



### **The Privatization of National Security**

The Rohatyn Center for International Affairs, Middlebury College and  
The Woodrow Wilson School of Public and International Affairs, Princeton University  
October 9, 2004

Full Transcript

#### **Welcome**

9:15 a.m. – 9:30 a.m.

*Welcome*

**Allison Stanger**, Director, Rohatyn Center for International Affairs, Middlebury College

#### **Allison Stanger:**

On behalf of Middlebury College and the Woodrow Wilson School of Public and International Affairs, Princeton University, I'd like to welcome you both to Vermont and to this day's rich slate of activities. We are delighted that so many distinguished scholars, journalists, practitioners and policymakers have been able to join us in this room today. As many of you know, today's project is part of a larger endeavor, the Princeton Project on National Security. The Princeton Project is a nonpartisan effort funded by the Ford Foundation to strengthen and update the intellectual underpinnings of US national security strategy. The proceedings today will be on the record.

I don't think I need to convince anyone in this room today of the importance of today's topic, especially with the accelerating violence in Iraq and US national elections just around the corner. We've constructed the conference program with two key assumptions as our point of departure. First, we are convinced that the outsourcing of American military power, a practice that has grown exponentially over the course of the past decade, is a development that demands the sustained attention of the scholarly and policymaking communities. To encourage a productive exchange of views here today, we really tried hard to assemble a range of views from across the spectrum. Secondly, we are hopeful that bringing specialists and generalists together to think about this topic might yield illuminating insights about what is optimal for both national and international security. We believe that the topic of privatization provides a unique window on the pursuit of American interests and a still emerging world order.

A few acknowledgments are in order. I'd like to thank my Princeton colleagues for making today's proceedings possible. It's highly unusual for a research university to collaborate with a

liberal arts college, and we are grateful for this opportunity and for the fruits of this cooperation to date. We anticipate an exchange of views in this room today will confirm the promise of that association. Second, I'm very grateful to my staff colleagues at Middlebury College for pulling this entire event together in the midst of what has to be one of the most hectic weeks of the year, if not in recent memory. In particular, Assistant Director of the Rohatyn Center, Charlotte Tate, deserves special mention, after a key employee, Martha Baldwin had to go out on emergency family and medical leave. So for all who played a role in making this conference a reality, we appreciate your dedication and your talents and hope that you will view its achievements as your own.

## **Session I**

**9:30 a.m. – 10:45 a.m.**

*Privatization in Historical and Comparative Perspective*

- What forces are pushing privatization?
- What functions have been privatized and why?
- Does privatizing security save money?
- What is the extent and scope of privatization today?

**Chair: William J. Dobson**, Managing Editor, *Foreign Policy*

**Peter Singer**, National Security Fellow, The Brookings Institution

**General Ed Soyster**, Special Assistant to the Secretary of the Army

**Allison Stanger**, Director, Rohatyn Center for International Affairs, Middlebury College

Discussant: **Peter Feaver**, Director, Triangle Institute for Security Studies, Duke University

### **Will Dobson:**

Welcome to today's first panel, "Privatization in contemporary and historical perspective." The privatization of security and other functions of the state has a long history, and I won't be going into that. Rather, this morning's panel will kick us off by offering us the more modern version of that history, the forces pushing for and against the privatization of national security functions.

### **Allison Stanger:**

I want to frame the issue for the conversations that follow. I am going to talk about three things: First, the rise of outsourcing. Second, the costs and benefits of that trend. And finally, the implications of this transformation for both international order and the war on terror.

First, the rise and reasons for it. This is a trend that originates with the Clinton Administration, not the Bush Administration. During the first Gulf War, the ratio of soldiers to contractors was

50 to 1. In the interventions in Bosnia and Kosovo, that ratio fell to 10 to 1, and remained roughly consistent during the recent Iraq War. Fifty percent of the defense budget currently goes to outsourcing, and that percentage figure has stayed roughly the same over the past six years. That's another way of saying that as the Pentagon budget has expanded, so has the gross amount going to contractors.

I see five reasons for the rise in privatized military activity. First, the increasing role of high-technology weaponry in warfare, which has transformed warfare itself. We now have entire systems that rely on civilian specialists for their operation and their maintenance. So in this situation the back room pretty easily becomes the front line. Second, the collapse of the Cold War order and the related phenomenon of failed states. Both of these produced increased demand for the services of private military companies. Third, the American obsession with privatization as a means to cut costs and enhance efficiency. So government is no longer the default solution to public problems, even where national security is concerned. Fourth, what *Washington Post* reporter Dana Priest has aptly identified as the militarization of American foreign policy. What she means is that the mission for our armed forces has expanded over the past decade to go beyond merely winning wars. So if the Clinton and Bush Administrations have asked the military to take on tasks that have traditionally been the domain of civilian bodies, increased Pentagon outsourcing can be seen as simply shifting that responsibility onto actors who possess the relevant skills and expertise to get the job done well. And finally, when the tolerance of the American public for casualties is low, and the Administration's will to reshape the security environment is high, outsourcing is the path of least political resistance. It is a foreign policy by default, without fully acknowledging the unintended consequences.

What are the costs and benefits for American foreign policy? First, what's striking to me is the extent to which costs and benefits are in the eye of the beholder. Take policy flexibility: this is the idea that outsourcing is a new tool in the foreign policy tool kit. So, for example, the Clinton Administration licensed Military Professional Resources Inc.(MPRI) to train the Croatian Army, enabling it to go onto the offensive, and force the Serbs to come onboard the Dayton Peace Accords. This at the same time that the US served as honest broker to those negotiations. The general point is that outsourcing allows the administration a gift of distance, which allows it to take credit when things go well, and to avoid blame when things do not. The flip side of policy flexibility is a reduction of transparency, however, as well as a circumvention of Congressional oversight. A report recently released by the Center for Public Integrity argues that the Pentagon lacks the most basic information on its contractor workforce, and this showed no signs of changing as of mid-2004. No government-wide agency presently monitors contracts already on the books. Currently, the State Department must license all contracts for the export of military goods and services, but they're only required to report to Congress those contracts in excess of \$50 million, and most fall well below that. Further, the Pentagon can circumvent State's licensing procedures, by selling services abroad through its own foreign military sales program. So in short, the present state of affairs allows the Pentagon maximum freedom of operation, but renders Congressional oversight more difficult. Alexis de Tocqueville might have deemed this a desirable development, as it allows a means of circumventing democracy's shortcomings in the realm of foreign affairs. But for those who see democratic constraints in the pursuit of national interest as critical, the privatization of significant proportions of the national security agenda is a problematic development.

The second aspect of costs and benefits is that privatization saves money. That surely would be a benefit if that were true. To the best of my knowledge, there is no study that provides convincing evidence that this practice saves money, and indeed there are several studies that suggest that it actually costs more money. The first came up in conversation with John Hamre last night. There simply is no comparison in pay between a private contractor and a uniformed member of our armed forces. Second, there is the cost-plus profit margin character of many of these contracts. It's easy to see why these are attractive contracts when the mission is nebulous and the duration is uncertain, but it is unlikely that these are going to be the product purely of market forces. And third, there is the oligopolistic structure of the market for large, multi-task contracts. When Halliburton dwarfs its next competitor for total contracting dollars in Iraq by a factor of more than two, it's hard to construe the market as competitive or free, and of course, cost savings from contracting rely on a free and competitive market to materialize.

Finally, what are some of the implications of the rise of outsourcing, first for international order and then the war on terror? First, it's striking how prepared the United Nations (UN) and non-governmental organizations (NGOs) are to do the same with private contracting. Should we be encouraging the world to prepare itself for a UN that harnesses the power of the private sector to build world order? Here we want to consider that, by default, any state authority that is delegated to private military companies is by definition authority that is not delegated to international organizations. So at the very least the impact this trend has on multilateral governance demands closer monitoring. Second, for the war on terror, contractors performing what were previously non-civilian tasks, I think you can see, wind up inevitably blurring the distinction between legitimate and illegitimate violence. Most definitions of terror rely on a distinction between combatants and non-combatants. Terrorist acts victimize civilians and are conducted by sub-state actors, so can American contractors performing tasks that the US military would otherwise carry out be legitimately construed as civilians? And if the network of private military companies hired by the state is legitimate, then why shouldn't an analogous network of operatives, financed by a private individual, also be legitimate? So the point here is that the very definition of terrorist activity grows more problematic when the state's perceived monopoly on legitimate violence is for whatever reason challenged. Outsourcing challenges that monopoly, and this is an unintended consequence that needs to be acknowledged.

**Peter Singer:**

To the organizers of this event, it couldn't have been more timely. Right now we have five major lawsuits related to this industry, including one that was just released this morning. So I congratulate you on putting together something that is in my mind one of the most important issues in foreign policy today, but one of the least understood issues. What I'm going to do today is: first, define the terms of this industry; second, discuss Iraq; third, implications; and finally, some responses in a public policy context.

Now it's important in talking about the private security industry to have our terms set, because often people talk about private military firms in different ways, and so the discussions often veer in different directions. I look at the private military industry, or private military firms (PMFs) as business providers of military skills. That is, they are corporate bodies that specialize in military

services, services that range from tactical combat skills, to logistics, to you name it. That means the industry divides into three broad sectors. The first are military support firms. These are firms that undertake a secondary task for you, but a task that's critical to your core mission. Logistics, for example – the Halliburton example. The second sector is military consultant firms. Much like management consultants, they won't do the job for you, but they'll train and advise you on how to do the job better. And then finally, military provider firms, or as some of them have called themselves private military companies (PMCs); sometimes you'll hear them labeled private security firms (PSCs). These are companies that provide tactical military skills. What is interesting about this industry is that, in effect, any client can access the full range of military skills simply by writing a check.

Now, what's going on in Iraq? Just as Iraq is the single largest commitment of US forces in a generation, it's also the single largest ever commitment of private military firms. The numbers dwarf any of the prior military operations. On the ground in Iraq you have somewhere between 60 and 80 PMFs that are operating (the numbers are constantly changing), and it's estimated that you have more than 20,000 private military contractors. Let's define that number again: it is not those who are doing oil work or reconstruction work; it is those who are doing formal military jobs. If you break it down, about 6,000 of those, that's the minimum estimate, are armed. The rest of them are doing jobs like logistics or interrogations, you name it. Look at the number of casualties: somewhere over 150 deaths, and with back of the envelope calculations, probably another 500 wounded. To put this into context, that means that private military contractors have more forces on the ground than any other member of the coalition, and to be blunt, it means that we should call the coalition, the "coalition of the billing." It also means that they've taken more casualties than any other member of the coalition combined. They've also taken more casualties than any single US Army division. They're undertaking the role, effectively, of an Army division on the ground.

What are the jobs that they're doing? Everything from, before the war, helping with the war gaming and strategic planning, to the jumping-off point for the war. Camp Doha complex in Kuwait was not only built by PMFs, it was operated by PMFs. It was even guarded by PMFs. During the war, in addition to the logistics tasks, some of the most sophisticated weapons systems in the US arsenal were operated, not just maintained but operated, by PMFs. For example, the air defense networks onboard Aegis-class guided missile destroyers and Patriot missile batteries. But most important, during this current period, the role of PMFs has taken off. You have the logistics role pretty much outsourced completely to Halliburton under the Logistics Civil Augmentation Program (LOGCAP). To give you an idea of the numbers involved here, in 2003, Halliburton billed \$4.3 billion. All told, its contract is estimated to be worth \$13 billion. That means Halliburton's contract alone will be worth 2.5 times what the US paid to fight the Gulf War. To put past wars in current dollars – if you took the American Revolution, the War of 1812, the Mexican-American War, and the Spanish-American War combined, they equal the cost of Halliburton's contract. Of course, there's a lot of controversy around that contract. The US Army has found that \$1.8 billion of that contract has had some billing issues involved: that \$1.8 billion is the exact cost that the US fought the Mexican-American War in current dollars. For that \$1.8 billion you could have bought flak vests for every single member of the US military.

Now, what other roles are they doing? The training of the post-Saddam paramilitary force, the post-Saddam police, and the post-Saddam army, has all been outsourced in one way or another. And finally, tactical roles on the ground – people carrying weapons. Three key areas here. First, guarding key installations – whether they be Coalition Provisional Authority (CPA) headquarters, government offices, or US military bases. I interviewed a private military contractor outside a US military base in Mosul who described his contract as guarding one half of the perimeter of the base, leaving one half to the First Cavalry. Second, convoy escort duty: the contractors who were brutally killed in Fallujah were doing convoy escort duty. Third, guarding the individuals all the way up to Ambassador Negroponte. We couldn't have done the war without PMFs, but the flipside is that many of the most controversial elements of that war involve PMFs: the allegations of war profiteering, the tragedy at Fallujah and the mass violence that followed, and finally Abu Ghraib, arguably the single most embarrassing moment for US foreign policy in the last generation. One hundred percent of the interpreters at Abu Ghraib, and an estimated 50 percent of the interrogators at Abu Ghraib, were private contractors, with the Titan Company for the interpreters, and the CACI Company for the interrogators. The US Army report found that 36 percent of the proven torture incidents involved private contractors from the CACI and Titan firms.

So what are the long-term implications we need to think about? There are five. First, contractual dilemmas. Much like when you hire a plumber to work on your house, you may get efficiency (that's what you're hoping for), you may get specialization, but you must also concern yourself with how you evaluate the costs (are they doing the right job, quality assurance, etc.) overbidding in particular, and that's what is surrounding the Halliburton firm right now. But there are two added contractual dilemmas that come into the private military realm specifically. They are not part of the military and they are not part of the chain of command, so there are two levels of choice that enter into private military affairs that you don't have with soldiers.

One is at the corporate level: the companies decide what contracts to sign, and when and where to pull out. After the Fallujah uprising, there were instances of contractors electing to "suspend" operations, and that left US military forces with insufficient supplies in the Baghdad area because the convoys weren't moving. But there is a second level of discretion at the individual employee level. Employees set their own terms. They sign a contract, but they are not bound by the code of military justice, so they can decide to leave a company because they don't like how it's going. They can decide to leave a company because another company is offering them more money elsewhere. They can decide to leave a company because their wife had a baby and they want to go home to see it. Also they can negotiate the terms of deployment. For example, most contractors come into a zone for a period of 90 days. There is a level of discretion here that you don't have with US forces, or any military forces.

Second, we have insufficient controls over who is working for these firms. In many cases you have very top-quality people working for these firms, for example, former Tier I special forces operators, the best in the world. The flipside though, is that sometimes you don't get good quality as you rush to fill it. The US Army found that 35 percent of the private interrogators at the Abu Ghraib prison had *no* formal training as interrogators. Or you have a concern about people with a dodgy human rights background. Two examples in Iraq include an individual who openly admitted to the Truth and Reconciliation Commission in South Africa to firebombing the

houses of 60 political activists during the Apartheid years – we employed him. Another instance was where an individual who had worked with Irish terrorists was hired by a company. He was later fired after an Irish newspaper broke the story.

Third issue is public policy through private means, and how it escapes certain levels of discretion. What's interesting is that we used to focus on the covert side, but what's happening here is the overt side. We're not factoring the costs and casualties from it.

Fourth issue is a question of legal status. To be blunt, military jurists have found that private military contractors exist in the same grey area of international law that the detainees in Guantanamo exist in. It's a fuzzy netherworld, and that is not good for the contractors themselves – if they're taken captive, we leave it to our adversary to define their status – but it is not good when and if they commit a crime. To give you an example from Abu Ghraib, we have six private military contractors who the US Army identified as being part of the abuses there. We've known about it for months. While we have the courts martial going on for US forces that were involved, not one of those six has been even charged yet, let alone prosecuted, let alone punished.

Final issue is long-term issues for the US military itself. There is another panel that is talking about retention and recruiting. I would just say here that I did some interviews with US special forces, and one of the most experienced ones described his unit as at a "tipping point" now in terms of losing their best personnel. They haven't lost too many, but they are growing quite concerned about it.

How to respond: there are four responses that we need to take into account. The first is we have to have proper accounting. We have Enron-like accounting right now. For example, the 20,000 figure is the estimate that Secretary Rumsfeld provided to Congress. I'll tell you the source of that estimate. The Pentagon does not formally track it, because they are prohibited, because they don't have contractor visibility requirements. The Pentagon called me to ask my estimate for how many people they are employing in Iraq. That's not the way to do good accounting.

Second, determine the appropriate role. We're in a lot of self-denial about it. For example, the Pentagon has strict doctrine that prohibits contractors in certain roles and yet puts them in those roles – for example, interrogations in prisons or armed roles on the ground.

Third, only do it if it saves you money. But we aren't "doing the competition," as it is noted here. An Inspector General survey of 24 contractors in Iraq found that in 22 of them, we did not follow the rules to ensure that we saved ourselves money. Another recent survey found that 40 percent of the contracts done at the Pentagon were not "competed." Oversight: the GAO looked at the situation in Bosnia and found that we didn't have sufficient oversight. In Iraq we doubled the number of people doing oversight, but guess what? The size of the contract in Iraq is 15 times that of Bosnia's, and I would argue infinitely more complex, because it's taking place in a war zone, so we're not keeping pace with this.

And then finally, we must take action on accountability. We must define the terms and the legal status.

In closing, since I've been writing on this industry I've been offered jobs in two separate companies, I've been physically threatened by two companies, and I've had lawsuits dropped on me by two companies. We have already beaten both of them. Remember: these are government contractor firms, and I'm getting tired of paying for them to sue me, and you all should get tired of paying for them to sue me too. But at a broader level, what does it mean for public policy discussions themselves, when we have a response to analysis of the industry in this way? And more important, how would the framers of the Constitution and the writers of the Federalist Papers evaluate this? And I would point particularly to their concerns about the role of private interest in a democracy, and we should ask, "How do we even have a good discussion about it when we have these responses?"

### **General Ed Soyster:**

I'd like to step back and perhaps give you a little bit of historic perspective. After 35 years in the military, I only had one experience with contractors, and that was wartime Vietnam. I was a government contractor for twelve years with MPRI. Now I'm back in government. Now I'm hiring contractors and building a staff, with reservists, contractors, regulars, etc. So my direct involvement in this may bias some of my views. Please weigh that and challenge me accordingly. I would like to use the concept of MPRI and its growth to illustrate with examples how this industry in America is rapidly growing, and challenging existing philosophies, dogma, policies, international relations, especially when this growth began to infringe on what we have considered core military competencies. The founder of the company in 1989, Major General Vern Lewis, believed that the retired military community was a national treasure, and if organized and supported by a company, could do a variety of tasks, both for the military and for commercial interests. For the military, the idea was that the Army was being drastically reduced in size, that the company could provide instructors on the platform, augment non-combat staffs, so that these officers or NCOs could go out into the force and improve readiness.

With a limited record of success in this area, but clearly showing viability, the board of directors, including ten 4-star generals, recommended the company should market overseas in 1992. And that's when I joined the company. The theme in Eastern Europe was to assist in transitioning the Communist-style armies to democratic-type armies, subordinate to elected leadership, etc., as preparation to join the Partnership for Peace or NATO. It was a tough sell to the US government. However, Croatia in 1994, driven by a Canadian-Croatian minister of defense, asked MPRI to do just that: develop curricula in their officer schools that would inculcate these ideas in their officer corps, as they struggled to find the right place for their armed forces in their emerging democracy, and so we started the process.

First of all, from a business standpoint, we didn't know where Croatia was going to get the money, so we solved that problem. Then the key element became the license to do that, because it's clear that to do any work, the export of military goods and services by the United States in any form to a foreign government, requires a license. This is the "international trafficking and arms regulations" run by the State Department, a very thorough process to submit and get the granting of the license. It was clear we needed this, and at the time there was an embargo on the export of military goods and services to the former Yugoslavia by the UN, backed up by the US.

We finally got a license to teach these values to the armed forces and develop a non-commissioned officer corps.

However, press attention came, and MPRI became accused of being a front of the Central Intelligence Agency (CIA), and of course as Bill Odom knows, since I had been the director of the Defense Intelligence Agency, it was very clear that the government had sent me over to run that company. It started the process of getting great attention in the press, because it was something new; and, of course, the academic interest followed, and so forth. The other thing that happened is that the Croats took the Kraijina, and they took it in four days, and United States, British, and French intelligence had said, "If you attack the Serbs, they're going to clean your clock." And the plan looked like an American plan, very successful, and when they looked around to see who had helped them, the only people there were MPRI, because we were in schools doing our democracy transition training. So that again started the concept of plausible deniability. That program grew, and we were there for about six years.

Meanwhile, as that contract was underway, there was another requirement that came up, and that was in Serbia. Milosevic said he was going to stop sending contraband into Bosnian Serbia, and he wanted someone along the border to verify that, so he'd get credit for it. The International Conference on the Former Yugoslavia (ICFY) was given that task. They said they needed about 250 people to do it, to show you how rapidly these things grow. The United States said it would take 45 of those, 12 other nations took the rest. In the government, the National Security Council (NSC) said, "State Department, you furnish 25, Defense you furnish 20." Defense looks at it, says, "We don't know how to do this," turns it over the Army as executive agent. The Army can't send uniformed people in, so someone at that stage knew of the work that we were about to do in Croatia. We got a telephone call, "Can you put 20 people on the Serbian border in 14 days with these qualifications?" We said yes, and we made it in 14 days. So I use this as an example of the quick response – hard to do that inside the government without committing military forces. Then State went over to look, with tennis shoes and high heels, and said, "Can you give us 25 more?" So we had 45 people on the border. But then the question is, are they representatives of the United States? And they were over working for an international organization.

As that contract was completing, Dick Holbrooke said that if the Bosnian Muslims signed the Peace Accords, he would train them so that they could defend against the Bosnian Serbs. The question was how do you train and equip them? The US Army sent 45 M-60 tanks, 80 armored personnel carriers, 26,000 rifles etc., and then the question was training. Could the Army do that training? Absolutely, in terms of capability, but the Army's role there, as part of the NATO bit, was to separate Serbs from Croats from Muslims. The agreement was to bring Muslims and Croats together to defend against the Serbs. So it was decided to use a private military company. There was a six-week competition, and MPRI happened to get the contract. That was an entirely different contract than in Croatia. In Croatia we were doing education. In Bosnia, we were building an army – their defensive plans, setting up their joint command staff, building a combat training center – probably the best one in Europe when it was finished – and we turned out the best tank gunners in Europe. What were some of the differences in that contract? First of all, the Croats were paying for their contract – no US funds involved. In this case, the money came from Saudi Arabia, Kuwait, United Arab Emirates, Brunei and Malaysia. It was a private

contract with the US Ambassador in charge. When MPRI got a check, it was from the US Treasury.

Similar programs of training began in Macedonia and Bulgaria, sole-source contracts paid for by the US government.

Quickly, in Africa, we were contacted by the Angolan government after the Lusaka Accords to help them integrate, which was a requirement, the Savimbi forces with the government forces, to include the integration of their generals and field-grade officers. That license was issued to do that training – that training was English-language training, again officer and NCO training, but the key thing was, the license was issued under the proviso that when the Angolan government integrated the generals, then the government could come into force. So that's an example of using the license to influence the foreign policy that the State Department wanted. It turned out that in the meantime Angola invaded their neighbor to the north [Democratic Republic of the Congo], the license was pulled, and no work was ever done.

Equatorial Guinea. There we were contacted by the president, I think I met with him five times, to help him develop his defense forces, primarily emphasizing the Coast Guard because of the oil that was being discovered, and he had no capability to even move a boat out. It turned out that because of significant human rights violations, it was a significant chore to get the license, and no work has ever been done there. It sort of faded away, and they hired other countries to do the work.

Another interesting one was Nigeria. From the time President Obasanjo was elected to the time he was inaugurated, he came to MPRI and asked if we could provide assistance to him in re-professionalizing the army. Eighteen years of military rule, the army was in shambles. If you wanted to get to be a province chief, you went to the military academy, and that's how you entered the political process. In this case, a contract was let, and half was paid by the Nigerian government, half by the US government, so the contractor was always held at bay depending on who was going to pay which half and so forth. But the team, in this case headed by two retired four-star generals, was introduced as the American team, and the contractors worked with the Ambassador.

Let me talk about some things done in the US. A significant contract, from the point of view of what it did for the Army, and from the standpoint of why you want to use a private military company, and also one that infringes on the concept of core military competencies, is the Reserve Officer Training Corps (ROTC). The reality was, when the Army was cut from 790,000 (when General Odom and I left it) to 480,000, there were not enough officers to teach ROTC and man the combat force. So the dilemma was, do we cut ROTC, and mortgage the future, or do we find another solution? And the solution in this case was, hire retired or reserve officers to fill in for the people teaching ROTC. Some interesting things occurred. MPRI said, "Give us a contract at 25 universities, and see what the concept will do." That was the pilot project. Reaction by the professors of military science was, "I don't want a contractor; I want a commissioned officer." And the response was, "Well, you can work nights, but there are no officers." So the government allowed that if you're teaching an established military subject, then you can be in uniform. MPRI can't set up a school, but in this case, working for the professor,

they could do that. The program went very well, and it was expanded to 217 universities, and there were 250 officers and non-commissioned officers (NCOs) that were released from teaching ROTC and could go out to the combat forces. But we were doing things that, had you asked the people who were doing it, Carl Vuono, former chief of staff, the question in the 1990s, “Do you want to have contractors in ROTC?” he would have said no. The reality was the option no longer existed. And then the reality was, we lost the contract when it was rebid. My view is there are certain niches you can get in where they really won’t compete, whereas in others you’ll get competition. And frankly, we got a little cocky. A similar thing is going on in recruiting command. They’re replacing recruiters; they’re in blazers versus uniforms.

Quickly to the Middle East. In Kuwait, the Army needed support for troops that were going over to exercise. This has been going on for the last four or five years. The forces that would go over to train would fall onto their pre-positioned equipment, and then do an exercise. To do that, if you send over the first brigade, somebody has to be there to set it up, monitor, critique, and help the brigade that’s actually going to do the training. So where do these people come from? Well, they could come from the senior officers and NCOs from the second brigade – so you close down that brigade – or you could take them from another division. They hired contractors. So we have had a group of very senior officers and NCOs over there, conducting the preliminary training as people go through Kuwait into Iraq. That contract changed, because as we first started, there was no conflict. Again, that’s a contract that was first thought only the active-duty green-suiters could do.

What is the role for contractors, when you’re talking about core military competencies? And the reality is that now, there are areas – that’s one – where contractors have more expertise than the Army. I used to always say when questioned about it by the press, there’s nothing that MPRI can do that the Army can’t do, it’s a matter of priorities and what they want to focus on. In this case, the resident expertise in this critical area probably resides in a private company, and I think that’s an area that we should be concerned about – tactical military training, that you could move to some other place. The guy who runs that for us ran for the Army the National Training Center. We selected him specifically because he was the best guy the Army had produced in ten years. We sent him to Bosnia; he had five years experience there building training centers, etc. He now heads a team that’s total experience is 15 years, and I would say he’s the world’s expert on US military training techniques, and they really do get kudos from the troops. And it’s also happening in the war colleges, which are also the core in which strategic thinking resided, and contractors are in there big time.

Afghanistan. The US needs staff support for near-term security, security-sector design, security training, etc. To start that program, as in the Balkans, MPRI sent over an assessment team headed by a lieutenant general with 20 officers (15 colonels, 13 of them were War College graduates, 5 of them were brigade commanders.) If you try to pull that together from the active force, you’re going to screw up something to do that. To get the expertise quickly, designed exactly to specs, they’ve turned to a contractor.

Peter mentioned there’s also staying power, in terms of six-month contracts. When you have rotating National Guard people coming in and out, the contractors are the long-term guys on the ground.

I'll close by saying there are also changes when a contractor is bought by a publicly-traded company – bottom lines.

In the reorganization at brigade level, there will be a “51-Charlie” (a contracting officer). Peter's view is that maybe we ought to have two or three, and maybe that's the way we ought to go. But that's the level on which people are thinking about coping with these things.

### **Peter Feaver:**

I'm not an expert on privatization of American national security. My current research is in the area of American public opinion and the American public's tolerance for casualties in Iraq. The reason I was invited to be here is that I have written a couple of earlier books on civil-military relations theory, and so I'm the pointy-headed intellectual who thinks of privatization in the abstract. I would say that privatization poses some civil-military challenges, but not as many as meets the eye.

There's some bad news, in that privatization poses two aspects of the moral hazard and the adverse selection problems that attend to any civil-military relations problem. The two in particular that I'm thinking of that are exacerbated by the private phenomenon are: loyalty under fire (will they stay on the battlefield when we want them to?); and independent action (will they stay off the battlefield when we want them to?). In Iraq, I gather there are examples of both those areas.

And, arguably, those problems are worse with contractors, because contractors are in the kind of relationship that civil-military relations theorists would call rewards and incentives. The traditional military, the uniformed military, relies on some occupational tools, but also mixes in a heavy dose of what are called institutional mechanisms, such as appeals to bravery, appeals to group loyalty, appeals to patriotism, and unit cohesion. It's generally thought that these institutional mechanisms are trumps on the battlefield when it comes to the fire of battle, and arguably those mechanisms are weaker with the privatization phenomenon. And, indeed, what distinguishes this is the uniform's emphasis on all of these institutional arrangements. So you're left just with the occupational. That's the bad news.

The good news is that all the other levers of civilian control, levers that are relevant and prominent in the regular civil-military relationship, all of those should work at least as well with privatization. There's no reason in theory that the monitoring and punishment system that governs civil-military relations can't be extended to private forces. The problems that are most often cited, the ambiguity of whether Uniform Code of Military Justice (UCMJ) applies, Geneva, the lack of data collection, those are all problems amenable to technical fixes. Secondly, in practice, security firms might be even easier to punish, because their contracts are so explicit and so short-term. The occupational model of civil-military relations applies in spades, provided that there are alternate sources of competition to go to. So the problem with punishing the military is that there's no alternative.

The third way in which privatization might be at least as good, is that privatization ameliorates the information asymmetry in civil-military relations – there's a new set of experts to consult with, in an advisory capacity, to tell you whether what the Army says makes sense or is nonsense.

The fourth point here is that multiple agents increase principal control – competing contractors gives a wider range of choice. Thus, privatization enhances the responsiveness of military tools to political control. Now, Allison mentioned that's a double-edged sword. If you would prefer to see coercive diplomacy more effective, then you'd see this as helping.

My view is that most of the more alarmist discussions about privatization are based on a set of rosy-colored assumptions about the problems that exist with the regular civil-military relationship. These are problems that are basic to the political control of force and are not necessarily unique to privatization. We certainly need to make technical fixes. I don't object to anything Peter Singer said about what should be done. But we probably have more democratic accountability today of private security firms than we had of the CIA 50 years ago in covert ops land, or than we had in nuclear targeting 45 years ago. The democratic institutions have adapted to this new form of agent. The most likely forms of shirking, I would argue, involve the tactical shirking on the battlefield, which I do think is a big problem.

**Anne-Marie Slaughter:**

I want to compliment the panel. I don't think I've taken in so much new, valuable, and interesting information in the course of an hour in a long time, and I'm somewhat reeling with it. As dean of a public policy school, I'm thinking about how we get people back in government. We've got all sorts of problems with the imminent retirement of all sorts of federal officials. In 2007, 53 percent of the federal government will be fully eligible for retirement. In addition, government will tell you, even when they have these people in government, they're losing them just when they need them the most, just when they have the expertise that General Soyster was talking about. We're having trouble getting people into government and keeping them there. Frankly, if you read the 9/11 Report, it's pretty clear that we need to do something about this. Now, I'm listening to you, and much of what the last two speakers said is that we've got all this expertise in the private sector and we can just harness it. But my own question is if you had the money to keep these people in government, if you could offer people these salaries, wouldn't that be a better way? Wouldn't that get all the things you're talking about, with the same people, but they'd be in government, and subject to all the constraints of government?

**Soyster:**

To go back into the fray, I find there would have to be some real incentive. I'm back punching the clock; I get twelve days leave a year. When I fly, I fly at the back of the airplane. Think they do that in industry? How do you make people work for the government? Because they think they're doing God's work. I'm more worried about, are we getting future Harvard, Princeton, and Middlebury graduates in government, than with the idea that I can do more in the US government.

**Singer:**

At a broad level, there's been a change over the last 50 years in how we view public versus private. To pull back a step further, in Ancient Greece, the word "private" was associated with the word idiot. Now the word "public" is seeing, you know, Ronald Reagan's idea that the best minds have been sucked out into private practice. The term public schooling has an inherently bad connotation. There's a philosophical shift that we have to factor in on restoring public service. Privatization can serve us if we're smart clients and smart regulators. We've got to set up the mechanisms. It's not inherently bad to have contractors in certain roles. It can actually be better service. But some roles should be inherently public, because of the inherent public nature of warfare, in the sense of national security. The US military doctrine is that any mission-critical item, that defines the success or failure of your operation, you don't turn over to someone else to do. We've obviously violated that. How do we bring people back in? I've broached this with guys in the military, who are usually concerned about retention, and they say three things. One, it isn't that you have to match the pay – you'll never be able to – but enough pay so that families are comfortable when it's time for them to leave, some reforms in terms of the retirement system, etc. The second is, basically, we've been using and abusing the military. We've been breaking the professional Army. One of the individuals I spoke with said that he'd just come back from five deployments. It's actually tougher on him and his family. And the final thing is, we're bidding against ourselves. I can give you countless examples of where we're bidding against ourselves, countless examples of where we turned a function over to a private contractor, and then they pulled people out of it. I'll use the example of the computer technicians who ran the US nuclear response at the base in Colorado. We outsourced the job to a company, and then it hired the very same technicians that we had inside. Now you will always have a competition between the public and private sector. We have always been sensitive to losing pilots to airlines. But the key difference here is that we're not hiring the airlines' workforce, we're actually bidding against ourselves and paying them two to ten times the rate at which we pay them in uniform, so these guys aren't suckers.

**Feaver:**

The privatization is more a symptom of the phenomenon than the cause. Privatization is the response to the underlying problems of work within the government. I would blame the problems that create the incentives for the contractor.

**Andrew Moravcsik:**

There are two reasons that someone could get paid two to ten times more in the private sector. One is that they are two to ten more efficient. The other is that the private sector is two to ten times more insulated politically. Which is it?

**Singer:**

I would argue that it's the lack of looking at the bill itself. Abu Ghraib prison: Secretary Rumsfeld said there were 40 private interrogators there. *Washington Post* has said 36. The company said ten. The function was outsourced at a contract of four months, \$15.3 million, but

we were never tracking the number of employees. We just said, “Do interrogation.” And they said, “OK, we’ll do it at \$2.3 million per month.” It’s the same thing as when you go to a restaurant, you ask to have the bill itemized. We’re not very smart clients.

**Deborah Avant:**

You’re using economic language. But the role of government is that it responds to market failures. You don’t just want a product; you actually want them to tell you what to do over time. Part of what you’re asking when you’re asking the military, but the contract is written for a limited period of time. The contract doesn’t anticipate a change in the environment. The contractor says, “This isn’t what we contracted for, I’m going to leave.” You can’t anticipate what you want the outcome to be, you need functions of issuing instructions over time. That poses problems of change over time; you’re paying more money and getting problematic delivery of services. Net results are short term, and the costs are long-term burdens. Privatizing tasks makes it less likely that you’ll get long-term participation by the military.

**Feaver:**

That’s right. A lot of that is what I covered under the battlefield problems of contractors leave.

**Question:**

Private contracting is being used on behalf of the intelligence community, and how much is being used for clandestine activities, for activities not formally approved by Congress or generally subjected to the spotlight?

**Singer:**

Much of the expansion in the intelligence community since 9/11 has been through the use of contractors. You can get around certain numbers of restrictions. On the covert side, it is quite present. The CIA paramilitary teams that are operating in northern Pakistan are mostly private contractors, because of deniability, and that can be arguably a good thing. Colombia is an example of getting around restrictions. The original restrictions were on the number of US forces and what they could do. Then we started using private contractors. Then Congress wised up and said, “We’re going to limit the number of contractors.” That was American contractors, so the companies just started hiring old El Salvadoran and Nicaraguan guys from the 1990s. Industry’s always one step more flexible than regulatory power.

**Question:**

[Inaudible – Driving down costs by hiring foreign labor....]

**Singer:**

Global Risks is a transnational company. At its high point in Iraq, it had about 100 Brits, 500 Fijians, and about 500 Nepalese Gurkhas. Now that gave this a more international feel on the ground, through proxy. In using layer upon layer of subcontractors, not about Global Risks, you do have situations in which companies will charge at US rates for individuals that don't meet it. The second part that concerns is the security dilemma – if they bring in someone they might not have the same standards. One example of this is in Afghanistan, where an al Qaeda plot to poison troops in a field kitchen was broken up. Second, unfortunately, in Kuwait, in the first week of the war, an Egyptian subcontractor working inside a US military base, got pissed off about the war, got in his truck, and ran into a line of 82<sup>nd</sup> airborne troopers waiting by the side of the road, sending eleven of them to the hospital. We certainly saved no money at the end of the day.

**Soyster:**

Control measures can specify exactly what you want them to say. If he doesn't, he doesn't get paid.

**Singer:**

Also, when you set up a requirement, use your own vetting measures to ensure that. One of the contractors at Abu Ghraib did not have a security clearance. We should have been the one who made sure he had a security clearance, not the contractor.

**Stanger:**

To the second part of your question: It's one thing if the United States is doing this. But how do we tell other companies, Chinese or Pakistani companies, that it's not ok to do the same? There's an embedded proliferation problem.

**Doug Brooks:**

Private industry is all for oversight. They'll do better with oversight. The big question is: are we seeing the past through rose-colored glasses? We have an incredibly efficient system right now, and part of it may be because of the contractors.

**Student question:**

If contractors need to call for American fire support, are they able to?

**Singer:**

In that situation in Mosul, they had a liaison, and they would have been able to call it. In other situations, and this goes to staying power, there was an incident in Fallujah in which contractors did have staying power that the military didn't, defending a CPA installation. The contractors

called for fire and didn't get it, and used contractor helicopters to ferry in supplies. There's resentment for having to go above and beyond. Same thing for situational awareness, where the coalition only gives out non-classified intelligence. It's also arguable whether the Marines would have rescued them or recovered the bodies.

**Question:**

Is there consensus among the panel on the drivers? Secondly, is there a management philosophy of Pentagon transformation that may eventually disappear?

**Stanger:**

How would you weigh the five causal factors? A lot of what's driving this trend is simply that it's the easiest thing to do when tough policy choices have to be made.

**Feaver:**

I would emphasize that the US personnel management system is designed to the state of the art of the 1940s, so it's just very unresponsive to shifting needs. David Chu has set out to do this in the Bush Administration. Some of the demand for privatization will be reduced because you'll have a responsive uniformed personnel system.

**Session II**

**11:00 a.m. – 12:15 p.m.**

*Privatization in the Context of Warfare, Post-War Reconstruction and Development*

- How effective are privatized efforts over the short and long term? (as compared to state efforts)
- How should public and private efforts be coordinated?
- How does the reconstruction of Iraq to date compare with previous nation-building endeavors?
- Does privatization undermine military morale?
- Can intelligence gathering be successfully out-sourced?

**Chair: Gideon Rose**, Managing Editor, *Foreign Affairs*

**Christopher Beese**, Chief Administrative Officer, ArmorGroup International Limited

**John Hamre**, President and CEO, Center for Strategic and International Studies

**General William Odom**, U.S. Army (Ret.)

Discussant: **Doug Brooks**, President, International Peace Operations Association

**Gideon Rose:**

My name is Gideon Rose; I'm the managing editor of *Foreign Affairs*. I'm the moderator of this panel, which is going to take the discussion to the next stage. We have a fascinating group of people, their bios are in the packets, so I'm not going to go into them at length, but let's just say that we have people who know this subject intimately.

**Christopher Beese:**

I stand before you as a representative of an industry that is often accused by the media and other parties of unethical practice, loose morals, and motives born of profit. I represent a private security company, but I'm someone better known to the public as a hired gun or a mercenary. Such labels are inappropriate, but they shed light on a core issue facing our industry today, an issue that is fundamentally the subject of this talk.

It is little wonder we have those labels. Press coverage of the industry continues to play to public concerns, fueled by sensationalism in the UK and concern for profiteering in the US. Yet despite this profile, the private security sector is active in ever greater numbers in Iraq and is present in most of the world's hotspots today. More often than not it is providing the confidence that industry and commerce needs for expatriate staff to remain on location as they reconstruct collapsed states or secure economic interests. The circumstances in Iraq and Afghanistan today, where ArmorGroup alone fields 1,500 and 350 employees respectively, reflect a new dimension to an industry that is responding, some might say magnificently, to the greater desirings of our ambitious governments and the consequent need for us to supplement national security capacity. Indeed, so much so, that we are no longer independent players, instead we comprise a component of a national or coalition effort. In this context, our presence is no longer simply important, but possibly even vital. Our contribution is mission critical. We are no longer what we once were—tight-knit teams of Special Forces. For today we can be counted in our thousands, each corporate effort equivalent to a battalion, and in total, not simply a brigade but a division. Suddenly we matter.

Yet, for such a significant player, we are very much a junior partner, hardly a partner at all. Professionally, we see that the gulf between government departments and contractors is sufficiently wide to produce a degree of inefficiency that is wasteful of resources, uneconomic, and a hazard to safety. This gulf may never be completely eliminated, as regular soldiers look on irregulars with scorn, and irregulars look on regulars as green. The gulf could be narrowed.

The two roles are of course very different. Military commanders and their forces are concentrated for maximum effect and perform along rigid lines to achieve an objective against all odds. Contractors are all odds, and employ flexible and dispersed resources to support the overall aim behind the military. I should say here that it is ArmorGroup's view that private security should supplement the military but should not attempt to replace it, and that the role of private security in Iraq today is no different from the role we have played in hazardous regions for 20 years. Fifteen of those years I have seen personally.

Yet if these contractors are so vital, why indeed are they not treated as partners, and what are the disparities I allude to? I hope not to offend, but I'll give two examples. Take Wayne, the Marine, for example, who is assigned to a protective detail that escorts convoys around the country. He arrives in Iraq by Air Force flight, or, at worst, by road in an armored vehicle. He carries his M16 and body armor with him. He has air assets on call, including med-evac, he is party to intelligence reports, and has maps and a global positioning system (GPS). He is recognized by his uniform, and he is respected for his badge. He crosses borders with his ID card and has a legal status clearly defined by his country's laws. At 21 years of age he has been trained to fight, but has never been outside his homeland. He expects to be in Iraq for six months, and is pretty unhappy about a compulsory extension for another nine months, during which time he gets no home leave. Wayne is worried how he might perform under fire for the first time, and so is his sergeant.

Johnny on the other hand, is a civilian contractor, assigned to protect civilian engineers engaged in reconstruction. He arrives by scheduled air flight, as soon as he can get an entry visa through Kuwait, and then waits until road or air assets can take him forward in due course. Once inside, he looks around the market for a gun to buy, because his government will not issue his employer an export license, and he hopes to be issued a Department of Defense (DOD) card, before taking possession of his third-hand Kalashnikov. Eventually his body armor arrives, some 50 days after his employer requested an export license, and he's managed to beg a map off the military. He is even recognized now by Wayne, who mercifully missed Johnny, when Johnny last turned up at the gate, after riddling his SUV with automatic fire, in an episode that his sergeant explained as a "moment of uncertainty." But things are looking up. But life is not all happiness, because Johnny has no uniform and is not recognized. Indeed, while he is reasonably clear on his legal status in Iraq, no one else seems to be sure. At 36 years of age, he has three years of experience in the Middle East, speaks colloquial Arabic, and this is his fourth war zone. But he wears no badge, so gets no respect, even though he has completed his service with Special Forces and earned the rank of Captain. It took him less than ten days to mobilize, but he knows that he will be out on leave every nine weeks, and such a rotation will sustain him throughout his tour, which he believes could be as long as three years, by which time he and his mates will be the theater experts, provided they survive. Johnny is less worried about himself than the hard-working and nervous clients he has to escort. Two of his mates received gunshot wounds last week, but, after excellent care in a MASH unit (Mobile Army Surgical Hospital), had to stand at the back of a queue to get a flight out, after troops on regular duty.

How different was our experience in the Balkans. In Yugoslavia, where ArmorGroup provided some 425 of the United Nations Protection Force's (UNPROFOR) 2,000 civilian support staff, the UN included its supporting contractors within the greater UN family. Not only did it afford a UN identity card to every contractor, but a civilian type uniform, full legal cover under the Memorandum of Understanding agreed between the governments of Croatia, Bosnia, and Serbia, flights into and out of Sarajevo, body armor, and the services of a legal department.

We provided skilled services on very short notice and at an economic cost, while the UN integrated these resources, which included security officers, and even armored vehicle drivers, for best effect. True, the exercise had its problems, but as a model of cooperation and integration, it was hard to fault. And I think today, when we talk about contacting and the issues

that we see, particularly with DOD contracting, we should remember, and it is certainly ArmorGroup's experience, that the Department of State and the UN have extremely effective contracting mechanisms, that I think seldom fail.

There is a gulf for sure, and not just in theater, but a bigger one back home. Experience suggests that government does not understand how best to mobilize national capacity. And that's what we see our services as, part of a national capacity, by which I mean our industry, in times of need. As a result, our contracting process has failed to curb spiraling costs, and has failed to maintain standards of training, selection, and conduct, because it does not know exactly who it is dealing with. I recommend that this deficiency is addressed through improved regulation, and a policy of positive engagement with our industry. Just imagine teaming up in combat operations with someone you do not know, whose performance you cannot verify, whose reactions are unknown, and whose experience is potentially negligible. You wouldn't do it.

Yet in Iraq, the selection of private security contractors seems to have been done by a tick-in-the-box exercise, which seems wholly unrelated to the reality of a very hazardous environment.

However, if governments have their faults, then so does the private security industry, whose component firms have no common standards of recruiting, training, code of ethics, or standards of service delivery. They are not recognized because they are unrecognizable. This they must address as an emerging industry, and there are now encouraging signs that government departments are willing to examine current practices and future needs. In this they are helped by interested parties, the likes of yourselves, academics, journalists, individual politicians, and it interests me today to see quite how far we have come in relatively short time, such that people like yourselves are able to demystify the subject of private security.

However, I suggest that while we have common facts to examine, we still do not have a common view. We, too, must do our part to strive for higher standards, for industry representation, perhaps the like of that proposed by Doug Brooks, and for regulation, as we advocate. Because unless we can change the thug-like image that the shadowy end of our industry portrays, we will continue to be viewed as thugs, and more likely to represent a problem than a cost-effective and dependable solution.

To put this into context, we should remember that while the losses of uniformed military in Iraq have been significant, losses for contractors in Iraq are not insignificant. There is a private-public partnership, but the terms of that partnership need to be redefined if the partnership is to be efficient. Once we can stand together with a common offering and a collective voice, we should be greeted by government departments that are delighted, perhaps, to sign us up. Coordination thereafter is, we believe, a relatively straightforward affair, certainly compared to the difficulties we face today. Thank you very much.

**John Hamre:**

Good morning, thank you for inviting me. Let me just start by giving some affiliations so that you know the biases I probably bring. I've worked in the government for about 25 years, 17 in and around Congress, and then eight with the Defense Department, first as the chief financial

officer and then as the chief operating officer. I currently run a think tank, which derives about a third of its income from the private sector, probably five percent from companies in the defense business. I serve on two corporate boards that are actively involved with defense, IT Industries and the MITRE Corporation.

I would like to begin by giving you a delineation of what I think are the causes of greater use of private assets in defense, because I think it's important to identify sources that let you specify solutions. I thought that the earlier discussion about causation didn't really lend itself toward policy recommendations, so I'd like to at least delineate what I think are the factors we have to figure out. I think there are four large factors.

The first goes back to 1922 when we decided as a country we were not going to build military aircraft in arsenals. We made an explicit decision that we were going to move to the private sector and resource our assets in the private sector for the most advanced technology. Of the three decisions that helped us to win the Cold War, that is one of the three. It set in motion a trend that has been quite consistent. All of our advanced knowledge for the resources we bring to defense is really grounded in the private sector. We still have arsenals, but they are of diminished importance – Navy shipyards, for example. This set in motion a basic partnership with the private sector that is continuing.

Second, the decision 30 years ago to create the all-volunteer force. One of the most important dimensions of this is cost. It's expensive. We made a decision that we wanted to hire very good people, and you have to pay a lot to hire very good people. People don't know that we in DOD are the largest provider of day care services in the world – over 325,000 kids in our daycare. It's part of the cost of having the kind of military establishment that you want, and it pushes you into very expensive kinds of operations. Real labor costs rise about 2.5 percent per year in our business, compared to about 2 percent in the private sector.

Third, a by-product of the Cold War, we decided that we had to match a quantitatively superior opponent with quality. So it pushed us into the world of microprocessors, a world in which we are dependent on the private sector.

The fourth, and this has emerged really in the last ten to twelve years, is the pay compression with government salaries. The military is not underpaid up to the rank of roughly an E6 or E7 (sergeants, master sergeants). In the senior management levels you see a wide difference in pay comparability. This is a huge issue because it really drives what is the most interesting phenomenon of privatization in the last ten years, and that is the outsourcing of functions that in the past you counted on government employees to do.

I think those are the four forces that are really underlying these trends.

This particular panel session is dealing with warfare, post-war reconstruction, and development. Roughly following that taxonomy, I would like to postulate that there are really three phases: war-fighting, stability operations, and reconstruction.

Now, the war-fighting phase. There has definitely been a trend that brings the private sector closer to the front line. And we now have in Iraq, in Afghanistan, in Kuwait in 1991, much more active presence of the private sector, but behind the front lines. Now the front lines become increasingly blurred in the kinds of conflicts that we have now, but there is conceptually a very clear distinction. The military is never going to rely on, or let, the private sector have a frontline role in war-fighting. Period. They will never do that. And that is because you absolutely have to have complete confidence that you know how the guy beside you is going to act under fire. You cannot tolerate any ambiguity on the battlefield. But we are going to find highly confusing circumstances where a guy who is maintaining a Patriot fire unit is within five miles of the frontline. That is going to happen.

Let me skip to the post-conflict reconstruction, and then I want to come back to the stability ops, because that is where it gets quite confusing. The post-conflict reconstruction, and this is where the military has been able to secure a relatively safe environment – Kosovo, Bosnia, those types of situations – it is clear this is overwhelmingly going to be in the private sector. We have been doing this for a very long time. And, indeed, one of the things you all should be looking at – you who are concerned about the privatization of the military – you ought to be worried about the privatization of diplomacy. I mean, let's be honest, our diplomatic side really has contracted out for years to NGOs. I think there is a little bit of bias, because the people who are getting into this want to make money, but the NGOs have been in the business of privatizing diplomacy for quite a while.

Now, in post-conflict operations we just don't have in the government mobilizable capability. The only place we buy mobilization capacity is for war-fighting. We don't buy mobilization capacity for nation-building. We use the military because it's the only thing the government can get its hands on. One of the interesting developments of this administration has been going outside to profit-making people as opposed to NGOs for post-conflict reconstruction. And there are a huge set of issues with that, but they are beyond the scope of the current discussion.

It's the intermediate phase, the stability ops, that's the ambiguous phase. This is where we are in Iraq, and it's quite difficult. It's ambiguous for a number of reasons. Iraq may be an exception, but is perhaps systematic. When we took the entire mission of post-conflict ops and gave it to DOD, we really distorted the planning and preparation for success. Because the military views security in a fairly narrow dimension – who's shooting at me and how do I kill them? They don't view security in terms of policing neighborhoods where women are afraid to go out at night, or stopping economic plunder. That's not in their portfolio. So when we gave the whole post-conflict mission to DOD, they only thought about a small part of stability operations. If this was an anomaly, and in the future we go back to a norm where the full spectrum of the government is involved in stability ops, maybe we will have solved this problem. If it stays in DOD then we've got a problem.

I think the most important thing we have to do in this phase is to have absolute clarity of accountability. The first panel hinted at this, but I think what's most dangerous is the ambiguous legal environment surrounding your [to Christopher Beese] operations in Iraq. We have a highly ambiguous legal environment, because we have overthrown the government, but the contractors

are not subject to the Uniform Code of Military Justice. Nobody outside can legally pursue illegal action on the part of a contractor, and DOD can't either. That is a problem.

I think there is a straightforward solution to this problem: you make a clause of the contract that everyone who serves in theater is a reservist, by definition. So if you are in theater, we hire you, you are under a DOD contract; one of the clauses is that you are a reservist, you are subject to UCMJ.

The UCMJ legal process is quite different from civilian legal procedures, but there is a full embodiment of due process, so I think it is doable.

Two more points. First, the Army is moving to put "51 Charlies" into its brigades; these are contracting officers. Very important development. We are now going to be running our operations in very direct partnerships. The problem is that "51 Charlies" are gunsmiths and we need marksmen. This isn't a gunsmithing question (how you write the contract); it's a marksman question (what are we trying to accomplish and have we strategically structured to get the right outcome?) A gunsmith is someone who works the trigger; marksmanship is, "What am I trying to hit, and have I hit the target?" A "51 Charlie" is a contracting officer in uniform. We don't need a technician; we need a strategist.

Finally, I sensed a general sentiment of "this is really bad" in this room. If it's bad, it's because the government, not the contractors, have failed. We have failed to properly manage these instruments. Will there be renegades in the private sector? Sure. Are there renegades in uniform? Yeah. It is about positive control, exercising the responsibilities that governments have. We're going to have to, because looking at the four underlying factors, none of them are going to change. So we're going to have to develop competencies and responsibilities in government to manage this over time. Thank you.

### **General William Odom:**

I consider myself highly unqualified to speak on this topic, but I will just say what I can glean from this discussion. It has turned out to be an extraordinarily fruitful session.

John Hamre has made points that I wish I had made. They are exactly right. I was going to point out that this goes way back beyond the 1990s. It goes back to the Civil War. When you say that 50 percent or more of the budget goes to contractors, well, all the tank makers, artillery makers, you can't get people in uniform to make these things, and that's part of the budget. So be careful what you understand contracting parts of the budget to mean. Contracting is a very broad and loose category. If we don't sub-categorize it we are likely to talk past each other, which will lead to a lot of heat and moral indignation.

I'm going to give you a quick answer to the framing questions.

The first is, "How effective are privatized efforts over the long and the short run, compared to state efforts?" I would have said before coming here that we don't know, that nobody's ever done the analysis on this; and I think that after hearing what has been said, we don't have any

cost-effective comparison analyses. I heard Glen Kent say once that you can do this kind of analysis for any of three purposes: enlightenment, bureaucratic paralysis, or parochial advocacy. You just want to know which one you're doing. So even if you do this, you're not assured that light will come out of it.

The second point I would make about it relates to the point John Hamre raised about "51 Charlies". I want to take it to a higher level. Unless you've been on the inside and spent money, you do not know how hard it is to spend money legally. You do not know how hard it is to give people money and get them to do what you want. It takes lawyers. Your gunsmith analogy is very good. The Army got rid of post engineers at all of its posts, contracted out. We thought this was a great thing. We didn't have any contracting skills. People were just being taken to the cleaners. Posts were going into disarray because people didn't know how to do this. You don't learn at Fort Leavenworth how to do contract law. This is not for amateurs. In the Army I saw how badly we did it. When I went to the National Security Agency I discovered that I had there a core of good, well trained contractors. These were very well paid people who were terribly sophisticated. You couldn't find that kind of person on an Army post.

When I start thinking about the contracting task facing these people who are contracting for Iraq, I'm just overcome by waves of fatigue. I don't see how it could be done in any way but a messy and ineffective way.

Next question, "How to coordinate the public and private efforts?" I really don't know. I know one thing: if you put the State Department in charge it won't happen, because they don't understand staffing procedures. That's not what they are good at. It's like asking a football player to dance ballet.

I would disagree with John on one thing. The military has traditionally been involved in stability operations. We've spent more years in civil affairs, in ruling countries, in trying to put down new institutions, than we have in combat. This idea that the Army only fights is a new idea from the 1980s. There is a very good PhD dissertation at SAIS (the Paul H. Nitze School of Advanced International Studies) that shows that we had a civil affairs department in Pyongyang in 1950. We had civil affairs in Mexico during the Spanish-American War. Going out and providing a surrogate government is an old American tradition, an old Army tradition. But it has been de-emphasized. When I went to Command and Staff College, you had to have a G5 Civil Affairs section in all your operations orders, but that went by the wayside.

Let me just give you an idea of what I've heard. How do you coordinate civil-military affairs in country? Well, in country there's a fellow called ODC, the Office of Defense Coordination. That's usually a major or lieutenant colonel, and he's dealing with his contractors. And who are the contractors? For MPRI, it's former Chief of Staff of the Army, General Vuono. Well, when the general comes up against this lieutenant colonel, who is going to win? He goes back to an ODC at UCOM (Unified Command). There's an ODC office there. And now we have a four-star, a Deputy European Commander there, who could really get on top of the contractor and make him salute. But does he have time to do that, or has he ever been trained to do that? I think you can get to it that way, but you're going to have to work at that level of detail.

I want to jump to “does privatization undermine military morale?” In some cases yes, in some cases no. I’ve seen it work both ways in Vietnam.

“Can intelligence gathering be outsourced?” We’ve done it – we’ve tried to, but I don’t think it works very well. I will say that the vast majority of intelligence that informs policymaking comes from the media, universities, and think tanks. Maybe five to ten percent comes from the intelligence community. But there is, particularly in military and tactical operations, specific knowledge that journalists cannot provide. Journalists will not go find the parameters of radars, the thickness of the fronts of tanks, etc. But if you’re going to privatize that, you might as well privatize the trigger pulling, because in my view both are combat functions, not civilian functions. One more point: Who are spies? They’re contracted civilians.

I now want to compare what’s going on in Iraq with other nation-building efforts. I do have a basis for making some judgments. In Vietnam I was in the planning and policy division of the Corp’s operation, working in the hidden bureaucracy of Bill Colby. It was mind-boggling. I found myself writing the 1971 National Capacitation Development Plan. I didn’t have a clue as to what I was doing, but I was able to make it up and go along. We had a lot of programs that were ineffective. We were contracting there in a big way. Some were okay, but some were not. We were teaching local police, we were teaching education, doing land reform, and almost all the people doing this were hired by the US Agency for International Development (USAID) and were failures in their professions in the US. Alcoholic retired policemen from Los Angeles were abundant. Teachers who didn’t have a clue what they were doing found very good pay in Vietnam.

After my Vietnam experience, I didn’t write a book on Vietnam, but I wrote one that talks about it indirectly. I called it *On Internal War*, and I used three case studies: Guatemala, El Salvador, and the Philippines. Vietnam was my base case. It’s about who’s going to govern. And the person who can govern is the person who can tax. If you can’t tax you’re not going to win. What we were doing in Vietnam was throwing our voice, because we couldn’t be colonials like the British and actually put our people in place. So we were paying the Vietnamese to say what we wanted them to say. And it seems to me that’s where we’re headed in Iraq. This is colonialism by ventriliquy. I don’t know of any successful colonialism by ventriliquy operations, so I think it is doomed to a disastrous outcome. And you could see that in Vietnam.

The issue becomes, where does the US want to provide surrogate government? In some places I think you can do it very effectively. We did it in Korea. There’s a lot of misunderstanding about what we did in Germany and Japan, which were both liberal constitutional states in the beginning of the 20<sup>th</sup> century, which is not the case in Iraq. If you’re going to succeed at this you’re going to have to choose your cases.

I’ll end by saying that I have a colleague at Yale, Skip Stout, who is writing a book on the Civil War that I am waiting breathlessly to see. Because I didn’t realize, maybe you did, that Lincoln understood he could never bring the South back into the North and save the Union unless he destroyed the structure of Southern society. He had generals like McClellan who didn’t believe in collateral damage. He wanted collateral damage. He wanted to destroy, and kill, and burn, and pillage enough of the South so that the old structures couldn’t survive. He finally found the

people with the stomach for blood to do it. If we had to do that here, why do we think it's going to be less bloody in Iraq? If you're serious about this, you're going to have to kill a lot of people. This is not something you're going to contract out. So I am very pessimistic about imposing liberal institutions onto countries except in very few cases.

**Doug Brooks:**

This is a really interesting panel. A little bit about my background. I run the International Peace Operations Association, which is an association of military service companies including Christopher Beese's ArmorGroup. As I see it we are the middle ground between the tree-huggers and the knuckle-draggers. We work with both the NGO community and the humanitarian community, but also with the companies that provide these sorts of military services. So, that's where I'm coming from. Here I kind of feel like the chicken in the fox house, actually. I think the three panelists spoke from three interesting perspectives. One was Christopher Beese's perspective of what it's like to operate on the ground, and then was the policy perspective. What is the best use of these companies and should we be using them? And then General Odom's historical perspective.

I think one of the points that Christopher brought up was that the private security providers that everyone is worried about are probably only five to ten percent of the whole at most. So, in fact, we are talking about the smaller end of the industry.

I think he made the great point that these companies that used to be small and scattered about are now becoming part of the policy.

I think another good point is that contractors face problems but bring enormous experience. His company is hired to go and do protection for the British government. So they're supposed to go with certain capabilities and resources, but then the government says you can't have those resources. So in a sense they kind of make do. They do what they need to do to get the job done. And that's one of the characteristics of these companies, a can-do attitude. Should there be a legal structure that makes this easier? I think so. As he mentioned, we're looking for improved regulation. It may be the only industry in the world that craves regulation. There's a lot of resistance against regulating the industry, because in a sense you legitimize it. It says you are part of policy now because we've made a niche for you to operate in.

In John Hamre's presentation, the first interesting point was the historical process. He talked about the value of the all-volunteer force, but how expensive it can be. When we talk about contracting out we need to look at how expensive it will be. He talked about technological dependence on the private sector and the problems with the government pay scale. He then delineated war-fighting, stability operations, and post-conflict reconstruction. I think the most interesting of those was stability operations, and he said DOD may be the wrong organization to do stability operations, and General Odom challenged him a little on that point.

**Hamre:**

What I tried to say was that they tried to do it, but their perspective is not comprehensive enough.

**Brooks:**

Okay, my thought on that was that the State Department put together plans on post-conflict Iraq and they were ignored. There could have been a happy coordination between them.

Again, the issue of ambiguous legal issues. This is a big issue in the industry. You're operating in areas where there is no effective legal system, but you're trying to operate legally. How do you do that? Well, you have to kind of make it up as you go along and hope in the future people look back and think that was the right thing to do.

You mentioned the UCMJ, but you didn't bring up the Military Extraterritorial Judiciary Act, which was designed basically to cover contractors. It's actually fairly comprehensive, but there are some procedures that need to be sorted out. I think it's clear that if the Department of Justice wants to prosecute a contractor in Abu Ghraib or anywhere else, they have the ability to do that.

The issue of strategists, not technicians. From the industry perspective, they'd love better oversight. Better oversight means the better companies get the contracts, so that's always been supported by the industry. I think that's something we really need to look at—how do you provide oversight?

The General brings some great perspectives, looking at it from a larger historical perspective. This is not the first time we've seen outsourcing. Something that's often overlooked is that Pacific Architects and Engineers operated in Vietnam and took proportionally more casualties in the Tet Offensive than the military did.

The question of "we don't do peacekeeping" was, I think, one of the rallying calls of the Republican Party before 9/11. The reality is that they don't do peacekeeping except where they do peacekeeping. So that's something of a misnomer. Can the military fix that? It tends to focus more on its core values, which are killing people and breaking things, and what it's been doing is outsourcing the other things. Is it successful? Is it failing? Is there a better way to do it? I think those are good questions to bring up.

Then he pointed out that Iraq is doomed to disastrous outcome. Already pretty disastrous, I don't see how it could be much worse.

**Rose:**

Before we open it up to questions I want to make two brief comments. First a little shout-out to the Rohatyn Center and the Woodrow Wilson School. What we're seeing today is a very interesting process at work. It's a new research program being sketched out. I mean the number of academics who actually study these issues and know something about them is tiny, and we're hearing from them today. And it demonstrates the merits of problem, rather than theory-driven work. This problem is a growing issue that is not generated from one of the major research programs, but from the real world events that we're all watching. I think it's important for academics to pay attention to that and to take their cues from the real world, and I want to

congratulate the Wilson School and the Rohatyn Center for having the guts to focus on real world issues, when many of their colleagues and peer institutions do not.

The second thing we're seeing is the benefit of genuine collaboration in the intellectual enterprise. We all know it in the military arena, in which the individual services can't do things on their own. That's obviously the way work should be done on serious, practical questions, which need the relative strengths of academia, the NGO community, the policymaking community, and the private sector as well. The degree of expertise in this room today, and the kinds of expertise, transcend what an individual actor can bring to the table. And it is that kind of collaborative work and discussion that needs to be brought to bear to actually say something interesting about these issues. The non-military people barely even understand what the military people are saying, let alone the parameters of the issue that need to be thought about. And the academics can bring stuff to bear that the military types cannot and the private sector offers a whole new side of things that is rarely heard. The reason I'm calling it out is that those of you not in academia might not know exactly how rare this type of serious collaboration is, and so it's important to note it and praise it.

One thing that might have been added was a historian, because the problem of military contracting goes back to people like Wallenstein [Albrecht von Wallenstein, duke of Friedland and Mecklenburg] and the condottieri, and the extent to which there is a historical tradition of military action being carried out not by the state but by private actors. Actually it would be very interesting to see how this has developed not just over the last years or decades, but over the last several centuries.

**Andrew Moravcsik:**

Something we're all struggling with is what that we're hearing is just a part of doing business and what is something that can be fixed through policy? One way to get at that is to look at historical examples, and another way is to look at it comparatively. Christopher Beese said something that really struck me, that working for the UN is very different from working for DOD. So I'm wondering if you could reflect on what the best and worst practices are by looking at how different countries and international organizations carry out this same task.

**Beese:**

The experience with the UN, is probably, first of all, working with a more established bureaucracy. People won't come just for the next few weeks or months. There is some durability of their mechanisms, and when they contract they have real-time oversight. Their contracting officers are right down on the ground; they watch everything you do. It was impossible in Yugoslavia for the six contractors to the UN to spiral the costs in the way we've seen in Iraq, which I suggest are quite contrary to the public interest. They were able to contain the costs by knowing exactly what they wanted, and then by having contracting officers on the ground determining that we were doing what we were contracted to do. And if we needed a variation order, it could be done there and then. Authority was delegated from UN New York to UN Zagreb, and I think it was, as a result, a very successful contracting environment.

**Moravcsik:**

What about the UK government?

**Beese:**

Ah, yes. The Ministry of Defense has not actually contracted to private military companies yet as such. It has done it by proxy, in as much as it awards a contract to someone to build its camps. The contractor may sub-contract to us, but it doesn't have a direct mechanism nor any direct engagement with our industry. The Ministry of Defense has no knowledge of our industry that we can see.

**Rose:**

If what we're hearing is that this administration has done it less well than others who have done it better, and what we're hearing is there are capabilities in the government that are better for post-war, but they weren't used, how much of the scale of the question in Iraq is due to the simple incompetence of this administration, and how much to structural factors that will persist?

**Hamre:**

This is on the scale of two to three orders of magnitude larger than anything in the past. So I think one could not attribute it to incompetence. It is so far beyond the scope of what we have done in the past that I think it is asymptomatic. I think the government is starting to develop the competencies, they've created an Office of Reconstruction and Stabilization in the State Department, they've created a center for doctrine development. You're starting to see the institutionalization of capacity. We stumbled our way through it in Bosnia and Kosovo, and we stubbed our toe, but we had a three-year period of transition to pull it off. So I think we have to be careful not to overwork the lessons of this operation. It has been handled poorly. The problems were, however, quite extraordinary.

**Peter Feaver:**

In fact what we're seeing is a return to neo-feudalism. If you think about how the East India Company played a role in the rise of the British Empire, there are similar parallels to the rise of the American quasi-empire. A number of folks have expressed the concern that this makes military force too usable of a tool. That was precisely the issue raised by the rescinding of the draft. But I think that as a democracy we've come to terms with that, so I don't think it's impossible to come to terms with it in regard to private security forces. Our polling data shows that people think about these similarly to how they think about regular uniformed forces. So the reaction to the Falluja contractor problem was identical to the reaction to the Ranger raid on October 3, 1993. Go and get the guys who did this. My last point has to do with the critique that there's no good cost-benefit analysis. That's true, but I would defy anyone to come up with a good baseline of what it costs for the US military to do a certain function. That is an almost intractable analytical problem, especially when you narrow it down to a specific thing like providing security for a couple perimeter sites. Figuring out what it costs the US military to

provide that function compared to what it costs a private company is impossible. The baseline is unknowable.

**Hamre:**

Can I just say, when I was chief financial officer, cost was never a consideration. It was, “what do you have to get done, and how do you get it done?” It’s not about, is it going to cost ten percent more to have a private contractor do it; it’s how do you do it?

**Question:**

A question for General Odom. Where should we go from here? We have two or three options regarding post-conflict capacity. We can strengthen DOD’s ability to do post-conflict reconstruction, we can work more with the private and non-governmental sectors, we can take the civilian agencies of the US government and strengthen their capacities, or we can combine these approaches. So, the core question is what role should the military have in post-war reconstruction and stabilization, and how should it re-engineer itself to carry out that function?

**Odom:**

I would go back to the historical cases. We had the Civil Affairs system coming out of World War Two, but then it went out of business. We would have been much better off if that had not been allowed to wither in the 1980s and 1990s. I don’t see how we could get anyone else to do it, because after war the military authority is the effective authority. They have the trucks and the facilities to get things done. I just think they cannot avoid a big role in government.

Let me give some examples from Kirkuk. The unit that went in there went with a civil affairs team. Had they been told to work on that a year earlier, they would have known a lot more. But they actually came with no preparation. This is an unambiguous case of how we gave that part of the war plan short shrift.

**Brooks:**

I just wanted to point out when you’re talking about state-building, most people think of it in terms of two to three years, when in reality it is more like five to ten.

**Marty Stein:**

We’re talking about stabilization, and the confusion of authorities and so forth. We seem to be suggesting that contractors are going to solve the long-run security problems in a lot of these places, whether or not the military steps in. The problem is we’re not doing a very good job of training indigenous forces. DynCorp, and a lot of the other US contractors running training programs have a fairly spotty track record of indigenizing security. It seems to me that DOD is going to really need to think carefully about how to manage this process.

**Richard Cooper:**

I see it as a temporary problem of military agility, in the sense that this is a very expensive military that takes a long time to shift. There are cultural changes being made. We overspecialized in the Cold War in war-fighting, now we are broadening to re-develop skill sets we used to have, and it's just taking time. And in the interim private military companies have filled a gap. How much of this will fade away in ten years?

**Anne-Marie Slaughter:**

Two quick points. We heard that the UN is running a contracting operation better than the Pentagon. That's a first in my circles. Two, just to say to Peter Feaver, one place I don't think we want to go to is to some idea of neo-medievalism. The state is critical.

But my question goes to John Hamre's point. Look, we're outsourcing on both halves of government. We're outsourcing in the Pentagon, we're outsourcing in the State Department, but we don't notice that so much because they're NGOs. Why is it that we go to for-profit when we outsource on the military side and not-for-profit when we outsource on the diplomatic side?

**Hamre:**

On the security issue, we've never developed a comprehensive security model for what we encountered in Iraq, and we've never designed a security solution for it. We have improvised as we confronted problems and we've done it poorly. But don't globalize from this experience our basic capacity to think our way through this. I think we will do better with a different set of actors and a different set of circumstances. The point you made that indigenous forces are of questionable security reliability is right, which is why you use them in very narrowly defined security applications. We started it that way, and when our political strategy collapsed, we adapted too quickly and did not have the infrastructure right. So we could go into a lot more of this, but the basic point is that you've got to have a comprehensive security model and then figure out how to use your own forces, contract forces, indigenous forces, coalition forces.

On the profit/non-profit question, first, the State Department uses profit-making contractors as well as NGOs. I mean they are a big industry. It's not just a bifurcation. We do not, however, in the DOD environment tend to have a constructive relationship with NGOs. And, indeed, one of the problems in Iraq was that DOD made a lot of the humanitarian assistance community work through contracting officers, which was a vocabulary nobody understood. So the most important mistake we made in Iraq was to give the entire mission to a department that had a narrow perspective.

**Brooks:**

I think General Odom hit it on the head. It would be well worth looking at the reconstruction efforts in South Vietnam, it was a massive effort. It would be really interesting to see what was going on, and I think what I'm seeing now in Iraq is just reinventing the wheel.

## **Odom:**

Two specific questions. Anne-Marie, I think one reason you don't see them contracting to non-profits is that you don't see non-profits in the paramilitary business.

And then on training local forces. When I listen to the presidential debate and the candidates discuss how they're both going to train these forces, I think of my Vietnam experience, and I think, how loony is that? To have security forces they have to be loyal to some government. They have to be non-buyable. Well, what are the odds you're going to be able to make that kind of transition in Iraq? In Vietnam, we couldn't do it over years. We had some very good South Vietnamese army units, but it was never an institution that could be commanded from the top down, because there was no strong state.

## **Session III**

**2:00 p.m. – 3:30 p.m.**

*Privatization versus Non-Profit Delivery: Is it time to go back to the government?*

- In advancing U.S. interests, what is the optimal balance of power between NGOs, the government and private firms?
- Do certain threats and challenges require both a public and private response?
- To what degree are states yielding accountability to PMCs and other private entities?
- Do PMCs encourage military adventurism?
- What are the normative implications of privatizing security?

Chair: **Nikolas Gvosdev**, Executive Editor, *The National Interest*

**Deborah Avant**, Associate Professor of Political Science and International Affairs, The Elliot School at George Washington University

**Kateri Carmola**, Assistant Professor of Political Science, Middlebury College

**Alex Knott**, Political Editor, The Center for Public Integrity

**Charles MacCormack**, President and CEO, Save the Children

Discussant: **Andrew Moravcsik**, Professor of Politics, Princeton University

## **Nikolas Gvosdev:**

The increasing use of private military companies (PMCs) by the United States government to fill manpower shortages and carry out a variety of missions previously undertaken by state agencies raises some fundamental questions that need to be addressed. Are there functions (particularly as they relate to the conduct of war and peace) that cannot or should not be privatized? And what impact does the use of private firms have on the conduct of foreign policy in a democratic state?

In his *U.S. Foreign Policy: Shield of the Republic*, Walter Lippmann made two observations that touch directly on the question at hand. The first was that government had a duty to secure the vital interests of the nation, which he defined as those the people “have agreed they must defend at the risk of their lives.” The second was that the government could not take on unlimited foreign policy obligations: “American foreign relations must be made solvent before the United States can afford to issue any more promissory notes.”

Lippmann assumed that in order to carry out foreign policy, to conduct military operations and other overseas interventions, the government would have to rely primarily on public entities, especially the armed forces. Since these institutions were responsible to elected authorities, a democratic government would have to demonstrate why a particular course of action served the national interest (whether defined in realist or idealist terms), in order to justify the potential sacrifice of blood and treasure on the part of the citizens.

Yet in a world no longer characterized by Great Wars, but rather by low-level insurgencies, humanitarian crises generated by state failures, and nation-building exercises, in a political environment when the death of a single soldier – whether draftee or volunteer – can create enormous pressure to terminate a mission, the temptation to turn to the private sector is growing. The use of PMCs offers governments an easy way out to pursue more “optional” policies; it also allows the government to limit the deployment of the “regular” military if there are concerns that public support for a mission is waning while subcontracting other tasks to the private sector, particularly humanitarian emergencies where voters want the government to “do something” but do not want to risk the lives of soldiers (e.g. famine relief in the midst of an African civil war).

After all, no one weeps for mercenaries. When a handful of U.S. soldiers died in Somalia in 1993 during Operation Provide Comfort, the outrage among Americans helped to scupper the entire mission. By contrast, the continuing death toll among American private contractors aiding Colombia's war against narco-terrorists barely makes the headlines. It also raises a more fundamental question: in the modern era, militaries have been citizen-based and military service defined as part of public service, with a corresponding understanding that a country should not undertake military missions lightly. Increased use of PMCs shifts the basis for military action away from citizen service to a contract basis – where private firms can bid for a particular task based on risk assessment and profitability.

What this could produce is a loose collection of “optional” foreign policies where various interest groups with sufficient clout can petition the United States government to contract out to private entities a whole slew of interventions that fall short of full-scale military intervention but which nonetheless have foreign policy consequences. But would such operations – say, using private military forces to guard refugee camps in Sudan, or protect Orthodox monasteries in Kosovo from attacks by Albanian militants – be backed by the full faith and credit of the United States government? Or would the U.S. government disclaim any responsibility as a government for the actions of private groups? What would be the rules of engagement?

Subcontracting out to PMCs to execute policy without first setting effective ground-rules for how the use of PMCs fits into an overall strategy runs the risk of de-linking policy from a

country's national interest, allowing for a greater degree of adventurism in foreign affairs. It also lays the foundations for a major disconnect between those who formulate policy and those who execute it in terms of accountability to the citizenry. It finally raises questions about questions of sovereignty – and sovereign responsibility.

In current conditions of globalization, when non-state actors such as multinational corporations and major foundations are increasingly acquiring the resources to do things formerly thought to be the preserve of sovereign states (the Gates Foundation, for example, is a much more potent and effective force for world health than most sovereign governments), the devolution of sovereign functions to non-state actors inevitably will reach the point where the military question will be raised. Should private charitable foundations have at their disposal the services of private security forces – to secure refugee camps, keep supply lines open, fight off bandits and irregulars? If states do not wish to undertake humanitarian operations, should an international humanitarian military organization be created with the authority to deploy force? (One of the old sovereign medieval military orders, the Knights of St. John, is still recognized as a sovereign entity by a number of European states). Would such bodies have the right to purchase weaponry and equipment; train soldiers; and transport armed personnel across state boundaries?

The exponential growth of the private military industry – not only in terms of numbers but also of missions – means that governments can no longer treat this as a temporary phenomenon. How PMCs fit into an international system still defined by sovereign states that are vested with legitimate right to make war and peace needs to be addressed. Earlier this year, I noted:

“If governments are going to use mercenaries, they should deputize them so that they are held to the same rules as uniformed soldiers. It also means that governments that hire private forces must be prepared to hold them accountable in courts of law for their actions – just as privateers had to appear in special ‘prize courts.’ Congress could take an important step by developing a code of conduct for private military contractors and encouraging other states to do the same.” (History News Service, April 20, 2004)

Proactive efforts are needed; defining the roles that PMCs should play should not evolve on an ad hoc basis. These are some of the questions this section hopes to address.

### **Deborah Avant:**

These are hard questions. I’m going to try to address at least a couple, though not in the order in which they appear.

First of all, do threats require both a public and a private response?

I don’t think it is required, but certainly part of the motivation behind private responses has been perceived “bureaucratic and/or political failures” to meet certain threats.

You can see this in Admiral Owens’ arguments about the need to harness the private sector to overcome technological backwardness in the US military.

And, in a different way, in the arguments about failure of the international community to respond in the Balkans, Rwanda, and elsewhere.

The private sector provides a way around these failures. Eliot Cohen suggests that privatization increases the potential to make the most of information “spin on,” take advantage of capitalist economies, and manage in a complex world with fewer troops.

And then David Shearer, who worked for the UN for a while, claims that privatization could generate new solutions to the messy interventions in Africa and elsewhere that western troops were reluctant to provide.

So privatizing security makes it easier to take action. It provides new tools – and thus more flexibility than relying on government alone.

I think this claim has been supported over and over again in the last 15 years – when MPRI went into Croatia, when DynCorp provided civilian police in Haiti (and then everywhere else) and then most recently, in the wake of the insurgency in Iraq, the private sector provided surge capacity to deal with the mounting violence without the bureaucratic lead time or the political costs that would have been required to send the same numbers of additional US troops.

Second, as experience with privatizing security has grown, though, it has also become clear that the legal and bureaucratic instruments and institutions we have available create obstacles to the efficient execution of policy with these flexible new tools. So, while it has been easier to take action, the implementation of action has sometimes been problematic. This is one – pragmatic – level of “cost” that you can look at. Some of these issues came up in the previous panel.

For example, the legal unclarity: Can private security actors be held responsible for misbehavior? What rights to private security actors have? The Military Extraterritorial Jurisdiction Act (MEJA), the PATRIOT Act, Article 17, etc.

And also there are bureaucratic messes: State Department contracts for security services that cannot be executed as written because people in the Office of Defense Trade Controls will not approve the shipment of weapons. Soldiers pulling their hair out because they cannot get contracted services adjusted without a contracting officer, and not enough contracting officers as are needed in Iraq. And the reporting mechanisms set up in the acquisitions community that are simply not useful, that simply makes it impossible for the Army to keep track of services and personnel. This is something that the Assistant Secretary for Manpower has been struggling with for quite some time.

As some people suggested this morning, there are potential institutional fixes for all of these – although they are likely to be very complicated. For instance, some are advocating putting contractors under the direction of battlefield commanders – but some contractors argue that this could negate their contractual arrangements (and liability insurance) and compromise their status. Also, John Hamre suggested treating US contractors as reservists and making them subject to the US military code of justice. That makes sense, except that in Iraq, it’s not just the DOD providing all the money: it’s the State Department, it’s NGOs, it’s Bechtel, it’s Parsons. And so, how you think about the legal instruments is actually complicated.

But, third, I do want to separate those kinds of issues, which I think you can deal with through institutional changes, from what I think is much less amenable to a fix because it is integrally related to the benefit.

The very flexibility that makes private security a more flexible tool redistributes power within democratic, intervening states: benefiting executive over legislative branches, reducing transparency, and making it easier for commercially interested actors to impact policy – all of which lowers the political costs of action and enhances the potential for the use of force – or more adventurous policy.

This may provide benefits in an individual instance, but lowering the political costs of action more generally promises to pose costs, especially over the long term, by reducing the restraint typical among democratic polities and reducing the incentives for institutional changes in government.

Now, democratic restraint has been associated with numerous benefits such as greater trustworthiness, lower numbers of conflict, and increased military effectiveness. To the degree that private security options change these processes in a way that makes it easier to take quick action, these benefits may decline, too. Private security could be a way in which leaders expressly evade international commitments – reducing trust. The lack of transparency surrounding private security may generate further worries about trust among democracies. And to give you an example of the reduction in transparency, from January 2003 to July 2004, the *New York Times* mentioned private contractors one time for every four times they mentioned troops. There is not as much information getting out about what these companies are doing.

And the degree to which private security companies recruit internationally could be a bone of contention between states as they lose control over the violent actions of their citizens abroad. Most of these countries are recruiting from countries around the world – the Chilean Defense Minister isn't that happy about the higher than average rate of attrition among their special forces. It adds to interstate dimensions to consider.

By making it easier to intervene, private security could increase the number of problems for which the use of force appears beneficial, and thus the number of conflicts.

Finally, private security could reduce long-term military effectiveness. First, by making it easier for leaders to take action that does not have wide or deep political support and thus choose to enter conflicts that are harder to win; and, second, by increasing the times when military and private actors are operating side by side, but under different rules and rewards, which as we already heard this morning, promote antipathies among soldiers and contractors.

Outsourcing can inhibit government innovation when the government doesn't have the capacity to intervene. DynCorp's civ-pol potential was a great innovation in Haiti because it provided a tool available nowhere else. But this did not provide the US government with an incentive to go back and figure out, how can we develop a capacity to field police internationally? The State Department doesn't even have good institutional memory, good records, for what it has done.

So, is it time to go back to the state? In fact, I think that would be hard.

The pressures for new solutions in the first place are evidence of the degree to which global pressures – technologies, population flows, markets – have led many more people to see the need for collective action beyond the state alone. The variety of political failures I spoke about at the beginning makes it hard to imagine going back to state tools alone. The draft is not an option anytime soon.

If private security actors are here to stay, energy may be better spent, number one, addressing that pragmatic set of legal and bureaucratic costs, but also increasing awareness about the risks of using force to satisfy a narrow constituency and working on new strategies to increase the level of shared purpose, cooperation, and transparency among states, NGOs and private firms. This is because the best outcomes tend to occur not when the right balance of power between these actors is struck, but when their actions complement and reinforce rather than undercut one another.

**Kateri Carmola:**

As a member of the faculty of Middlebury College, I would like to second your welcome here to Vermont. Because I am a Professor not only of Political Science but of Political Philosophy more specifically, I am doubly removed from the world of policymaking. My subject matter tends to be about the background assumptions that guide how we act. I see the problem of privatization as speaking to a large issue of the connection between the citizen and the state, and so very much to Anne-Marie Slaughter's question this morning of how can we see the government as an effective force any longer, and how is our relationship to that government played out? And I see the problem specifically of how we employ individuals to use violence to achieve state goals as central to this somewhat porous and problematic relationship between the citizen and the state.

So, today, in directing my remarks to the problem of regulating this confusing and unprecedented set of international actors: the global privatized security industry. And here I am going to focus on the "tip of the spear" that Peter Singer pointed out this morning, those 6,000 military-like forces in Iraq and around the globe, not so much the Kellogg Brown and Root logistical firms. As many have pointed out, and as becomes increasingly obvious, present legal mechanisms do not effectively serve these companies, or speak to the realities on the ground. This legal gray area has had widespread ramifications on the ground, at home for citizens watching our foreign policy, and in terms of the necessary interoperability with regular military forces.

I want to go over two problems, then I want to outline some possible ways to see these actors, and in understanding their identity, properly regulate them.

The two problems are obvious. First, laws and regulations, in order to be effective, must have a kind of legitimacy to all who must obey them. They have to be seen as legitimate to the actor himself. Second, there must be some kind of effective enforcement mechanism. You can write all the regulations and definitions that you want, this is the history of trying to define a mercenary or irregular troops, but until there is effective international enforcement, and an

effective hierarchy of command and control - in other words, some legitimate authority to enforce them -- you'll get nowhere, even if these actors see these laws as applying appropriately to them.

So in order to answer these two questions – what laws and what legitimate and effective enforcement mechanism – it is important to understand how the actors see themselves. In the background, there are three ways in which these private actors could be seen, though I think it is important to lay out what I think is an increasing trend, the gradual individualization of the soldier, which began with the professionalization of the all-volunteer force in the 1970s, and people then were right to worry about the potential for mercenarism within a volunteer force. It was increased in the 1990s with an attempt to remake the Army as “The Army of One.” We were single operators; there wasn't a group army; they highlighted the individualization of the soldier.

And since September 11<sup>th</sup>, there has been a further increase, especially in the rise of the special forces operators, who though they operate in tight units, still bear the mark of their own profession as having an increased level of autonomy and agency within the Armed Forces. While this is mainly about the image of the soldier amidst increasingly interconnected inter-service doctrines, this is how they see themselves. Self-regulation is the mark of a profession, with autonomy of your actions, and so you are moved away from the tradition of a conventional military, based on strong group norms of group obedience and group honor.

The sort of end state of this is the sort of individualization of the soldier. The mercenary is not the subject of this, but it's in the background. And for this, I'd like to quote from something that went out on Doug Brooks' listserv not too long ago. It was an advertisement for a new – this is after lunch so I get to wake you up with a real-world example – video game that's going to come out in January 2005, called *Mercenaries*. On the LucasArts website, a representative is talking about this game, and she says:

“The team at Pandemic wanted to make a game offering total freedom, political autonomy, and access to immense firepower. The private military company tied these elements together. As a member of Executive Operations [the PMC in *Mercenaries*] you answer only to yourself, but you have the backing of very powerful friends. ExOps won't tell you how to fulfill your contracts or dictate how you interact with competing factions; they simply want you to succeed at any cost. So they're always at the ready to support you with air strikes, valuable intel, or supplies on demand. A boss who doesn't ask questions and gives you endless toys, no questions asked? I think this is a fantasy everyone can understand.”

Later on, someone visiting the LucasArts website asks, “How destructible will the game world be in *Mercenaries*?” And she responds, “Completely destructible. Well, you can't burn down trees. We're very environmentally supportive.” No lie. You can kill civilians, but if you kill civilians, there's an embedded journalist who will watch you and deduct points.

I realize that I'm falling into the trap of the academic who sensationalizes – and look, Christopher Beese has his brow in his hands now. Still, I offer this example only to make the wider point of the way that fantasy plays into the identity of the operator on the ground, and if we don't think that a good number of these guys play video games, we're fooling ourselves.

So let me talk about three ways in which you could understand these operators, and I'm going to leave behind the sensational, mercenary, single operator nightmare scenario. I'm going to talk about the legitimate field, which really does dominate this country's relationships with private military corporations. Peter Singer is right to divide these actors up into different functions, but I also want to divide them up into different norm sets or ways of life that guide their identities. What kind of a lens should we use to understand these actors?

Do they consider themselves to be soldiers? Or businessmen – effectively making and breaking contract, having a relationship with a multinational corporation? Or, as NGO-like figures? And I would never have thought that contractors would have thought of themselves as NGO humanitarians, but oftentimes in my own interviews with them, the parallel came up. In a way they're sort of the flipside of the NGOs – they operate in connection; they guard them; they provide security for them; they train them in defensive driving and to behave appropriately in potentially hostile environments. At the same time, they see themselves as professionals – not so much like Doctors Without Borders, but more like doctors, who can operate in a number of different environments, who aren't committed to a particular firm.

If they saw themselves as soldiers, they would regulate themselves because of the training that they had had prior to joining MPRI. They respond to the military's traditional hierarchical understandings of norms there, and then private military companies effectively feed off the training that was provided there. In a way, this is exactly what has happened – our taxpayer money provides the training for these officers, and they then graduate at a certain level and go off to work for private companies. So the military is regulated by a tradition, an ethos, a history, as well as a very effective code of military justice. So laws, but buttressed by group ethos and a very strong tradition of group loyalty.

Secondly, contractors do see themselves as having goals in competition with the state, as negotiating a certain antithetical relationship, and private corporations respond, as we've seen in the past, only to government regulation – through the Securities and Exchange Commission, the Environmental Protection Agency, etc.

And as a quasi-NGO, these contractors would see themselves as people who identify themselves as part of a group, committed to a professional goal, something like “security,” and they would provide self-regulation, as most professional groups do – academics regulate themselves, by and large.

These three understandings are colliding, in our attempts to understand how to regulate them. We're seeing them as needing overarching regulation by the state, as self-regulating each other, and as lacking some kind of overarching obedience to higher authorities. In wrapping up, I'd like to respond to Anne-Marie Slaughter's point earlier, and I actually have a fairly pessimistic response. General Soyster said earlier, that soldiers see themselves as doing “God's work.” You are called to serve some larger entity. Right now, the state is undergoing a breakdown in its ability to call forth the allegiance of its members, in terms of doing the kinds of international endeavors to which most of our best and brightest want to see themselves as contributing.

**Alex Knott:**

[For handouts distributed at this conference, see the Center for Public Integrity website, which contains analytical reports and data compiled for their ongoing “Outsourcing the Pentagon” investigative project. Link to: [www.publicintegrity.org/pns/](http://www.publicintegrity.org/pns/) ]

When everyone asks me whether I have an opinion, I tell them I am basically a reporter. I collect facts and distribute them to you in the form of these reports and handouts that you now have before you. My contribution to this forum is a study that we did on all Pentagon contracts between fiscal year 1998 and fiscal year 2003.

The Center for Public Integrity is a non-partisan non-profit down in DC. Our goal is to do investigative journalism that many groups aren't doing at this time, and that the media often misses. Since 1990 we've produced over 250 investigative reports and 13 books. Our work has been honored 26 times by the Society of Investigative Journalists, Investigative Reporters and Editors, and other respected institutions. Mostly we focus on campaign finance and lobbying, which we found helpful when analyzing many of these Pentagon contracts. Really, as one of our first forays into national security, late last year, we published all Iraqi and Afghanistan contracts, and individual outsourcing stories. Part of the government's own spend analysis, contracted out from DOD to Booz Allen, has been working on figuring out who the contractors are. We also investigated Total Information Awareness under the Defense Advanced Research Projects Agency (DARPA), and we got leaked to us the Second PATRIOT Act, which subsequently was scuttled, though at that point we were trying to inform, not to advocate. Yesterday we published parts of the Taguba Report, a copy of which we possess. We plan on posting most of the 8,000 annex documents, redacting names of victims and alleged, but unproven, perpetrators.

For the contractor report, we made a copy of the DOD contractor database and went through all 2.2 million contract actions to come up with a total of \$900 billion that was spent on contracts over those five years. By the way, that's not all the contracts, that's 80 percent of them. We made a cutoff of contractors that didn't receive \$100,000 or more in the last five years.

What did we find? Well, a lot of information about no-bid contracts. Forty percent of the Pentagon contracting budget has gone out the door as no-bid contracts. That's \$362 billion. We also found that 80 percent of all contracting dollars were won by one percent of all contractors, 737 companies. Fifty contractors got more than half of all contracting dollars. Ten contractors got 38 percent. One-third of all dollars awarded to these top 737 contractors came in the way of 'cost plus' contracts, similar to Halliburton, which is currently getting questions about it. Nearly 100 of the top 737 contractors are foreign entities.

We also found out that a lot of the money set aside for small businesses was going to very large contractors. Thirty percent of all money set aside for small business and minority groups was going to companies that received \$100 million or more during that five-year period. In fact, 87 of the top 100 companies out there doing business with DOD were the recipients of small business contracts. It's a large amount of money that went out the door. There are two ways this takes place. One of the ways is that many of the subsidiaries that exist under these huge contractors are getting mistaken or maybe passed off as minority firms, and that's how they were

able to win these contracts. The second thing we noticed is that almost 30 percent of the money going out the door is going in this way: a large contractor will sit on the sidelines, and when a multi-year contract for small business is allocated, they will go buy that company, and they will then keep that that small business designation for six or seven years afterwards.

We also looked at information that deals with outsourcing – how the Pentagon is buying more services these days, from 37 percent services to 57 percent.

That led us to another question: why are these things so non-competitive? It's a very valid point that there are only a limited number of manufacturers capable of producing certain weapons platforms, for instance. But we found that there are a lot of financial interests involved in this. \$35.7 million has been spent in campaign contributions, but that's not the way a lot of it happens. We found that a lot of this happens in lobbying. Two and a half times what is spent in campaign contributions these days is spent in lobbying, and lobbying is really where you can get the most bang for the buck. We looked at a lobbying company called PMA, Paul Magnachetti and Associates. Thirty of the top 31 people have worked for them. They either worked for DOD, at a high-level office, or they worked for appropriations in the Senate or the House, where they can get them that money. Their 41 clients got one-third of the contracts.

Just to wrap things up, there were tons of mistakes. Something on the order of \$35 billion in mistakes, where they couldn't even figure out who the parent company was for the people to whom they were giving contracts out. One of the funniest ones that we found was this contractor who was getting a quarter of a billion dollars to do nuclear research at White Sands Missile Range, but the contract was going out to someone out in North Carolina. We did research, and we found out that he was just a roofer, who didn't really have an office, worked out of his house, and his wife was the Vice-President of the company, and we couldn't really figure out how he got \$200 million. Well, DOD made a mistake in its databasing, and they repeated it over 200 times in the span of three years, and they meant a completely different company. There are a lot of mistakes that exist in the accounting records of DOD.

### **Charles MacCormack:**

We've talked a lot about the privatization of military activities, but in fact current national security guidance mentions defense, diplomacy and development as the triad of our national security strategy. So I'm going to talk about how the private sector works in development and diplomacy, as contrasted with military and defense matters. But there is obviously a key question as to whether the modalities that are applied in development and diplomacy, where I think the non-governmental and private sectors are much more influential, should apply to the defense sector, or whether that famous monopoly over the legitimate use of force makes a difference between the privatization of warfare, versus the privatization of health care or school construction. I would argue that, first of all, the label on our panel, privatization versus non-profit delivery, is the wrong choice. Deborah Avant put it better: What is the right combination of government, non-profit, and business? How do we manage those relationships? There is no question that this model of interaction will continue to be involved in our security and foreign policy. The mechanisms for dialogue and cooperation are non-existent, counterproductive, or

inadequate. The real takeaway is how do we get better at customizing this coalition around different circumstances?

Now, take the development and humanitarian and relief arena. In terms of broad national strategy, certainly the NGOs, as we have begun to be more involved operationally, have been more involved in educating the government and the electorate in the lessons learned. A group of us – CARE, Save the Children, International Rescue Committee, Oxfam – are funding a pretty activist grassroots civic education program, called Better Safer World, to allow voters to have more information as they make their decisions at the local and district level. However, as we look to the outsourcing of military capacities, we will all engage in the lobbying process, so you can't separate the level of lobbying activities from the size of the contracting activities. I co-chair something called the Campaign for Effective Global Leadership, and this is another coalition of something like 170 NGOs, a long-term effort again to inform the American public and forge common strategies between the US government and the private sector.

Quarterly I participate in something called the Advisory Committee on Voluntary Foreign Aid. Now this is a congressionally-chartered citizen committee that has existed since 1947, where representatives of the private sector and NGOs get together with representatives of the State Department and AID to develop development strategy and operational tactics – so we literally talk about what ought to be in the contracts, and what's working and what isn't. So this morning when we said the government can decide the specifications, write the contracts, and define what the contractors are going to do. It's not entirely as simple as that, because we all get a chance to dialogue about what those rules and procedures ought to be, so there is some back and forth. At the strategy level, it's one team.

Let me quickly talk about sectoral strategy – health, food security, human rights, and so forth. The NGO community is basically driving global and national policy in regard to these things. The Bill and Melinda Gates Foundation alone spends \$2 billion a year on global health. That is more than any government. It's three times more than the US government spends. It's very strategic. They know exactly where they want to apply it, and they are having more influence on both the strategy and the operations, in terms of the four or five key questions of global health, than all governments combined. The Rockefeller Foundation 25 years ago did it in terms of food security when they created the International Rice Research Institute and all the other food research institutes. It revolutionized global food security.

Now in terms of program implementation, a third level, just six NGOs – The Red Cross, WorldVision, Catholic Relief Services, Save the Children, CARE, and Oxfam -- together have over \$7 billion a year in cash revenue, not counting volunteers. Now that's probably twice the size of the UN budget, and the same size as USAID. We have over 100,000 full-time staff, and somewhere between two to five million community-level volunteers – midwives, teachers, so on. The staff leadership is getting more expert, with more knowledge of what's happening on the ground, let's say in Darfur or Afghanistan, than most governments do. We have very smart people. Most of them come out of the government. Basically State Department, AID, is our recruiting ground. The government seems to let people retire with very good benefits at about age 50, just when people are really hitting their stride. I'm taking some of the very best people from AID and State and so forth to work on our programs, and therefore we get very competent

and very knowledgeable about how to work with the government and what's going on inside the government.

So, in conclusion, for reasons that have been said this morning, the role of the NGOs and the private sector in relation to the government, the government has been downsizing. They've lost a lot of their good people, it's not a fun place for an awful lot of people to work now – it's very hard to get things done. We pay less, but people come because they don't want most of their time to be spent in least-common-denominator discussions about earmarking and so forth. Having said all that, we absolutely need a stronger government partner in development activities around the world. Government, by and large, has an advantage in seeing the bigger picture – I have to fight for children, CARE has to fight for food. The government still brings a big pot of money to the issues that it addresses, while we tend to bring smaller pieces, although large in the aggregate. Government has more clout with other governments than we are likely to have. And finally, government can raise money a lot more cost-effectively than we do. With all its problems, the IRS can take your dollar for about a half-penny on the dollar [\$.005], whereas it costs all of us about 15 cents [\$.15] to raise a dollar, so it remains a very cost effective form of generating large amounts of revenue.

So I will end as I began by saying, you're not going to keep the private sector or NGOs out of foreign policy or security policy. The real questions are how you make it accountable, the whole greater than the sum of the parts, and how to define, activity by activity, the right mix. Thank you.

**Andrew Moravcsik:**

You're all wondering why I'm here. I study European integration. In fact, I'm here because I'm a private contractor, and I exhibit the vices of any such system. There's one virtue, which is that I am flexible at the last minute, so when someone cancelled 24 hours ago, the guiding political authority, Allison Stanger, decided I could fill in.

The question, to see the vices in the system, is, "Why did Allison Stanger call me?" We started our careers serving in the same unit, Harvard University. We were at the bottom of the hierarchy, grad students, grunts. We served under the direct control of the same senior professorial commanders. Pay was poor. You don't forget your old buddies as you rise up in the professorial profession, so now we're part of the same tangled old colleague network. Allison reminded me that my kids were going to spend time in a nice leaf-peeking resort, and maybe I should help her out.

So I will simply give a very small set of questions that we should focus on. We've discussed earlier the phenomenon itself, we've discussed causes, we've discussed its challenges, and now I think we're transitioning to discuss policy solutions, or ways to make the best tradeoffs.

And I want to focus on one aspect of this – accountability, getting these contractors to fit into the system in a way that we want them to, in the second-best world of politics. What's striking about this sector is that a democratic solution, in an ideal sense, is impractical. We don't have far-sighted voters. Real world democracies are full of misinformation, apathy, short-sightedness,

and biases induced by special interests and bureaucratic politics, and everything we've heard suggests that this is an area that because of the extraordinary level of expertise, the nature of the service provision and so on, these problems are extreme. So you really can't expect electoral politics to do more than get rid of extreme examples of corruption –and maybe even that is impossible. So somebody has to manage this process, and not only are the tasks being delegated to private parties, but the tasks of oversight are to a substantial extent being delegated to experts, judges, bureaucrats, and even private bodies themselves. That's where everybody on this panel, if I can stretch their points a bit, has a different take on it.

Alex talked about market competition – how badly it seemed to be working in this sector, that there were oligopolies and incomplete contracting and information, so it is very difficult to keep people under control because you literally couldn't oversee it. It is striking that that's not all bad. For example, take the phenomenon of in-and-outers, who bring expertise to the contractors. We're creating opportunities for people to be making more money while delivering functional goods. But markets don't seem to be a good way of gaining accountability.

The second possibility, which Charles MacCormack mentioned, is through interest group advocacy. Basically, executive bureaucracies or international organizations overseeing these contracts, face advocacy coalitions like the ones in which he participates, who pitch in, and hopefully the executive bureaucracy can glean some information from it. This might be a lot better than the alternative: letting Congress decide where the money goes. And then you get micromanagement, paperwork, and lobbying and all that. In fact, subcontracting is a way to evade the discipline of democratic control in a way that might serve the public interest better.

A third, which Kateri's presentation discussed, is that we could try to think of accountability in this sector as a cultural thing, that is, that we want people in this sector to have an ethos that they got from their prior service, that leads them to do the right thing, without us having to compel them. We have military officers, professional groups, NGOs, each with their own ethos.

No matter which mode – market competition, interest group advocacy, or cultural expectations induced by the socialization by governments – governments, states, remain key. So the solution to the problem can't be some short-term fix; they need to be directed at the synergy or nexus of public and private. It's really one interrelated system, in which states provide some things, international organizations provide some things, and private groups provide other things. Unless, 20 years back, we were generating the kind of ethos or structures for interest group advocacy we wanted, we won't get the outcome we want. We need the state to be healthy just as much as we need these private groups to be healthy.

**[Q&A ranges across the audience, much is off-mike, partly unintelligible.]**

**David Finney (journalist):**

In an asymmetric war, everyone is on the front lines. The first people to die in the Iraq campaign were contractors, software engineers, in a drive-by shooting. Should even the logistical guys be carrying guns?

**Knott:**

In some of the interviews in preparation for this report, we found that one of the jobs of uniformed Army [personnel] is to accompany these contractors back and forth.

**Christopher Beese:**

Carriage of weapons doesn't make a difference. Drive-by shootings will kill security forces regardless of whether they are armed.

**Gvosdev:**

This notion that there are conflicts that the US did nothing about -- is it possible that wealthy private donors saying, "I'll stop genocide?" Bill Gates will write a check.

**MacCormack:**

We rely for 98 percent of our safety on the local population. What causes us problems is when military forces carry weapons out of uniform and so forth, so that people who are supposed to know who we are, don't know who we are. We are better off if we maintain this distinction.

**Carmola:**

Bill Odom said that in previous generations, we trained the military to take on humanitarian affairs, so there will be some blurring of humanitarian functions again, and meanwhile, as Peter Feaver said, there has been a gradual militarization of our foreign policy on top of this.

**Moravcsik:**

I had a Ronald Reagan moment – the initial justification for state intervention is that there can be a broader set of priorities that the immediate set of stakeholders won't take into account. That is where you need a powerful, expert state. We don't need resources, or legal authority, but it really helps to be expert.

**MacCormack:**

What the UN's function is, at the largest level, is aggregating multi-state coalitions. The US is on the far end of the willingness to privatize or sublet military and diplomatic functions, and other states are quite different in this regard. Second, as we look at the next generation of global security issues, improved management of interstate coalitions is going to be a large part of the problem. It used to be said the US provided the airlift, the EU the constabulary, and the Scandinavians the foreign aid. The US, as the largest power on earth, is still going to have to think about how it wants to assign responsibilities across governments.

**Rachel Belton:**

Government is giving up power through contracting, but contractors steer clear of political issues, so we're not addressing strategic issues when implementing. There is no coordination of policy when decentralizing like this.

**Avant:**

Contractors also feel pressure to be apolitical partners, which often leads them not to comment on what it would take to get something done, because it would involve them in too much self-jeopardizing political wrangling.

**Anne-Marie Slaughter:**

We had a conference at the Woodrow Wilson School on NGOs, and what came through again and again, was that NGOs felt they were marked as private actors.

If you're going to use force more frequently, and what allows you to use force more frequently is that you can mix public and private actors, then the *process* of how you make that decision is critical, because the only way to be legitimate is to be transparent to your fellow government. If you think one government's doing it, and it's subject neither to controls at home through Congress, nor to controls abroad through multilateral institutions, then you've got a problem, and not a problem with the use of force per se.

## **Session IV**

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**3:45 p.m. – 5:00 p.m.**

*Beyond the Elections: America and the World*

- Is foreign policy by proxy a destabilizing force?
- What kind of world order can be forged when privatized security is prevalent?
- In what ways do modes of reconstruction reflect and build international order?
- What are the costs and benefits of privatizing American national security?

**Richard N. Cooper**, Maurits C. Boas Professor of International Economics, Harvard University

**Lee Feinstein**, Deputy Director of Studies and Senior Fellow, Council on Foreign Relations

**G. John Ikenberry**, Albert G. Milbank Professor of Politics and International Affairs, Princeton University

**Felix Rohatyn**, President, Rohatyn Associates

Moderator: **Anne-Marie Slaughter**, Dean of the Woodrow Wilson School of Public and International Affairs, Princeton University

### **Anne-Marie Slaughter:**

Welcome to the final session of what has been a remarkable day. We are going to comment on what we have heard from the perspectives of our relative fields. We are all people who think about foreign policy broadly, and, in Dick Cooper's case, economic institutions in particular, also in Ambassador Rohatyn's case, thinking about both from the private sector and also as the former ambassador to France. Lee Feinstein from the Council on Foreign Relations perspective, also from the perspective of a former Clinton State Department official very much engaged in some of the policy issues we've been talking about. So we are the non-expert panel, but we will comment on what was particularly striking to us throughout the day from our various vantage points, and I did not mean to leave out John Ikenberry who will say whatever he can say because he is losing his voice. He has a great deal to say; I'm just not sure he is physically capable of saying it.

I want to start us off with two or three points from the perspective of someone who is trying to train students, like many of the students sitting in the audience, for careers in public service. And recognizing at the outset that those careers are likely to include a number of different jobs; you will all have many different positions over the course of your lifetime. Those are likely to jump sectors, public sector, private sector, and non-profit sector. At the same time, the government needs you, and the question is how do we get people back to government and how do we think about government service as a subset of the larger public service. And from that point of view what struck me most today was where Peter Singer started, and a number of people

pointed this out as well, we need to define what can *only* government do. What are the things that only government can really do? You might think of this as the public theory of comparative advantage, or, if you prefer the corporate perspective, what is government's core function? We need to really say, only government has a certain degree of legitimacy. Only government can see the big picture. Indeed, Richard Haass' book on government management emphasizes that government officials have to weigh all the competing interests. One of the things I tell my students who want to work in NGOs is that NGOs are fabulous and effective as advocates, but they often don't have to do the hard work of reconciling competing interests, which is the core work of a democracy. So legitimacy, broader picture, accountability, we need to define those roles. We need to define them at a more specific level than those grand, broad abstractions that are useful for academics, but ultimately, if we're thinking about what government can do in partnership with the private sector, we have to get more specific.

Then I think what struck me was: What does a government job look like? The ideal government job in this world of public-private-non-profit partnership, because I think we all agree you're going to need all three sectors. It should mean the ability to manage across these sectors, so you've got to be able to work with non-profit people and corporate people, that does not just mean knowing people, though that's very helpful, it also means understanding different cultures. You've got to know how corporate people think; you've got to know how NGO people think. It also means you have to manage across borders, and this we haven't heard a great deal about. My own work is about the ways governments have adapted to operate in a globalized environment by networking with their counterparts abroad. In other words, we've been talking about corporate networks and NGO networks, governments are operating through networks as well. Whether you're in the Pentagon, the State Department, the Treasury, the EPA, you're going to be networking with your counterparts, so you've got to be able to manage across borders as well as sectors.

My third point, What is leadership in this context? We at the Woodrow Wilson School and certainly at Middlebury, we say that we train leaders. But what does leadership look like in this context. In the corporate world, and probably the military world, leading...leading in a horizontal network is very different from leading at the top of a command and control organization. And believe me I know, I try to run a faculty; I have no coercive authority whatsoever. I can't fire anybody, I have to persuade, I have to motivate, I have to monitor, I have to connect. The way I make things happen is by connecting people who would otherwise not know each other and motivate them to do something. That's a skill set that is very different from many traditional notions of what leadership looks like. I think that has to be part of this equation.

Finally, building on this, what kind of training, then, should we be giving those kinds of individuals who will be government leaders, understanding they will inevitably work in more than one sector? For one thing, I think we should realize that experience in more than one sector is important. We should hope to make sure that students are not NGO people who think that corporations are the enemy and are not private sector people who don't like those "do-gooders." We need to make sure that at an early age they know people and move across sectors. They have to learn horizontal management techniques. And finally, and here we need theoretical work, they have to learn how to manage multi-state, multi-sector processes in as transparent and

legitimate a way as possible. What we just heard on the last panel was, we know we need more legitimacy, we know we need more transparency; the mechanisms to get us there in this kind of management, I think are yet to be invented. With that I think I will turn it to Ambassador Rohatyn. I just want to say one last thing. We have been talking all day about the need for further work in this area. There has been important work done, we're going to be putting it up on the Princeton Project website, but to start with, Peter Singer has just published a book *Corporate Warriors*, and I do urge you to read that, as well as Deborah Avant's forthcoming book, *The Market for Force*. Thanks.

### **Ambassador Rohatyn:**

Thank you very much, it's been a wonderfully interesting day, and I look forward to its conclusion. [laughs] I have spent my life essentially in the private sector, and four years as a pseudo-diplomat in Paris. But I have had a lot of education with respect to dealing with big military contractors, because they were, and still are, some of my clients. So I will address this issue as privatization and what goes with it, not if it's good or bad, because I think it is here to stay and there's no point in arguing that issue. And also because I think it will grow. I don't think for a moment that privatization will stop with security services. If John Hamre is right, and he usually is, with respect to the pay differentials between the public and private sector as you go up in the ranks of the military, I believe it is inevitable that more and more ranking officers will leave the Pentagon and go with private companies, and then go back to the military as contractors, with businesses that have far greater market values. Because one actor that you haven't included here are the securities markets. And privatization, which is a dogma as well as a process, usually brings with it two other elements. One is deregulation, and the other is a need for transparency.

Now, deregulation I think is totally contrary to what this industry needs; it needs regulation and transparency in order to reassure the securities markets and to get the legitimacy that the industry really doesn't have at this point. The big companies have it because they are transparent, because they are listed on securities exchanges, because there is a sanction if they do something wrong. This doesn't exist with the smaller players because a company like General Soyster's company clearly operates in parallel with the public sector. Teaching the Croats to fight wars well is in the national interest. Some of the security players, in particular the people who were doing the interrogations at Abu Ghraib, were not acting in the public interest. They were not acting in concert with national interests, and without necessarily knowing it, possibly creating huge liabilities for the US and our interests, liabilities, which can't be compared to the \$3 to \$4 million contract that they're operating under. So it seems to me that how you deal with the issue of responsibility and accountability, when you have contractors of rather small size operating in areas that can create major problems for the country and for our interests, is an issue that really deserves some discussion. And I think probably one of the answers that one should come to is that the Pentagon should continue to exercise a considerable amount of management oversight and management control over the way they conduct business. Now some will be fine, like your company [to Christopher Beese]. You've been around a long time and you know how to do things. But that isn't true of everybody, and the potential for liability is extremely large, and is relatively unmentioned.

To me the ideal of the private-public sector relationship in defense was the creation of Silicon Valley. With Stanford University, with Hewlett-Packard, with DARPA, and with the creation of an entire industry in the 60s and 70s which ultimately enabled us to dominate the world. But that was only on the same side. The interests of Hewlett-Packard, for instance, were parallel to the interests of America. And if they weren't, they were big enough and transparent enough so that action could be taken. And I think this is now a very different world, and different businesses, and I think that we now want to take some care.

The issue of what is it that only the government can do; it's probably to kill people. But I don't think there are that many issues where the government can act where the private sector can't play a role if it is properly overseen and if the community of interests is protected.

I don't think I need to go much further here because we're short on time, but I do think this issue of community of interests, that this industry is going to get much bigger, because more people are going to leave because of the fact that we can't pay them enough, which is a whole different question that should be examined at some point. Should the government pay these people, or should we be sub-contracting more and more of this, which is what I think we're going to do, because it is the easy thing for the politicians to do. It's very, very hard to actually determine where the government stops and the private sectors starts. Thank you.

### **Richard Cooper:**

I suspect I am the least well informed on this subject, but that's not going to stop me from making some remarks. Our opening session this morning was called Privatization in Historical and Comparative Perspective, and if I heard correctly, we got back as far as the Gulf War. That is probably history to Middlebury students. Bill Odom took us back to the Civil War. I'm actually surprised in a conference that is co-sponsored by Princeton, that no one mentioned the Hessians in the Revolutionary War. Perhaps because that's not such a great example of contracting out; the English lost that war in the end. I would include the Indian Army, which for roughly a century was the land-based strength of the British Empire. I will also mention the US Merchant Marine of the Second World War, which was all private activity done by the Merchant Marine. I should mention the displaced persons in Germany following the Second World War, hired by the US to do light security duty. It's worth noting, perhaps, we also had in the US Army a constabulary force in Germany, who were US soldiers but dressed in a different uniform and trained to be a constabulary force. Today we have positioned ships in many areas of the world; they are all manned privately. So this is not a new thing.

I find myself wanting to make some distinctions here. John Hamre distinguished between war-fighting, stability and reconstruction. I also have a three-fold distinction, which roughly tracks his. I want to distinguish between people who deliberately shoot at other people, people who do not shoot at other people but can be shot at, and people who are not in harm's way at all. It seems to me that this is a very important distinction as we think about contracting out the military.

It happens that in the US military, at least in the Navy, that there are large numbers of uniformed people who are never in harm's way. For historical reasons, left over from the period of the

draft, we have uniformed people doing lots of activities which being in uniform is not necessary for. The Navy has a whole lore that has to do with ship-shore time. A lot of the jobs on shore are made up to meet the ship-shore requirements. Only now are we thinking more imaginatively of ways to break this now decades-old pattern of how personnel are deployed. There are lots of activities done by uniformed personnel that have been contracted out in the last decade, potato peelers were mentioned, janitorial services, cooking services, looking after grounds. Most of the logistics ships in the Navy now have private seamen on them. But in my judgment there's still a long way that one could go in this direction.

I was pleased to hear John Hamre say that when it came to war-fighting, in my classification, the people who shoot other people, we will never contract that out. I hope he is right. I do want to remind you though, that that has not always been the case. In particular, there was a period, I'm talking about 16<sup>th</sup>-17<sup>th</sup> centuries, in which naval activity was most carried out by privateers. These were privately armed ships, which had a commission from the government to attack the enemy, and they were supposed to distinguish between the enemy and the non-enemy. One of the things one always has to ask about a contractor is what are they going to do when the government wants them to stop. Many will go back, in this case, to merchant shipping, but some got fighting into their blood. And they became pirates. So particularly in the Caribbean off the Southern Coast of Africa, the Royal Navy, found, in the next generation, it had to go out to sea to clean out the pirates, who were actually former British privateers. You can say well, that was a long time ago, we live in a different world. Well, think about all the training we did in Afghanistan in the 1980s. When the Russians left, some of those people, many, perhaps, went back to their civilian activities, and some did not. They are now al Qaeda. So we have to worry about people who are trained and organized to engage in military activity. What's going to happen when the trainer and organizer changes its mind? So I hope Hamre is right, though I am perhaps not as confident as his statement suggested.

As far as the rest of it is concerned, both people who never go into harm's way and people who do go into harm's way – why not? What's wrong with contracting, as long as it's all transparent? The Merchant Mariners knew they were the target of German submarines. They got paid accordingly, much higher pay than the uniformed personnel were paid.

The question of saving money was mentioned earlier and then sort of brushed aside. I actually think of everything the US government does as my activities; I'm a tax-payer in this country, so I'm kind of interested in saving money. The outsourcing that the Navy has done, up till now, has saved about 30 percent. The range of savings is actually very great, from just a few percentage points to up to 60 percent, but the average is around 30 percent, quite a significant figure. It prompts one to ask, what exactly, Navy, do you mean by savings, and in particular, does it help the taxpayer? The answer to that is much fuzzier, because what they mean by savings is releasing military personnel from activities that they formerly undertook and were going to impute full marginal costs, that is to say, no overheads, but full cost including present value of retirement benefits and so forth to the naval personnel who are released. Okay, so that's not an inarguable, but it's a legitimate concept of savings. Whether we actually save that or not, of course, depends on what happened to those military personnel who are relieved by this contracting. If the size of the force is reduced proportionally, then we get the benefits. In fact, we may get a little more because some overheads can go down too. But if they're not actually

released from the force then we don't get budgetary savings. What we do get is their services in other activities, that may be more germane to our security objectives. But then one has to go into the more complicated calculation of what is the opportunity cost of using these sailors for cooking duties, when they should be learning something or doing something more directly related to US national security. It's a complicated issue, but I didn't want this conference to close with the impression that the savings that may come out of this area are negligible.

The key issues, I think, have been touched on, so I won't dwell on them. One is how sensible is the government when it does this contracting out? Are there savings? Are the people who make the decision and the people to whom they contract out fully accountable to someone? That needs to be a center of attention.

I'll just close by reminding you of Eisenhower's warning in his parting presidential address to the United States people about the military industrial complex, and he meant, in that case, the manufacturing industry. But here we are building up another sector of activity, services rather than industry, who, like some manufacturing firms, actually have an interest, a tangible financial interest, in keeping the world in turmoil. Because it means business for them. And that seems to me something that all citizens should reflect on. It may perhaps be, as Felix Rohatyn suggests, an inevitable part of this process, but perhaps not. Anyway, it is a source of concern. And the other source of concern, which is not unrelated, is the money that these firms spend in Washington promoting their own interests. I know it sounds funny to Americans, and our initial reaction is completely negative, but Europeans, I really mean North Europeans, consider the US political system totally corrupt. Not because lots of illegal activity takes place, but because it's driven by money. Now we have to have a separate conference over the extent to which that's true, and what might be done about it, but that dimension is also present in our topic today.

**Lee Feinstein:**

I come to this issue as a policy practitioner. Before I worked at the State Department I worked in the Office of Peacekeeping and Peace Enforcement Policy, where we dealt with these issues on a day-to-day basis. I was in this office for all the highlights of US peacekeeping policy, including Somalia, Rwanda, and the drafting of the presidential decision directive on multilateral peacekeeping operations. So it was a very difficult time, and at that point the Pentagon was trying to decide in which direction it wanted to go. The Clinton Administration itself was trying to decide which way to go, and the Congress had just changed control, and the leadership had made the peacekeeping issue a main foreign policy jugular issue. You may remember that in the Contract with America, the only foreign policy plank addressed the peacekeeping question. So it was a very difficult time. There's a long story about what happened in the Pentagon in Rwanda, but the Pentagon was involved in dealing with Rwanda as a humanitarian crisis, not, obviously, to prevent the genocide, sadly. I remember trying to find contractors who could go to provide food, water, sanitation to the refugee camps. We were literally getting on the phone, calling different contracts and companies. Unfortunately, a lot of that ad hoc-ery continues.

What I thought I would do is highlight what I see as the key issues and then try to unpack some of them.

Just on the most basic level, what we are dealing with here is a foreign policy reality, one in which the facts on the ground have moved faster than the international system's ability to grapple with them. That I think is the fundamental problem we're looking at.

Then, to take it to the next level of specificity, I think John Hamre got it right. We're talking about three issues, though the conversation has tended to focus on just one of them, or two of them. We're talking about war-fighting, post-conflict, and stabilization, and you might group these all together as the problem of conflict management.

The third general issue is a separation of powers issue. A number of people have hinted at this, but it's the old war powers issue and the battle or lack of battle between Congress and the executive branch. Congress wants accountability, but doesn't want responsibility. And, of course, the executive branch's response to that is to try to have as much authority as possible and as little reporting and accountability as possible.

Finally is just the issue of the use of force, and when it's right to use force, and what the role of coercive diplomacy is.

I thought I would just also talk briefly about the drivers. They come in two categories, on the demand side and on the supply side. The demand drivers are the proliferation of conflict, failed states. You could say, in a way, failed states are unfunded mandates. So is peacekeeping, so is humanitarian intervention. Not only is it an unfunded mandate, it is also a mandate that lacks a domestic political mandate, and it is something the system has not come to grips with yet. This was particularly true pre-9/11, and it remains to be seen post-9/11 if it will get a clear political mandate, and that doesn't mean an excessive political mandate, but just a clarity of what the scope and role of US interests are in dealing with this issue.

On the supply side, there is a lack of capacity to deal with the growing demand. That is due to a variety of reasons. One is just the lack of political sensitivity on this issue, and that's political sensitivity internationally. We haven't talked about that, but clearly for many countries in the developing world it is a very sensitive issue. In the US it's a politically fraught issue as well. One aspect that we've talked about is giving the UN greater capacity to deal with the conflict management issue—very politically difficult. One way of addressing this that might be different from private contractors might be to build up institutional capacity inside the UN. But that, for a variety of reasons, has not been the way the US has chosen to go, or the UN for that matter.

Then there is what happened during the 1990s, after the Cold War and prior to 9/11, and that is the shrinkage of both the Defense Department and the State Department. Let me start with the State Department. The State Department was starved, saw its budgets shrink rather dramatically, from 1985 all the way until 2000. The State Department didn't do a good job, but to a certain extent the criticism is a blaming the victim criticism, because it didn't have the resources to do the job.

And then of course the military itself shrunk after the Cold War by a third. So you had a growing demand for US military participation in complex contingency operations and you had fewer people to do it. In the office I worked in we hired people like Rachel and others, and

Susan, to do some of our work because we didn't have the capacity to do it. And to help us plan a logistics train. These were capacities that we needed. We very rarely got anything,-- notwithstanding the two people in this room--we very rarely got anything that was useful to us; but we didn't feel like we had any choice because we lacked the capacity. In some cases we might have gotten stuff that was useful to us but we were too busy to use it.

And then of course I mentioned the UN capacity issue. The UN – in spite of things like the Brahimi Report that have tried to deal with these issues – the UN is doing a much better job, but still not doing as well as it needs to.

There is also a bureaucratic dimension to this, once a contractor is on a list, it makes that firm easily usable by an official inside the Pentagon. It's very difficult, for example, to commission an independent academic to do something for you, but RAND, for example, is there and you just check a box and use them, even though they cost four times as much. Once MPRI and others were on the list there was just a bureaucratic inclination to go ahead and use them.

I wanted to talk, before I address some of the policy recommendations, to address two of the fundamental concerns that I see.

On the one hand there is concern that this privatization trend is growing, and the concern here is that there may be unapproved military actions, there will somehow be a subverting of the public will in foreign policy. I could summarize it in two words – Iran Contra. That kind of concern about foreign policy activities undertaken without the support of the American public.

But the flipside of that issue we talked about is that these things may not grow enough, and may not develop in a way to confront the challenges we face, and these are times when you might want to rely on private contracting. The issue here is how do you make it sustainable and legitimate and politically acceptable so that this capacity remains.

All right, what to do? Some policy recommendations. These are all stolen from the conversations today.

The first category is efficiency issues. I thought between Secretary Hamre, General Odom, and Peter Singer, we got three interesting ways of doing an analysis. Hamre gave us a taxonomy; Odom gave us an issue of scale, or intensity. If there is an Iraq-style intervention the role of private contractors is probably going to be circumscribed. Singer gave us a typology of the three different types of military support. And the question is whether, if you look at these three things, the taxonomy, the scale, and the type, and you put them together, whether you can come up with some kind of analysis of the circumstances under which contractors, and which kind, can play a larger or smaller role, or how they might need to be governed in each of these circumstances.

### **Slaughter:**

In political science that's a three-by-three matrix.

**Feinstein:**

The second issue of what to do falls into the issue of capacity. Here, what I would say is, one key issue is the Department of Defense. Here I might disagree somewhat with John Hamre. War-fighting is and has been the primary mission of DOD, but it's a real question now as to what role stabilization operations ought to play, and whether they are as important in the world we now find ourselves in. I put that as a question, but I also put out my biases.

More generally, post-conflict capabilities. The United States does not do post-conflict, or conflict management, well. There is a problem of poor organization, not enough resources, and responsibilities being diffused among various bureaucracies. This is a fundamental problem. General Odom talked about the fact that our constabulary abilities have eroded, our training abilities have eroded since Vietnam, so there is a real need, it seems to me, to rebuild our post-conflict capabilities or our conflict management capabilities.

The last set of issues I'll talk about deals with legitimacy. It seems to me you've got domestic issues and international issues. On the domestic side a clear issue is transparency and accountability, and we've talked about those. It seems that the oversight framework exists. When another country wants to buy a service or a weapon from the US, it has to, under the Foreign Assistance Act, make certain notifications to Congress. And the question is, could you use that to adequately supervise these kinds of services that we've been talking about today.

Second is an issue of codes of conduct, and our colleague who's been in the field talked about these somewhat. These can be voluntary and adopted by a single company, or voluntary and negotiated internationally. They can be semi-official and semi-binding. There are lots of ways to skin this cat. Codes of conduct that are seen to be real, rather than PR, would help to make this a sustainable and respectable profession.

Finally in the legitimacy category is the whole diplomacy question. If you're going to do this internationally you need to get international buy-in as well as domestic buy-in, and that is just a question of consciousness raising and working together, and recognizing where the problems are, and where the gaps are, and trying, over time, to develop a problem solving approach to dealing with it.

**John Ikenberry:**

This conference has been so interesting it's left me speechless. I'm just going to spend a minute... the old academic saying – everything's been said, but not everyone has said it, so now's my chance. But I would just like to congratulate everyone for taking these issues and showing us the richness and complexity of them. As an IR scholar not working on this issue, I've been struck at how multi-dimensional they are, and how they do in fact...how they are core issues. Issues of accountability have been raised, issues of the future of the state itself. This gives us an opportunity to reflect on the modern state in the same way that domestically the privatization of prisons raises issues of how one might think about the moral authority of the state and its position in society, given the stripping down of these traditional functions, despite all the historical anecdotes that show us that this is not a new issue. The functioning of treaties

and law at the international level in the wake of these kinds of privatized actors also strikes me as terribly important.

I would say if I could just identify one issue, I was particularly interested in one that General Odom mentioned. It really goes back to the idea that things really have changed. There's a whole range of security problems that don't fit into our traditional models of the international system, if the traditional model typically has two levels. You have the interstate system, you have states interested in their security and providing security through military establishments that protect borders and ultimately prepare for war. War is the ultimate manifestation of conflict. And domestically you have police forces whose mandate is to enforce laws. And in some sense that bifurcation no longer holds. For a whole range of countries we have a third category where state security is a kind of nebulous in-between, where it's not simply a problem of law enforcement, it's really physical security, but it's domestic. And the way the international community gets involved in those situations looks more like, paradoxically, law enforcement. When we go into these countries it's not really war in the traditional sense, we are taking forces in to help restore order. But domestically looking at those trouble spots; it doesn't look like law enforcement; it looks like soldiers engaged in military operations. So we've got this kind of inversion that's quite interesting, and it confuses all of our models, our discourse, our theories, and the way we think about legitimate authority.

So I would just close with the issue that Lee Feinstein and General Odom brought to our attention, which is this question of what makes this issue so salient: It is occurring in countries where you don't have states. States are not functioning. And isn't it interesting, in the 21<sup>st</sup> century we may be spending this century asking the question, How do we build states?, which is a very old question that we thought maybe through the modernization of the system we would render a kind of antiquarian conversation. But now we are trying to figure out, well, how do you build states? Particularly in areas where the conditions that built the original states don't hold and will never hold, and we don't want them to hold. Because the modern state was born, as Charles Tilly said, as a product of war. War built the state and the state built war.

So how do we build capacity and to what extent can the international community export it? Very difficult, I would say that the extent to which we can do it is very weak. And who should do it? Is the contracting a product of the fact that we no longer have colonial offices that would be legitimate purveyors of this capacity? I don't know, but I would just say that this is one of the questions that this conference leaves me with. We would like to declare this problem solved and go home, but I think we have to work at it. Thank you.

**Slaughter:**

We only have time for really one or two questions. Lorelei Kelly.

**Lorelei Kelly:**

I have a question that relates a lot of the things that were just brought up. I have worked for seven years in the House [of Representatives], and sometimes I think about these things and I get really discouraged, because one thing I've seen is that the ability of Congress to connect some

really basic oversight functions is broken. Part of it is the way the committee system is set up to not want to parse apart issues. For example, the Armed Services committee just wants to deal with hardware when our security is much more about human resources, but hardware gets all the attention. Part of this, in my mind, is that the military has allowed the industry to become their surrogate policy advocate, and so people don't even really understand what the military is doing anymore. Part of it is also just the ability of commercial interests to purchase presence in Congress so vastly overmatched compared to the public interest, and this is my own feeling, we have leadership for whom public entities themselves are not valuable. How are we going to do this oversight piece?

**Will Dobson:**

I just want to make an analogy to another area where privatization is going on, which is international legal norms. In the case of the WTO, the understanding is that states bring cases against other states. But in practice, I've talked to trade lawyers who say, "I look for trade harms, and I say, 'Brazil, you may not know it, but you have a great case against Indonesia.'" And so here you have a private attorney soliciting cases, and an increasing amount of litigation. To my mind the big question is, there's been a lot of turmoil in the world, but is it enough to those who benefit from it? To what degree will increasing privatization increase the turmoil we're trying to prevent?

**Peter Singer:**

I wanted to echo Lorelei's question, and say that the discussions we're having aren't taking place in a vacuum. So while we're thinking about how to take the discussion in here forward and turn it into some kind of process for the US, we also have to ask, how do we connect it to the same discussions that are taking place in the EU, the NGO community, etc. So there's a question of, as we look at our place in the world, how we connect the US discussion to the broader world discussion of military privatization.

**Peter Feaver:**

I was recently at a session discussing democratic control of nuclear weapons and I am struck by the parallels. The things that helped establish democratic accountability over nuclear weapons in the US was Congress, which, in the founding moments of the nuclear age, took steps to lay down things that we are still reaping the benefits of. It strikes me that that is what we are missing.

**Slaughter:**

Let me turn back to the panel for reactions and responses.

**Rohatyn:**

I will just say one thing. The issue of managing trans-nationally was raised here. In the private sector it is relatively easy because you are negotiating with your own subsidiaries; you can set your own rules. Here, you've got a whole different issue, which is the role of these security

services and their actions on other people's territory. I don't really know what the answer is at this point. I think the first thing to deal with here is: what is the oversight and what are the responsibilities of these companies? Who do they report to and what is the sanction if they go wrong? Once you've done that you can expand that in terms of their own corporate governance in other countries.

**Cooper:**

I'll just make two observations. One concerning Congress. I take the point completely. In many ways the current House of Representatives is a dysfunctional body, and the only way to deal with that is through the American voter. But there are indirect ways of getting at it. The General Accounting Office has changed its name to the Government Accountability Office, and I think it only takes one senior senator or congressman to get the GAO to make an investigation, and with the help of some of the people in this room and others, questions can probably be posed that are sufficiently pointed. The GAO, at least historically, has been fairly straightforward in its work. Then, with a GAO report in hand, again, some of the people in this room, particularly the journalists, have something to run with. And the one thing that will get the attention of congressmen is adverse publicity in the press. And if it turns out that Congress has been remiss in its oversight functions and that gets known, then you're going to find a lot of scurrying around in Congress.

The other remark I would make – and I'm drawing on my trade experience here – but one way for the rest of the world to get the attention of the United States is to emulate it. Imagine the possibility in Iraq in which the CPA had to deal with a dozen or more security agencies that were funded by private agencies that were funded by other countries – France, Britain, Iran. Imagine the headaches that would create. I think you would find very quickly, at least the authorities on the ground raising questions about whether this was a good line to go down.

**Question:**

I follow Congress fairly closely and there have been a number of measures calling for studies, particularly following the killing of contractors in Falluja and Abu Ghraib. They've been scuttled, routinely. Congress is adverse to this oversight.

**Feinstein:**

If it's true that this industry craves regulation, it is true that that's one of the best ways to get Congress to move on these issues. One of the best ways to lead is by example, and the first step it seems to me is that the US needs to get some basic reporting obligations into law. Sunshine is the best disinfectant. And that will help to raise public awareness on this issue. And then I think that the second most important thing is to work on professional codes of conduct, and to try to internationalize that. From the US perspective, it pays to take the lead because then you get to set the rules.

**Slaughter:**

Let me thank all of you. Let me thank Allison for hosting and for also, from the intellectual side of things, putting together the panels, the questions, which made it not only a very interesting day but also a well-organized day. I also want to add my thanks to Charlotte Tate for all the work she's done. I also want to thank two members of the Princeton team. One is Bill Burke-White, who is working on the Princeton Project. But most of the credit on the Princeton side goes to Liz Colagiuri.