
Threat to National Security

Rohatyn, Shultz, Cheney 'Privatization' Scheme

by Jeffrey Steinberg

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On Oct. 9, 2004, two leading American figures in the International Synarchy, George Shultz and Felix Rohatyn, teamed up in an assault upon the national sovereignty and national security of the United States. Under the auspices of George P. Shultz's Princeton Project on National Security, the Rohatyn Center for International Affairs at Middlebury College, and the Woodrow

Wilson School of Public and International Affairs at Princeton University, jointly sponsored a conference promoting "The Privatization of National Security," at the Middlebury College campus in Vermont. The conference brought together a dozen or so academics, former government officials, and retired military officers to chart out the vast expansion of the privatization of military functions, through PMCs—private military companies.

According to the Rohatyn Center's annual report of 2004-05, Shultz is the co-chairman of the Princeton Project, which is funded by the Ford Foundation, and "aims to move beyond the . . . standard ways of thinking about national security." Translated into plain English, Shultz and Rohatyn are leading the drive to eliminate the sovereign nation-state, by outsourcing to private multinational corporations, virtually all national security and military functions, including all non-combat and some core combat functions of the military itself.

In line with the Shultz-Rohatyn scheme—and under the umbrella of "privatization"—the so-called Global War on Terrorism (GWOT) of Secretary of Defense Donald Rumsfeld, former Deputy Secretary of Defense Paul Wolfowitz (now president of the World Bank), and Undersecretary of Defense for Intelligence Stephen Cambone, has already transformed segments of the U.S. military into a carbon-copy of Hitler's Allgemeine SS, deploying quasi-private bands of commandos around the globe with a license to kill, and engaging in a massive spying campaign against American citizens, far beyond anything Richard Nixon envisioned in his most paranoid moments.

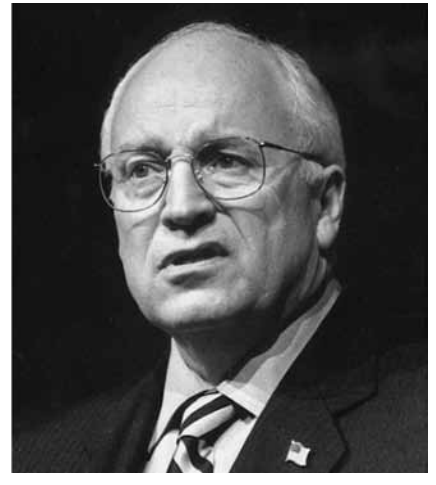
According to one well-placed U.S. military source, Rumsfeld has recently radically altered the personnel regulations of the Special Operations Command, allowing Green Berets, Navy Seals, Delta Force commandos, and other "spec ops" troops, to "temporarily" retire from the military service, go to work for private contractors, and later return to active duty—with no loss of rank or service time. If this report is true, Rumsfeld has smashed the wall of separation between active-duty special forces soldiers on the one side, and mercenaries and terrorists on the other.

Neo-Feudalism

The general theme of the Rohatyn-hosted conference was summed up by Peter Feaver, the director of the Triangle Institute for Security Studies at Duke University, who gushed, "In fact, what we're seeing is a



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The “neo-feudal” scheme to privatize the U.S. military and knock down the last pillar of national sovereignty, has been associated with three names in particular (left to right): George Shultz, Felix Rohatyn, and Dick Cheney. Shultz and Rohatyn were key players in the Pinochet coup in Chile. In 1991, then-Secretary of Defense Cheney hired Halliburton to conduct a top-secret study on how America’s military operations could be outsourced to the private sector.

return to neo-feudalism. If you think about how the East India Company played a role in the rise of the British Empire, there are similar parallels to the rise of the American quasi-empire.”

Feaver is no mere think-tank quackademic. In June 2005, he was brought on to the National Security Council as a “special advisor for strategic planning and institutional reform,” a post he will hold at least through August 2006. Feaver was the principal author of the Bush Administration’s “National Strategy for Victory in Iraq,” a 35-page public document released by the White House on Nov. 30, 2005, as President George W. Bush was addressing the U.S. Naval Academy in Annapolis, Md. Feaver, whose Triangle Institute conducts public opinion polls on national security issues, argued that Americans could be snookered into accepting high rates of casualties and vast costs of war, for an indefinite period of time, so long as they were convinced that there was a plan for “victory.” No need to clue in the American people, or even the military brass, for that matter, on the fact that the goal is “neo-feudalism,” as he boasted in front of the Rohatyn-selected crowd at Middlebury.

In his own remarks on the final panel at Middlebury, Rohatyn, in his usual glib style, let the cat out of the bag: “I will address this issue as privatization and what goes with it, not if it’s good or bad, because I think it is here to stay and there’s no point in arguing that issue. And also because I think it will grow. I don’t think for a moment that privatization will stop with security services.... I believe it is inevitable that more and more

ranking officers will leave the Pentagon and go with private companies, and then go back to the military as contractors, with businesses that have far greater market values. Because one actor that you haven’t included here are the securities markets. And privatization, which is a dogma as well as a process, usually brings with it two other elements. One is deregulation and the other is a need for transparency.”

Rohatyn argued that, for the privatization of national security to work on a grand scale, it must be run by large multinational corporations—i.e., cartels—which are “regulated” by the invisible hand of the stock market: “The big companies have [legitimacy] because they are transparent, because they are listed on securities exchanges, because there is a sanction if they do something wrong. That doesn’t exist with the smaller players,” he said, making a pointed reference to the torture of prisoners at Abu Ghraib, where private contractors, hired as translators and interrogators, took part in the abuses.

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

Sources familiar with the Middlebury conference say that the event capped an organizing drive for the “privatization of national security” that has been under way since the collapse of the Soviet Union. During the Presidency of William Clinton, Rohatyn, who served

briefly as Ambassador to France, was the leading champion of the privatization and outsourcing of as many Pentagon functions as possible.

In fact, from the outset, the “neo-feudal” scheme to privatize the U.S. military and knock down the last pillar of national sovereignty, has been associated with three names in particular: George Shultz, Felix Rohatyn, and Dick Cheney. Shultz and Rohatyn, sources close to the two men report, have been tight friends for a long time, perhaps dating back to their early 1970s collaboration on the Pinochet coup in Chile. At the time, Shultz held a string of Cabinet posts in the Nixon Administration, and Rohatyn, the chairman of the New York-London-Paris brokerage house, Lazard Brothers, was an outside director of International Telephone and Telegraph (ITT), the major corporate sponsor of the coup. Along with then-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.”

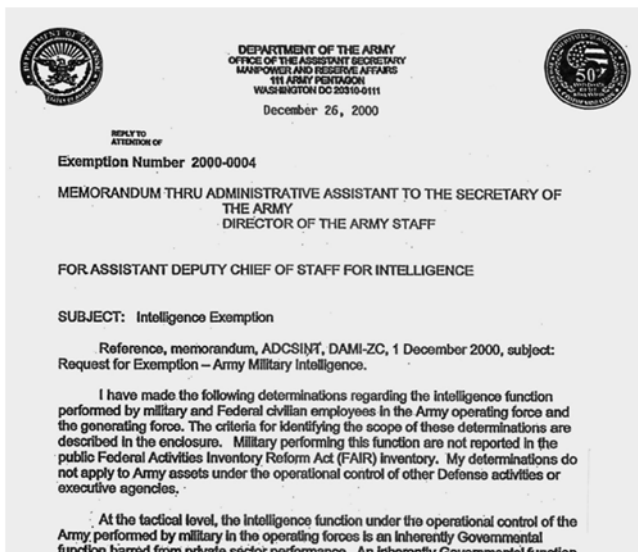
In January 1993, when the Clinton Administration came in, Cheney supposedly briefly flirted with the idea of running for the Republican Presidential nomination in 1996. He soon dropped that idea, and instead, was hired by Halliburton as its CEO. Urban legend has it, that Cheney was picked for the Halliburton 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.

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, 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 audi-



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."

tors 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 (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 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 “incorpo-

rate 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.

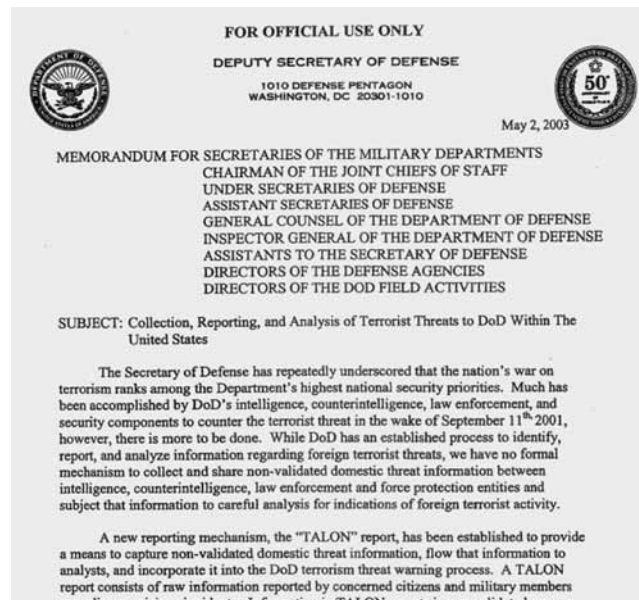
The lid at least partially blew off the CIFA story in December 2005, when NBC News got hold of a secret 400-page Defense Department document, tracking some of the TALON reports. The document exposed the tip of what appears to be a massive domestic surveillance program, targetting antiwar groups and other 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 double-speak, 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



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. Seventy percent of CIFA employees are private contractors.

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.