Private Military Corporations:
Benefits and Costs of Outsourcing Security

By Allison Stanger and Mark Eric Williams

Since the end of the Cold War, the United States has relied increasingly on private military corporations (PMCs) and civilian contractors to implement critical aspects of its security policy. Indeed, the past decade has witnessed a quiet revolution in the way Washington projects its power abroad. To illustrate, in the first Gulf War the ratio of U.S. troops on the ground to private contractors was fifty-to-one; in the 2003 Iraq war, that ratio was ten-to-one, just as it was during the Clinton administration's interventions in Bosnia and Kosovo; and recent U.S. anti-drug and counterinsurgency policy in Colombia has maintained a ratio of five-to-one.[1] As these figures suggest, both Democratic and Republican administrations have steadily privatized the implementation of U.S. foreign policy in significant ways by outsourcing key military functions to private companies. Halliburton's operations alone offer a rough sense of the economic magnitude of this trend. The company's total contracts in Iraq and Afghanistan to date range in value from $11 to $13 billion—more than twice what the first Gulf War cost U.S. taxpayers.[2]

Since 1990 the United States has employed PMCs to implement American foreign policy objectives around the globe and to pursue a more ambitious foreign policy agenda than its all-volunteer force might otherwise have allowed.[3] In Bosnia-Herzegovina, Croatia, and Kosovo, the United States employed or licensed PMCs to train foreign armies, provide strategic advice, and monitor peacekeeping. In Bolivia, Colombia, and Peru, Washington hired PMCs to provide strategic advice, weapons maintenance, aviation and military training, and to support anti-narcotics trafficking efforts with aerial surveillance, intelligence gathering, and crop-eradication flights. In

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Afghanistan and Iraq, the United States contracted PMCs in preparation for military conflict and to help stabilize postwar theaters of operation, safeguard reconstruction projects and key locations, and provide security for senior officials, including Ambassador L. Paul Bremer and Afghan President Hamid Karzai. In Iraq, the 2004 Abu Ghraib prison scandal revealed that even military interrogation had been outsourced.

To date, the privatization of security and military tasks has attracted increased attention from scholars of international relations and international law.[4] These works speak to the evolving impact that PMCs have on interstate relations, power capabilities, and peacekeeping initiatives, as well as the need for adjustments in international law and international institutions to accommodate this dynamic new commercial sector and its normative challenges. Building upon previous work, we explore the implications that increased PMC contracting holds for American foreign policy processes and outcomes. We argue that outsourcing generates both benefits and costs for the United States and that its long-term utility rests, perhaps tenuously, upon Washington's continued ability to monopolize the provision and consumption of PMC services in a given field of operation.

Rise of the Private Military Industry

The private military industry consists of profit-maximizing corporations that specialize in a variety of military and security services. These services include strategic advising, intelligence gathering and analysis, military and tactical training, and technical, logistical, and operational assistance. The industry's modern manifestation emerged at the close of the Cold War. The collapse of the old order created a global security vacuum, which along with "transformations in the nature of warfare, and the normative rise of privatization" forged a "new space and demand for the establishment of the privatized military industry."[5] The end of the Cold War, as well as the collapse of South African apartheid, stimulated greater demand for security services while the demobilization of significant portions of the U.S., Russian, and South African militaries increased the supply of skilled military personnel available for private contracting. Meanwhile, dramatic military drawdowns and budget constraints in the United States and Russia coincided with rising instability, ethnic and intrastate conflicts, and peacekeeping needs. As a result, the supply of state-controlled military and security resources shrank at the same time as the demands for greater engagement and intervention increased. In this context, PMCs emerged in a handful of industrialized countries such as the United States, Great Britain, Russia, South Africa, and Israel. Absent the bipolar Cold War template, global order and security experienced significant changes that helped nurture the private military industry and generated incentives for states, whether strong or weak, to avail themselves of PMC services.

A partial list of PMC client states over the last decade includes Angola, Australia, Canada, Colombia, Congo, Croatia, Great Britain, France, Liberia, Oman, Papua New Guinea, Saudi Arabia, Senegal, Sierra Leone, Sudan, and the United States. Failed or weak states such as Sierra Leone and Croatia are more likely to contract PMCs for defensive and war-making enterprises, whereas strong states are more likely to contract firms to pursue foreign policy by intervening in select areas through PMCs. The Cold War's demise reduced the strategic value that strong states had previously attached to many regions, giving them less incentive to intervene with their own troops in some hot spots, while it left weak states with acute security concerns increasingly unto themselves. Consequently, weak states in dire security situations have little choice but to contract private firms to provide order at home; by contrast, powerful states are better positioned to defend themselves, have much greater choice, and therefore are more likely to contract private companies to implement policy abroad. It is this latter outsourcing behavior that the United States increasingly displays.

Understanding what private military corporations do is critical to understanding the market in which they operate, and understanding the market is an essential step towards evaluating the benefits and costs of foreign policy outsourcing. Political scientist Peter Singer has developed a useful typology that classifies private military corporations into three groups: military provider firms, military consulting firms, and military support firms.[6] Military provider firms offer services on a battlefield's frontline; they engage in actual combat and in command and control operations in the military theater. Often they operate alongside a client's regular armed forces, enhancing its military capacity accordingly. AirScan of Rockledge, Florida, for instance, specializes in sophisticated aerial military surveillance services and is among the few U.S. corporations that operate in the foreground of military theaters. Meanwhile, military support firms offer supplemental and rear guard support to a client's regular military with a variety of services essential to successful combat operations such as transportation, technical support, and logistics. Both DynCorp of Reston, Virginia, and Kellogg, Brown & Root (KBR), a Halliburton subsidiary, exemplify this type of firm.[7]

THE PAST DECADE HAS WITNESSED A QUIET REVOLUTION IN THE WAY WASHINGTON PROJECTS ITS POWER ABROAD.

By contrast, military consulting firms do not engage in frontline combat. Instead, they function as consultants, and offer their clients strategic advice, training, and operational services. These firms are analogous to business management consultancies in that they bolster the management and readiness of a client's armed forces rather than augment its operations on the battlefield. Because such firms employ a battery of former military personnel and officers, they have a comparative advantage in real world military experience and expertise. Military Professional Resources Incorporated (MPRI) based in Alexandria, Virginia, for example, typifies this type of PMC. MPRI employs thousands of ex-military personnel and maintains a database of 340 ex-generals and several thousand former senior and noncommissioned officers available for contracting assignments.

Most American PMCs operate as—or straddle the line between—consultancy and support firms, specializing in strategic advising, intelligence gathering and analysis, military and tactical training, information technology, and technical, logistical, and operational assistance. Only a few companies engage in activities characteristic of military provider firms, and even for these, such frontline activities constitute a mere fraction of their work. Many firms occupy only a small niche in the broader private military market while others offer multiple services. Nevertheless, only a few companies have the capacity to fulfill large, multi-task government contracts. Consequently, several large firms—DynCorp, KBR, MPRI, and Vinnell—appear to dominate the market for large-scale operations. This in turn suggests that the market structure for large, multi-task government contracts leans much closer to oligopoly than robust competition.

Close linkages exist between American PMCs and the U.S. government. Many PMCs sell their services primarily to government agencies such as the Department of Defense (DoD), the State Department, or the United States Agency for International Development. The Pentagon's contract force especially reflects strong relationships with particular firms: between 1997 and 2003, the fifty largest contractors received over half of all DoD contracts while the top 10 obtained 38 percent.[8] However, it is the contract procedures that govern the industry which best demonstrate the tight private-public sector linkages. All contracts must be approved and licensed by the State Department's Office of Defense Trade Controls (ODTC), and this licensing can occur at any point in the process of bidding, awarding, or accepting a contract.[9] Because no U.S. company can operate abroad without a license, the de facto veto these procedures provide State's ODTC demonstrate a pronounced instrumental relationship between PMCs and the U.S. government.

Washington's increasing tendency to outsource foreign policy implementation via PMCs raises an obvious set of questions. What benefits does such outsourcing provide the United States, and what costs, if any, does it entail?

PMC Benefits

Table 1 delineates the benefits that outsourcing advocates envision from employing PMCs and the costs that we suggest this practice generates. As shown in the first column, outsourcing foreign policy provides the United States a cluster of closely related political benefits beginning with greater flexibility to pursue a preferred policy. In Eastern Europe, Latin America, South Asia, and the Middle East, outsourcing has enabled Washington to undertake a diverse set of strategic operations—and in some instances, to do so without committing a large contingent of U.S. troops. Such flexibility is especially useful to presidents who pursue policies that lack strong support from Congress or the American public.

To illustrate this point, consider the extraordinary flexibility of U.S. policy in the former Yugoslavia, where outsourcing enabled Washington to attain three strategic advantages: influence the balance of power on the ground, retain an official position of "honest broker," and uphold the 1991 UN embargo on weapons sales to any of the warring groups. In 1994 the U.S. State Department contracted MPRI to provide forty-five border monitors to help enforce UN sanctions imposed against Serbia. Despite the sanctions, conflict continued and the Croatians fared poorly against their Serbian counterparts. At the Pentagon's urging, the Croatian defense minister sought further assistance from MPRI in late 1994 and signed two contracts with the firm to retrain and help modernize Croatia's military leadership.

Table 1: Benefits and Costs of Outsourcing via PMCs

Benefits	*Costs*
Policy flexibility	Reduced transparency and accountability
Greater military agility	Encourages copycat actions by other states
Minimize U.S. casualties	"Loose cannon" effects
Financial savings	Cost overruns

Providing military assistance via a PMC allowed Washington to strengthen Croatia's military posture without publicly "taking sides" in the conflict. By April 1995, the first Croatian Army officer had graduated from MPRI's Democracy Transition Training program.[10] Four months later, Croatia launched Operation Storm, a stunningly successful attack on Serbian-held Krajina. Employing typical American tactics, the four-day assault completely displaced the Serbian forces as well as some 150,000 Serbian civilians. Croatia's military success ultimately brought the Serbs to the negotiating table, and in November 1995, Washington brokered the Dayton Peace Accords—an outcome made possible in large part by MPRI's services.[11] In this case, U.S.-sponsored military training for Croatia clearly tipped the balance of power in Croatia's favor, and set the stage for the Dayton Peace Accords negotiations. Moreover, Washington achieved this goal without significant public or congressional support and without committing its own ground forces or incurring significant U.S. casualties.

American counternarcotics policy in the Andes illustrates a second instance when outsourcing provided Washington with clear benefits. The United States began outsourcing elements of its Andean foreign policy in the wake of two regional anti-drug summits: the 1990 Cartagena summit and the 1992 summit in San Antonio, Texas, at which the United States pledged to provide the Latin American governments with technical and financial assistance to eradicate coca production and interdict drug shipments.[12] Despite increased U.S. aid, coca cultivation rose 171.4 percent between 1991 and 1998. This upsurge transformed Colombia into the United States' largest cocaine supplier, and the epicenter of Andean coca and cocaine production. In this context, mounting effective anti-drug trafficking measures in Colombia eventually became the linchpin of a concerted U.S. counternarcotics strategy based on aerial coca eradication and drug shipment interdiction. To implement this policy the United States turned to private military corporations, employing at least five American PMCs to implement its counternarcotics foreign policy. These companies covered the gamut of Singer's PMC typology of military provider, military consulting, and military support firms.

In 1991, the State Department awarded the military support firm DynCorp a $99 million five-year contract to fly crop-eradication missions among the Andean Ridge nations of Bolivia, Colombia, and Peru, to maintain U.S.-supplied planes and choppers used to stamp out coca, and to train foreign pilots and mechanics to assume these responsibilities.[13] It renewed DynCorp's contract in 1996 and 1997, and in 1998 it awarded DynCorp a new $600 million, five-year contract to maintain existing planes and helicopters, and to provide pilot and mechanics training in Bolivia, Colombia, and Peru.[14] The State Department also licensed a military provider firm, Eagle Aviation Services and Technology, as a DynCorp subcontractor in Colombia to help fly and maintain the anti-drug air fleet and to transport Colombian troops into guerrilla-controlled coca zones. In terms of their effects on the narcotics trade, these outsourcing initiatives bore mixed results: between 1996 and 2000, Colombia's coca production grew by 103 percent.[15]

To address this trend and bolster Colombia's efforts against the guerrillas and drug traffickers, the U.S. and Colombian governments developed "Plan Colombia," a $7.5 billion aid package designed to slash Colombia's coca cultivation and resolve its decades-old guerrilla insurgency.[16] In June 2000, the U.S. Congress appropriated $1.3 billion to support the plan, and the State Department awarded the military consulting firm MPRI a $4.3 million eighteen-month contract to help implement it. MPRI's main task was to professionalize Colombia's armed forces and to assist in planning operations (including psychological operations), training, logistics, intelligence, and personnel management.[17]

Outsourcing permitted the United States to allocate military resources more efficiently, thereby enhancing the military's overall agility. To cite just one example, Washington could have implemented its Andean counternarcotics policy without DynCorp or MPRI simply by deploying U.S. special forces, colonels, pilots, and uniformed aircraft mechanics to train Bolivians, Colombians, and Peruvians in counternarcotics tactics and aircraft maintenance. Doing so, however, would have left vacant key posts in the U.S. Southern Command, military training institutions, and combat divisions—a pattern of resource allocation adverse to overall military preparedness.[18] By contrast, employing PMCs enabled Washington to implement its Andean policy without undermining America's own military readiness by placing a larger reservoir of talent at Washington's disposal without straining its all-volunteer force.

A third benefit of outsourcing is its potential to minimize U.S. military casualties. This is especially important at times when public toleration for casualties is low. As PMC lobbyist Doug Brooks reminds us, "If a [private contractor] is shot wearing blue jeans, it's page fifty-three of their hometown newspaper."[19] Put simply, a public concerned about U.S. casualties and American body-bag counts is less sensitive and less attentive to these same issues when the victims are private contractors, not Americans in uniform. If the American people do not support an overseas venture, using PMCs to advance U.S. interests abroad is a politically savvy choice.

Finally, employing outside contractors is presumed to offer significant cost savings. Both the Pentagon and State Department, for example, viewed outsourcing as a means to meet expanding obligations less expensively in times of sharp budget constraints. They derived these expectations from and based their outsourcing campaigns upon analyses provided by outsourcing advocates such as the Defense Science Board (DSB) and the Business Executives for National Security group. Ironically, this benefit has proven the most difficult to demonstrate. In 1996 the DSB projected that through outsourcing the DoD would realize a $12 billion cost savings between 1997 and 2002.[20] Yet both the Government Accountability Office (GAO) and DoD's own Program Analysis and Evaluation Directorate determined that DSB's projections were based on "errors in estimates [and] overly optimistic savings assumptions" that overstated real savings by billions of dollars.[21] According to the GAO, the principal factor behind DSB's inaccurate projections was the erroneous assumption that outsourcing *alone*, rather than a truly competitive market for outsourced activities, would net substantial savings.[22] The oligopolistic market structure for large, multi-task government contracts works against robust competition, and by extension, market-induced cost savings. Thus, while outsourcing *might* yield considerable cost savings, on this point the jury remains out. Still, whether or not it saves taxpayers' money, outsourcing clearly provides important benefits to the United States.

The Costs of Outsourcing

Despite its advantages, outsourcing also engenders a significant set of interrelated costs. The instrumental relationship between PMCs and the U.S. government is not equivalent to robust, effective oversight of traditional military operations and inevitably results in a loss of transparency. These costs are largely a function of the opaque nature of PMC contracts and the laws that govern them. For example, PMC contracts typically forbid firms from publicly disclosing their provisions, and the State Department is disinclined to discuss PMC contracts for "commercial proprietary" reasons. Meanwhile, the president and the State Department have no legal obligation to inform Congress of contracts smaller than $50 million, nor do lawmakers possess any mechanisms to obtain information on contracts below that benchmark.[23] Moreover, the Pentagon can circumvent the State Department's licensing procedures by selling services abroad through its own Foreign Military Sales program (FMS), through which DoD pays the contractor for services offered to a foreign government, which in turn reimburses the Pentagon. Under FMS, the only information available to the public about such contracts is the type of services a PMC has exported and in which country they were performed—and then only through the Freedom of Information Act.[24] Finally, contracts awarded by the Central Intelligence Agency fall outside the normal contract licensing protocols.

By clouding the transparency of policy implementation, outsourcing generates accountability costs. Not only is the public unable to easily hold political leaders responsible for any misadventures in which a PMC may engage, but a Congress poorly informed about PMC activities cannot exert the horizontal accountability over the executive branch needed to maintain effective checks and balances. Senator Patrick Leahy (D-VT) explained that "the Congress has little choice but to rely on the Pentagon to supervise" PMC activities; this situation, in turn, leaves lawmakers unable to confirm whether these firms act in "ways that are fully consistent with US policy, laws and procedures."[25] As Steven Aftergood, a secrecy specialist with the American Federation of Scientists, notes, "the kind of routine oversight that official military activities would be subjected to are evaded by contractors as a matter of course."[26]

Outsourcing can also generate another important political cost by creating opportunities for accidents and, more significantly, unsavory operations which tarnish the United States' international reputation. While most PMCs strive to maintain a highly professional commercial profile, some firms' personnel have engaged in unfortunate and, at times, deplorable behavior in the field. Perhaps the most egregious example of this sort of loose-cannon effect is the Abu Ghraib torture scandal. No less than twenty-seven of the thirty-seven interrogators at Abu Ghraib prison were employees of the PMC CACI International, and twenty-two of the linguists who assisted them were employed by California-based Titan International.[27] The United States' reputation suffered badly after the Abu Ghraib scandal attracted international attention, and almost two years later, none of the civilians implicated in the abuses has been prosecuted or punished.

BY CLOUDING THE TRANSPARENCY OF POLICY IMPLEMENTATION, OUTSOURCING GENERATES ACCOUNTABILITY COSTS.

Abu Ghraib is hardly the only instance in which PMC personnel have proven to be loose cannons. In May 2001, an American missionary and her daughter were killed when the Peruvian Air Force shot down their airplane, which a PMC had mistakenly identified as a narcotics courier. The same year, U.S. Customs intercepted a package sent from a PMC employee in Colombia to Patrick Air Force Base that contained a heroin-laced liquid substance.[28] In the former Yugoslavia, employees serving U.S.-licensed contracts overstepped the bounds of law and human decency when DynCorp employees in Bosnia were found operating a sex-slavery ring, selling girls as young as twelve on an hourly, daily, or permanent basis. Again, U.S. prestige suffered as a result of PMC behavior, and while a few DynCorp employees were fired, the crimes themselves remain unprosecuted.[29]

Beyond the various political costs, outsourcing as presently practiced appears to generate substantial financial costs. As indicated, rigorous studies of DoD outsourcing have found that cost savings fell far below expectations, largely due to the assumption that outsourcing alone, rather than a competitive PMC market structure, would yield significant savings. Still, these factors tell only half the story. The minimal oversight the departments of State and Defense—plus Congress—devote to PMC operations after a contract has been licensed constitutes another basic problem. In fact, "no single government-wide agency monitors the performance of companies that do get contracts."[30] The Pentagon, for example, maintains no accurate count of how many contractors it employs; it also lacks the information systems to provide reliable data necessary for effective PMC management.[31] The State Department's Office of Defense Trade Controls does not record how much the government spends, or saves, on PMC contracts it approves, while Congress remains largely in the dark on these issues.[32]

Such oversight gaps enhance the prospects for inefficiencies, irregularities, and squandered resources. For instance, a September 2000 GAO report demonstrated that Brown and Root collected more than $2.1 billion above contracted expenditures for its work in the Balkans, nearly doubling the amount stipulated in the original contract.[33] More recently, the Halliburton corporation and its subsidiary, KBR, have come under fire for a variety of billing irregularities, including $108 million in overcharges for gasoline shipped to Iraq from neighboring Kuwait, and $27 million in overcharges for meals served to American troops at five bases in Iraq and Kuwait in 2003.[34] These irregularities may be just the tip of the iceberg. In 2004 the Pentagon's own auditors determined that Halliburton had failed to account adequately for over $1.8 billion of contracted work in the Iraq and Kuwait theaters of operation.[35] In testimony before Congress the U.S. Army Corps of Engineers' top procurement official told lawmakers "unequivocally" that "the abuse related to contracts awarded to KBR represents the most blatant and improper contract abuse I have witnessed during the course of my [twenty-year] professional career."[36] Given the potent mix of minimal PMC oversight, a "market for force" whose oligopolistic structure limits competition, and the profit-maximizing nature of PMCs themselves, unnecessary expenditures may well be the norm rather than an aberration.[37] Until these problems are resolved, the dramatic cost savings that privatization enthusiasts envision seem unlikely to materialize.

Buyers and Sellers in the Market for Force

Identifying the benefits and costs of outsourcing reveals a great deal about how implementing foreign policy via PMCs can affect Washington's foreign policy calculations and the political ramifications of this practice, but much less about its future utility. Gaining traction on the latter point requires an understanding of the main contours of the current market for force. Political scientist Deborah Avant has provided the best inventory to date of existing private military providers on a global scale.[38] Her findings are illuminating. Of the United Nations' 191-state membership base, just twelve states are currently home to PMCs that provide military advice, training, and logistical and advising support. Only twenty-one states are home to PMCs that offer site and personnel security as well as crime prevention and intelligence services. Some big states are noticeably absent. China and India, for example, do not appear on either list, while Russia is barely represented.

In contrast, the United States dominates both lists, followed by the United Kingdom. The United States is not only the world's largest provider of private military services, but also its largest consumer. In fact, its supply and consumption pattern suggests that, at the global level, the current market for force reflects the overwhelming power of the United States in the post-Cold War international system. Should the United States lose its monopoly status, however, the advantages it derives from outsourcing could decrease commensurately. To illustrate the significance of monopoly status, consider a counterfactual analysis of Washington's Balkans policy that holds all factors constant, save for the U.S. monopoly of contractor activities. What happened was that an American PMC, licensed by the U.S. State Department to assist an informal U.S. ally, helped the United States tip the balance of power between the Croats and Serbs in ways that ultimately produced the Dayton Peace Accords. In the counterfactual, another external power—perhaps Russia—might broker a parallel contract between a Russian PMC and the Serbs. In this scenario, the likelihood of escalating conflict rather than a movement toward peace would rise markedly. In terms of outsourcing's future utility, this example suggests that the importance of monopoly status cannot be overemphasized. The question, therefore, is whether there are good reasons to believe the United States may find it difficult to monopolize the provision and consumption of PMC services over the long-term.

Currently, a three-pronged firewall maintains the United States' monopoly status: a smaller demand for PMC services by non-U.S. clients; a smaller supply of military services by non-U.S. and non-UK private military firms; and other countries' unwillingness to confront the United States. The first prong of the firewall stems from the financial constraints of would-be clients and the contracting constraints imposed by the U.S. State Department, which would likely prevent an American PMC from exporting its services to a U.S. adversary. The second component reflects the private military sector's more rapid growth among advanced industrial economies, while the third is a function of superior U.S. power and perhaps the friendly relations Washington has had with many nations in the past. While the first prong is reasonably stable for the near term, there is nothing above and beyond the perpetuation of U.S. power itself to bolster the second and third dimensions of the firewall.

No aspect of this firewall, therefore, should be considered a permanent feature of the international landscape. The assumption that insurmountable barriers will prevent new buyers and sellers from entering the market for force is probably rooted more in wishful thinking than in the reality of globalization. Although many states do lack robust financial resources, this factor has not deterred even governments of developing countries such as Angola, Congo, Liberia, Oman, Papua New Guinea, Senegal, Sierra Leone, and Sudan from employing PMCs. And while the U.S. State Department may refuse to license contracts between American PMCs and U.S. adversaries, such states, if they are truly "in need" or feel compelled to aid an ally, could still employ non-U.S. firms. Looking ahead, adversary states which face threats that their own militaries cannot handle or that still shy away from a direct confrontation with Washington may well find the resources to hire non-U.S. PMCs, provided such firms are available to contract. That availability, in turn, depends upon the development of a larger non-U.S. private military sector. How likely, then, are more PMCs to emerge outside of the U.S.-UK orbit?

There are good reasons to believe that states like China, India, and Russia will not sanction the development of a large private military sector or the export of their own military's strategies and skill sets via private firms. These states, after all, jealously guard their military capabilities, exhibit less infatuation with the market than the United States or the United Kingdom, and so far, have been less willing to see private military actors develop alongside their own armed forces. Still, if the market for force demonstrates anything, it is that firms that provide private military services can earn enormous sums of money. The profit motive, tax potential, and lax global regulations that govern this sector might well entice other states to follow in Anglo-American footsteps. One can easily imagine scenarios in which India or Russia, and perhaps eventually China, might encourage the development of a private military sector in order to create economic growth and jobs, then seek to monopolize the ends that such forces serve. Especially since the United States and the United Kingdom have led the world in commercializing realms previously untouched by market forces—with other countries following suit to stay in the game—it is hard to see why the copycat dynamic flagged in Table 1 would stop at the door of privatizing security. It would be difficult indeed for the United States to mount a credible protest against other states that embrace the same tactics that Washington itself pursues.

Finally, Washington's recent penchant for unilateralism could lower the threshold that, to date has made states unwilling to confront the United States. Indeed, it may already have. Even before the current U.S. unilateral thrust, political scientist Samuel Huntington wrote of the potential for an anti-hegemonic coalition to develop among developed and rising powers.[39] Since then, many governments have taken a dim view of the United States' unilateralist foreign policy and have demonstrated a greater willingness to confront Washington than before on matters of low and high politics. Meanwhile, many erstwhile members of the "coalition of the willing" have quit the Iraq enterprise even though Washington deems it the centerpiece of its foreign policy in the Middle East and despite U.S. entreaties to remain engaged. Such developments could make it easier for adversarial or even friendly states to contemplate employing PMCs to advance their interests, even when such actions might cut against the grain of U.S. preferences.

Outsourcing and World Order

Given the United States' global influence and power, privatizing the implementation of American foreign policy has at least three significant implications for world politics. First, although the democratic deficits that outsourcing yields deeply trouble Americans concerned with conserving democratic accountability and transparency at home, these deficits also bear on international stability. Deliberation and transparency are hallmarks of liberal democracy, and in the realm of foreign policy these same properties tend to reassure other states, even undemocratic ones, that a democracy's foreign policy actions can be anticipated, and that any abrupt policy change will be signaled well in advance. Because states of all stripes base their own calculations upon such signals, the less transparent policymaking becomes via outsourcing, the more likely it is that miscalculations could produce conflict. Further, when Washington delegates military functions to private companies, the question arises of where ultimate accountability and oversight authority actually reside. Should U.S. law, international law, or military commanders in the field carry the day?[40] International order cannot be built on such ambiguity.

Second, the policy flexibility that Washington gains from outsourcing could, in time, become more of a bane than a boon: the greater the U.S. ability is to pursue policy objectives via PMCs, the fewer incentives Washington has to consult and bargain with other governments about its policy or to make the compromises needed to forge and maintain international coalitions to pursue it. By strengthening the United States' unilateralist tendencies, this dynamic could weaken the firewall discussed earlier that has sustained the U.S. monopoly in the provision and consumption of PMC services.

Finally, the expansive outsourcing practices observed since 1990 have weakened the sinews of established organs of multilateral governance. By default, the authority Washington delegates to PMCs is also authority *not* delegated to international institutions. Though it is obvious that overlapping spheres of competence are common in an interdependent world, it surely makes a difference for diplomacy, strategic policy, and multilateral governance whether multilateral organizations or under-regulated private corporations are the primary representatives of the world's most powerful state. The more the United States and other governments delegate state power to private corporations rather than to international institutions, the greater the prospects that outsourcing will sap the strength of what were once considered to be the building blocks of international order.

THE UNITED STATES SHAPES THE NORMS THAT WILL FRAME FUTURE INTERSTATE COMPETITION.

As the world's preeminent power and the principal consumer and producer of private military services, the United States, either inadvertently or deliberately, shapes the norms that will frame future interstate competition. Outsourcing the implementation of its policy via PMCs can be a useful solution to a range of immediate problems, but the costs such actions generate are likely to be fully realized only in the long term. An under-regulated market for force, therefore, will likely have significant negative consequences down the line, and these effects will only grow more dramatic if other states follow the U.S. lead.

Given the benefits that outsourcing generates, the issue is not whether the United States should discontinue this practice or bar private military firms from operating, but whether Washington can see beyond the short-term benefits it realizes from outsourcing and take prudent steps to contain the long-term negative consequences the practice spawns both domestically and internationally. Toward this end, Washington should establish a robust and clearly specified oversight framework at home to monitor U.S.-based and U.S.-employed PMCs, create strict public reporting requirements, and substantially lower the monetary threshold that triggers congressional notification of a PMC contract (the current $50 million benchmark allows far too many contracts to go unreported). In the international area, it should work with its NATO allies and others to construct self-enforcing norms that serve the interests of peace and stability with adequate but circumscribed space for the private military industry to function.

NOTES

[1] Michael E. Guillory, "Civilianizing the Force: Is the United States Crossing the Rubicon?" *Air Force Law Review* 51 (Spring 2001): 1-23; and David Barstow, "Security Companies: Shadow Soldiers in Iraq," *The New York Times*, 19 April 2004, 1.

[2] Center for Public Integrity, "Post-War Contractors Ranked by Total Contract Value in Iraq and Afghanistan," 2004, http://www.publicintegrity.org/pns/list.aspx?act=top.

[3] Deborah Avant, *The Market for Force: The Consequences of Privatizing Security* (New York: Cambridge University Press, 2005), 248-249; Peter Singer, "Outsourcing War," *Foreign Affairs* 84:2 (March/April 2005): 119-132.

[4] See Juan Carlos Zarate, "The Emergence of a New Dog of War: Private International Security Companies, International Law and the New World Disorder," *Stanford Journal of International Law* 34:1 (Winter 1998): 75-162; David Kassebaum, "A Question of Facts: The Legal Use of Private Security Firms in Bosnia," *Columbia Journal of Transnational Law* 38 (2000): 581-602; Peter Singer, "Corporate Warriors: The Rise of the Privatized Military Industry and its Ramifications for International Security," *International Security* 26:3 (Winter 2001): 186-220; Steven Brayton, "Outsourcing War: Mercenaries and the Privatization of Peacekeeping," *Journal of International Affairs* 55:2 (Spring 2002): 303-329; Robert Mandel, "The Privatization of Security," *Armed Forces and Society* 28:1 (Fall 2001): 129-151; Deborah Avant, *The Market for Force*.

[5] Peter Singer, "Corporate Warriors," 193.

[6] Peter Singer, *Corporate Warriors: The Rise of the Privatized Military Industry* (Ithaca, NY: Cornell University Press, 2003).

[7] Kellogg, Brown, and Root (KBR), a blend of two previously distinct entities, became a wholly owned subsidiary of Halliburton in March 2002. See "Halliburton in the 21st Century." http://www.halliburton.com/about/history_new_phase.jsp.

[8] Larry Makinson, "Outsourcing the Pentagon: Who Benefits from the Politics and Economics of National Security," Center for Public Integrity, 29 September 2004. http://www.mindfully.org/Reform/2004/Pentagon-Outsourcing-CPI29sep04.htm.

[9] Laura Peterson, "Privatizing Combat: The New World Order," Center for Public Integrity, October 28, 2002. http://www.publicintegrity.org/bow/report.aspx?aid=148.

[10] MPRI's Democracy Transition Training program instructed Croatian Army officers in the principles of democratic civil-military relations. See Peter Singer, *Corporate Warriors*, 2-3.

[11] David Shearer, "Private Military Force and Challenges for the Future," *Cambridge Review of International Affairs* 13:1 (April 1999): 83.

[12] Washington's focus on drug trafficking was central to its domestic "war on drugs," and also important to broader U.S. objectives in the Andean region: maintaining stability, promoting democracy, and securing energy supplies. Throughout the 1980s drug trafficking progressively helped weaken several Andean governments by fomenting political violence, distorting economic performance, and aggravating internal political tensions.

[13] General Accounting Office, "Drug Control: The Department of State's Contract Award for its Counternarcotics Aviation Program," (Washington, DC: GAO, 28 February 2001). GAO-01-435R.

[14] General Accounting Office, "Drug Control: Efforts to Develop Alternatives to Cultivating Illicit Crops in Colombia Have Made Little Progress and Face Serious Obstacles," (Washington, DC: GAO, February 2002). GAO-02291.

[15] Ibid.

[16] As initially envisioned, the Colombian government would contribute $4 billion to Plan Colombia, the United States would contribute $1.3 billion, and the international community, mainly Europe, would provide the remaining $2.2 billion. Seventy-five per cent of the U.S. aid component went toward military measures, with the remainder split between improving Colombia's governing capacity, alternative development programs, and peace initiatives. See Mark Eric Williams and Vinay Jawahar, "When Rational Policy Making Fails: Plan Colombia and the Approaching Commitment Trap," *International Journal of Politics and Ethics* 3:2 (Summer 2003): 159-172.

[17] Paul de la Garza and David Adams, "Military Aid…from the Private Sector," *St. Petersburg Times*, 3 December 2000.

[18] In testimony before Congress, Brian Sheridan, assistant secretary of defense for special operations and low-intensity conflict, explained that using PMCs was an optimal solution to a basic problem of allocating "manpower" most efficiently. See "Testimony Before the House Armed Services Committee," 23 March 2000. http://commdoc.house.gov/committees/security/has083000.00/has08300_Of.htm.
[19] Jonathan Tepperman, "Can Mercenaries Protect Karzai? Out of Service," *The New Republic*, 25 November 2002.
[20] "Summer Study on Achieving an Innovative Support Structure for 21st Century Military Superiority: Higher Performance at Lower Costs," *Report of the Defense Science Board* 1996 (Washington DC: Defense Science Board, 1996).
[21] General Accounting Office, "Base Operations: Challenges in Confronting DoD as it Renews Emphasis on Outsourcing," (Washington, DC: GAO, March 1997), 4, 7-8. GAO/NSIAD-97-86.
[22] Ibid., 104.
[23] House of Commons, "Private Military Companies: Options for Regulation" (London: House of Commons, 12 February 2002), 39.
[24] Laura Peterson, "Privatizing Combat."
[25] Paul De la Garza and David Adams, "Military Aid," 1A.
[26] Jason Vest, "State Outsources Secret War," *The Nation*, 23 May 2001.
[27] Deborah Avant, "What Are Those Contractors Doing in Iraq?" *Washington Post*, 9 May 2004; Lynda Hurst, "The Privatization of Abu Ghraib," *Toronto Star*, 16 May 2004.
[28] Jason Vest, "DynCorp's Drug Problem," *The Nation*, 11 July 2001.
[29] Jonathan Tepperman, "Can Mercenaries Protect Karzai?"
[30] Laura Peterson, "Privatizing Combat."
[31] Dan Guttman, "The Shadow Pentagon: Private Contractors Play a Huge Role in Basic Government Work—Mostly Out of View," Center for Public Integrity, 29 September 2004. http://www.publicintegrity.org/pns/report.aspx?aid=386.
[32] Linda Robinson and Douglas Pasternak, "America's Secret Armies," *U.S. News and World Report*, 4 November 2002; Stephen Tomichek, deputy director of policy, Office of Defense Trade Controls, U.S. Department of State, interview with author, 4 September 2003.
[33] General Accounting Office, *Contingency Operations: Army Should Do More to Control Contract Cost in the Balkans*, (Washington, DC: GAO, September 2000). GAO/NSIAD-00-225.
[34] Erik Eckholm, "Excess Billing by Halliburton Is Put at $108 Million in Audit," *The New York Times*, 15 March 2005; Joel Brinkley and Eric Schmitt, "Halliburton Will Repay U.S. Excess Charges for Troops' Meals," *The New York Times*, 3 February 2004.
[35] Neil King Jr., "Pentagon Questions Halliburton on $1.8 Billion in Work," *The Wall Street Journal*, 11 August 2004.
[36] Neely Tucker, "A Web of Truth," *Washington Post*, 19 October 2005, C1.
[37] Between 1997 and 2003 only 40 percent of Pentagon contracts were negotiated under full and open competition. See Center for Public Integrity, "Outsourcing the Pentagon" (2004). http://www.publicintegrity.org/pns/default.aspx.
[38] See Deborah Avant, *The Market for Force*, Table 1.1. Since PMCs operate globally, many defy easy classification by country. To resolve this problem, Avant classifies a firm's country of origin with reference to the primary country from which a majority of their employees come.
[39] Samuel P. Huntington "The Lonely Superpower," *Foreign Affairs*, 78:2 (March-April, 1999): 35-49.
[40] Peter Singer, "War, Profits, and the Vacuum of Law: Privatized Military Firms and International Law," *Columbia Journal of Transnational Law* 45 (Spring 2004): 520-549.