

Privatizing War

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Since the advent of the U.S. Iraq war in 2003, there has seen an acceleration of functions and operations which used to be the province of government become increasingly privatized. The division of the world into public and private spheres is at the center of a debate over what the government's role should be. This paper seeks to frame the debate between public and private roles regarding security issues. The military has been one area where there has never been a question of nation states outsourcing or privatizing. This paper will touch on the use of mercenaries and then discuss the growing use of corporate entities to supply what were considered to be traditional military activities and objectives.

Keywords: privatization, mercenaries, private armies, security firms

Introduction

On March 31, 2004, a small town in Iraq called Fallujah became the center of media attention. Images of rioting populous, mutilated, and charred corpses of men hanging from a bridge hit every media outlet. The international media storm became a political crisis as the US president ordered the Marines to invade the town to quell the violence. The attack killed approximately 600 Iraqis and some of them were women and children.

This dark chapter in the war brought a relatively unknown business to the forefront, as the victims of the rioting were not soldiers but armed civilian contractors who were employed by a private company called Blackwater. There are 20 thousand more just like them in Iraq. Fallujah was an action that set off a much larger event that was detrimental to the American image in Iraq and thus, the history of the Iraq war cannot be written without considering Fallujah and private companies providing military assistance, something quite different from any prior war. These emerging private military firms are a direct result of a market demand created by a change in the global order. From this change, government trained soldiers with unique military skill sets create a market for themselves plying their specialization. There is a direct correlation among the number of government trained individuals being discharged from duty with this growth of private military firms.

Private Versus Public Debate

The division of the world into public and private spheres is at the center of the long debate over what government's role should be. There is a give and take between the public and private with the line between the two constantly shifting as some governments have found it expedient to transfer some of their public responsibilities to the private sector. They may do this because of issues concerning cost, quality, efficiency,

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time, or changing conceptions of governmental duties. These issues include health care, prisons garbage collection, and education. All are examples of services that have, in some cases, shifted among a public responsibility of the government to the private market. The terms “outsourcing” and “privatization” are often used interchangeably to describe this relocation of service provisions.

Yet one area where the debate over public or private never ventured was the military, the force that protects the state. Providing for national, and hence their citizens’ security, was one of the most essential tasks of a government. It defined what a government was supposed to be (Avant, 2008). The result is that the military has been one area where there has never been a question of states outsourcing or privatizing. Even the most radical conservative thinkers, who tend to believe that everything else should be left to the market, made an exception of the military. Most viewed national defense as something best carried out by a tax financed government force. For the last two centuries, the military profession has been seen as distinctive from all other pursuits. Huntington (1957, p. 37), one of the great political scientists of the time summarized this distinction, “Society has a direct, continuing, and general interest in the employment of this skill for the enhancement of its own military security. While all professions are to some extent regulated by the state, the military profession is monopolized by the state”. The present breakup of this public monopoly of the military profession in light of events like Fallujah illustrates how the public-private dichotomy regarding the waging of war is now under siege. The debate about the public and private sectors has moved farther than ever before, to the nature of military services.

Private Military Firms

These companies are a new development known as privatized military firms (PMFs) or private military companies (PMCs). They are business organizations that trade in the professional services intricately linked to warfare. They are corporate bodies that specialize in the provision of military skills, including combat operations, strategic planning, intelligence, risk assessment, operational support, training, and technical skills. PMFs are private business entities that deliver consumers a wide spectrum of military and security services, once generally assumed to be exclusively in the public domain. Considering the mixture of the public military and the private modern business entity is almost paradoxical, yet in the post-Cold War era, the private military industry has become global in both its scope and activity in response to worldwide policies of military disarmament and downsizing.

Since the 1990’s, PMFs have been active in zones of conflict and transition throughout the world. They have been critical players in several conflicts and often the determinate actor. They have operated from Albania to Zambia, often with a strategic impact on both the process and outcome of conflicts. Their operations are not restricted to any one geographic area or type of state. PMFs have been active on every continent but Antarctica, including in relative backwaters and key strategic zones where the superpowers once vied for influence. Moreover, their operations have become integral to the peacetime security systems of rich and poor states alike. Their customers rang across the moral spectrum from ruthless dictators, caused driven rebels and drug cartels to legitimate sovereign states, and respected multinational corporations and humanitarian non-governmental organizations (Bicanic & Bourque, 2006). An overall global pattern is emerging, one of reliance by individuals, corporations, states, and international organizations on military services supplied not only by the public sphere but also by the non-sovereign private market. The emergence of a privatized military industry may well represent the new business face of war (Avant, 2008).

Mercenaries and the Private Military Firm

Central to the PMF industry is the notion of ethics revolving around services provided by these firms and this is being connected to the controversial topic of mercenaries. Mercenaries and their extensive use have existed throughout history. However, the private military market was delegitimized by the end of the 1800's both for material and practical reasons. The practice of hiring foreign soldiers was universally condemned and legislated against culminating in the *Geneva Conventions* and further by the *United Nations Convention on Mercenaries*, which essentially criminalized the mercenary trade and made these individuals pariahs; yet this did not mean that the private soldier was eliminated. Market demand and the profit motive simply pushed it underground. Even today, mercenaries are presented with rewards that are quite lucrative.

In the Kosovo war, the going rate for a professional soldier to help the rebel KLA group was a reported \$4,000 per month, while private fighters on the Serb side were given a free license to pillage and loot the countryside: Many left with truckloads of stolen consumer goods. (O'Brien, 1998, pp. 79-105)

Nevertheless, the entire process of the black market mercenary trade remains inefficient and the impact of such individuals is nominal.

With some mercenary trade continuing operations to this day, the majority of PMFs are associated with and judged similarly to the individual mercenary. Although certain parallels exist between the past private military organizations and even present day mercenaries, the current waves of PMFs have some fundamental differences. The essential difference is the corporatization of military services. PMFs are structured as firms and operate as businesses first and foremost. As business entities, they are often linked through complex financial ties to other firms, both within and outside their industry. In fact, many of the most active PMFs, such as G4S and Vinnell, are openly part of broader multinational corporations. They represent the next step in the provision of military services by private actors, parallel to the development of the modern business organization. Six essential characteristics distinguish mercenaries from other combatants and military organizations:

- (1) Foreign: A mercenary is not a citizen or resident of the state in which he or she is fighting;
- (2) Independence: A mercenary is not integrated (for the long term) into any national force and is bound only by the contractual ties of a limited employee;
- (3) Motivation: A mercenary fights for individual short-term economic reward, not for political or religious goals;
- (4) Recruitment: Mercenaries are brought in by oblique and roundabout ways to avoid legal prosecution;
- (5) Organization: Mercenary units are temporary and ad hoc groupings of individual soldiers;
- (6) Services: Lacking prior organization, mercenaries focus on just combat services for single clients (United Nations General Assembly, 1989).

What set PMFs apart from mercenaries are:

- (1) Organization: prior corporate structure;
- (2) Motives: business profit motive, rather than individual profit motive;
- (3) Open market: legal, public entities;
- (4) Services: wider range, varied clientele;
- (5) Recruitment: public, specialized;
- (6) Linkages: ties to corporate holdings and financial markets (Scahill, 2007).

Such factors and market ties provide a whole new level of legitimacy and connections for PMFs. In addition, they allow greater access to financial capital and also have on call other corporate resources. The private military industry is not just a return to historic private military agents; rather it is distinctly representative of the changed global security and business environments at the start of the 21st century.

The Market Creation and Growth

The end of the Cold War is central to the emergence of the privatized military industry. When the Berlin Wall fell, an entire global order collapsed almost overnight. The resulting effect on the supply and demand of military services created a security gap that the private market rushed to fill. Two other factors also impacted the situation. One was the broad transformations that have taken place to warfare itself including terrorism, asymmetrical combat, and nation building. These have created new demands and new market opportunities for PMFs. A second factor was the privatization movement initiated by Ronald Reagan and Margaret Thatcher, which provided the logic, legitimacy, and models for the entrance of private companies into formerly public areas.

The end of the Cold War has allowed conflicts long suppressed or manipulated by the superpower to re-emerge. At the same time, most armies have gotten 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 according to Colonel Tom Spicer, industry executive, and owner of Sandline. (Retrieved from www.telegraph.co.uk)

With renewed conflicts, the rise of non-states in violence, the market flood of labor (soldiers), the market flood of tools (weapons), the decline of local state governance, the decline of military response, and the decline of outside intervention, due to great power unwillingness, UN inability, and regional organization failings, have created an ideal environment for PMFs to flourish.

Nine eleventh has also been a major catalyst in the industry's growth. The whole security world has grown and become more important in the eyes of the world, a reflection of rising levels of wariness.

When looking at the economy the year after the attack, virtually every industry went down except these PMFs. On average, they went up by 50%, some of them even doubled and tripled their stock price. What has happened to this industry is parallel to the internet boom, as these companies have exploded in size in a relatively short amount of time (Polk, 2007).

Marketing the Business of War

The private military industry is still in its youth with plenty of room for expansion. The barriers to entering the private military service market are relatively low, as are the economies of scale. National armed forces require substantial and regular budgets to operate, while the only requirement for a low level PMF is a small amount of financial and intellectual capital (Fainaru, 2008).

The marketability of these firms is simple with the theme essentially revolving around cost. Tools are readily available at almost bargain prices. There is a large supply of labor that is easily accessed. Usually PMFs operate as virtual companies. This is similar to temporary worker firms that save by limiting their expenditure on fixed assets, permanent employees, and a standing force. Global locations and high levels of adaptability allow these companies to provide services at a fraction of the price compared to the public sector with a high rate of returns. Due to the murkiness of the industry, exact data are limited. A best estimate of annual market revenue is in the range of \$100 billion and growing, indicating its health and power (Schrader, 2002).

Despite how simple these factors make the industry seem, many of the companies rely heavily on reputation and “word of mouth” as a marketing tool. This encompasses a variety of marketable factors, such as the rate of success in operations, what its labor force is made up of, the tools it possesses, and so forth. One of the best examples of this is executive outcomes (EO).

EO was one of the first and most notorious PMFs and is what many of today’s firms model themselves after. Its primary marketing tool was its reputation. EO’s labor force consisted almost exclusively of the elite apartheid-era South African Defense Force (SADF). It possessed air weapons systems like the Russian MI-24 HIN attack helicopter with pilots qualified to fly any air systems that might be supplied. They also possessed mechanized units and it could organize an elite fighting force in a matter of days. All of these aided in selling its single product, offensive force.

Executive outcomes-typical fees in 1997 are as the followings:

- (1) infantry troops—\$4.5 million;
- (2) weapons—\$2.5 million;
- (3) attack helicopter—\$44.1 million;
- (4) assault helicopter—\$3.0 million;
- (5) pilots—\$1.0 million (Bicanic & Bourque, 2006).

EO’s first contracts in Angola in the early 90’s are attributed to its marketed organizational structure and also SADF connections to the oil and mining industries that were under threat. Its highly successful operations in Angola caught the media’s attention and EO was quick to take credit. Word quickly spread and its reputation grew. This was the reason why the government of Sierra Leone hired the company. The weak government was under threat by a massive rebel army, the Revolutionary United Front. With an inept military and a rebel army encroaching on the capital, the government hired EO. Over a period of 18 months, EO forced a 15,000 strong rebel force to the negotiating table with only 150 men. This shocking feat showcased its abilities to carry out war far exceeding most African states which contributed to EO’s undertaking larger economic holdings. However, the marketing of its reputation and services was EO’s ultimate downfall. Branded as a mercenary firm, clients found doing business with the company too complex and turned to EO’s “quieter” competition. The company disbanded in 1999 (Bicanic & Bourque, 2006).

Market trends have pushed the industry into new realms. Initially being made up of a limited number of firms offering limited military specialties, the PMF industry is expanding to offer a wider range of more sophisticated services. The industry’s usual structure consists of the following:

- (1) Military Support Firms: non-lethal aid and assistance (Halliburton, KBR, and SAIC);
- (2) Military Consultant Firms: advisory and training (MPRI, G4S, Vinnell, and DynCorp);
- (3) Private Military Companies: implementation and command (EO, Sandline, Blackwater, Kroll, TripleCanopy, Control Risks, ArmorGroup, G4S, and Aegis).

As the businesses respond to marketplace demands, a rapid consolidation into international firms is taking place. PMFs are essentially following the standard business techniques for market engineering used by other types of firms. Many are either partnering up with equals or acquiring smaller market participants with niche markets and technologic specializations. The reason for this consolidation centers on brand marketing and sub specialization seen as necessary by the leading firms to compete on the global scene. Broader based firms can more easily offer the wider range of services that are seen as necessary for complex security situations. Already having name recognition and established brand records, diversification allows the bigger international to

increase their market share rapidly. Such is the case for G4S, which prides itself on being a global security conglomerate able to undertake any security challenge that may be presented. It is the world's largest security company measured by revenues with operations in over 125 countries. With more than 630,000 employees, it is the world's second largest private sector employer next to Wal-Mart.

Key facts and figures marketed directly on G4S's website are the followings:

- G4S is the largest security services provider in the world, with operations in more than 125 countries across six continents;
- The Group offers a wide range of secure solutions and business processes, including secure facilities management, security consultancy, event security, secure transport services, security systems, and security services to governments;
- G4S provides services to public, private, and corporate customers;
- G4S plc is a FTSE 100 listed company and is listed on the Copenhagen stock exchange;
- In 2010, the Group had a turnover of 7.4 billion pounds sterling;
- With over 625,000 employees, G4S is the largest employer listed on the London stock exchange;
- G4S was formed from the merger between Securicor plc and Group 4 Falck A/S' security business which was completed in July 2004;
- Our head office and the executive committee are located in Crawley, the United Kingdom.

However, specialization and reputation can be limiting factors to consolidation and globalization. Although the move towards corporate military conglomerates is in full effect, some sectors of the field remain highly specialized. This is due to the high concerns of reputation that cuts both ways. A number of firms that engage in humanitarian operations, such as the demining companies Ronco or Minetech, focus only on their singular specialty, despite the fact that they recruit many of the same ex-military personnel as larger and more diversified firms (South African Institute of International Affairs, 2000). Although still military in nature, removing anti-personnel mines is considered more acceptable than such areas as combat training or strategic consulting, because it involves weapons removal rather than use. In order to keep humanitarian minded clients happy, many mine removal firms do their utmost to disassociate themselves from the rest of the PMF industry and the "mercenary" label.

Outside of global tier companies, a market niche remains for more aggressive and smaller firms that can cut informal deals which bigger transnational firms cannot. Such companies have less regard for their corporate image and can more easily insinuate themselves in the political network of unseemly regimes. They also can use the barter system of payment that larger firms with scrutinized accounting practices would not be able to employ, as in the case of EO (Bicanic & Bourque, 2006).

Conclusions

PMFs are quintessential examples of the private industry responding to market demands that spawn an industry. These emerging PMFs are a direct result of a market demand created by a change in the global order. The idea of private businesses as viable and legitimate military actors has begun to gain credence among a growing number of political analysts and officials from all across the political spectrum. Their activities have caught the attention of legislative officials in a number of countries and led to the submission of several bills covering their actions. An international forum of African heads of state advised their use in certain situations, as the commander of the UN operation in Sierra Leone did. Another sign of emerging market maturity is the

industry trade association, International Peace Operations Association (IOPA), recently formed to lobby on behalf of military firms. The point is that, as obscure and veiled as this private military industry once was, no longer does it remain either small or obscure. However, for all its growth, the understanding of it still remains greatly limited. These episodes are indicators of a profound development in the manner that security is both conceptualized and realized. For each conflict, a critical factor behind the possible turn of events may be a private firm being hired, hardly the traditional means of winning wars.

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