

Why the US Is Not Leaving Iraq: The Booming Business of War Profiteers

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The military-industrial-complex [would] cause military spending to be driven not by national security needs but by a network of weapons makers, lobbyists and elected officials. — Dwight D. Eisenhower

There are only two things we should fight for. One is the defense of our homes and the other is the Bill of Rights. War for any other reason is simply a racket. — General Smedley D. Butler

Neither the Iraq Study Group nor other establishment critics of the Iraq war are calling for the withdrawal of US troops from that country. To the extent that the Study Group or the new Congress purport to inject some “realism” into the Iraq policy, such projected modifications do not seem to amount to more than changing the drivers of the US war machine without changing its destination, or objectives: control of Iraq’s political and economic policies.

In light of the fact that by now almost all of the factions of the ruling circles, including the White House and the neoconservative war-mongers, acknowledge the failure of the Iraq war, why, then, do they balk at the idea of pulling the troops out of that country?

Perhaps the shortest path to a relatively satisfactory answer would be to *follow the money trail*. The fact of matter is that not everyone is losing in Iraq. Indeed, while the Bush administration’s wars of choice have brought unnecessary death, destruction, and disaster to millions, including many from the United States, they have also brought fortunes and prosperity to war profiteers. At the heart of the reluctance to withdraw from Iraq lies the profiteers’ unwillingness to give up further fortunes and spoils of war.

Pentagon contractors constitute the overwhelming majority of these profiteers. They include not only the giant manufacturing contractors such as Lockheed Martin, Northrop Grumman and Boeing, but also a complex maze of over 100,000 service contractors and sub-contractors such as private army or security corporations and “reconstruction” firms.[1] These contractors of both deconstruction and “reconstruction,” whose profits come mainly from the US treasury, have handsomely profited from the Bush administration’s wars of choice.

A time-honored proverb maintains that wars abroad are often continuations of wars at home. Accordingly, recent US wars abroad seem to be largely reflections of domestic fights over national resources, or public finance: opponents of social spending are using the

escalating Pentagon budget (in combination with drastic tax cuts for the wealthy) as a cynical and roundabout way of redistributing national income in favor of the wealthy. As this combination of increasing military spending and decreasing tax liabilities of the wealthy creates wide gaps in the Federal budget, it then justifies the slashing of non-military public spending—a subtle and insidious policy of reversing the New Deal reforms, a policy that, incidentally, started under President Ronald Reagan.

Meanwhile, the American people are sidetracked into a debate over the grim consequences of a “pre-mature” withdrawal of US troops from Iraq: further deterioration of the raging civil war, the unraveling of the “fledgling democracy,” the resultant serious blow to the power and prestige of the United States, and the like.

Such concerns are secondary to the booming business of war profiteers and, more generally, to the lure or the prospects of controlling Iraq’s politics and economics. Powerful beneficiaries of war dividends, who are often indistinguishable from the policy makers who pushed for the invasion of Iraq, have been pocketing hundreds of billions of dollars by virtue of war. More than anything else, it is the pursuit and the safeguarding of those plentiful spoils of war that are keeping US troops in Iraq.

The role of the Pentagon contractors,

The Pentagon contractors are both as a major driving force to the war on Iraq and a major obstacle to the withdrawal of US led forces.

The rise of the fortunes of the major Pentagon contractors can be measured, in part, by the growth of the Pentagon budget since President George W. Bush arrived in the White House: it has grown by more than 50 percent, from nearly \$300 billion in 2001 to almost \$455 billion in 2007. (These figures do not include the Homeland Security budget, which is \$33 billion for the 2007 fiscal year alone, and the costs of the wars in Iraq and Afghanistan, which are fast approaching \$400 billion.)

Large Pentagon contractors have been the main beneficiaries of this windfall. For example, a 2004 study by The Center for Public Integrity revealed that, for the 1998–2003 period, one percent of the biggest contractors won 80 percent of all defense contracting dollars. The top ten got 38 percent of all the money. Lockheed Martin topped the list at \$94 billion, Boeing was second with \$81 billion, Raytheon was third (just under \$40 billion), followed by Northrop Grumman and General Dynamics with nearly \$34 billion each.[2]

Fantastic returns to these armaments conglomerates have been reflected in the continuing jump in the value of their shares or stocks in the Wall Street: “Shares of U.S. defense companies, which have nearly trebled since the beginning of the occupation of Iraq, show no signs of slowing down. . . . All the defense companies—with very few exceptions—have been doing extremely well with mostly double-digit earnings growth. . . . The feeling that makers of ships, planes and weapons are just getting into their stride has driven shares of leading Pentagon contractors Lockheed Martin Corp., Northrop Grumman Corp., and General Dynamics Corp. to all-time highs. . . .”[3]

Major beneficiaries of war dividends include not only the giant manufacturing contractors such as Northrop Grumman and Lockheed Martin, but also a whole host of other war-induced service contractors that have mushroomed around the Pentagon and the Homeland Security apparatus in order to cash in on the Pentagon’s spending bonanza.

A highly profitable and fast growing industry that has evolved out of the Pentagon's tendency to shower private contractors with tax-payers' money is based on its increasing practice of the outsourcing of the many of the traditional military services to private businesses. "In 1984, almost two-thirds of [the Pentagon's] contracting budget went for products rather than services. . . . By fiscal year 2003, 56 percent of Defense Department contracts paid for services rather than goods."

What is more, these services are not limited to the relatively simple or routine tasks and responsibilities such food and sanitation services or building maintenance. More importantly, they include "contracts for services that are highly sophisticated, strategic in nature, and closely approaching core functions that for good reason the government used to do on its own. The Pentagon has even hired contractors to advise it on hiring contractors." [4]

Private security contracting, a lucrative and rapidly growing industry, is a good example of the Pentagon's policy of outsourcing. These contractors operate on the periphery of U.S. foreign policy by training foreign "security forces," or by "fighting terrorism." Often these private military corporations are formed by retired Special Forces personnel seeking to market their military expertise to the Pentagon, the State Department, the CIA, or foreign governments.

For example, MPRI, one of the largest and most active of these firms, which "has trained militaries throughout the world under contract to the Pentagon," was founded by former Army Chief of Staff Carl Vuono and seven other retired generals. The fortunes of these military training contractors, or modern-day mercenary companies, like those of the manufacturers of military hardware, have skyrocketed by virtue of heightened war and militarism under President George W. Bush. For example, "The per share price of stocks in L3 Communications, which owns MPRI, has more than doubled." [5]

As the Pentagon's manufacturing contractors such as Lockheed Martin make fortunes through the production of the means of death and destruction, they also create profit opportunities for service contractors such as Halliburton that, like vultures, follow the plumes of the smoke of deconstruction and set up shop for "reconstruction."

For example, in the same month (October 2006) that the US forces lost a record number of soldiers in Iraq, and the Iraqi citizens lost many more, Halliburton announced that its third quarter revenue had risen by 19 percent to \$5.8 billion. This prompted Dave Lesar, the company's chairman, president and CEO, to declare, "This was an exceptional quarter for Halliburton."

Jeff Tilley, an analyst who does research for Halliburton, likewise pointed out, "Iraq was better than expected. . . . Overall, there is nothing really to question or be skeptical about. I think the results are very good."

This led many critics to point out scornfully that when around the same time Vice President Dick Cheney told Rush Limbaugh that "if you look at the overall situation [in Iraq] they're doing remarkably well," he must have been talking about Halliburton. [6]

The service and "rebuilding" contractors are frequently called "reconstruction rackets" not only because they obtain generous and often no-bid contracts from their policy-making accomplices, but also because they habitually shirk on their contracts and skimp on what they promise to do. For example, an investigative on-the-ground report from Iraq, sponsored

by the Institute for Southern Studies and titled “New Investigation Reveals Reconstruction Racket,” showed that despite “billions of dollars spent, key pieces of Iraq’s infrastructure—power plants, telephone exchanges, and sewage and sanitation systems—have either not been repaired, or have been fixed so poorly that they don’t function.”

The report, carried out by Pratap Chatterjee and Herbert Docena and published in the Institutes’ Publication *Southern Exposure*, further revealed that the giant Pentagon contractor Bechtel “has been given tens of millions to repair Iraq’s schools. Yet many haven’t been touched, and several schools that Bechtel claims to have repaired are in shambles. One ‘repaired’ school was overflowing with unflushed sewage.”

The report also showed that out of a \$2.2 billion “reconstruction” contract with Halliburton, the company spent only 10 percent on “community needs—the rest being spent on servicing U.S. troops and rebuilding oil pipelines. Halliburton has also spent over \$40 million in the unsuccessful search for weapons of mass destruction.”[7]

The spoils of war and devastation in Iraq have been so attractive that an extremely large number of war profiteers have set up shop in that country in order to participate in the booty: “There are about 100,000 government contractors operating in Iraq, not counting subcontractors, a total that is approaching the size of the U.S. military force there, according to the military’s first census of the growing population of civilians operating in the battlefield,” reported *The Washington Post* in its 5 December 2006 issue.

The report, prepared by Renae Merle, further points out, “In addition to about 140,000 U.S. troops, Iraq is now filled with a hodgepodge of contractors. DynCorp International has about 1,500 employees in Iraq, including about 700 helping train the police force. Blackwater USA has more than 1,000 employees in the country, most of them providing private security. . . . MPRI, a unit of L-3 Communications, has about 500 employees working on 12 contracts, including providing mentors to the Iraqi Defense Ministry for strategic planning, budgeting and establishing its public affairs office. Titan, another L-3 division, has 6,500 linguists in the country.”[8]

The fact that powerful beneficiaries of war dividends flourish in an atmosphere of war and international convulsion should not come as a surprise to anyone. What is surprising is that, in the context of the recent US wars of choice, these beneficiaries have also acquired the power of promoting wars, often by manufacturing “external threats to our national interest.” In other words, profit-driven beneficiaries of war have also evolved as war makers, or contributors to war making.[9]

The following is a sample of such unsavory business-political relationships, as reported by Walter F. Roche and Ken Silverstein in a 14 July 2004 *Los Angeles Times* article, titled “Advocates of War Now Profit from Iraq’s Reconstruction:”

- Former CIA Director R. James Woolsey is a prominent example of the phenomenon, mixing his business interests with what he contends are the country’s strategic interests.
- Neil Livingstone, a former Senate aide who has served as a Pentagon and State Department advisor and issued repeated public calls for Hussein’s overthrow. He heads a Washington-based firm, GlobalOptions, Inc. that provides contacts and consulting services to companies doing business in Iraq.

- Randy Scheunemann, a former Rumsfeld advisor who helped draft the Iraq Liberation Act of 1998 authorizing \$98 million in U.S. aid to Iraqi exile groups. He was the founding president of the Committee for the Liberation of Iraq. Now he's helping former Soviet Bloc states win business there.
- Margaret Bartel, who managed federal money channeled to Chalabi's exile group, the Iraqi National Congress, including funds for its prewar intelligence program on Hussein's alleged weapons of mass destruction. She now heads a Washington-area consulting firm helping would-be investors find Iraqi partners.
- K. Riva Levinson, a Washington lobbyist and public relations specialist who received federal funds to drum up prewar support for the Iraqi National Congress. She has close ties to Bartel and now helps companies open doors in Iraq, in part through her contacts with the Iraqi National Congress.
- Joe M. Allbaugh, who managed President Bush's 2000 campaign for the White House and later headed the Federal Emergency Management Agency, and Edward Rogers Jr., an aide to the first President Bush, recently helped set up New Bridge Strategies and Diligence, LLC to promote business in postwar Iraq.[10]

There are strong indications that these dubious relationships represent more than simple cases of sporadic or unrelated instances of some unscrupulous or rogue elements. Evidence shows that contracts for the "reconstruction" of Iraq were drawn long before the invasion and deconstruction of that country had started. In a fascinating report for *The Nation* magazine, titled "The Rise of Disaster Capitalism," Naomi Klein describes such long-projected "rebuilding" schemes as follows:

"Last summer, in the lull of the August media doze, the Bush Administration's doctrine of preventive war took a major leap forward. On August 5, 2004, the White House created the Office of the Coordinator for Reconstruction and Stabilization, headed by former US Ambassador to Ukraine Carlos Pascual. Its mandate is to draw up elaborate 'post-conflict' plans for up to twenty-five countries that are not, as of yet, in conflict. According to Pascual, it will also be able to coordinate three full-scale reconstruction operations in different countries 'at the same time,' each lasting 'five to seven years.'"[11]

Here we get a glimpse of the real reasons or forces behind the Bush administration's preemptive wars. As Klein puts it, "a government devoted to perpetual pre-emptive deconstruction now has a standing office of perpetual pre-emptive reconstruction." Klein also documents how (through Pascual's office) contractors drew "reconstruction" plans in close collaboration with various government agencies and how, at times, contracts were actually pre-approved and paper work completed long before an actual military strike:

"In close cooperation with the National Intelligence Council, Pascual's office keeps 'high risk' countries on a 'watch list' and assembles rapid-response teams ready to engage in prewar planning and to 'mobilize and deploy quickly' after a conflict has gone down. The teams are made up of private companies, nongovernmental organizations and members of think tanks—some, Pascual told an audience at the Center for Strategic and International Studies in October, will have 'pre-completed' contracts to rebuild countries that are not yet broken. Doing this paperwork in advance could 'cut off three to six months in your response time.'"

No business model or entrepreneurial paradigm can adequately capture the nature of this kind of scheming and profiteering. Not even illicit businesses based on rent-seeking, corruption or theft can sufficiently describe the kind of nefarious business interests that lurk behind the Bush administration's preemptive wars. Only a calculated imperial or colonial kind of exploitation, albeit a new form of colonialism or imperialism, can capture the essence of the war profiteering associated with the recent US wars of aggression. As Shalmali Guttal, a Bangalore-based researcher put it, "We used to have vulgar colonialism. Now we have sophisticated colonialism, and they call it 'reconstruction.'"[12]

Classical colonial or imperial powers roamed on the periphery of the capitalist center, "discovered" new territories, and drained them off of their riches and resources. Today there are no new places in our planet to be "discovered." But there are many vulnerable sovereign countries whose governments can be overthrown, their infrastructures smashed to the ground, and fortunes made as a result (of both destruction and "reconstruction"). And herein lies the genius of a parasitically efficient market mechanism, as well as a major driving force behind the Bush administration's unprovoked unilateral wars of choice.

Not only does the new form of imperial or colonial aggression, driven largely by the powerful interests that are vested in the armaments industries and other war-based businesses, bring calamity to the vanquished, but it is also detrimental and burdensome to the victor, namely, the imperium and its citizens. Contrary to the external military operations of past empires, which usually brought benefits not only to the imperial ruling classes but also (through "trickle-down" effects) to their citizens, U.S. military expeditions and operations of late are not justifiable even on the grounds of national economic gains.

Indeed, escalating US military expansions and aggressions have become ever more wasteful and cost-inefficient as they are hollowing out the public treasury, undermining social spending, and accumulating national debt. Viewed in this light, the new form of imperialism can perhaps be called "parasitic" imperialism.

War profiteering is, of course, not new; it has always existed in the course of the history of warfare. What makes war profiteering in the context of the recent US wars of choice unique and extremely dangerous to world peace and stability, however, is the fact that it has become a major driving force behind war and militarism.

This is key to an understanding of why the US ruling elite is reluctant to pull US troops out of Iraq. The reluctance or "difficulty" of leaving Iraq stems not so much from pulling 140,000 troops out of that country as it is from pulling out more than 100,000 contractors. As Josh Mitteldorf of the University of Arizona recently put it, "There are a lot of contractors making a fortune and we don't want that money tap turned off, even though it is borrowed money, which our children and grandchildren will have to repay." [13]

It follows that US troops will not be withdrawn from Iraq as long as antiwar voices are not raised beyond the premises and parameters of the official narrative or justification of the war: terrorism, democracy, civil war, stability, human rights, and the like. Antiwar forces need to extricate themselves from the largely diversionary and constraining debate over these secondary issues, and raise public consciousness of the scandalous economic interests that drive the war.

It is crucially important that public attention is shifted away from the confining official

narrative of the war, parroted by the corporate media and political pundits, to the economic crimes that have been committed because of this war, both in Iraq and here in the United States. It is time to make a moral case for restoring Iraqi oil and other assets to the Iraqis. It is also time to make a moral case against the war profiteers' plundering of our treasury, or tax dollars. To paraphrase the late General Smedley D. Butler, most wars could easily be ended—they might not even be started—if profits are taken out of them.[14]

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