

Secretary of State and National Security Advisor Henry Kissinger, Shultz and Rohatyn were key players in the CIA-backed overthrow and murder of Chilean President Salvador Allende, and the installation of the military junta of Gen. Augusto Pinochet.

## Cheney and Halliburton

According to numerous published accounts, in 1991, shortly after “Operation Desert Storm,” then-Secretary of Defense Dick Cheney hired the Houston, Texas-based oil equipment company Halliburton to conduct a top-secret study of how America’s military operations could be outsourced to the private sector. All told, Halliburton received \$8.9 million to conduct the study, which to this day, remains classified. One Congressional source described the study as “the crown jewels,” and forecasted that, so long as Cheney is around, the content of the Halliburton privatization plan will remain buried.

*The New Yorker’s* Jane Mayer filled out the picture of the early Cheney-Halliburton collusion in a Feb. 16, 2004 story: “As Defense Secretary,” she wrote, “Cheney developed a contempt for Congress, which, a friend said, he came to regard as ‘a bunch of annoying gnats.’ Meanwhile, his affinity for business deepened. ‘The meetings with businessmen were the ones that really got him pumped,’ a former aide said. One company that did exceedingly well was Halliburton. Toward the end of Cheney’s tenure, the Pentagon decided to turn over to a single company the bulk of the business of planning and

providing support for military operations abroad—tasks such as preparing food, doing the laundry, and cleaning the latrines. . . .

“Halliburton was paid \$3.9 million to write its initial report, which offered a strategy for providing support to twenty thousand troops. The Pentagon then paid Halliburton five million dollars more to do a follow-up study. In August 1992, Halliburton was selected by the U.S. Army Corp of Engineers to do all the work needed to support the military during the next five years, in accordance with the plan it had itself drawn up.”

In January 1993, when the Clinton Administration came in, Cheney supposedly briefly flirted with the idea of running for the Republican Presidential nomination in 1996. He soon dropped that idea, and instead, was hired by Halliburton as its CEO. Urban legend has it, that Cheney was picked for the Halliburton post by a group of corporate executives, during a fly-fishing vacation in Canada. but Cheney’s earlier “special relationship” with Halliburton, while Secretary of Defense, certainly suggests that his post-Bush Administration future may have been sealed before he left office.

Over the five-year period from 1995-2000, Cheney took in \$44 million in salary as Halliburton CEO. When he left the company to become George W. Bush’s self-selected Vice Presidential running-mate, he arranged a deferred compensation deal that has given him an average of \$150,000 a year in supplemental income, and stock options currently valued at over \$18 million.

## Eisenhower’s Warning

*In his Jan. 17, 1961 Farewell Address, President Dwight D. Eisenhower warned against the “military-industrial complex”—the grouping behind Cheney today.*

A vital element in keeping the peace is our military establishment. Our arms must be mighty, ready for instant action, so that no potential aggressor may be tempted to risk his own destruction.

Our military organization today bears little relation to that known by any of my predecessors in peacetime, or indeed by the fighting men of World War II or Korea.

Until the latest of our world conflicts, the United States had no armaments industry. American makers of plowshares could, with time and as required, make swords as well. But now we can no longer risk emergency improvisation of national defense; we have been compelled to create a permanent armaments industry of vast proportions. Added to this, three and a half million men and women are directly engaged in the defense establishment. We annu-

ally spend on military security more than the net income of all United States corporations.

This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence—economic, political, even spiritual—is felt in every city, every Statehouse, every office of the Federal government. We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications. Our toil, resources, and livelihood are all involved; so is the very structure of our society.

In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.

We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.

However much Cheney benefitted from his Halliburton relationship, the company truly made out like bandits. According to data compiled by the Center for Public Integrity, a public interest research organization in Washington, between November 2001, when the United States launched the invasion of Afghanistan, and June 2004, Halliburton raked in \$11.4 billion in Bush-Cheney Administration contracts. Nearly two years later, those figures have certainly moved

toward \$15 billion in taxpayers' money. The next largest contractor, Parsons Corp., which has a long history of overseas U.S. government heavy construction projects, received under \$5.3 billion during 2001-04.

Halliburton has truly evolved into a "New East India Company" under Cheney and Rumsfeld. Halliburton personnel have been on the ground in every combat zone of the post-Cold War period, from Mogadishu in Somalia, to the Balkans,

## Hitler's SS: Private Army Of the Third Reich

The blackshirted SS (Defense Detachment) of Heinrich Himmler, which fulfilled certain "defense" and intelligence/security functions in and for Adolf Hitler's Nazi Party, numbered only around 10,000 members until 1932, the year before Hitler's installation as Chancellor. Their numbers paled in comparison to the 3 million brownshirted members of Ernst Röhm's SA (Stormtroops), the Nazi street thugs who had already intimidated, brutalized, hospitalized, or murdered so many Germans who opposed the Nazis. Yet, Hitler chose the core cadre of the SS to murder hundreds of his presumed opponents inside and outside the SA—including the Chancellor who preceded him, Gen. Kurt von Schleicher—on June 30, 1934, the "Night of the Long Knives."

Hitler's distrust of the Wehrmacht (Armed Forces), prompted him to replace the members of the Army who had traditionally stood guard at the Chancellor's office, with his personal SS bodyguard (Leibstandarte Adolf Hitler), soon after he took office on Jan. 30, 1933. On Nov. 9, 1933, he had all the members of that bodyguard swear an oath of personal loyalty to him, while maintaining no formal relationship to either the Nazi Party (which by that time was the only legal party in Germany), or the State. On July 26, 1934, in appreciation of its murderous work on the night of June 30, Hitler elevated the SS to the status of a fully independent organization within the Party.

All this time, the SS was privately funded by a club known as the "Friends of the Reichsführer-SS" (the Reichsführer-SS was Heinrich Himmler), which included many prominent industrialists and bankers. The "Friends" were an offshoot of the Planning Committee for Economic Problems, which had been formed by Wilhelm Keppler, Hitler's economic advisor, in Summer 1932. That committee included Hjalmar Schacht, the president of the Reichsbank and chief agent of the Anglo-American financial establishment that supported Hitler; Albert Vögler, chairman of the United Steelworks; and Kurt von

Schröder, the Cologne banker who hosted the meeting in January 1933 that catapulted Hitler to power. The "Friends" contributed over 1 million marks annually to the SS; Himmler, in gratitude, bestowed the status of "honorary SS Commander" on 15 of its 32 members.

Himmler aggressively recruited "sponsorships" of SS members from the aristocracy and upper middle class, bestowing "honorary membership" upon those who responded. In 1932, there were 13,217 honorary members who had contributed 17,000 marks. By 1934, there were 342,492 "honorary members" contributing 581,000 marks.

It was Hitler's SS bodyguard that led the Wehrmacht's March 1936 occupation of the neutral Rhineland, in violation of the Versailles Treaty. Flexing his new-found political muscle after the seizure of the Rhineland, Hitler decreed that the SS Verfügungstruppen (the future 700,000-man Waffen SS), which had spearheaded the Rhineland action, and the Totenkopfverbände (the Death's-Head regiments which policed the concentration camps), were to be treated as "organizations in the service of the State," and placed on the police budget of the Ministry of the Interior. And thus, the SS had achieved Halliburton status.

The "special work" that the SS was called upon to do, necessitated a special legal status, according to Paul Scharfe, the head of the SS Legal Service: "This special position of course means that the SS man must be dealt with in a special way." Scharfe concluded that no state court, nor even a Nazi Party court, had the right to judge an SS man; this was to be the sole privilege and responsibility of SS judges and superior officers!

The conflict between the German Army High Command and the SS increased dramatically. In 1938, Generaloberst von Fritsch, the head of the Army, wrote that the SS "develops itself totally apart, and, it appears to me, in deliberate opposition to the Army. All units report unanimously that the relationship of the SS Verfügungstruppen to the Army is very cool, if not hostile." By February 1938, the collusion of Himmler, Hermann Göring, and Hitler against Fritsch, on a fabricated morals scandal, forced the general to resign. Hitler then reorganized the High Command, and assumed personal, dictatorial control.

—Steve Douglas

to the Persian Gulf and Afghanistan.

They lead the pack, but they are not alone. All told, an estimated \$150 billion in Pentagon funds has been passed along to “PMCs” since the start of the Bush-Cheney Administration. In Iraq alone, Pentagon auditors have been unable to account for \$200 million in funds passed out to contractors, according to one well-placed government source. Those missing funds don’t even take into account billions of lost dollars, in the form of overcharging by contractors.

Beyond the staggering dollar figures, Cheney and Rumsfeld have presided over a massive privatization of military functions, from logistical support, combat engineering and interrogations, to the actual deployment of battlefield surveillance drones (unmanned aerial vehicles—UAVs) and other core combat functions.

When it was time for the Pentagon to update the Army field manual on the role of private contractors in combat zones, they even outsourced that project—to Military Professional Resources Incorporated (MPRI), one of the first U.S. companies established exclusively to conduct privatized military operations.

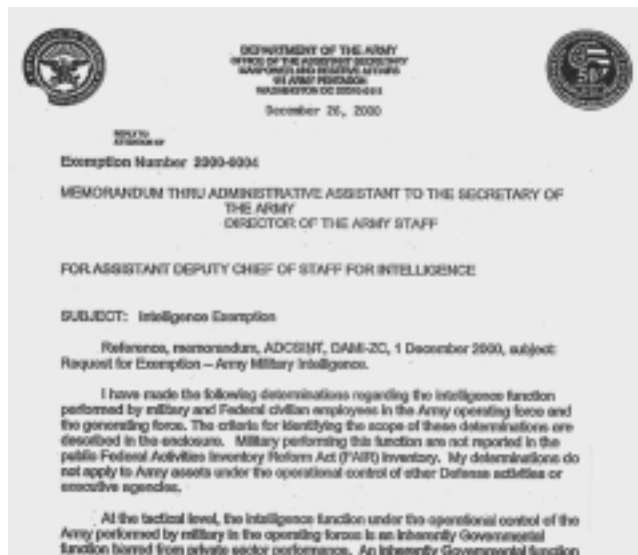
Dan Guttman, a Fellow at Johns Hopkins University, who works with the Center for Public Integrity, told *The New Yorker’s* Mayer that after five years of Bush-Cheney cuts in government jobs, replacing them with PMCs, “contractors have become so big and entrenched that it’s a fiction that the government maintains any control.”

Peter W. Singer, a Fellow at Brookings Institution—an attendee at the Shultz-Rohatyn Middlebury conference, who authored a 2003 book, *Corporate Warriors*—warned, “We’re turning the lifeblood of our defense over to the marketplace.”

Retired Air Force Col. Sam Gardiner zeroed in on another critical factor driving Cheney, Shultz, and Rohatyn to push the privatization of national security: their commitment to a strategy of imperial perpetual war. “It makes it too easy to go to war,” Gardiner warned. “When you can hire people to go to war, there’s none of the grumbling and the political friction.” Gardiner told Mayer that he is convinced that, without the ability to draw on well over 150,000 PMC contractors in Iraq, Cheney et al. might never have succeeded in selling the Iraq War to Congress, because the invasion and occupation would have required well over 300,000 troops—precisely the number that Gen. Eric Shinseki told Rumsfeld would be needed to do the job. (For his candor, Shinseki was sacked as Army Chief of Staff.) “Think how much harder it would have been to get Congress, or the American people, to support those numbers,” Gardiner concluded.

### Rumsfeld’s Private Domestic Spy Agency

During the Clinton years, Congressional Republicans led the drive to privatize and outsource government activities, and they found an ally in Vice President Al Gore, who was given the Clinton Administration “reinventing government” portfolio. In 1998, Congress passed, and President Clinton signed into law, the Federal Activities Inventory Reform Act



*Assistant Secretary of the Army for Manpower and Reserve Affairs Patrick T. Henry’s memo, in December 2000, argued that jobbing out intelligence functions to private contractors was a “risk to national security.”*

(FAIR). The language of the law was explicit: “To provide a process for identifying the functions of the Federal Government that are not inherently governmental functions.” FAIR, however, explicitly exempted the protection of U.S. territories and interests from the category of functions that could be possibly outsourced to the private sector.

To underscore the point, and preempt any attempts to privatize military intelligence functions by the incoming Bush-Cheney Administration, on Dec. 26, 2000, Assistant Secretary of the Army for Manpower and Reserve Affairs Patrick T. Henry wrote a memorandum to the Secretary of the Army, the Director of the Army Staff, and the Assistant Deputy Chief of Staff of the Army for Intelligence, in which he said:

“I have made the following determinations regarding the intelligence function performed by military and Federal civilian employees in the Army operating force and the generating force. . . . At the tactical level, the intelligence function under the operational control of the Army performed by military in the operating forces is an inherently Governmental function barred from private sector performance. An inherently Governmental function includes those activities that require either the exercise of discretion in applying Government authority or the making of value judgments in making decisions for the Government. The gathering and analysis of intelligence as described above requires the exercise of substantial discretion in applying Government authority because intelligence at the tactical level is integral to the application of combat power by the sovereign authority.”

Henry then added: “At the operational and strategic level, the intelligence function (less support) performed by military personnel and Federal civilian employees is a non-inherently

Governmental function that should be exempted from private sector performance on the basis of risk to national security from relying on contractors to perform this function.”

### Counterintelligence Field Activity

Any pretense of maintaining strict limitations on the use of private contractors in military intelligence activities ended on Sept. 11, 2001. Five months after the irregular warfare attacks on the World Trade Center towers and the Pentagon, on Feb. 19, 2002, Secretary of Defense Rumsfeld signed Directive 5105.67, establishing the Department of Defense Counterintelligence Field Activity (CIFA). CIFA’s Mission, as spelled out in the Directive, was “to develop and manage DoD Counterintelligence (CI) programs and functions that support the protection of the Department, including CI support to protect DoD personnel, resources, critical information, research and development programs, technology, critical infrastructure, economic security, and U.S. interests, against foreign influence and manipulation, as well as to detect and neutralize espionage against the Department.”

While CIFA’s budget is classified and there is no public information about the size of the unit, its director, David A. Burt II, recently told the *Washington Post* that 70% of CIFA’s employees are private contractors. One Pentagon source said that CIFA has, at minimum, 1,000 full-time personnel.

A fact sheet, posted on CIFA’s Pentagon website in 2002, confirmed that the secret counterintelligence coordinating unit had gone operational. CIFA’s Directorate of Field Activities (DX), the fact sheet said, “assists in preserving the most critical defense assets, disrupting adversaries and helping control the intelligence domain.” According to a Dec. 19, 2005 *Washington Post* story by Walter Pincus,

CIFA’s “roles can range from running roving patrols around military bases and facilities to surveillance of potentially threatening people or organizations inside the United States.” According to the CIFA fact sheet, the DX also provides “on-site, real time . . . support in hostile areas worldwide to protect both U.S. and host-nation personnel from a variety of threats.”

CIFA’s Counterintelligence and Law Enforcement Center, another of its nine directorates, “identifies and assesses threats” from “insider threats, foreign intelligence services, terrorists, and other clandestine or covert entities,” according to the fact sheet.

And CIFA’s Behavioral Sciences Directorate “has 20 psychologists and a multimillion-dollar budget” to support “offensive and defensive counterintelligence efforts. The Directorate has also provided a “team of renowned forensic psychologists [who] are engaged in risk assessments of the Guantanamo Bay detainees,” according to a CIFA biography of Dr. S. Scott Shumate, the directorate chief.

Part of CIFA’s expanded operational mandate involved the centralization of raw information on possible terrorists targetting military facilities both inside the United States and abroad. On May 2, 2003, Deputy Secretary of Defense Wolfowitz issued a memorandum that circulated among the top Pentagon brass, designating CIFA as the lead agency in a program called TALON (“Threat and Local Observation Notice”). Wolfowitz’s memo stated: “While DoD has an established process to identify, report, and analyze information regarding foreign terrorist threats, we have no formal mechanism to collect and share non-validated domestic threat information between intelligence, counterintelligence, law enforcement and force protection entities and [to] subject

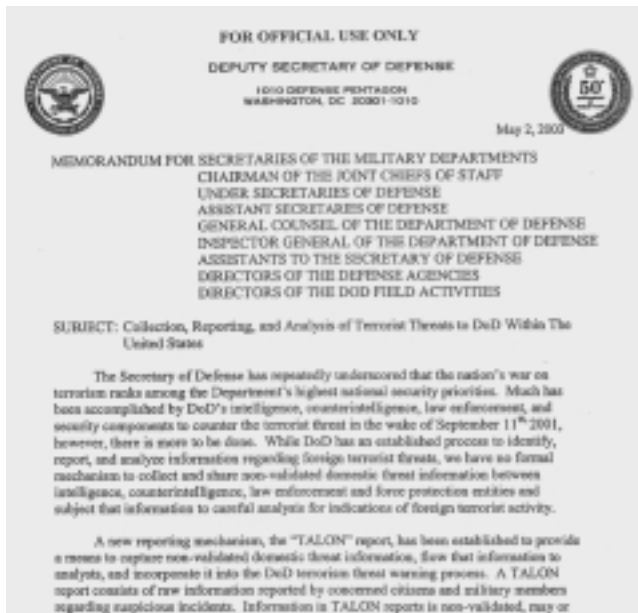
## East India Company Model That Rohatyn Promotes

In his book *Corporate Warriors*, Peter W. Singer lauded the English East India Company as the model for today’s Private Military Companies (“PMCs”). In his account of the history of early efforts at privatization of military functions in an empire, Singer noted, “Private businesses also began to take on military roles outside of government through the chartered company system. In this arrangement, joint-stock companies were licensed to have monopoly power within a designated area, typically lands newly discovered by the Europeans. . . . The two most noted of such ventures were the Dutch East India Company and the English East India Company. . . .

“While nominally under the control of their license

back home, abroad, the charter ventures quickly became forces unto themselves. They not only dominated the business networks (monopolizing the trade in spices such as nutmeg, cloves, cinnamon and pepper, tea, and later silk, Chinese porcelain, gold and opium), but also acted to insure their own military protection.

“Thus it was not uncommon for private charter companies to take on the trappings of a state. They became quite curious institutions, where all the analytical distinctions between economics and politics, state and nonstate domains, property rights and sovereign powers, and the public and private broke down. . . . Such firms not only posted huge profits by controlling the trade between East and West, but also controlled armed forces and territories that dwarfed those of their home states. The English East India Company hired a mix of British, German, and Swiss mercenaries, as well as local Sepoy units. By 1782, the company’s army was over 100,000 men, much larger than the British Army at the time.”—*Jeffrey Steinberg*



*Deputy Secretary of Defense Paul Wolfowitz's memo, in May 2003, advised the top Pentagon brass on the TALON program, run by the DoD Counterintelligence Field Activity (CIFA). Seventy percent of CIFA employees are private contractors.*

that information to careful analysis for indications of foreign-terrorist activity. A new reporting mechanism, the 'TALON' report, has been established to provide a means to capture non-validated domestic threat information, flow that information to analysts, and incorporate it into the DoD terrorism threat warning process. A TALON report consists of raw information reported by concerned citizens and military members regarding suspicious incidents. Information in TALON reports is non-validated, may or may not be related to an actual threat, and by its very nature may be fragmented and incomplete. The purpose of the TALON report is to document and immediately disseminate potential threat information to DoD personnel, facilities and resources."

The Wolfowitz memo designated CIFA to "incorporate the information into a database repository and provide full database access to the Defense Intelligence Agency, Joint Intelligence Task-Force Combatting Terrorism (JITF-CT) in order to support its terrorism warning mission." CIFA was placed directly under the control of Undersecretary of Defense for Intelligence Cambone.

The lid at least partially blew off the CIFA story in December 2005, when NBC News got hold of a secret 400-page Defense Department document, tracking some of the TALON reports. The document exposed the tip of what appears to be a massive domestic surveillance program, targeting antiwar groups and other political activists, with no al-Qaeda or other terrorist links.

The physical surveillance activities, documented in TALON reports, are backed up by state-of-the-art computer "data-mining" systems that cross-grid scores of government and commercial databases, containing credit information,

employment records, and other personal data on potentially millions of law-abiding Americans. There is widespread suspicion that part of the Pentagon's Total Information Awareness (TIA) program, an early Bush-Cheney Administration data-mining project headed by disgraced Iran-Contra figure Adm. John Poindexter, which was ostensibly shut down, may now be housed within CIFA.

George Lotz, a retired U.S. Air Force colonel who was Assistant Secretary of Defense for Intelligence Oversight from 1998 through May 2005, told NBC, "Somebody needs to be monitoring to make sure they are not just going crazy and reporting things on U.S. citizens without any kind of reasoning or rationale."

If this all sounds like "Clockwork Orange" on steroids, it is. The PMC industry has now established its own trade association, to promote the privatization of war. And in the best tradition of H.G. Wells doublespeak, the global association of corporate mercenaries calls itself the International Peace Operations Association. Outfits like MPRI, Blackwater, and ArmorGroup, which have private "boots on the ground" in every major conflict zone on the planet, make up the founding core of the "peace operations" group. Their mission statement: "IPOA believes that there is a better solution: The prospect for long-term, sustainable peace in many of the world's troubled spots today increasingly depends on skilled private companies and organizations specializing in peace operations."

*Postscript:* A month after the Middlebury College event, Felix Rohatyn co-authored a commentary, published in the *Financial Times* on Nov. 17, 2004, "The Profit Motive Goes To War." "The past decade," he gloated, "has witnessed a quiet revolution in the way the US projects its power abroad. In the first Gulf war, the ratio of American troops on the ground to private contractors was 50:1. In the 2003 Iraq war, that ratio was 10:1, as it was for the Clinton administration's interventions in Bosnia and Kosovo. As these figures reflect, key military functions have been outsourced to private companies; both Democratic and Republican presidents alike have steadily privatised crucial aspects of US national security. For a rough sense of the magnitude of this shift, Halliburton's total contracts in Iraq to date are estimated at \$11bn-13bn, more than twice what the first Gulf war cost the US."

"In the history of warfare," Rohatyn continued, "sub-contracting and the deployment of mercenaries are nothing new. The British built an empire with contracted soldiers, developing a citizens' army only in the latter half of the 19th century. But there are two major structural differences between the 19th century British and 21st century US empires. First, publicly quoted companies now conduct private military operations. Second, the market for this force is now genuinely global, which raises new accountability and normative concerns."

*Research for this article was contributed by Roger Moore and Edward Spannaus.*