUSTRY CLASSIFICATION: THE TIP-OF-THE-SPEAR TYPOLOGY

Not all PMFs look alike, nor do they serve the same market. The privatized military industry is organized according to the range of services and levels of force that its firms are able to offer. Figure 2 illustrates the organization of firm types, drawn in part from an analogy in military thought—the “tip of the spear” metaphor. According to this typology, units in the armed forces are distinguished by their location in the battlespace in terms of level of impact, training, prestige, and so on. Importantly, this categorization is also correlated with how business chains in the outsourcing industry as a whole break down, thus allowing useful cross-field parallels and lessons to be drawn. The industry is divided into three types: (1) military provider firms, (2) military consulting firms, and (3) military support firms.

Figure 2
The “Tip of the Spear” Typology: PMFs Distinguished by Range of Services and Force Levels



TYPE 1. Military provider firms focus on the tactical environment. They offer services at the forefront of the battlespace, engaging in actual fighting or direct command and control of field units, or both. In many cases, they are utilized as “force multipliers,” with their employees distributed across a client’s force to provide leadership and experience. Clients of type 1 firms tend to be those with comparatively low military capabilities facing immediate, high-threat situations. PMFs such as Executive Outcomes and Sandline that offer special forces-type services are classic examples of type 1 privatized implementers. Other firms with battlefield capabilities include Airscan, which can perform aerial military reconnaissance. Nonmilitary corollaries to type 1 firms

include sales brokers, who represent manufacturers that have outsourced their retail forces, and “quick fill” contractors in the computer programming industry.

TYPE 2. Military consulting firms provide advisory and training services. They also offer strategic, operational, and organizational analysis that is often integral to the function or restructuring of armed forces. Their ability to bring to bear a greater amount of experience and expertise than almost any standing force can delegate on its own represents their primary advantage over in-house operations. MPRI, for example, has on call the skill sets of more than 12,000 former military officers, including four-star generals.

The critical difference between type 1 and type 2 firms is the “trigger finger” factor; the task of consultants is to supplement the management and training of client military forces, not to engage in combat. Although the presence of a type 2 firm can reshape the strategic and tactical environment, the clients bear the final battlefield risks. Type 2 customers are usually in the midst of force restructuring or aiming for a transformative gain in capabilities. Their needs are not as immediate as those of type 1 clients, and their contract requirements are more long term and often more lucrative. Examples of type 2 firms include Levdan, Vinnell, and MPRI. The best nonmilitary corollaries are management consultants with similar subsector divisions. Some firms, such as McKinsey, focus on strategic issues (as does MPRI) while others, such as Accenture, focus on more technical issues (as does SAIC).

TYPE 3. Military support firms provide rear-echelon and supplementary services. Although they do not participate in the planning or execution of direct hostilities, they do fill functional needs—including logistics, technical support, and transportation—critical to overall combat operations that fall within the military sphere. The most common clients of type 3 firms are those

engaged in immediate, but long-duration, interventions (i.e., standing forces and organizations requiring a surge capacity).

Whereas type 1 and type 2 firms tend to resemble what economists refer to as "free-standing" companies (i.e., companies originally established for the purpose of utilizing domestic capital advantages to serve targeted external markets), type 3 firms are more similar to traditional MNCs.⁴¹ Seeking to maximize their established commercial capabilities, these firms have typically expanded into the new military support market after having achieved dominance in their earlier ventures. For example, Ronco, which was once only a development assistance company, has moved into demining. Meanwhile, the Brown & Root Services division of Halliburton, which originally focused on domestic construction for large-scale civilian projects, has found the military engineering sector to be profitable as well. Brown & Root has augmented U.S. forces in Somalia, Haiti, Rwanda, and Bosnia, and most recently secured a \$1 billion contract to support U.S. forces in Kosovo. Besides the dual-market firms listed above, civilian corollaries to type 3 firms include supply-chain management firms.

Implications of the Privatized Military Industry for International Security

Although there have been numerous descriptions of PMFs and their activities, propositions about the consequences of the privatized military industry for international security are meager.

Questions such as what types of firms are likely to cause what kinds of consequences, and under what conditions, are largely undiscussed. This section offers a series of general hypotheses that highlight some of the potential impacts of this industry on international security.⁴² Each is deductively sound; has survived plausibility probes; and in most cases has anecdotal or historical

support, or both. Taken together they set the stage for further empirical examination and, in some cases, generate policy prescriptions. Finally, they suggest explanations and predictions that a conventional security studies approach, not taking into account the potential impact of the industry, cannot generate.

The likely consequences of PMF activity fall into three broad categories, each briefly analyzed below (see also Table 1). The first subsection examines the introduction of business contractual dilemmas into the security environment. The second investigates the potential impact of military market dynamics and disruptions on security relations. The third explores the policy impact of PMFs acting as alternative military actors.

Table 1. The Impact of the Privatized Military Industry on International Security

Proposition	Relevant Effects by Firm Type	Example Conflicts
1) The privatized military industry introduces contractual dilemmas into international security.		
A) Military outsourcing heightens incomplete information and monitoring difficulties.	Cheating -- 1,2,3 Not Work to Peak Efficiency/Prolong Conflict --1,3	Bosnia, Ethiopia, Haiti , Kosovo
B) Military outsourcing risks critical losses of control.	Cut and run --1,3 Takeover/defection -- 1	Congo, Persian Gulf, Sierra Leone
C) Military outsourcing introduces novel incentive measures.	Faustian bargains -- 1 Strategic privatization -- 1	Angola, Papua New Guinea, Sierra Leone
2) The privatized military industry introduces market disruptions and dynamics into international security.		
A) The private military market makes power more fungible.	Easier to initiate war -- 1,2,3 Surge capacity --1,3 Force multiplier --1,2,3	Croatia, Ethiopia, Kosovo, Saudi Arabia
B) A dynamic market complexifies the balance of power.	Balance less predictable -- 1,2 Deterrence more intricate --1, 2 Arms control more difficult -- 1, 2	Congo, Croatia, Ethiopia
C) The private military market alters alliance behavior.	Shifts patron-client relations -- 1,2,3 Burdensharing less necessary -- 1,3 New forms of military assistance -- 1,2	Bosnia, Croatia, Macedonia, Papua New Guinea
D) The market empowers non-state actors.	Anti-state groups able to access state-like capabilities -- 1,2,3 International organizations less restricted by member state shortfalls -- 1,3	Angola, Congo, Colombia, East Timor, Liberia
E) The market effects the respect of human rights within conflicts.	Moral hazard, adverse selection, and diffusion of responsibility vs. market constraints, and reputational concerns -- 1,2	Angola, Croatia, Peru, Sierra Leone
3) The privatized military industry introduces alternative military actors into policy.		
A) PMFs alter local civil-military relations.	Threaten balance by displacement, jealousy concerns -- 1,2 Reinforce through professionalization, focus, deterrence -- 1,2,3	Croatia, Nigeria, Papua New Guinea, Sierra Leone
B) PMFs may be used to trump public policy limitations.	Executive branch evades legislative limits -- 2,3 Use of policy proxies may backfire -- 1,2	Bosnia, Colombia, United States, Sierra Leone

CONTRACTUAL DILEMMAS

The pull between economic incentives and political exigency has created intriguing dilemmas for the privatized military industry. At issue are divided loyalties and different goals. Clear tensions exist between a PMF client's security objectives and a firm's desire to maximize profit. Put another way, the public good and a private company's good often conflict. A firm may claim that it will act only in its client's best interests, but this may not always be true. Because the locus of judgment has shifted from the client to the PMF, the PMF is now the agent enacting decisions critical to the security of the principal. Thus, in many cases a distinctive twist on conventional principal-agent concerns emerges. The following sections consider how concerns that arise in any normal contracting environment—for example, incomplete information and monitoring, loss of control, and the difficulties of aligning incentives—are further complicated when business takes place in the military environment.

INCOMPLETE INFORMATION AND MONITORING DIFFICULTIES. Problems of incomplete information and monitoring generally accompany outsourcing. Yet these are intensified in the military realm because few clients have experience in contracting with security agents. In most cases, there is either little oversight or a lack of clearly defined requirements, or both. Add in the fog of war, and proper monitoring becomes extremely difficult. Moreover, PMFs are usually autonomous and thus require extraterritorial monitoring. And at times, the actual consumer may not be the contracting party: Some states, for example, pay PMFs to supply personnel on their behalf to international organizations.

Another difficulty is the firms' focus on the bottom line: PMFs may be tempted to cut corners to increase their profits. No matter how powerful the client, this risk cannot be

completely eliminated. During the Balkans conflict, for example, Brown & Root is alleged to have failed to deliver or severely overcharged the U.S. Army on four out of seven of its contractual obligations.⁴³

A further manifestation of this monitoring difficulty is the danger that PMFs may not perform their missions to the fullest. PMFs have incentives not only to prolong their contracts but also to avoid taking undue risks that might endanger their own corporate assets. The result may be a protracted conflict, which perhaps could have been avoided if the client had built up its own military forces or more closely monitored its private agent. This was certainly true of mercenaries in the Biafra conflict in the 1970s, and many suspect that this was also the case with PMFs in the Ethiopia-Eritrea conflict in 1997–99. In the latter instance, the Ethiopians essentially leased a small but complete air force from the Russian aeronautics firm Sukhoi—including a wing of Su-27 jet fighter planes, pilots, and ground staff. Some contend, though, that this private Russian force failed to prosecute the war fully—for example, by rarely engaging Eritrea’s air force, which itself was rumored to have hired Russian and Ukrainian pilots.⁴⁴

A CRITICAL LOSS OF CONTROL. As PMFs become increasingly popular, so too does the danger of their clients becoming overly dependent on their services. Reliance on a private firm means that an integral part of one’s strategic success is vulnerable to changes in market costs and incentives. This can result in two potential risks to the security of the client: (1) the agent (the firm) might leave its principal (the client) in the lurch, or (2) the agent might gain dominance over the principal.

A PMF may have no compunction about suspending a contract if a situation becomes too risky, in either financial or physical terms. Because they are typically based elsewhere, and in the absence of applicable international laws to enforce compliance, PMFs face no real risk of

punishment if they or their employees defect from their contractual obligations. Industry advocates dismiss these claims by noting that firms failing to fulfill the terms of their contracts would sully their reputation, thus hurting their chances of obtaining future contracts. Nevertheless, there are a number of situations in which shorter-term considerations could prevail over long-term market punishment. In game-theoretic terms, each interaction with a private actor is *sui generis*. Exchanges in the international security market take the form of one-shot games, rather than guaranteed repeated plays.⁴⁵ Sierra Leone faced such a situation in 1994, when the type 1 firm that it had hired (the Gurkha Security Guards, made up primarily of Nepalese soldiers) lost its commander in a rebel ambush. Reports suggest that the commander was later cannibalized. The firm decided to break its contract, and its employees fled the country, leaving its client without an effective military option until it was able to hire another firm.⁴⁶

The loss of direct control as a result of privatization carries risks even for strong states. For U.S. military commanders, an added worry of terrorist targeting or the potential use of weapons of mass destruction is that their forces are more reliant than ever on the surge capacity of type 3 support firms. The employees of these firms, however, cannot be forced to stay at their posts in the face of these or any other dangers.⁴⁷ Because entire functions, such as weapons maintenance and supply, have become completely privatized, the entire military machine would break down if even a modest number of PMF employees chose to leave.

In addition to sometimes failing to fulfill their contractual obligations, type 1 firms may pose another risk. In weak or failed states, PMFs, which are often the most powerful force on the local scene, may take steps to protect their own interests. Thus early termination of a contract, dissatisfaction with the terms of payment, or disagreements over specific orders could lead to unpleasant repercussions for a weak client. Indeed the corporate term "hostile takeover" may

well take on new meaning when speaking of the privatized military industry. The precedent does exist—from the *condottieri*, who took over their client regimes in the Middle Ages to the 1969 Mercenary Revolt in Zaire. More recently, there is continued suspicion that in 1996 Executive Outcomes helped to oust the leader of Sierra Leone, who headed the very regime that had hired it, in favor of another local general with whom the firm’s executives had a better working relationship.⁴⁸

NOVEL INCENTIVE MEASURES. Another risk of outsourcing is that a firm’s motivations to fight may differ from those of its client. This is particularly a problem for clients that contract type 1 firms—clients that are often those most in need yet least able to pay and thus at the highest risk of default. In a number of cases, this imbalance has led to the creation of curious structures that attempt to align client and firm incentives. In a sort of Faustian bargain, a client locks in a firm's loyalties by mortgaging valuable public assets, usually to business associates of the PMF. This often takes place through veiled privatization programs.⁴⁹ To be paid, firms must protect its new, at-risk assets, effectively tying its fortunes to those of its client. This was how cash-poor regimes in Angola, Papua New Guinea, and Sierra Leone allegedly compensated their PMFs—specifically, by selling off mineral and oil rights to related companies. Rebel groups in Sierra Leone and Angola are also rumored to have reached similar arrangements with rival corporations. The result in the long term is that potentially valuable resources for the nation as a whole are lost forever to meet short-term exigencies.

“Strategic privatization,” in which the asset being traded as payment is located within an opponent’s territory (e.g., a lucrative mine), provides an added variation. Even if during an intrastate conflict the regime is not in military control of certain public assets, as the internationally recognized sovereign, it can still legally privatize and sell them to a PMF or its associates in return

for the PMF's services. In this case, the PMF must seek out and attack the government's opponent to secure payment. This represents a modern parallel to Michael Doyle's notion of "imperialism by invitation," whereby parties that control ties to the international market acquire more power than their local rivals.⁵⁰ The Angolan government has been most effective at using this strategy, selling concessions that have placed mining companies and their type 1 protectors astride its opponent's lines of communication, thus adding to the government's recent strategic gains.

These are only a few of the complications to consider when outsourcing military services. Other questions include: How would bankruptcies or mergers affect the continuation of services to a client? What would happen in the event of a foreign takeover of the parent company, if the new owners were opposed to a PMF's operations? Would an optimum strategy for a losing opponent be to attempt a financial takeover of the corporate boardroom rather than to engage on the battlefield? Each scenario leads to different empirical expectations other than using one's own military, and each requires internally focused contractual monitoring mechanisms to address such contingencies.

MARKET DYNAMICS AND DISRUPTIONS

A standard conception of international security is that states are the only relevant actors in world politics. Other players are discounted as not having strategic relevance in both political calculations and conflict outcomes.⁵¹ This conception, however, does not anticipate what happens when states are operating in a real world market, with all its dynamic shifts and uncertainties, rather than within a simplified microeconomic model (such as the "state as microeconomic firm" model that neorealism uses to derive its findings).⁵² Such military market dynamics and disruptions can potentially complexify international security. When military powers are no longer exclusively sovereign states but include "interdependent players caught in a network of transnational

transactions,” familiar concepts such as the simplified “balance of power” lose some of their analytical muscle.⁵³

Some might argue that the rise of the privatized military industry represents no great change for international security; rather, it is merely another resource that states can use to enhance their power. Although true in the sense that states can benefit from hiring PMFs, this claim ignores the fact that the privatized military industry is also an independent, globalized supplier operating beyond any one state’s domain. State and nonstate actors alike, including MNCs and even drug cartels, can access formerly exclusive state military capabilities. Where state structures are weak, the result is a direct challenge to the local basis of sovereign authority. Even when these firms are hired by strong states, both the locus of judgment shifts beyond these states' control and their military agents' motivations become warped, with all of the change and uncertainty that these processes entail. The very act of military outsourcing also runs counter to other key tenets of international relations theory, such as the assertion that states seek to maximize their power through self-sufficiency in order to minimize their reliance on others.⁵⁴

The following five subsections explore the interplay of the marketization of violence and the overall global security environment. Each considers an area in which the dynamics of and potential disruptions from a marketplace that includes PMFs might affect international security. These are (1) the ability of PMFs to transform limited economic power into military might, (2) the complications they present for estimating the balance of power, (3) the changes that the market offers for alliance relations, (4) PMFs' ability to empower nonstate actors, and (5) their impact on the respect for human rights in conflicts in which they are involved.

THE NEW FUNGIBILITY OF POWER. The military privatization phenomenon means that military resources are available on the open market. Where once the creation of a military

force required huge investments in both time and resources, today the entire spectrum of conventional forces can be obtained in a matter of weeks, if not days. The barriers to acquiring military strength are thus lowered, making power more fungible than ever. For example, economically rich but population-poor states such as the those in Persian Gulf now hire PMFs to achieve levels of power well beyond what they otherwise could. The same holds for new states and even nonstate groups that lack the institutional support or expertise to build capable military forces. With the help of PMFs, not only can clients add to their existing military forces and obtain highly specialized capacities (e.g., expertise in information warfare), but they may even be able to skip a whole generation of war skills. The result, however, may be a return to the dynamics of sixteenth-century Europe, where wealth and military capability went hand in hand: *Pecunia nervus belli* (Money nourishes war).⁵⁵

This ability to transform money into force also means a renewal of Kantian fears over the dangers of lowering the costs of war. Economic assets can now be rapidly transformed into military threats, making economic power more threatening, contrary to liberalist assumptions. Likewise, modern liberalism tends to assume only what is positive about the profit motive. The spread of capitalism and globalism is seen as diminishing the incentives for violent conflict, and the rise of global civil society is viewed as an immutable good thing.⁵⁶ The emergence of this new type of private transnational firm, which relies instead on the existence of conflict for its profits, counters the assumption that nonstate economic actors are generally peace orientated.

NEW COMPLEXITIES IN THE BALANCE OF POWER. The privatized military industry lies beyond any one state's control. Further, the layering of market uncertainties atop the already-thorny issue of net assessment creates a variety of complications for assessing the balance of power, particularly in regional conflicts. Calculating a rival's capabilities or force

posture has always been difficult. In an open market, where the range of options is even more variable, likely outcomes become increasingly difficult to discern. As the Serbs, Eritreans, Rwandans, and Ugandans (whose opponents hired PMFs prior to successful offensives) all learned, not only can once-predictable deterrence relationships rapidly collapse, but the hire of PMFs can quickly and perhaps unexpectedly tilt local balances of power.

In addition, arms races could move onto the open market and begin to resemble instant bidding wars. In the Ethiopia-Eritrea conflict, a new spin on the traditional arms race emerged when both countries competed first on the global military leasing market before taking to the battlefield. The result is that the pace of the race is accelerated, and “first-mover” advantages are heightened. Indeed such changes could well influence the likelihood of war initiation.⁵⁷ Conventional arms control is also made more difficult with the existence of this market because actual force capacities can be lowered without reducing the overall threat potential.

On the other hand, the privatized military industry can act to reduce the tendency toward conflict in certain situations. The announcement of the hiring of a PMF, for example, may make adversaries think twice about initiating war or be more apt to settle an ongoing conflict, by changing the expected costs of victory.⁵⁸ Effective corporate branding might thus have a deterrent effect. Likewise, hiring races in one region might suppress potential races elsewhere, by reducing slack in the market and raising the price for services.

ALLIANCE BEHAVIOR PRIVATIZED. During and after the Cold War, the relationships between strong states (patrons) and weaker, security-dependent states (clients)—often located in the developing world—have been critical.⁵⁹ The control that patrons have exerted over their clients has usually resulted from a bargain, whereby the patrons provide military aid and advisers necessary to their clients’ security. This support, however, comes at a

price. As Olav Stokke notes, it is “used as a lever to promote objectives set by the donor, which the recipient government would not have otherwise agreed to.”⁶⁰

Accessibility to the privatized military market fundamentally alters this patron-client relationship. Instead of having to accede to the demands of their patrons, weaker states can purchase the military skills, training, and capabilities that they need for their security on the open market. As a result, the patron's leverage is diminished.⁶¹ By becoming clients of a different sort, weaker states are no longer bound by their patrons' prerogatives. Papua New Guinea, for example, hired a PMF in 1997 when its patron, Australia, attempted to restrict its military assistance because of human rights concerns. As explained by Papua New Guinea's prime minister, “We have requested the Australians support us in providing the necessary specialist training and equipment... They have consistently declined and therefore I had no choice but to go to the private sector.”⁶²

Studies of alliance behavior also point to functional differentiation as a method of institutionalizing alliances.⁶³ Traditionally, states in alliances have divided up their military tasks, making them more dependent on one another in the process. Now PMFs can perform some of these tasks, thus decreasing this reliance and perhaps weakening the ties that bind them. For example, if an ally defects or chooses not to participate in a military action, its tactical functions could instead be performed by a PMF. As another illustration, many of the capacities that NATO members rely on the United States to supply for external deployment (e.g., lift capacity, logistics, or even intelligence gathering and analysis) could be adequately supplied by type 3 firms, even by the very same firms that already supply these functions to the U.S. military. As a result, allied states may be less restrained by a potential veto on their out-of-area operations than is generally assumed.

The PMF market also makes available new forms of aid and alliances. Because PMFs allow the easy transformation of financial resources into military might, allies can provide military aid in the guise of simple cash infusions. For example, in 1995, after the war in the former Yugoslavia, moderate Arab states wanted to aid the Bosnian Muslim government and, at the same time, counter the radicalizing influence of Iranian military aid. They did so not by sending their own military personnel to the region, but rather by paying a PMF—MPRI—to train the Bosnian army. The rationale for this new form of aid is that it lowers potential risks for donors by reducing the likelihood of their becoming embroiled in their allies' fighting. In addition, the pool of possible donors of military assistance need no longer be restricted to states. With equal ability to pay, nonstate actors, including even rich individuals, can become valuable allies, able to bolster local forces or even tilt military balances from a distance.⁶⁴

NONSTATE ACTORS EMPOWERED. The unrestricted access to military services ushered in by the rise of the privatized military industry has clearly enhanced the role of nonstate groups, which at one time had been at a disadvantage in a system dominated by states. PMFs provide these groups with new options and new paths to power not imagined until very recently. As a result, states may eventually become like dinosaurs toward the end of the Cretaceous period: powerful but cumbersome, not yet superseded, but no longer the unchallenged masters of their environment.⁶⁵

Some PMF executives contend that their firms work just for states, and more specifically, only for those with reputable governments. They argue that PMFs will not do business with unsavory customers because of the negative effect that it could have on their ability to obtain future contracts. Both the structure of the market and the record so far, however, argue against this. Much the way that firms may decide to break contracts for their own interests, under certain

conditions high, single-shot payoffs might prove too great a temptation. In the current unregulated market, the firms decide for whom they work. Thus far, they have contracted with all types of clients, the only limitation being the affordability of their services.

Itinerate type 1 firms that are having difficulty succeeding in a competitive market are the most likely to work with violent nonstate entities. Rebel groups in Angola, Sierra Leone, and Congo have all contracted with type 1 PMFs to receive training and assistance in the use of advanced military technologies. International criminal organizations, including Colombian drug cartels, are also reported to have paid for assistance in counterintelligence, electronic warfare, and the use of sophisticated weaponry from what might be referred to as “rogue firms.” One such firm, Hod Hahanit, which was staffed by former Israeli army officers, even trained Colombian paramilitaries who were later involved in the assassination of two Colombian presidential candidates and the bombing of a civilian airliner.⁶⁶ The increased military capabilities of these and other nonstate groups have had other consequences, including a widening of conflicts and a lessening of weak states' ability to put down internal opposition.

Perhaps less pernicious, the market also offers a greater array of military options for more reputable nonstate actors. Normally, the intervention options of international and regional organizations are limited by the weaknesses of their member states. Type 1 and type 3 firms, however, can compensate for such shortfalls, allowing these organizations to undertake operations that they would not be able to otherwise. For instance, ECOWAS is an organization of relatively poor West African states whose militaries are severely limited in certain specializations that are critical for external intervention, particularly air support and logistics. In both Liberia and Sierra Leone, ECOWAS forces were nonetheless able to deploy, primarily because of assistance from PMFs such as International Charters Inc. Likewise, United Nations

operations, already growing dependent on type 3 firms for logistics, air transport, demining, and security consultation, have been urged by some PMF industry advocates to hire type 1 firms to act as "enforcers" in stiffening the backs of threatened UN peacekeeping forces.⁶⁷ If hired, such firms would likely be able to supply much more capable military personnel, but any gains in efficiency come at the risk of increasing problems of control, monitoring, and defection.

HUMAN RIGHTS AND THE MARKET. Certain tensions also exist regarding the impact of PMFs on the respect for human rights during conflict. On one hand, PMFs point to particular market incentives for engaging in good behavior: Their long-term profits are partly dependent on their public image. PMFs also emphasize the positive impact that they might have in helping to professionalize local forces or in supplanting client forces that cannot end conflicts.

Issues of moral hazard, adverse selection, and the potential for the diffusion of responsibility, however, battle with these positive proclivities. Just as in other areas of commerce, war is a business in which nice firms do not always finish first. Thus PMF aspirations of corporate responsibility and the desire to cultivate a "good guy" image may be overridden by the need to fulfill a contract by the desire to be seen as the kind of firm "that gets things done." In other words, considerations of the commonweal are matters of morality, while the bottom line is fundamentally amoral.

Thus, although it is incorrect to assume that PMFs kill just for money, there are certain situations in which human rights may be transgressed for the corporate interest. Possible examples include Executive Outcomes personnel using indiscriminate and excessive force in Sierra Leone and Angola.⁶⁸ The firm is also known to have used fuel air explosives (FAEs or vacuum bombs) in its Angola operations.⁶⁹ International bodies regard the use of FAEs as a transgression of human rights, because they inflict particularly torturous injuries and are prone to

indiscriminate use.⁷⁰ But they are also highly effective, which explains why a firm would choose to use them.

There may also be an adverse selection mechanism at work in the industry that attracts disreputable players looking for the cover of legitimacy. PMFs provide a new outlet for individuals who may be naturally drawn to mercenary work or have been forced out of the public sphere. It is not reassuring, for example, that many of the major actors in the Iran-Contra illegal arms trade and the BCCI bank fraud scandals are currently affiliated with the industry. As employers, PMFs want to hire individuals who will be effective, even if this sometimes means casting a blind eye on past human rights abuses. As a result, many members of the most ruthless military and intelligence units once affiliated with the communist regime in the Soviet Union and the apartheid regime in South Africa have found employment in the industry. Even when firms scrupulously screen prospective employees (which is easier said than done, given that most CVs do not have an “atrocities committed” section), it is still difficult to monitor troops in the field. If employees do commit violations, there is little incentive for firms to report them. A firm that does so risks scaring off both clients and prospective employees.

The ultimate problem with PMFs is that they diffuse responsibility. Questions about who monitors, regulates, and punishes employees or companies that go astray are still to be fully answered. That many of these firms are chartered in offshore accounts complicates the matter even further. Traditionally, a state's security institutions are responsible for enforcing the laws within its sovereign territory. This belies the fact that usually it is the very weakness of these institutions that has resulted in the hire of a PMF. Furthermore, even if external legal action or sanctions were attempted, it is doubtful whether any firm would ever allow its employees to be tried in a weak client state's judicial system.⁷¹

Moreover, even when PMFs operate with good intent, there is still no assurance that their employees and their military skills will not be used in ways unanticipated by either the PMF or its client. For example, a number of soldiers in the Croatian army who received MPRI military training subsequently resigned from that army to join the rebel Kosovo Liberation Army (KLA). Among those who resigned was the KLA's commander. Many of these same soldiers have since become involved in the Macedonian conflict across the border.

In sum, privatization provides no greater assurance of moral military behavior. It may even produce countervailing incentives. Just as state institutions can serve both good and evil ends, so too can PMFs.

THE POLICY IMPACT OF ALTERNATIVE MILITARY ACTORS

The rise of the privatized military industry suggests that government agencies are no longer the exclusive mechanism for executing foreign and military policy. In effect, PMFs provide a neoliberal "third way" in the military sphere. This new variable could affect the civil-military balance and result in new means to evade public policy restrictions.

ALTERATIONS IN THE CIVIL-MILITARY BALANCE. Civil-military relations theory is a story of institutional balance, where proper civilian control over the military vies with military professionals' need for autonomy to do their jobs properly.⁷² The privatized military industry represents a third-party influence on this balance.

The case of Sandline's operation in Papua New Guinea provides a brief illustration for how PMFs can alter the traditional civil-military balance. As noted earlier, in 1997 the beleaguered government of Papua New Guinea hired Sandline to help defeat a local rebellion after its ally Australia refused to help. As payment, the government sold off a valuable mine inside rebel

territory that it had privatized without public authorization. Before Sandline could fully deploy, however, Papua New Guinea's regular army, which itself had not been paid in months returned to barracks in a mutiny over the contract. The government was toppled and the contract terminated.

Firm type and the timing of their deployment determine variation in the impact of PMFs on civil-military relations. Types 1 and 2 tend to post the greatest threat to the institutional balance, because they supplant core military positions and functions. In particular, the hire of PMFs would be destabilizing if any of the following conditions applies: (1) their line employees receive higher pay than local soldiers for performing similar tasks, (2) clients provide PMF employees with vastly better equipment, (3) these employees are kept separate and distinct from local forces, or (4) PMF officers are placed in command positions or their presence blocks normal promotion tracks. PMFs are very attractive to vulnerable leaders, because they allow them to get rid of politically unreliable or untrustworthy military officers. Of course, local militaries know this and may seek to preempt such action if PMFs are to deploy.

In certain conditions, PMFs can help to stabilize the civil-military balance. During an impending breakdown in civil-military relations, for example, the quick insertion of a type 1 PMF can tilt the balance of power toward the civilian side, by helping to deter or defeat a military coup (Executive Outcomes stopped at least two coups in Sierra Leone in 1996). In peacetime, type 2 firms may engage in long-term restructuring programs designed to bring militaries under greater civilian control. For example, MPRI's contract with the Nigerian government is intended both to help build up the local military's esprit de corps and to strengthen civilian oversight mechanisms. Although they have less direct influence than the other types of PMFs, type 3 firms can reinforce the civil-military balance in a limited way. By assuming certain tasks, they can pull local officers out of functional areas, such as logistics and supply, that often lend themselves to corruption, which

in turn complicates civil-military relations. By limiting the military to more core military tasks, type 3 firms also help to distinguish between the scope of civilian expertise and that of the military profession.

SKIRTING OF PUBLIC POLICY LIMITATIONS. Another rationale for outsourcing is political expediency. In the United States, for example, the executive branch can use private military means to circumvent limits placed on it by the legislature or by public opinion. This proposition applies to all three firm types, but with vastly different ramifications. Much of the push behind the use of type 3 firms by the U.S. military in recent contingency operations resulted from two factors: congressional limits on troop numbers and the reluctance of the Clinton administration to deal with the potential political costs of calling up the National Guard and Reserves, who would have been otherwise required.⁷³ Although using private military support to circumvent legislative limits was technically against Congress's mandate, no members objected because it was in keeping with their original intent to minimize the number of U.S. troops put at risk (e.g., 9,000 fewer U.S. troops deployed because of military support outsourcing). Recourse to type 1 and type 2 PMFs can have more negative implications for the democratic principle of checks and balances, however. It may allow the executive branch to gain too much autonomy and power and undertake public-private activities against the intent of Congress.

The rationale for using PMFs instead of official covert action is that they give the cover of plausible deniability that public forces lack. If an operation goes awry, the activities of a firm are easier for a government to deny and the blame simpler to shift. The current involvement of U.S.-based PMFs in the civil war in Colombia illustrates this point. Dyncorp is officially engaged there in "antidrug" operations. However, the firm utilizes armed reconnaissance planes and helicopter gunships, designed for counterinsurgency warfare, and has been involved in several firefights with

local rebels. Dyncorp has lost several planes and employees to rebel fire, but there has been no public outcry from the losses.⁷⁴

Another possible advantage of using PMFs is that it may allow the executive branch to avoid public debate or legislative controls, and therefore undertake a much more “rational” foreign policy.⁷⁵ As Arthur S. Miller avers, however, this is not always for the best: “Democratic government is *responsible* government—which means *accountable* government—and the essential problem in contracting out is that responsibility and accountability are greatly diminished.” The use of private firms places “the influence over, and sometimes even control of, important decisions one step further away from the public and their elected representatives.”⁷⁶

Without public debate and monitoring, the actions of PMFs may not only prove embarrassing but could have more negative repercussions. In Colombia, for example, Airscan has been implicated in coordinating the bombing of a village in which eighteen civilians (including nine children) were killed. And in Peru, employees of Aviation Development Corporation who were working on aerial surveillance operations for the U.S. Central Intelligence Agency mistakenly directed the shoot down of a private passenger plane that turned out to be carrying a family of missionaries. An American mother and her seven-month-old daughter were killed in the attack.⁷⁷ In addition, PMF operations might even backfire and ultimately involve the client in direct fighting without the requisite public debate. Many worry, for example, that the extensive use of private firms in dubious operations in Colombia risks widening the war there. Or as one congressional staffer put it, “What you have here is a 1964 model of Vietnam.”⁷⁸

Conclusion

The privatized military industry entered the security arena only recently, but its very existence has created a host of new opportunities and challenges. States, international institutions, nonstate organizations, corporations, and even individuals can now lease military capabilities of the highest level from the global market. This change will affect international relations in a number of critical ways, ranging from the introduction of market dynamics and disruptions into security relations to the policy impact of alternative military agents. It may also necessitate far-reaching reassessments in both policymaking and theory building.

In terms of policy, just as Western militaries recently had to develop a system for working with NGOs during humanitarian operations, so too they should begin to consider how to deal with PMFs, which they will increasingly encounter in the field. At the decisionmaking level, governments and international organizations must develop standard contracting policies and establish vetting and monitoring systems attuned to PMFs, including the assurance of legislative oversight. A policy that defers to the market will not curb threats to peace.

The rise of this new security actor also opens up a variety of theoretical pathways for future research. Most fundamental, the emergence of PMFs challenges one of the basic premises of the study of international security: that states possess a monopoly over the use of force and that the study of security can therefore be based on the principle that states constitute the sole unit of analysis. Outdated assumptions about the exclusive role of the state in the military sphere should be reexamined. A broadening of civil-military theory to allow for the influence of third parties is an example of how this can be done without threatening the core of the theory. Similarly, consideration of the impact of the broader military outsourcing market would make theories of deterrence, conventional arms races, and conflict formation more reflective of the real world.

Likewise, corporate branding and marketing might very well become relevant in future conflicts and thus merit research from a security perspective.

In sum, the rise of the privatized military industry raises possibilities and dilemmas that are not only compelling and fascinating in an academic sense but that are also driven by real-world relevance. It is thus paramount that our understanding of this new player in international security continues to be developed.

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This article was written while the author was a fellow at the Belfer Center for Science and International Affairs at Harvard University. He would like to thank the BCSIA International Security Program, the MacArthur Transnational Security Program, Graham Allison, Robert Bates, Doug Brooks, Laura Donohue, Samuel Huntington, Susan Morrison, Benjamin Runkle, and the many military industry interviewees for their help in the research and writing process.

¹ I am referring here to the Strasser regime in Sierra Leone, the Ethiopian military, the Croat army, the West African ECOMOG (Economic Community Cease-fire Monitoring Group) peacekeeping force, Papua New Guinea, British Petroleum, the Rodriguez cartel, Worldvision, and the United States.

² Many have referred to a subsector of this industry as private military companies (or PMCs). This term, however, is usually used to describe only firms that offer tactical military services while ignoring firms that offer other types of military services, despite sharing the same causes, dynamics, and consequences. The term private military firm is not only intended to be broader, and thus encompass the overall industry, but is also more theoretically grounded, pointedly drawing from the business economics "theory of the firm" literature.

³ Max Weber, *Theory of Social and Economic Organization* (New York: Free Press, 1964), p. 154.

⁴ Kevin O'Brien, "Military-Advisory Groups and African Security: Privatised Peacekeeping," *International Peacekeeping*, Vol. 5, No. 3 (Autumn 1998), p. 78.

⁵ Craig A. Copetas, "It's Off to War Again for Big U.S. Contractor," *Wall Street Journal*, April 14, 1999, p. A21.

⁶ Robert Wall, "Army Leases Eyes to Watch Balkans," *Aviation Week and Space Technology*, October 30, 2000, p. 68.

⁷ MPRI web site, www.mpri.com; and Steven Saint, "NORAD Outsources," *Colorado Springs Gazette*, September 1, 2000, p. A1.

⁸ Examples include David Isenberg, *Soldiers of Fortune Ltd.: A Profile of Today's Private Sector Corporate Mercenary Firms*, Center for Defense Information Monograph, November 1997; David Shearer, *Private Armies and Military Intervention*, Adelphi Paper 316 (London: International Institute for Strategic Studies, February 1998); Peter Lock, "Military Downsizing and Growth in the Security Industry in Sub-Saharan Africa," *Strategic Analysis*, Vol. 22, No. 9 (December 1998), pp. 1393–1426; and Thomas Adams, "The New Mercenaries and the Privatization of Conflict," *Parameters*, Vol. 29, No. 2 (Summer 1999), pp. 103–116.

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