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To Build or To Buy: Understanding the Determinants  
of Security Privatization in Developing States

A dissertation submitted in partial satisfaction  
of the requirements for the degree  
Doctor of Philosophy

in

Political Science

by

Megan Lynn Becker

Committee in charge:

Professor David Lake, Chair  
Professor Deborah Avant  
Professor Erik Gartzke  
Professor Stephan Haggard  
Professor Miles Kahler

2016

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Chair

University of California, San Diego

2016

# DEDICATION

*For Jon*

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## ABSTRACT OF THE DISSERTATION

To Build or To Buy:  
Understanding the Determinants of Security Privatization in Developing States

by

Megan Lynn Becker

Doctor of Philosophy in Political Science

University of California, San Diego, 2016

Professor David Lake, Chair

In Early Modern Europe, mercenary armies were the norm. With the rise of the state military, mercenaries seemingly disappeared, but private security has reemerged since the end of the Cold War. In many discussions of this phenomenon, privatization is seen as a policy choice undertaken by ‘bad’ leaders and as a sign of state failure. To evaluate these claims, however, requires a more objective investigation of the conditions under which leaders in weak states choose to privatize. This dissertation seeks to answer the following two questions: (1) under what conditions are states most likely to hire privatize military services, and (2) how can we predict which services will be privatized? I argue that dysfunctional civil-military relations, reliance on

appropriable natural resources, and civil conflict all increase the likelihood that a regime leader will hire PMCs. I also argue that existential threats to the regime from the military (via dysfunctional civil-military relations) or rebels (via civil conflict) drive leaders to privatize at the tip of the spear. Evidence from original quantitative and qualitative data on security privatization in sub-Saharan Africa from 1990-2010 supports my theory.

## **Chapter 1.**

### **Introduction**

In Early Modern Europe, mercenary armies were the norm. With the rise of the state military, mercenaries seemingly disappeared, but private security has reemerged since the end of the Cold War. In many discussions of this phenomenon, privatization is seen as a policy choice undertaken by ‘bad’ leaders and as a sign of state failure. To evaluate these claims, however, requires a more objective investigation of the conditions under which leaders choose to privatize. This dissertation seeks to answer the following two questions: (1) under what conditions are states most likely to hire privatize military services, and (2) how can we predict which services will be privatized?

Why do some leaders decide to hire private companies to provide security, rather than producing it internally? And what determines the type of service they privatize? I use agency theory, quantitative analysis of an original dataset, and a set of analytic case studies to answer these questions. I find that leaders are most likely to privatize when they face dysfunctional civil-military relations, rely on appropriable natural resources, or face regime-threatening civil conflict, and leaders will only privatize combat services when they both engaged in civil war and reliant upon appropriable natural resources.

The simplest way of thinking about regimes hiring private military companies is to consider it as a reaction to demand for security outstripping supply—that is, of threat outstripping state militaries' capacity for security provision. While the simple supply-and-demand model seems like it would explain privatization, I argue that privatization is actually driven by contracting problems. Specifically, when contracting with a state military becomes too costly, regime leaders turn to alternative approaches to delegating the provision of force, including PMCs. Many observers look at PMCs as a source of contracting problems (e.g. the potential for hold-up [Møller, 2005]), but the truth may be exactly the opposite: leaders hire PMCs because they *solve* some of the vexing contracting problems associated with delegating force-provision to a state military (see Section 1.C for more on counterfactual reasoning).

This research has implications for the study of state development and will be of interest for policymakers concerned with issues of state failure and private-security



regulation. I make both empirical and theoretical contributions to the political science literature on state development and non-state actors. The original quantitative dataset is one of the first systematic collections of instances of the security privatization, and the first to attempt an exhaustive list for any region and time period. This research also has implications for policymakers concerned with failed states and the instability they can engender. As the UN debates appropriate regulation of PMC use and balances this against the need to provide security in developing states, research that explains the dynamics of privatization will be an important part of the debate.

This Chapter reviews the literature on security privatization (Section 1), provides an overview of the PMC industry (Section 2), and ends with an overview of the rest of the dissertation (Section 3). Chapter 2 develops a theory of privatization, and Chapter 3 uses the quantitative data on privatization in sub-Saharan Africa from 1990-2009 to test this theory. Chapters 4 and 5 use qualitative case studies to illustrate the causal mechanisms that drive privatization of combat services.

## **1. Literature Review**

One of the fundamental assumptions of political science is that the state exercises a monopoly over the legitimate use of violence. Weber's (1919/2009) definition of the state is predicated on the monopoly of violence, suggesting that for the state to give up this monopoly is to relinquish sovereignty. This notion contributes to a widespread assumption among political scientists that security is the quintessential

public good. Wilson (1989) puts security provision under the umbrella term ‘sovereign transactions.’ He notes that the government organizes these transactions not because “the government is cheaper or more efficient, but because it alone embodies the public's authority” (359). This sentiment is treated as a truism by Williamson (1999), who assumes that security services will always be provided internally. In this literature, privatization of foreign policy is often treated as an impossibility, perhaps because the implementation of foreign policy is viewed as too important to delegate to a non-state agent. Instead, the government is considered the monopsony buyer of security services and its state military is the monopoly provider.

Recent work on security delegation has shown, however, that the state monopoly over violence is often nothing more than a convenient fiction. The empirical record is full of instances in which this assumption has been violated to varying degrees. Instead of treating Weber as sacrosanct, I follow in the footsteps of Avant (2005) and others who have attempted to unpack the relationship between the state and those that provide its security using a principal-agent approach (e.g. Feaver 2003, Lake 2009, Salehyan 2010).

Famed economist Oliver Williamson (2004) may be right in claiming that governments will never privatize foreign policy. But while governments are still be the primary actors in formulating foreign policy, they frequently delegate its execution to a variety of actors, both public and private, domestic and external. For example, there are greater similarities between delegating to a private security company and

delegating to UN peacekeepers than many scholars are willing to recognize. Both groups are usually foreign, are paid for their services, have little intrinsic interest in the politics of the state in which they intervene, and follow a contract that details the precise scope of their activities (to the extent possible). Both also have a record of engaging in illegitimate activity, such as the perpetration of sexual violence (Notar, 2006; Snell, 2011). However, one is considered legitimate while the other is not.<sup>1</sup>

Existing theory does not evaluate all these varied delegation relationships in a single, coherent framework that would allow scholars to make direct comparisons between potential agents for security delegation—state militaries, PMCs, alliance partners, domestic militias, UN peacekeepers, etc. Producing such a framework is the goal of my research, and this thesis is a first step toward that goal, in which I develop a theoretical framework that directly compares PMCs to their most common alternative: state militaries.

### ***1.A. The State of the Art***

The scholarly literature on security privatization is small but growing. Most work in this area has focused on Western states—liberal democracies with relatively high levels of military capacity, especially the United States, United Kingdom and, to a lesser extent, other NATO countries. (Among the strongest work in this area is

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<sup>1</sup> Surprisingly, the private companies, whose principals are most frequently the domestic regime, are considered illegitimate, while the UN peacekeepers, whose incentives are provided by foreign interests that may not be in line with the wishes of the regime or its citizens, are considered legitimate. If the United Nations genuinely prioritizes national sovereignty, funding PMCs may be more respectful of the authority of regime leaders than sending UN forces.

Spearin, 2003; Avant, 2005; Krahmman, 2005; Kinsey, 2006.) Those who do not focus on the West tend to focus on privatization in developing states—mainly in Africa, where some of the most famous instances of privatization have occurred.

This dissertation is a positivist analysis of privatization in developing states—specifically those in sub-Saharan Africa. A leading scholar in this particular area of the literature is Will Reno, who has written extensively on PMCs, warlords, and rebel groups in Africa. Reno argues that globalization has provided opportunities for African leaders to replace their former patronage networks and find support from international actors, mostly multi-national corporations. He describes a strategy he calls “warlord politics,” in which a leader uses the patronage of external actors to maintain his power, thus privatizing the state. State institutions (such as they are) are thus used solely for the purpose of enriching the ruler. Part of this process is the privatization of force, as domestic forces tend to lack capacity and have political machinations of their own. Rulers hire PMCs to maintain enough stability so that relationships with multinational corporations can be maintained.

Reno makes an important contribution to this field. His extensive fieldwork is a path not generally taken by scholars in this area and provides a strong foundation of information about the politics in crumbling African states. He also makes a compelling argument about the role that international forces, such as extractive multinational corporations, play in the political calculus of autocratic leaders.

Fundamentally, the dependent variable Reno explains is the adoption of a governance strategy (warlord politics); he does not attempt to explain why individual leaders choose to hire PMCs. Globalization and the potential to form relationships with foreign investors spur warlord politics, but not all leaders who adopt this strategy choose to privatize their security. In other words, Reno provides a compelling explanation of why we see an overall trend toward privatization in Africa after the end of the Cold War, but his theoretical contribution is not designed to predict who will privatize, when they will privatize, or what they will privatize.

#### Reno's Implicit Hypothesis

If one wanted to adapt Reno's argument to explain security privatization, the clearest argument would be that foreign direct investment drives leaders to hire PMCs. Reno (p. 1) sees hiring private forces as an observable implication of warlord politics, in which "rulers contract a wide array of economic roles to outsiders, in part to deny resources to internal rivals and use outsiders' skills and connection to gather as much wealth as possible." He argues that the opening of markets to and formulation of relationships with international business interests are major factors driving the development of this political strategy. In other words, "closer integration of [African] states into global markets promotes warlord politics" (p. 257). For Reno, privatizing security is part of an overall trend toward privatization among regimes engaged in warlord politics:

Foreign firm partnerships are flexible, which gives rulers [of weak states] capabilities and access to resources they would otherwise find difficult to

obtain. New foreign firm partners in each case in this book permitted rulers to quickly jettison threatening clients and bureaucracies [e.g. the military] and to rework relations with others on new terms (p. 47).

The globalization of new economic partners and opportunities appear to be increasing the attractiveness to rulers of a reliance on commercial exploitation as a quick way to solve problems of political authority. . . . To the extent that the IMF and the World Bank reform programs stress marketization of weak states' resources, rulers reap an additional bonus for using foreign firms to help them deal with their internal security problems (p. 219).

With this in mind, I operationalize this economic liberalization as

Foreign Direct Investment, taken as a proportion of GDP. This provides a measure of the flows coming into the state from international interests, be they firms or individuals. Following Reno's contention, an increased level of foreign interests involved in the state should lead to an increased incentive to participate in warlord politics. Thus, the growth of FDI as a proportion of GDP should be associated with a higher incidence of PMC use. Chapter 3, Section 3.B tests this hypothesis.

### ***1.B. The Need for Systematic Data Collection***

Recent scandals involving private military companies and their employees (particularly those engaged in the US occupation of Iraq and Afghanistan) have spurred increased scholarly interest in security privatization. Much of the work asks important normative questions about privatization—frequently arguing that it has undesirable consequences—and wrestle with the question of how best to safeguard states and their citizens from these negative consequences via prohibition or

regulation. These normative discussions are important and urgent, but there is also a serious need to anchor such discussions in a clear understanding of why leaders hire PMCs and what alternatives they have. This dissertation is designed to help begin to answer those questions with positive political theory and rigorous empirical analysis.

Despite the paucity of theory that can explain leaders' choices regarding security privatization, extant literature does provide valuable descriptive data for empirical study. That data is spread over a wide range of articles, books, and newspaper accounts, and I have attempted to bring it together in a form that is useful for hypothesis testing. Most scholarly works cover a handful of cases. The focus usually rests on the US case or the more famous companies operating in Africa (Executive Outcomes and Sandline). Of course, I cannot claim that my data include every single instance of PMC use in the modern era; this dissertation relies on empirics from a limited geographic region (sub-Saharan Africa), and I know first-hand how difficult it is to collect data on actors that do not want their activities scrutinized. That being said, I have taken care to search extensively for the full universe of cases within the appropriate chronological and geographic domain, and to provide theoretically-informed criteria for the inclusion of cases in the study.

This thesis attempts to better understand the full universe of PMC use in Africa. I go beyond the well-known cases, cataloguing every use of PMCs in sub-Saharan Africa from 1990-2009 for which I can find at least two independent, published reports. This provides a more fully informed view of the state of the private

security industry, as it operates within Avant's (2005) "market for force." While the data collection is limited geographically and based on published information,<sup>2</sup> my efforts to gather systematic data on security privatization represent a more comprehensive approach than is generally found in the literature today.

### ***1.C. The Importance of the Counterfactual***

When it comes to the decision to hire PMCs, it is difficult to identify a valid counterfactual. Experiments in this area are near impossible, as one cannot randomly assign mercenaries. Thus, like most scholars studying international relations, we are dependent on observational studies. Appropriate "control groups" are difficult to find in these circumstances, but no matter how difficult it is to identify a valid counterfactual, any scholar interested in the effects of PMC use must carefully consider how to think about what states that *did* use PMCs *would have* looked like had they not.

Thinking carefully about counterfactuals is particularly important for normative arguments against the use of private security. The common claim that PMCs are to blame for the intractability of conflict in some African states implies that the use of private security makes conflict last longer than it would have if all else were equal except for the involvement of PMCs. This study finds that a large proportion of privatization activity takes place in developing countries experiencing civil war and

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<sup>2</sup> My process of data collection, as well as the sources that were used, is further detailed in Chapter 3.



dysfunctional civil-military relations. In African states, these wars last longer than in any other area of the globe (Fearon 2004, de Rouen and Sobek 2004). For the popular criticism of PMCs to be valid, we would need to show that societies finding themselves in this terrible situation are actually worse off when PMCs get involved. This would be an empirical approach that takes into account the counterfactual.<sup>3</sup>

The most common alternative to PMC use is reliance on a state military, although this is an implicit, rather than explicit, assumption in much of the literature. This thesis looks specifically at the relationship between the government and the state military for insight into the privatization trend. Work that ignores this relationship overlooks one of the main drivers of privatization, and not only implicitly assumes that the state military would be providing these services, but also that all militaries across the globe are equally capable and motivated providers of these services.

From a Western perspective, the assumption that the alternative to PMC use is reliance on a more responsible agent is perfectly understandable. Most political scientists publishing in major journals are from the US or Europe, where state militaries are highly-trained, loyal agents of legitimate, democratically-elected governments. In many countries across the globe, this is not the reality. Many militaries in developing countries do not have the necessary manpower or equipment to complete all the tasks their government would like them to perform. Management of complex systems, such as maintaining an air force or providing logistics for large

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<sup>3</sup> The next step in my research agenda is to use the model developed in this dissertation as a selection model to facilitate a test of the impact of PMC use on civil-war duration.

numbers of ground troops, is virtually impossible for many state forces. Even the most militarily powerful African nations, such as Nigeria and South Africa, struggle with these activities. No African Union peacekeeping operation to date has had African logistical support; instead, it is provided by Western nations—usually the United States. This is indicative of the capacity of the continent's militaries.

Furthermore, even when state militaries are given tasks well within their competencies, they may not be *willing* to perform those tasks. While the United States' military has largely moved past this problem (though not entirely, as incidents such as the atrocities committed in Abu Ghraib prove), it is misguided to assume that all states have equivalent levels of civilian control. Many militaries have problems with the degree to which orders are followed. In some states, this may be attributed to the difference between conscripts and professional recruits, though there is no consensus on which of these two types of troops follow orders better. In some states, the forces have been politicized, so that political affiliation may determine whether or not a soldier follows a particular superior's orders. In some states, the military has been ethnicized, so that the probability of an order being followed varies with the kinship ties of the individual making them.

In short, leaders do not face a choice between a PMC staffed by demons and a military staffed by angels. Choosing to use either a domestic military or a PMC involves the management of complex delegation relationships and all the potential pitfalls that entails. Given that many leaders find it difficult or even foolhardy to trust

in the capabilities and motivations of their state forces, it is not surprising that there are governments looking elsewhere for security providers. As this dissertation shows, it is dissatisfaction with state forces that often leads to privatization. Chapter 4 discusses the tendency of rulers to privatize in the aftermath of a coup attempt. In those circumstances, it is difficult to make the argument that the coup perpetrators would be preferable to private military companies from a normative standpoint.

## **2. What Are PMCs?**

Before we proceed further, it is important to provide a working definition of a private military company. There is a lack of consensus in the existing discourse regarding what constitutes a private military company. Some find issue with the use of the term military, and prefer to call these companies Private Security Companies (PSCs), while others refer to Private Military and Security Companies (PMSCs). This thesis is focused on how regime leaders choose to delegate the provision of force—a service traditionally associated with state militaries—so I focus on firms providing military-type activities, leading me to prefer the term PMC. In this dissertation, a PMC is a company that sells services traditionally associated with state militaries, including (but not limited to) logistical support, training, and participation in combat.

In the following section, I will provide an overview of the market for the private supply of military services. I begin (Section 2.A) with a discussion of some of the difficulties inherent with this type of study and what it may mean for my research.

I then (Section 2.B) discuss the services these firms provide, the types of employees they hire, the nature of their contracts, and their corporate governance. Third (Section 2.C), I discuss the various types of principals for whom the firms work. Finally (Section 2.D), I discuss the size of the overall industry and the number of firms. While the contracting undertaken by the US is *not* a part of my study, I frequently reference examples from the US experience with PMCs because I assume it is the case with which my readers are most familiar.

### ***2.A. The Challenges of Studying the Private Military Industry***

Determining the size of the private military industry in terms of number of companies, number of contracts, and total revenue is difficult for both industry-specific and structural reasons. Often the lack of available information is the result of a concerted effort by firms to conceal the details of their business.

First and foremost, the market for private security is part of the military-industrial complex—the set of companies who are a part of the process of war-making. The arena of war-making involves state secrets, so PMC firms' principals have an interest in preventing the flow of information. For this reason, many firms advertise their discretion, only mentioning previous clients and operations in vague terms. And just as states generally prefer to keep security privatization secret, firms want to conceal trade secrets from their competitors (and potential competitors, since information about an attractive market can encourage the entry of new firms).

Furthermore, controlling public information allows firms to craft the narrative they want to sell potential clients, putting themselves in the best light.

Second, limited public information may be due to insufficient government records. Governments that engage in security contracting often lack the ability to appropriately track and record each contract. This is particularly true in an area where there is a great deal of subcontracting. PMCs are known to subcontract some of their low-skill activities, such as logistical support, to other firms, some of which may not have an enduring presence. (I call the latter ‘fly-by-night firms.’) This does not have to be motivated by a desire to obfuscate on the part of the company; it can simply arise from the firm’s desire to maximize economic efficiency. In many of these cases, the names of subcontractors are not properly recorded, leaving observers wondering who actually performed the tasks.

Third, firms sometimes change names, making trails of contracts difficult to uncover if one is not aware of the change and its timing. Sometimes this is the product of mergers and acquisitions, but more problematic is when firms change names to avoid public-relations or legal problems. The work of South African PMC Executive Outcomes (EO) in Angola is a prime example: UNITA demanded that EO leave the country and would not sign any peace treaty that did not include a provision for the firm’s exit. The US government was also putting pressure on the Angolan government to stop doing business with EO. To deal with this problem, EO simply turned its Angolan contracts over to its sister companies, most notably Sandline International,

which was incorporated in the UK but had strong ownership connections to the South African firm. Sandline took over a wide range of EO contracts (not just in Angola), as the owners of EO were concerned about pending South African legislation that would seriously curtail the activities of firms incorporated there (O'Brien, 2000, Pech, 1999).<sup>4</sup>

While name changes and spin-off firms make PMCs more difficult to track, careful observers have been able to identify the networks of firms operating under shared governance (e.g. Pech, 1999). For this reason, the phenomenon presents only a small obstacle to data-collection. Perhaps the greater concern is that companies engaging in misconduct can quickly gain a clean slate by changing their name. If this were true, it would be a problem for my theory, which contends that PMCs are more strongly motivated than state militaries to maintain a reputation for reliability because of their desire to gain future contracts. But the seamless way in which regimes hand off contracts from one firm to its renamed or spun-off reincarnation prove that regime leaders know who they are dealing with regardless of the names and incorporation papers. The handoffs from EO to its network of firms in Angola and Sierra Leone demonstrate that renaming or re-incorporating a firm has more to do with jumping through legal hurdles than resetting reputation.

Fourth, there are factors that limit the flow of information after the fact. First and foremost of these has to do with the nature of reporting on the subject. Western

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<sup>4</sup> An example that might be more familiar to the reader is the case of the US firm Blackwater. After employees of the company were accused of misconduct during the Nisoor Square incident (a shooting in 2007 that killed 17 civilians), the Iraqi government banned the firm from operating within the country. Blackwater got around this set-back by changing their name to the unpronounceable Xe. Later, they changed names again, this time to the slightly-more-pronounceable Academi. The two names rhyme.

news coverage is notoriously poor with regard to Africa. Local newspapers report a wide variety of rumors and allegations regarding mercenaries. I have spent many hours following chains of newspaper articles that seemed to be based on a single initial reporting that was based on rumor.<sup>5</sup>

In some circumstances, instances of PMC use are substantiated by news reports, but the name of the firm performing the tasks is unknown or not given. Without identifying an actual firm, it is unclear if those providing the services are members of an actual PMC or merely individuals that have been hired by the principal, thus challenging the categorization of ‘company.’ Even when a firm is named, tracking down that firm for details about its state of incorporation or services on offer can be difficult. Many firms do not have an internet presence. Some firms do not want to be found, and some are simply small, niche firms that do not operate widely. For example, there are several signatories of the International Code of Conduct that have no web presence. These firms appear to be small site-protection firms that do not claim to operate far beyond the borders of their home state.

### *Strategies for Overcoming Challenges*

The full universe of PMC-hire cases may never be known, and this poses a problem for scholars attempting to compile an exhaustive (or even representative) account of privatization. In this section, I overview the strategies I used for data

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<sup>5</sup> Such cases were not included in my data. See Chapter 3, Section 1.A for a detailed discussion of my criteria for identifying and coding PMC use cases.

collection in hopes of limiting this problem. (For more information, see Chapter 3, Section 1.A.)

In this thesis, I have limited the geographic and temporal scope of my data collection efforts to sub-Saharan Africa from 1990 to 2009. This decision was made for several reasons, with the primary being that sub-Saharan Africa is a region full of ‘most likely cases.’ The domain of my theory is developing states, and the determinants of privatization I identify are civil conflict, dysfunctional civil-military relations, and reliance on appropriable natural resources. Sub-Saharan Africa is home to some of the poorest states on earth and is known for its frequent and long civil wars, high rate of coups, and dependence on primary commodity exports. In other words, the countries of this region are prime test cases for my theory.

Delimiting the geographic and temporal domain of my dataset allows me to focus my data collection efforts. With a smaller set of places to look, I can paint a more accurate picture of what happened given limited data-collection resources. In light of the informational problems discussed earlier, I took pains to assure that the information recorded in my dataset was accurate. In order to do this, I only recorded an observation of PMC use in my dataset if at least two sources corroborated the case. I also discarded any references that were obviously derivative of one of the other sources; for example, if a story was written by the Associated Press but then published by multiple newspapers.



## ***2.B. What are Private Military Companies?***

### *Services Provided*

I define a PMC as a company that sells services traditionally provided by state militaries, including (but not limited to) logistical support, training, and participation in combat. Scholars often use a “tip of the spear” typology that categorizes these companies according to their proximity to actual conflict. The most prominent of these typologies is Singer’s, which divides the private military industry into three groups—military provider firms, military consultant firms, and military support firms (2003:93). These differ in size, structure, and most importantly, the nature of the services they offer.

The first category of PMC is military provider firms, which serve at the tip of the spear. These firms give tactical military support and often participate directly in combat situations. It is uncommon for PMCs to provide entire units of soldiers; instead they fight alongside state military forces, with the contractors taking command or consulting on tactics or strategy. These contractors are referred to as ‘force-multipliers,’ as they make existing forces more efficient and effective. The clients of these firms tend to be weak states facing an existential threat, such as Sierra Leone confronted by the RUF or Angola confronted by UNITA. Both of these cases, detailed in Chapters 4 and 5, involved PMCs engaged in combat, usually alongside state forces. In several instances these companies were brought in to reclaim strategic assets, such as oil fields, that had been taken by rebel groups. Some of the more

controversial PMCs, such as the now-defunct South African company Executive Outcomes, and Britain's Sandline International, both of which operated extensively in Africa during the 1990's, fall into this category. When private military companies are discussed, it is this overtly military category that is usually given the most attention, even though it is the least common.<sup>6</sup>

The second category of PMC is military consulting firms, which offer training and strategic planning expertise. They are one step removed from the tip of the spear because, unlike provider firms, they do not provide "customer contact." Although any PMC will employ former soldiers, these are the companies that are most likely to hire the senior officers. General Harry Soyster, the CEO of the successful American consulting firm MPRI, has said that his company has "more generals per square foot... than the Pentagon" (Singer 2003:119). These companies use their collective military expertise to aid clients involved in military restructuring or attempting a significant increase in capabilities. Examples of these types of firms include MPRI, who provided the Croatian army with tactical training during the Balkans War, and Vinnell, which has had a contract since the 1970's to train the Saudi National Guard (Avant 2005).

The third and final type of private military company is the military support firm, which works in areas such as logistics and basic maintenance. This is the biggest sector of the private military industry, but is often overlooked because these

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<sup>6</sup> Many think that PMCs are mainly or exclusively engaging in combat, as opposed to providing "inputs" to the military such as driving trucks, etc. Fredland and Kendry (1999) imply this when they write that the provision of inputs "is a more prosaic form of military force privatisation than that implied by the extra-territorial activities of PMCs."

companies act more like traditional contractors and are farthest away from the tip of the spear. A large number of the world's militaries use military support firms to perform tasks that are not mission essential. This is particularly the case in Africa where very few states have meaningful logistical capacity. Furthermore, as militaries increasingly depend on technology that requires a great deal of specialized technological expertise to operate and maintain, it is simply easier to hire outside contractors to perform such duties than to train troops to do so. ICI and PAE, two American companies, have provided sophisticated command-and-control technologies, as well as transport and logistics support to several peacekeeping missions in Africa undertaken by African forces.<sup>7</sup>

While PMCs have operated on every continent save Antarctica, their activities are clustered in a way that should not surprise anyone that reads the news regularly. While there are 'markets for force' in the Americas, Europe, and Asia, most PMC activity takes place in the greater Middle East and Africa (Dunigan and Petersohn 2014). To be sure, much of this activity has been driven by US involvement in Iraq and Afghanistan, but continued difficulties in Iraq and the spillover effects of the Syrian Civil War may still bring contractors to the Middle East. Contractors continue to be wide-spread in Africa with two new developments in the industry: first, PMCs provide training to prepare African forces to participate in African Union peacekeeping missions (usually also involving cooperation from the United Nations);

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<sup>7</sup> This support has been provided under the auspices of the US AFRICAP program, a long-term contract for logistic capacity for African states similar to the LOGCAP program that provided excess logistical capacity during operations in Iraq and Afghanistan.

second, in order to move peacekeepers around the continent, PMCs provide logistical support.

*Employees: Foreigners, Locals, and Third-country Nationals*

At the tip of the spear, the industry is highly dependent on what Singer calls the “ex-factor” (2003). Many of the employees that provide combat services are ex-Green Berets, ex-Navy Seals, ex-SAS—all former military officers, many with highly specialized skill sets. Many firms see themselves as exploiting what Ed Soyster of MPRI calls “the natural resource of retired military officers” (Peterson 2002).<sup>8</sup> Companies benefit not only from the knowledge of these retired military officers, but also from the prestige associated with the Special Forces. Retired officers benefit from enlarged career options after they leave the service. A natural career path is developing between state militaries, especially those in highly developed nations such as the US and UK, and private military companies incorporated in those states.

Low-skill jobs are frequently subcontracted out to locals, as it is much more expensive to import labor from abroad. Not only can the companies get cheaper labor, but they may also receive good press for providing jobs in countries with poor economies. This is not to say that all locals hired by these companies are low-skilled

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<sup>8</sup> Soyster’s perspective belies a complex relationship between PMCs and the states from which they draw their labor. Good military officers are not natural resources; they are not naturally occurring. Good military officer are created by training and experience financed by tax dollars. This may create a kind of vicious cycle in which PMCs “use public funds to offer soldiers higher pay, and then charge the government at an even higher rater, all for services provided by the human capital that the military itself originally helped build” (Singer 2003:129).

individuals. There are also locals who can act as consultants, using the knowledge they have of local geography, social networks, etc. to assure that missions run smoothly for foreign companies. One might think of these individuals as taking a role similar to that of “fixers” in journalism. These high-skill, local employees are a small, select group; most local employees provide low-skilled labor.

There is a third group of individuals who work for PMCs: “third country nationals” or TCNs, that are from neither the firm’s country of origin, nor the hiring state. Their number varies greatly from contract to contract, but may sometimes make up a sizable percentage of personnel in-theater. For example, in the spring of 2010, the US had roughly 95,000 contractors in Iraq, 56% of which were third-country nationals (Commission on Wartime Contracting 2011).

The makeup of PMC employees in-country will vary because of a variety of factors. First, highly skilled workers (generally those having the skills necessary to train forces or engage in combat) are more likely to be imported labor when services are being provided in developing countries. The number of highly skilled workers that could be recruited in poor countries is low and most of those that have military skills are likely to already to be part of the state military. Employees providing services at the tip of the spear may be from the company’s country of origin, but if that supply is not great enough in a short period of time, TCNs may also be hired. In these circumstances, the TCNs will generally have been trained by Western militaries

(former European officers or those who served with the French Foreign Legion or groups like the Gurkhas).

A second determinant of PMC hiring is the preferences of the hiring government, generally for political reasons. For example, during its operations in Afghanistan, the United States enacted a policy called Afghans First, in which they prioritized hiring Afghan citizens. This served two purposes: (1) it provided more jobs to Afghan citizens who desperately needed them and (2) reduced the number of white faces that could be targets for militant groups. Amongst the elite policy-making community in Africa, particularly those associated with the African Union, “African solutions to African problems” has become a sort of battle cry. Thus, when Western companies get contracts there, they may be more likely to hire locals and TCNs from neighboring states, so as to avoid some of the political baggage associated with colonialism and its legacy on the continent.

*Does the use of PMCs create (or exacerbate) threats to the regime?*

There are two major ways that PMCs might influence the threats to a regime: by directly threatening the regime with their presence or by leaving behind a changed landscape that is more dangerous for the regime. I am not aware of any evidence that PMCs have ever directly threatened a regime. Even when states have refused to pay, PMCs have pursued payment by negotiating a payment plan (as Executive Outcomes did with Sierra Leone [Douglas, 1999]) or suing governments in court (as Sandline did

with Papua New Guinea [Sturzaker and Cawood, 1999]), and not by the threat of violence.

But PMCs could leave behind a changed landscape by giving locals increased resources to threaten the regime. This could happen if PMCs hire locals and give them resources, or if they train existing soldiers in a way that increases the threat they pose to the regime. As discussed earlier, when PMCs hire locals, it is typically for low-skill work. If PMCs hire cooks to provide food at the barracks, and then leave, it's not clear that locals with new catering skills pose any additional threat to the regime. PMCs often subcontract with local companies, and this creates a potential for local employees to be left behind after a contract ends, but subcontractors employing locals are usually those providing services farthest from the tip of the spear. Truck drivers formerly subcontracted to provide logistics are unlikely to pose a threat to the regime in the future.<sup>9</sup>

Perhaps the biggest potential threat posed by 'left-behind' locals comes from PMC-provided training of existing state forces. Presumably, troops trained by PMCs are more competent than they would have been without the training, making them more dangerous should they decide to challenge the regime. When PMCs provide training, however, they do so at the request of the regime, which selects both the training program and the troops to be trained. And using private trainers provides no

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<sup>9</sup> Some observers worry that the use of subcontractors makes PMCs less accountable, but contracting firms are held legally responsible for the actions undertaken on their behalf, and this gives contractors the incentive to monitor and sanction subcontractors and their employees as they do their own employees.

more threat than if state agents provided similar training. Thus, the increased threat arises from the regime's decision to train, not from the regime's decision to *privatize* training.

### *The Nature of PMC Contracts*

This thesis does not discuss the full variety of contracts PMCs take. Because my theory focuses on decisions made by regime leaders in developing states, I only discuss PMC contracts in which the hiring party is a, internationally recognized regime in a developing state (and more specifically, one in sub-Saharan Africa from 1990-2009).

Contracts with PMCs, especially in the developing world where budgets are smaller, are generally short-term. No matter what the process by which the contract comes into being, certain elements are expected to be included. Primarily they discuss what the PMC is tasked with doing, for how long, and how much they will be paid. Sometimes they are paid a set amount per month, sometimes a base rate plus operating expenses (a cost-plus contract), and sometimes there are bonuses involved for completing a particular objective in a certain period of time. The contract also generally includes a detailed list of services to be provided, including the number of personnel expected to be on hand and how they will be equipped.<sup>10</sup>

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<sup>10</sup> Mockler (1969) noted that contracts for mercenaries in the 15<sup>th</sup> century often contained more words about horses than about men. A push by principals for access to the best technologies of the time continues. Today, this frequently means the provision of aircraft and vehicles.



PMCs earn a significant amount of money, especially for combat services. Pech (1999) claims “EO’s two-and-a-half year [1993-1995] contract with the Angolan government earned the company over US \$40 million per year and several lucrative oil and diamond concessions.” Sandline was promised \$36 million to defeat a rebel force on Papua New Guinea’s island province of Bougainville (Sturzaker and Cawood, 1999). Sierra Leone paid Executive Outcomes \$1.8 million a month (Hirsch, 2001). Musah and Fayemi (2000) cite reports that in 1997, EO offered Mobutu of Zaire (now the Democratic Republic of Congo) two options: “US \$21 million, would have provided a small strike force [or] US \$59 million would have provided a combat-ready battalion,” while next door, Congo-Brazzaville President Pascal Lissouba paid Israeli PMC Levdan \$50 million to train the presidential guard and armed forces. Table 1 shows these figures in comparison to GDP.

**TABLE 1.1 PMC EXPENDITURES AS A PERCENT OF GDP**

	Year(s)	Yearly PMC Expenditure	Mean GDP (historical USD)	PMC Expend/GDP
Angola	1993-1995	\$40 million	\$7.0 billion	0.5%
Republic of Congo	1994	\$50 million	\$2.6 billion	2%
Sierra Leone	1995-1997	\$22 million	\$1.2 billion	2%
Papua New Guinea	1997	\$36 million	\$6.8 billion	0.5%

I include an example of an actual PMC contract—the contract between Sandline and Papua New Guinea—as Appendix A to this chapter. This contract was publicly released as a consequence of the prosecution of the Sandline Affair and was even posted on Sandline’s website until the company disbanded in 2004.<sup>11</sup>

### *Firm Governance*

Most of the firms discussed in this dissertation are privately held, owned by small groups of investors. After the US invasion of Afghanistan and Iraq, however, there was a security contracting bonanza, and many of the more established (and publicly traded) American defense contractors bought PMCs. In 2003 alone, L-3 Communications bought MPRI, Northrup-Grumman purchased Vinnell, and Computer Services Corporation acquired DynCorp (Holmqvist 2005). All three of these firms have held numerous contracts with the US government in the last decade: MPRI was

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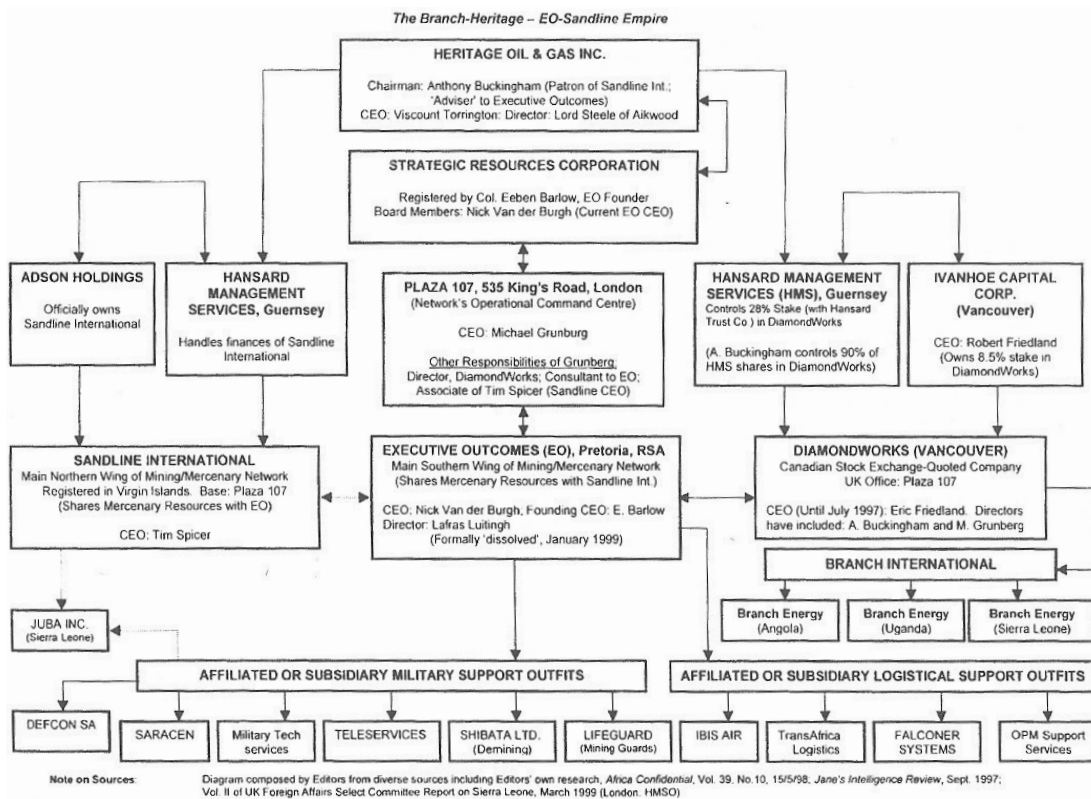
<sup>11</sup> I was able to access the contract via Archive.org's Wayback Machine, a website that takes ‘snapshots’ of websites over time and makes them publicly searchable.

charged with training the Afghan National Army; Vinnell won the contract to train the Iraqi military; DynCorp was tasked with training the Iraqi police force (Commission on Wartime Contracting, 2011).

One group of firms whose governance deserves particular attention is the so-called Executive Outcomes network. Executive Outcomes (EO) is perhaps the most infamous of African PMCs, and has been discussed at length in the literature. For an excellent overview of the firm, its history and its network of sister firms, see Pech (1999). Some observers (including Pech) claim that EO began as a “covert front company” designed to carry out missions for the South African Defense Force (SADF) under the apartheid regime. While that claim cannot be proven, it is clear that EO was founded by Eeben Barlow, a Lt. Colonel in the SADF and the Europe Director of the Civil Cooperation Bureau, a shadowy special-forces organization that, according to the Truth and Reconciliation Commission of South Africa Report (vol. 2) “perpetrated gross violations of human rights, including killings, against both South African and non-South African citizens.”

Barlow recruited special-forces soldiers as the apartheid regime fell apart, and developed business partnerships with a variety of European (especially British) partners, including Michael Mullen, Anthony Buckingham, and Tim Spicer (who founded the PMC Sandline International in 1994). These men together ran a network of companies (including not only PMCs, but also resource-extraction companies and more traditional businesses) that were able to seamlessly cooperate and even share

contracts. In my dataset, I identify any firms belonging to this network by following their name with the parenthetical “(EO ties).” Figures 1 and 2 reproduce descriptions of the EO network given by Musah and Fayemi (2000) and Pech (1999), respectively.



**FIGURE 1.1 THE EO NETWORK ACCORDING TO MUSAH AND FAYEMI (2000)**

South African Web of Companies: Strategic Resources Corporation	UK Web of Companies at: Plaza 107, 535 Kings Road, Chelsea
1 Executive Outcomes cc 1989 CC 1993, (Pty) Ltd 1995	1 Ranger Oil
2 Cross Swords Holdings (Pty) Ltd	2 Premier Consolidated
3 OPM Support systems (crime & intelligence)	3 Heritage Oil
4 Saracen (security—Angola/Uganda/SA)	4 Branch Energy (oil & gas)
5 Ibis Air/Ibis Ltd	5 Branch Minerals
6 Capricorn Systems—50%	6 Branch International
7 Branch Mining Ltd (Angola—40%)	7 DiamondWorks
8 RANGOL Medical (Pty) Ltd & Stuart Mills	8 Ibis Air International
9 Trans Africa Logistics (Pty) Ltd—100%	9 Capricorn Systems Ltd
10 Military Technical Services (MTS)	10 Sandline International
11 Gemini Video Productions (music & videos)	11 Hansard International
12 Advanced Systems Communication Ltd (telecom.)	12 Grunberg Management
13 Shibata Ltd—60% (demining)	13 Plaza 107 Ltd
14 New Africa Informatics (Pty) Ltd	
15 Livingstone Tourists (tourism)	
16 The Explorer (travel & tourism)	
17 Steelpact & Falconer Systems (equipment)	
18 Aquanova Ltd—33.3% (Zambia, exploration equipment.)	

**FIGURE 1.2 THE EO NETWORK ACCORDING TO PECH (1999)**

### **2.C. Who Hires PMCs?**

As discussed earlier, this thesis only discusses PMC contracts in which the hiring party is an internationally recognized regime in sub-Saharan Africa from 1990-2009. This is only one specific slice of the set of principals for which PMCs may work. PMCs work for a variety of governments (including in the developed world, and especially in the US and UK); they also work for NGOs, international organizations, and multinational corporations—usually protecting these actors when they work in unstable or conflict-ridden areas. We can divide PMC contracts in two ways; first, the hiring party could be a state or not, and second, the services provided could be for internal or external security. This study considers instances in which a country hires a

PMC to operate within its own borders (to deal with internal threats). For a justification of this focus, see Chapter 3, Section 1.

I do not include cases in which one state hires a PMC to operate in another state—cases in which a PMC is sent as a form of foreign military aid. US contracting in Iraq and Afghanistan might fit in this category. In Africa, cases that would fall here come in two basic types. The first type of case is when contractors are sent by another state to help train the state military. For example, the US, through its African Contingency Operations Training and Assistance program, send contractors, most recently from Pacific Architects and Engineers, a Lockheed-Martin subsidiary, to offer training to militaries in twenty-five African states. (Most of this training is aimed at preparing these forces for participation in African Union peacekeeping operations and providing human rights training.) The second type of case in this category is when State A hires PMCs to aid rebel groups in State B. This is a much more rare event, but has been rumored to have occurred in internationalized civil wars, such as that in the Democratic Republic of Congo. The First Congo War has also been referred to as Africa's First World War, as there were eight countries involved in the conflict (virtually the entirety of Central Africa). During this conflict, members of the anti-Mobutu coalition are believed to have hired contractors to support Laurent Kabila's AFDL (Musah and Fayemi 2000).

My theory is one of comparative politics; I am interested in the choice that domestic leaders seeking to provide security for their regime face between investing in

state militaries and hiring PMCs. Politicians who send PMCs as military aid are pursuing a different aim (i.e. they are not securing their regime against internal challengers) and are engaged in a more complex system of international relations. While these leaders' choices may be driven by some of the same forces, their choices lie outside the domain of my theory, and the record of their actions would not be well-suited for testing my theory.

This thesis also does not cover instances in which PMCs are hired by non-state actors. There are documented cases of PMCs working for NGOs and international organizations. Contractors have protected aid workers and animals near extinction.<sup>12</sup> They have also worked extensively with international organizations engaged in peace and stability operations. In Africa, PMCs have worked extensively with the United Nations, the African Union, and the Economic Community of West African States—mainly in support of peacekeeping operations. PMCs have also provided site security for many multinational corporations, especially those in extractive industries. Some countries have gone so far as to require that companies pay for their own security, implicitly admitting that they lack the capability or the will to enforce property rights. Perhaps the most famous example of this is that of the “Shell Army” in Nigeria. Between 2007 and 2009, Shell Oil spent \$200 million on private security for their oil fields in the Niger Delta (Hirsch and Vidal 2012). For perspective, that is roughly the size of the entire military budget of Nigeria.

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<sup>12</sup> For example, a PMC was hired to protect employees of the World Wildlife Federation (Avant 2005).



Again, I do not include these cases in my study. The decision-making processes and mechanisms for accountability for organizations as diverse as the WWF, UN, and Shell Oil are very different than those in a state and thus they are not appropriate for testing my theory. I hope to extend my research agenda in this direction in the future.

## ***2.D. The Overall Industry***

### *Market Size and Growth*

The size of the worldwide market for private military services is difficult to estimate, but the market is clearly large. Avant's (2005) overview of the market for force, undoubtedly the most comprehensive compilation of information about the private military industry in the literature, cites Equitable Securities Corporation's (1997) estimate that the market for private "military and policing services" was \$56.6 billion in 1990 and would reach \$202 billion in 2010 (as do Musah and Fayemi [2000]). Avant also cites Singer's (2003) estimate that the market was \$100 billion in 2000 and would double by 2010, but Singer's estimate cites Mutume (1998), who cites Vines (working paper, later published in 1999), who cites Equitable Securities Corporation (1997), so it would appear that all these estimates rest on one source. I do not know how reliable the analysts were at Equitable Securities Corporation (a small, Nashville-based investment banking, securities brokerage and investment advisory

firm acquired by SunTrust Banks, Inc in 1997 [PRNewswire, 1997]), so perhaps the safest conclusion to draw is that no one knows how large the PMC market is.

Though the size of the market for private military services is hard to identify, the industry is certainly in good health, and was experiencing especially strong growth during the time period under study in this thesis.<sup>13</sup> Although PMCs incorporated in South Africa were hard-hit by that country's Regulation of Foreign Military Assistance Act of May 1998, many of the contracts with Executive Outcomes (South Africa's largest firm) were transferred to firms incorporated elsewhere but governed by essentially the same people. American firms in particular saw enormous growth with the wars in Iraq and Afghanistan.

### *Number of Firms*

Despite the difficulties in gaining a complete picture of the market, there are a few ways in which we might ascertain the number of firms in the industry. One source of reliable information is the group of organizations that currently serve as regulators of the industry.

The first of these organizations is the International Code of Conduct Association (ICoCA). The ICoCA establishes a set of guidelines and best practices

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<sup>13</sup> Here Avant (2005) cites Jack Kelly of the Pittsburgh Post-Gazette (2000), who states that in the 1990s, stocks of publicly traded private security companies (PSCs) grew at twice the rate of the Dow Industrial Average. Though this citation helps Avant explain the parallel development of PSCs and PMCs, its claim is probably irrelevant to my conception of the PMC industry, because (1) Kelly's concept of PSC includes neighborhood and workplace security guards, prison management, etc.; and (2) he offers no citation or background information for his claim.

(ICoC) for firms in the industry to follow, and was borne out of the 2008 “Montreux Document,” a multi-stakeholder effort, meaning that the code was written in consultation with representatives of states, PMCs, NGOs, and other civil society groups. While the process that brought about the ICoC was completely external to any government, this document has served as a starting point for negotiations for the UN Convention on the use of Private Military and Security Companies. There are 87 PMC signatories to the ICoC (among other “stakeholder” signatories, such as states and NGOs).

Another organization that counts many PMCs amongst its membership is the International Stability Operations Association. This organization serves as the trade association for private security firms in the United States.<sup>14</sup> The organization, founded by Doug Brooks, was initially called the International Peace Operations Association, but changed its name in 2011. In order to gain membership, firms must agree to a set of best practices that ISOA developed in collaboration with industry leaders. The 29 members of ISOA may follow this set of best practices, but not all are signatories of the ICoC. This area of non-overlap includes several prominent American firms, such as DynCorp and Triple Canopy.

It is unclear whether these American firms will sign on to the ICoC. The US Government does not require contractors to be signatories, as they contend that domestic standards for firms applying for government contracts are sufficient. If the

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<sup>14</sup> The UK has a similar trade association—BAPSC—but they do not publish their membership.

US government does not require signing, then there may be few incentives for these companies to do so. As international regulation changes, potentially under the auspices of a UN Convention, these companies may agree to some certification scheme that allows them to bid on contracts with the United Nations, but at the moment they seem content with the status quo of self-regulation.

While the firms that make up these organizations may provide a starting point for capturing the size of the industry, this list is in no way complete, for the reasons stated previously. However, one might claim that these firms comprise the “top tier” of firms that are getting the bulk of the work internationally. Additionally, I would argue that these are the types of firms upon which my theory has the most purchase. These are the firms that have shown an interest in their reputation, by taking the time to apply for membership in standards organizations and assure (or at least claim) that their procedures meet the required codes of conduct. This interest in maintaining a reputation is an important mechanism in my model (see Chapter 2, Section 2), because it provides PMCs disincentives for shirking or sabotage not shared by state militaries.

This top tier of firms, however, is not the entirety of the industry. Many more firms exist, though the existence of many of these firms is difficult to prove, as their names do not appear in the news, or in publicly available contracts. Sometimes the winners of contracts are simply fly-by-night operations. The firms may not be ‘real,’ in that they do not have a persistent, officially incorporated identity outside the context of a particular contract. The firm may actually be an individual who serves as a

recruiter for locals or foreigners to fulfill contractual obligations. This organizational form decreases overhead costs, creates flexibility, and allows companies to move in response to changes in demand or political conditions in their country of origin. The industry is highly knowledge intensive, requiring specialized workers and a small capital investment, making barriers to entry for those with the right training or connections quite low.

In the end, not being able to account for all the fly-by-night operations may not be a dire problem for this study. Putting these companies in the same category as one of the major players may be a convenient fiction. A large firm like MPRI, with hundreds of full-time employees and the business infrastructure to go along with it, is likely to have very little in common with a small subcontractor operating in only one province of Angola. The resources and expertise required to have a large-scale full-service operation is sizable. So, while the barriers entry for a firm providing some general support services might be fairly low, the type of coordination and investment required for running a full-service shop means that barriers to entry are higher for those types of firms. It is also possible that a firm starts small, but then through connections and experience, is able to expand its service offerings. For most companies, being a full-service shop or at least the middle man (for a fee) for all the services a leader might want to acquire appears to be the goal. Small firms providing niche services (maritime security for example), frequently extend their basic site protection services by also offering in-country training.

### **3. Overview of the Thesis**

#### ***Chapter 2: Theory***

Chapter 2 presents the theory and deduces eight hypotheses. I argue that dysfunctional civil-military relations, reliance on appropriable natural resources, and civil conflict all increase the likelihood that a regime leader will hire PMCs. I also argue that existential threats to the regime from the military (via dysfunctional civil-military relations) or rebels (via civil conflict) drive leaders to privatize at the tip of the spear

#### ***Chapter 3: Data and Trends***

Chapter 3 introduces the original quantitative dataset constructed for the thesis and tests the eight hypotheses developed in Chapter 2. Using content analysis of both news and academic sources, I code cases of security privatization in sub-Saharan Africa between 1990 and 2009. I collect the following information about each case of PMC use:

1. Contracting Country
2. Year of Onset
3. Year PMC Leaves
4. Firm Name
5. Firm Country of Origin
6. Service Provided

7. Estimated Number of Employees
8. Nationality of Employees
9. Estimated Percent of Employees Drawn from Local Population
10. Specific Location of Operation
11. Active Conflict PMC Engaged In
12. Additional Information on PMC Mission
13. Further Notes

I integrate this information with a larger dataset of independent variables. As the focus of the theory is on the decisions made by the leader or regime, the unit of analysis is the regime-year. Using proxy measures for the independent variables suggested by the theory, quantitative analysis supports six of my eight hypotheses, with two hypotheses rejected.

#### ***Chapter 4: Threats to Survival***

The first qualitative chapter illustrates the role that existential threats to the regime play in driving privatization at the tip of the spear. I consider the Sierra Leone Civil War (1991-2002), during which six different regimes took control of the state in rapid succession, with five of these regimes relying upon PMCs. Because Sierra Leone provides multiple cases of privatization in a single state, it offers an interesting

opportunity to apply Mill's method of difference (a most-similar-cases design) to investigate the causal mechanism driving privatization of combat services.

### ***Chapter 5: Reliance on Appropriable Natural Resources***

The second qualitative chapter illustrates the effect of reliance on appropriable natural resources on privatization at the tip of the spear. While much of the literature on the 'resource curse' argues that resource wealth contributes to weak institutions and regimes that lack incentives to respond to the needs of large swathes of society, this chapter offers a different view on why these states privatize security services, particularly those near the tip of the spear. The reasoning is not that these regimes are 'bad' or unresponsive, but rather a product of two factors related to the site-specificity of natural resource wealth: (1) because the economic livelihood of the regime is based on site-specific assets, they are much easier and therefore more likely to be contested and appropriated by internal challengers; and (2) it is easier to write contracts for services protecting or reclaiming site-specific assets without producing egregious moral hazard problems, making the use of PMCs less costly.

Dependence on natural resources increases a regime's demand for security. Contestation of the resource assets of a resource-dependent regime is an existential threat to that regime, making the contestation—or worse yet, appropriation—of these resources a highly salient issue demanding action. Second, it is in these cases where contracting for services near the tip of the spear involves the lowest contracting costs.



It is much easier to contract with a company to reclaim a diamond mine or oil field than it is to write terms that require them to achieve more amorphous goals like ‘win the war.’ This explains why, in my dataset, reliance on appropriable natural resources is a necessary condition for privatization of combat services.

### ***Chapter 6: Conclusion***

The concluding chapter reviews the empirical support for my theory of privatization and discusses its theoretical and policy implications. This research contributes not only to the growing literature on the privatization of security, but also to the discussion of more general trends in the privatization of public goods and its relationship to the development of state capacity. A sole focus on the *state* provision of public goods overlooks the complexities of governance and emerging alternative structures, such as the use of private military companies, to the detriment of IR theory.

Study of these alternative forms of security provision may also inform policy debates. In recent years, the United Nations has transitioned from a prohibitive stance against private military companies to one that seeks to regulate the international market for security services. In a world where great powers are reticent to intervene in failed states and resources for such purposes are generally scarce, a movement towards a more open market for security services, decoupled from the Weberian conception of the state, may be a positive development. Certainly, careful objective examination of

the causes and consequences of privatization in this area will provide evidence for the debate.

## **Chapter 1, Appendix A.**

### **A contract between Papua New Guinea (PNG) and Sandline International**

This appendix contains the text of a contract between the state of Papua New Guinea (PNG) and the private military company Sandline International. The contract came to light in the legal battles following the so-called Sandline Affair, in which Papua New Guinea Prime Minister Julius Chan hired Sandline to defeat rebels on the island of Bougainville. Sandline's involvement was blocked by domestic and international political opposition (leading to Chan's resignation). While Papua New Guinea lies outside my region of study (sub-Saharan Africa), Sandline is a party to many of the contracts detailed in my data. (See Chapter 3, Appendix A).

**AGREEMENT FOR THE PROVISION OF MILITARY ASSISTANCE DATED  
THIS 31 DAY OF JANUARY 1997 BETWEEN THE INDEPENDENT STATE  
OF PAPUA NEW GUINEA AND SANDLINE INTERNATIONAL**

THIS Agreement is made this day of January 1997 between the Independent State of Papua New Guinea (the State) of the one part and Sandline International (Sandline), whose UK representative office is 535 Kings Road, London SW10 OS2, of the other part.

**WHEREAS**

Sandline is a company specialising in rendering military and security services of an operational, training and support nature, particularly in situations of internal conflict and only for and on behalf of recognised Governments, in accord with international doctrines and in conformance with the Geneva Convention.

The State, engulfed in a state of conflict with the illegal and unrecognised Bougainville Revolutionary Army (BRA), requires such external military expertise to support its Armed Forces in the protection of its Sovereign territory and regain control over important national assets, specifically the Panguna mine. In particular, Sandline is contracted to provide personnel and related services and equipment to:

Train the State's Special Forces Unit (SFU) in tactical skills specific to the objective;  
gather intelligence to support effective deployment and operations; conduct  
offensive operations in Bougainville in conjunction with PNG defence forces to

render the BRA military ineffective and repossess the Panguna mine; and provide follow-up operational support, to be further specified and agreed between the parties and is subject to separate service provision levels and fee negotiations.

**IT IS THEREFORE AGREED AS FOLLOWS:**

The State hereby agrees to contract and utilise and employ the services of Sandline to provide all required and necessary services as are more particularly described hereafter.

**Duration and Continuation**

The duration of this contract shall be effective from the date of receipt of the initial payment, as defined in paragraph 5.2 below, for a maximum initial period of three calendar months (the initial contract period) or achievement of the primary objective, being the rendering of the BRA militarily ineffective, whichever is the earlier. The State shall have the option of renewing this agreement either in part or in whole for further periods as may be required.

Notice of renewal, termination or proposed variation of this agreement is to be served on Sandline in writing by the State at least 45 days before the expiry of the current period. Non-communication by the State shall be regarded by Sandline as automatic renewal of the relevant parts of this agreement for a further three months period on the same terms and this precedent shall continue to apply thereafter.

## **Service Provision**

Sandline shall provide the following manpower, equipment and services:

(a) A 16 man Command, Admin and Training Team (CATT), to deploy in PNG and establish home bases at Jackson Airport and the Jungle Training Centre at Wewac within one week of commencement of this agreement, which is deemed to be the date on which the initial payment relating thereto in accordance with paragraph 5.2 below is deposited free and clear in Sandline's nominated bank account. The role of the CATT is to (i) establish links with PNG defence forces, (ii) develop the requisite logistics and communications infrastructure, (iii) secure and prepare facilities for the arrival of the contracted equipment, including air assets, (iv) initiate intelligence gathering operations, and (v) commence SFU training.

(b) Further Special Forces personnel which will deploy to PNG within 10 days of the arrival of the CATT, together with helicopter and fixed wing aircrew and engineers, intelligence and equipment operatives, mission operators, ground tech and medical support personnel. This force will absorb the CATT as part of its number, therefore bringing the total Strike Force headcount to 70. This Strike Force shall be responsible for achieving the primary objective as specified in paragraph 1.1 of this agreement and the full complement will remain in country for the initial contract period as defined in the said paragraph.

Note: at no time will Sandline personnel cater the sovereign territory of another nation nor will they breach the laws and rules of engagement relating to armed conflict. Once the operation has been successfully concluded, Sandline personnel will be available to assist with the ongoing training, skills enhancement and equipping of the PNG defence forces.

(c) Weapons, ammunition and equipment, including helicopters and aircraft (servicable for up to 50 hours flying time per machine per month), and electronic warfare equipment and communications systems, all as specified or equivalent to the items listed in Schedule 1. Upon termination of a contractual relationship between the State and Sandline and once all payments have been received and Sandline has withdrawn from theatre any remaining stock of equipment shall be handed over and become the property of the State. Selected Sandline personnel will remain in country to maintain and supplement such equipment subject to a separate agreement relating thereto.

Note: delivery into theatre of the contracted equipment shall be via air into Jackson Airport or such other facility as may be considered appropriate. The equipment will be delivered in full working order in accordance with manufacturers' specifications. After its delivery, any equipment lost, damaged or destroyed during Sandline's deployment shall be immediately replaced at the cost of the State.

(d) personal kit, including US pattern jungle fatigues, boots and webbing, for Sandline personnel.

(e) All international Transport arrangements for the shipment in/out of equipment and deployment in country of Sandline personnel but not for the movement of such equipment and personnel within the country if this needs to be achieved by way of commercial service providers.

(f) The provision of medical personnel to treat any Sandline casualties and their evacuation if necessary.

(g) A Project Co-ordinator who, together with the Strike Force Commander and his Senior Intelligence officer, shall maintain liaison with and provide strategic and operational briefings and advice to the Prime Minister, Defence Minister, NEC, NSC, the commander of the PNG defence forces and his delegated officers as may from time-to-time be required or requested.

Sandline shall ensure the enrolment of all personnel involved in this contract as Special Constables and that they carry appropriate ID cards in order to legally undertake their assigned roles.

### **Responsibilities of Sandline**

Sandline will train the SFU in tactical skills specific to the objective, such as live fire contact, ambush techniques and raiding drills, gather intelligence to support effective



deployment and plan, direct, participate in and conduct such ground, air and sea operations which are required to achieve the primary objective.

Both parties hereto recognise and agree that the force capability to respond to all emergency and hostile situations will be constrained by the manpower and equipment level provided within the terms of this agreement. The achievement of the primary objective cannot be deemed to be a performance measure for the sake of this agreement if it can be demonstrated that for valid reasons it cannot be achieved within the given timescale and with the level of contracted resources provided.

Sandline shall supply all the personnel and maintain all services and equipment as specified in paragraph 2.1 above to the appropriate standards of proficiency and operational levels as is generally expected from a high calibre, professional armed force.

Sandline shall further provide a project co-ordinator to act as the liaison officer between the company's management and the nominated representatives of the State. This individual will convene and attend regular meetings at such venues as he may be so directed.

Sandline shall be responsible for any expense resulting from the loss or injury of any of its personnel for the duration of the agreement unless same is caused by the negligence of the State, its personnel or agents in which case all such costs will be

fairly claimed against the State by Sandline and promptly paid for the benefit of the persons involved.

Sandline will ensure that the contents of this agreement shall remain strictly confidential and will not be disclosed to any third party. Sandline will not acknowledge the existence of this contract prior to the State issuing notifications in accordance with paragraph 4.11 below and will not take credit for any successful action unless this is mutually agreed by the parties. Furthermore, Sandline and its personnel are well versed in the requirement to maintain absolute secrecy with regard to all aspects of its activities in order to guard against compromising operations and will apply the necessary safeguards.

### **Responsibilities of the State**

Immediately on signing this agreement the State automatically grants to Sandline and its personnel all approvals, permissions, authorisations, licences and permits to carry arms, conduct its operations and meet its contractual obligations without hindrance, including issuing instructions to PNG defence forces personnel to co-operate fully with Sandline commanders and their nominated representatives. All officers and personnel of Sandline assigned to this contract shall be enrolled as Special Constables, but hold military ranks commensurate with those they hold within the Sandline command structure and shall be entitled to give orders to junior ranks as may be necessary for the execution of their duties and responsibilities.

The State will ensure that full co-operation is provided from within its organisation and that of the PNG defence forces. The Commanders of the PNG defence forces and Sandline shall form a joint liaison and planning team for the duration of this agreement. The operational deployment of Sandline personnel and equipment is to be jointly determined by the Commander, PNG defence forces and Sandline's commander, taking account of their assessment of the risk and value thereof.

The State recognises that Sandline's commanders will have such powers as are required to efficiently and effectively undertaken their given roles, including but not limited to the powers to engage and fight hostile forces, repel attacks therefrom, arrest any persons suspected of undertaking or conspiring to undertake a harmful act, secure Sovereign assets and territory, defend the general population from any threat, and proactively protect their own and State Forces from any form of aggression or threat.

The State agrees to indemnify Sandline for the legitimate actions of the company's and its associates' personnel as specified herein and to assume any claims brought against the company arising out of this agreement.

The State shall pay or shall cause to be paid the fees and expenses relating to this agreement as set out in paragraph 5.1 below. Such fees and expenses to be paid as further specified in paragraph 5.2, without deduction of any taxes, charges or fees, and eligible to be freely exported from PNG. All payments to be made in US Dollars.

The State shall cause all importation of equipment and the provision of services to be free to Sandline (and any of its sister or associated companies as notified to the authorities) of any local, regional or national taxes, withholding taxes, duties, fees, surcharges, storage charges and clearance expenses howsoever levied and shall allow such equipment to be processed through Customs without delay. Further, all Sandline personnel will be furnished with the necessary multiple entry visas without passport stamps and authorisation to enter and leave the country free from hindrance at any time and shall be exempt from tax of any form on their remuneration from Sandline.

The State will promptly supply at no cost to Sandline and its sister and associated companies all End User Certificates and related documentation to facilitate the legitimate procurement and export of the specified equipment from countries of origin.

4.7 The State will provide suitable accommodation for all Sandline personnel together with all related amenities, support staff to undertake role such as messengers and household duties, secure hangerage and storage facilities for equipment, qualified tradesmen and workmen to clear and prepare operating sites, all aviation and ground equipment fuel and lubricant needs, such vehicles and personnel carriers as reasonably specified for the field and for staff use, foodstuffs and combat rations, fresh drinking water, and sanitary and other relevant services and ancillary equipment as Sandline may specify from time-to-time to undertake its activities without hindrance.

If any service, resource or equipment to be supplied by the State in accordance with paragraph 4.7 above is not forthcoming then Sandline will have the right to submit an additional invoice for the procurement and supply thereof and may curtail or reduce operations affected by its non-availability until payment has been made and the said equipment is in position.

The State agrees and undertakes that, during the period of this agreement and for a period of 12 months following the date of its expiration, it will not directly or indirectly offer employment to or employ any of the personnel provided hereunder or otherwise in the employ of Sandline and its associates. Any such employment will be constructed as a continuation of the contract for the employees concerned and Sandline shall be entitled to be paid accordingly on a pro-rata basis.

The State and the PNG defence forces will ensure that information relating to planned operations, deployments and associated activities is restricted to only those personnel who have an essential need to be briefed in. Appropriate steps will be taken to prevent press reporting, both nationally and internationally, or any form of security breach or passage of information which may potentially threaten operational effectiveness and/or risk the lives of the persons involved. Sandline's commanders have the right to curtail any or all planned operations which they determine are compromised as a result of failure in security.

If deemed necessary due to external interest, the State shall be responsible for notifying and updating the International Community, including the United Nations and representatives of other Governments, at the appropriate time of the nature of this contract and the underlying intent to protect and keep safe from harm Papua New Guinea's Sovereign territory, its population, mineral assets and investing community. The content and timing of all such formal communications will be discussed and agreed with Sandline before release.

### **Fees and Payments**

Sandline's inclusive free for the provision of the personnel and services as specified in paragraph 2.1 above and also in Schedule 1 attached for the initial contract period is USD36,000,000 (thirty six million US Dollars).

Payment terms are as follows. All payments to be by way of cash funds, either in the form of electronic bank transfers or certified banker's cheques.

On contract signing 50 per cent of the overall fee, totalling USD18,000,000 is immediately due and is deemed the "initial payment".

Within 30 days of deploying the CATT, the balance of USD18,000,000.

This contract is deemed to be enacted once the initial payment is recieved in full with value into such bank account as Sandline may nominate therefor. Payments are

recognised as being received when they are credited as cleared funds in our account and payment receipt relies on this definition.

All fees for services rendered shall be paid in advance of the period to which they relate. Sandline reserves the right to withdraw from theatre in the event of non-payment of fees for any renewal to the original contract period.

The financial impact of variations, additions or charges to the personnel provision and equipment supply specified herein will be agreed between the parties and any incremental payment will be made to Sandline before such change is deemed to take effect. There is no facility for rebate or refund in the event of a required reduction or early termination of service delivery within a given contract period.

### **Applicable Law**

In the event of any dispute or difference arising out of or in relation to this agreement the parties shall in the first instance make an effort to resolve it amicably, taking account of the sensitive nature of this arrangement.

The aggrieved party shall notify the other by sending a notice of dispute in writing and, where amicable settlement is not possible within 30 days thereafter, refer the matter to arbitration in conformity with the UNCITRAL rules applying thereto.

This agreement shall be construed and governed in accordance with the Laws of England and the language of communication between the parties shall be English.

**Amendments and Supplements**

This agreement may only be altered, modified or amended by the parties hereto provided that such alteration, modification or amendment is in writing and signed by both parties.

Schedule 1 ("Oyster" Costings) forms part of this agreement.

**IN WITNESS WHEREOF the parties hereto have set their hands on the day and year first written above.**

For the Independent State of Papua New Guinea:

Name: Chris S Haiveta Witness: (indecipherable)

Name: Vele Iamo

Occupation: A/Deputy Secretary

For Sandline International:

Name: Tim Spicer OBE. Witness: (indecipherable)

Name: J.N. Van Den Bergh Occupation: Consultant



**TABLE 1.A.1 SANDLINE CONTRACT BREAKDOWN**

Item	Qty	US\$
Mi-24 helicopter	2 @ 4,100,000	8,200,000
Mi-17 helicopter	2 @ 1,500,000	3,000,000
Mi-24 ordnance	Table 2 below	2,500,000
Mi-17 ordnance	-	400,000
Night vision equipment	18 @ 33,880	610,000
Mi-24 aircrew	6	680,000
Mi-17 aircrew	6	860,000
Surveillance platform (SP)	1 (spotter aircraft)	2,400,000
On-board systems	1 (?)	4,850,000
SP aircrew	4 (spotter pilots)	280,000
Ground system	1	600,000
Mission operators	5	480,000
Ground staff	5	270,000
Electronic warfare (EW) trainers	inc	120,000
SP trainers	inc	120,000
Project co-ordinator	1	inc
Personnel equipment	30	250,000
Personnel movement	pack	250,000
Insurances	inc	inc
Logistics support	client	client
Asset positioning	4	1,200,000
Spares - helicopters	pack	1,500,000
Spares - SP	pack	600,000
Subtotal		29,170,000

**TABLE 1.A.1 SANDLINE CONTRACT BREAKDOWN (CONT'D)**

Communications Equipment		
HF radio system	1 + 15	400,000
Hardened tactical radio system	1+16	500,000
Satellite comms units	15	200,000
Subtotal		1,100,000
Contract Totals		37,370,000
Package price reduction		-1,370,000
Contract Fee to Client		36,000,000

**TABLE 1.A.2 MI-24 ORDNANCE**

Item	Qty
57mm rocket launcher pods	6
57 mm high explosive rockets(for use against fixed installations, vehicles or boats)	1000
23mm ball	20,000
23mm tracer	5,000
23mm links	12,5000

**TABLE 1.A.3 SPECIAL FORCES EQUIPMENT**

Item	Qty
AK47 assault rifle	100
PKM light machine guns	10
RPG-7 shoulder-held rocket propelled grenade launcher (another link)	10
Makarov pistol	20
60mm mortar	10
82mm mortar	6
AGS-17 automatic 30mm grenade launcher	4
7.62x39 (for AK47)	500,000
7.62x54 (for PKM machine gun)	250,000
12.7mm ball	100,000
12.7mm tracer	25,000
PG-7 (rounds for RPG-7 launcher)	1,000
40mm grenade (?30mm grenades for AGS-17)??	2,000
Illumination flare	200
Smoke/frag grenade	800
AK47 magazines	1,000
60mm HE (mortar rounds)	2,500
82mm HE (mortar rounds)	2,500
Ammo links	250,000
Personal kit and uniforms	100

## **Chapter 2.**

### **A Theory of Privatization**

Under what conditions are states most likely to privatize military services, and how can we predict which services will be privatized? In answering this question, I explore variation amongst states and over time. This chapter states clear assumptions, builds a deductively valid theory of privatization, and identifies testable implications of that theory to explore in the remainder of this dissertation. I argue that dysfunctional civil-military relations, reliance on appropriable natural resources, and civil conflict all increase the likelihood that a regime leader will hire PMCs. I also argue that existential threats to the regime from the military (via dysfunctional civil-military relations) or rebels (via civil conflict) drive leaders to privatize at the tip of the spear.

As discussed in Chapter 1, previous literature on the topic of security privatization has been largely descriptive, but a few authors have provided compelling theoretical frameworks that help explain the general phenomenon (Reno 1998, Mandel 2002, Singer 2003, Avant 2005, Percy 2007). While these works explicate the general systemic trends that make privatization more likely, their goal is not to identify *which* leaders will privatize, *when*, and *how*. In this chapter, I attempt to build a theory that will help predict leader's decisions to hire PMCs—discussing the domestic political and economic conditions under which leaders will be more likely to hire private military companies at a given time.

I argue that dysfunctional civil-military relations, reliance on appropriable natural resources, and civil conflict all increase the likelihood that a regime leader will hire PMCs. I also argue that existential threats to the regime from the military (via dysfunctional civil-military relations) or rebels (via civil conflict) drive leaders to privatize at the tip of the spear, whereas reliance on appropriable natural resources drives leaders to privatize at the base of the spear.

The chapter proceeds as follows. In Section 1, I explain the assumptions of my theory. In Section 2, I describe the broad baseline factors that drive privatization. In Section 3, I discuss the role of these factors in driving *how* leaders privatize—at the tip or base of the spear. Finally, in Section 4, I conclude with a table summarizing my empirical expectations.

## **1. Assumptions of the Theory**

My theory begins with the following five assumptions. The first four I believe accurately represent the political reality of developing states. The fifth assumption is a simplifying assumption designed to make the analysis tractable. I will explain and defend these assumptions in the following sections.

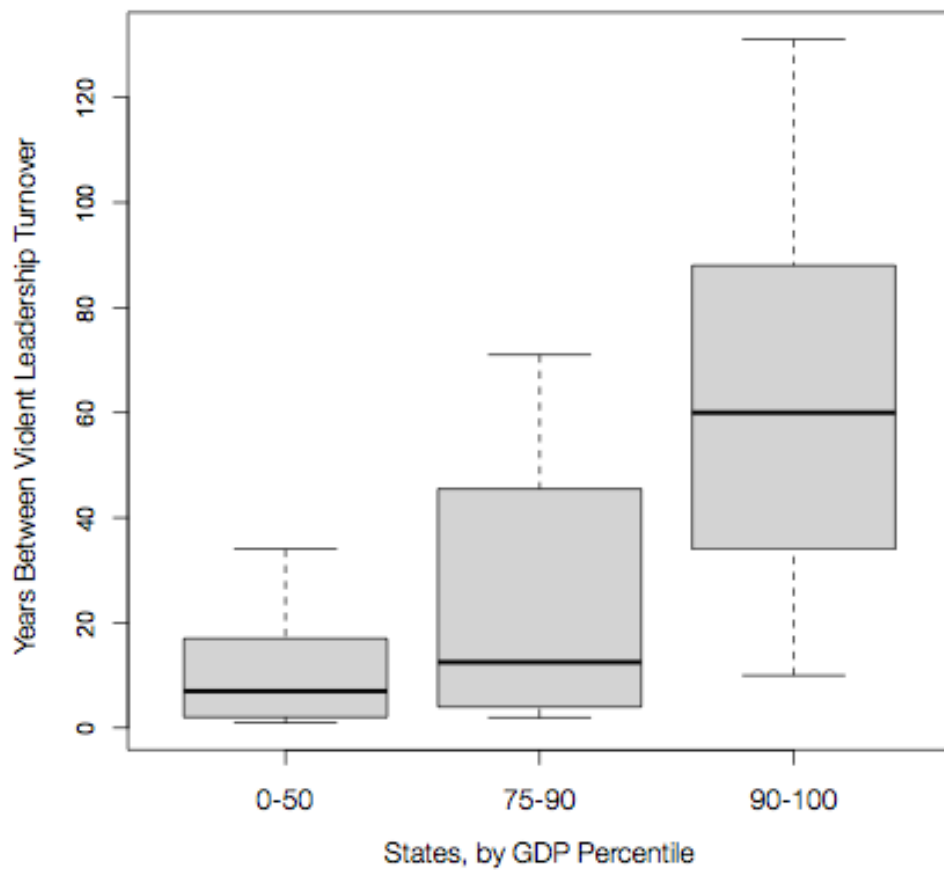
1. Leaders are at risk of being removed by irregular means.
2. Leaders' primary motivation is political survival.
3. Political survival requires contracting for force.
4. Contracting for force is costly.
5. Force can be provided by a state military or private military contractor.

### ***1.A. Leaders are at Risk of Being Removed by Irregular Means***

Most political leaders in advanced industrial democracies leave office by what might be called regular means: they do not run for reelection because they lack either the eligibility or desire to do so; they do run for reelection but lose; they willingly resign (often to take another position in government); they die from natural or accidental causes; or on rare occasions they are removed by some constitutional means such as impeachment or recall. By contrast, political leaders in developing states, be they autocrats or democrats, are very often removed by irregular means: they may be assassinated; members of their own regimes may orchestrate coups d'état; they may be

deposed by domestic rebels or a foreign power; or the threat of any one of these eventualities may force them to retire against their will.

The difference in the frequency of irregular leadership change between developing and developed states is staggering. Cox, North and Weingast (2013) point out that when it comes to leaders being removed by violence (the most extreme of the irregular means), “even the richest developing countries are more like poor developing countries than they are like the developed world.” Collier (2007) calls this the “Conflict Trap,” and considers it a primary obstacle to development in the world’s 58 slowest-growing economies. Figure 1 shows the distribution of duration between violent leadership turnover in states based on level of economic development, according to Cox, North, and Weingast.



**FIGURE 2.1 DISTRIBUTION IN TIME BETWEEN VIOLENT LEADERSHIP TURNOVER IN STATES AT DIFFERENT LEVELS OF DEVELOPMENT**



### ***1.B. Leaders' Primary Motivation is Political Survival***

The first assumption, that leaders of developing states face a significant risk of being removed from office by irregular means, can be supported by direct observation. The second assumption, in contrast, is a claim that cannot be directly measured; if we were to ask a typical politician what motivates her, we should expect to hear that she desires to do good for her constituents. But the assumption that leaders are motivated by political survival can be supported by indirect evidence—namely, that this assumption has allowed scholars to explain a wide variety of political outcomes.

The assumption that leaders are primarily motivated by the desire to maintain office was first incorporated into positive political theory by Mayhew's (1974) study of American congress. Rogowski (1978) used comparative and historical cases to argue for an alteration to Mayhew's assumption: that “politicians seek power, and that they seek office only as a means to power.” Of course, if politicians seek power, then those who have reached the pinnacle of power in their states will be motivated primarily the desire to stay there—the desire for political survival.<sup>15</sup> Ames (1990) catalogues that struggle among presidents in Latin America, and Bueno de Mesquita et al. (2003) show how heads of states' struggle for political survival has shaped policies around the world (with several case studies of African states).

Geddes (2003) calls the assumption that politicians maximize career success “the keystone” of “rational choice arguments about...government actors.” This

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<sup>15</sup> As King Henry II says in Goldman's *The Lion in Winter*, “I've snapped and plotted all my life. There's no other way to be a king, alive and fifty all at once.”

assumption has been applied broadly in studies of African politics (e.g. Bates, 1981; Lofchie, 1989; Bratton and Van de Walle, 1992 and 1994; Block, 2002; Alence, 2004; Wantchekon, 2004; Dionne, 2010) and to the behavior of autocrats (Gandhi and Przeworski, 2007).

The assumption that leaders prioritize political survival does not forbid them from maintaining policy preferences, but it does require them to value office over policy. One intuitive explanation for this is that a position of power, in addition to providing its own perks, is necessary to achieve policy goals. As I will discuss later in the chapter, leaders in autocratic regimes may have even more of a focus on maintaining power than do their democratic counterparts, as their exit options are often much less appealing (Chiozza and Goemans 2011). Ultimately, there may be some differences on the margins across different types of leaders or across different individuals, but the simplifying assumption remains that leaders want to stay in power.

### ***1.C. Political Survival Requires Contracting for Force***

Every head of state faces opposition from members of his state who are willing to use force to remove him from power. Even in consolidated democracies, the threat of force from opponents of the regime may be non-zero. In response, leaders must contract for force in order to protect themselves directly. This is probably the oldest form of political delegation to a bureaucracy; records of royal guards go back at least to the third millennium B.C. (Kanawati, 2002).

Of course, a regime's need to contract for force goes beyond the need to safeguard its leader. Even when the threat is indirect, domestic opposition and foreign powers will pursue their own goals in ways that undercut the interests of the regime if that regime cannot offer a credible threat of retaliation. In countries with contestable resources, ethnic divisions, active rebel organizations, and a pattern of international interference in civil conflict—all of which are prevalent in the developing world and especially in sub-Saharan Africa—the maintenance of an adequate security force is especially important. In developing states especially, political survival depends on preventing or overcoming internal challenges in which individuals or groups of individuals seek to remove the leader from office by irregular means. In other words, most regimes are focused on defending against internal—not external—challenges.

And even beyond protecting the regime from direct challenges, the state relies upon force to enforce law. This has been a foundational assumption in political theory at least since Hobbes (1668/1994) warned that a sovereign cannot rule over the people “when there is no visible power to keep them in awe, and tie them by fear of punishment to the performance of their covenants.” Weber (1919/2009) follows in this line, arguing that “organized domination requires the control of those material goods which in a given case are necessary for the use of physical violence.”

From an American perspective, the forces that Hobbes and Weber describe sound more like police forces than military ones, but in much of the world this

distinction is not always clear.<sup>16</sup> In fact, the French *gendarmerie*—a military force with police duties—is a popular model for security provision around the world, and especially in former French colonies. From 1990-2009, gendarmeries were a major provider of police services in many sub-Saharan Africa states, including Benin, Burkina Faso, Burundi, Cameroon, the Central African Republic, Chad, Gabon, Madagascar, Mali, Mauritania, Niger, Senegal, and Togo.

#### ***1.D. Contracting for Force is Costly***

The next assumption underpinning the theory is that contracting for force is costly. In this context, “contracting for force” is defined as a political principal (the leader) arranging for a set of agents to apply (or be capable of applying) physical force on behalf of the regime. The arrangements a leader makes for the provision of force usually involve employing at least some agents within a bureaucracy (such as a state military), but they often involve a variety of other arrangements, including the hiring of private military companies.

The assumption that any form of contracting is costly is not a particularly controversial one; many economists and political scientists have explored the contours of contracting and how different configurations of the principal-agent relationship can incur costs.<sup>17</sup> Any leader delegating security provision to another actor—whether a

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<sup>16</sup> In fact, Even the US blurs this distinction, with the Federal Bureau of Investigation serving as both federal law-enforcement agency and domestic security service.

<sup>17</sup> See Klein (2005) for an excellent overview of the contracting literature as it pertains directly to questions of ‘to make or to buy.’

military, PMC, ally, militia, or any other agent—will assume these costs. In Section 2 of this chapter, I will enumerate these costs for leaders delegating to state militaries or to PMCs.

### ***1.E. Force can be Provided by a State Military or Private Military Company***

This is the final assumption, and the only one that is made for simplicity rather than realism. In reality, there are a wide range of delegation arrangements leaders can make to provide security for their regimes: they can form state militaries, forge bilateral or multilateral alliances, enter another state's "security umbrella," rely on voluntary militias, or hire private military contractors. The goal of my broader research agenda is to build a theoretical framework for explaining how leaders choose among all of these options, and how these options serve as complements and substitutes for each other. Developing a comprehensive theory of so many different security arrangements, however, is not a practical goal for a single study.

This dissertation deals specifically with the choice leaders face whether to hire private military companies, as a substitute for or complement to state security forces. In other words, leaders say to themselves "Meeting my regime's needs for the provision of force requires writing contracts. For any particular need, I can either contract with my state military, or I can contract with a PMC." It attempts to identify *ex ante* the conditions under leaders are likely to hire PMCs, and also the conditions

under which they are likely to hire PMCs closer to or farther from the “tip of the spear.”

## **2. Under What Conditions are States Most Likely to Hire PMCs?**

Many scholars who discuss security privatization tend to compare the costs and benefits of hiring a PMC with those of relying on a competent, disciplined, apolitical military under secure civilian control (perhaps because most political scientists and economists live in advanced, industrialized democracies). Unfortunately, this simply isn't the choice that leaders in developing states face. The following section compares the short- and long-term costs of delegating to a state military and to a private contractor, focusing on the realistic implications of both alternatives in developing states.

This section employs Agency Theory to analyze the costs and benefits of delegating force provision to state militaries and PMCs. One of the main goals of Agency Theory is to explicate the problems of adverse selection and moral hazard and the costs associated with mitigating these problems. In the context of delegating the provision of force, political principals are no strangers to these issues.

With regard to adverse selection, one difference between public and private security forces is that the different incentives offered to these two may attract different types of agents, and those different types may be more or less suited to meet the regime's various demands for force provision. State militaries are offered not only

material goods (salary), but symbolic ones (patriotism and prestige) as well.<sup>18</sup> By contrast, PMCs are almost purely profit-motivated.

State militaries and PMCs also differ in the moral hazard problems they pose for regime leaders.<sup>19</sup> Because the principal has less information about the agent's actions than the agent himself has, it is possible that, in the pursuit of his own interests, the agent will neglect or even actively contravene the orders of the principal.

Brehm and Gates (1997) characterize this as the choice between working, shirking, or sabotage. The hierarchical structure of state militaries is meant to help overcome this problem; by creating a distinct chain of command and the development of standard operating procedures, doctrine, and military code of justice, the regime can, in some cases, instill its values into the members of the military in a way that is somewhat self-enforcing. These arrangements are not available when a regime hires a PMC, but the regime does have access to high-powered sanctions for punishing shirking and sabotage (firing the company), and PMCs' desire to maintain a good reputation in the

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<sup>18</sup> Of course, most of the world's militaries are not staffed by volunteers or conscripts, so patriotism and the prestige of military service may not be as large a factor in military recruitment as is often claimed. The US military, falling behind on its recruitment quotas during the conflicts in Iraq and Afghanistan, focused on signing bonuses and job training as enticements to get new recruits to join up. And the United States consistently earns top rankings in cross-national surveys of national pride (Smith and Kim, 2006), so these monetary incentives may be even more important in states with lower levels of nationalism.

<sup>19</sup> There is some variation in terminology among game theorists, but *moral hazard* is the term most consistently used to describe situations in which an agent's actions are unobservable by the principal (e.g. Myerson 1991, p. 263). Some use *hidden action* as a synonym for moral hazard (Caillaud and Hermalin, 2000, p. 2). Rasmusen (2006, p. 196) offers what is probably the most thorough discussion of these issues. He distinguishes between five different types of agency relationships: moral hazard with hidden action, moral hazard with hidden knowledge, adverse selection, signaling, and screening. The issues I address in this section are of the first type.

market for private military services may motivate it to act effectively in the principal's interest.

The following subsections address the implications of the differences between state militaries and PMCs in both the adverse-selection and moral-hazard problems they pose for regime leaders.

### ***2.A. Dysfunctional Civil-Military Relations***

In the modern nation-state, military forces are expected to serve their state's regimes. Security providers are agents whose functionality is measured in part by their commitment to act in the interests of their principals. Thus, when security providers use their position to actively contravene the interests of their principals, the agency relationship is dysfunctional. One might consider this *dysfunctionality* as though it was a measure of the amount of agency slippage in the relationship between the government leadership and the military. In the following discussion, I use the concept of *dysfunctional civil-military relations* as a short-hand for a situation in which the relationship has a greater amount of agency slippage: for example, when a security provider uses its control over the coercive apparatus of the state to subvert the interests of its principal.

Since state militaries represent the "default" agent to which leaders typically delegate, and PMCs an alternative whose merits are judged against that default, I will discuss state militaries first, and PMCs second.



*State Militaries*

The greatest risk of contracting for force is direct opposition from an armed agent, and the threat of a military coup is pervasive in the developing world. In the 20 years from 1990-2009, sub-Saharan Africa experienced 21 successful coups, 47 failed coup attempts, 20 coup plots discovered in which specific high-level conspirators were identified, and many more alleged coup plots.<sup>20</sup>

Even when state militaries don't actually carry out coups, they may use the threat of a coup or their own independent political support to influence policy in their favor, against the interests of the regime. Stepan (1988) outlines two important variables that determine the nature of civil-military relations: the level of conflict between the interests of the regime and its military; and the degree to which the military "assumes they have an acquired right...to exercise effective control over its internal governance...or even to structure relationships between the state and political or civil society." He calls these two variables contestation and prerogatives, and argues that civilian control is only possible when the military has low contestation and low prerogatives.

Moreover, even in countries with low contention and prerogatives, such as the US, civil-military relations can be fraught. Many scholars (e.g. Kohn, 1994; Desch, 1995; Feaver, 2003) have pointed out that the US military does exert influence over

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<sup>20</sup> Some researchers connect this proclivity to the shock of decolonization that perpetuated weak political institutions and a tendency towards the use of violence within political competition (Roessler 2011). This line of research suggests that coup activity is the result of some combination of short-term political horizons (Goldsmith 2001, Olson 2000), lack of regime legitimacy (Clark 2007, Lindberg and Clark 2008), corruption (McGowan 2005), and lack of civil society (Belkin and Shofer 2003).

policy in ways that subvert the interests of its political principal, particularly since the end of the Cold War. Desch (1996, pp. 12-29) argues that militaries with primarily external missions are more susceptible to civilian control than those with primarily internal missions. If this is true, then for many developing states—and especially in Africa, where civil war is common but interstate war uncommon (Lemke 2002)—effective civilian control of the military may be an unobtainable goal.

On a basic level, one challenge of investing in a bureaucracy for the provision of force is a heightened version of the threat posed by all bureaucracies: that it will seek to maximize its own budgets, but with the added leverage that control of the coercive apparatus provides. Niskanen (1971) famously argued that bureaucrats seek to maximize their own budgets (though he later [1975] agreed with Migué and Bélanger [1974] that bureaucrats sought to maximize *discretionary* budgets). The problem with a budget-maximizing state military is this: if leaders, in pursuit of political survival, seek to maximize the consumption of their constituents (Buono de Mesquita et al., 2003; Fearon, 2011), a budget-maximizing military is directly opposed to its principal's primary goal.<sup>21</sup> In other words, investing in a state military to meet immediate security needs may create an institutionalized interest whose demands

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<sup>21</sup> More traditional assumptions about the goals of regimes—that states maximize power (Waltz 1979) or security (Walt 1983)—presume the primacy of system-level factors over the domestic. While the leaders of states may choose policies to pursue security, this pursuit is most certainly conditioned by their ability to assure economic growth, and indeed, the pursuit of security may only be a means to the desired end of consumption. While I fall under the camp that security is a means to an end, one need not agree to accept the assumption that material improvement of one's constituents keeps a politician in power.

make political survival more difficult in the future. In the language of Roeder (1993), investing in the military may “expand the membership of the selectorate.”

In addition to making budgetary demands, leaders in the state military are likely to hold preferences over policy.<sup>22</sup> When these diverge from those of the regime, the result may be “articulated military contestation” (Stepan, 1988), which undermines civilian control of the military (and of public policy). Even consolidated democratic regimes with a long tradition of civilian control can suffer from this problem, as the 1993 US debate over gays in the military demonstrated (Feaver, 1999).

Finally, even if a state military poses no direct threat to the regime and makes no budgetary or political demands, an unmotivated military can be a severe liability. Herbst (2004) writes that “most African countries have no carrots—only sticks,” and the same could be said about many developing countries outside of Africa. Dysfunctional civil-military relations are especially troublesome in a state with “no carrots.” When faced with crises, many poor, low-capacity states do not have the institutions or the resources to offer broad-based incentives for cooperation. Because of this lack of institutional carrots that could be used to co-opt potential challengers, they may be forced to use sticks (violence) as a reaction to the realization of internal challenges. When the government’s security apparatus is disgruntled, it is a broken stick—not a serviceable tool for enforcing the leader’s will.

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<sup>22</sup> A fundamental assumption in positive political theory is that, “in the absence of effective oversight,” bureaucrats are motivated by “personal preferences, derived from some combination of private political values, personal career objectives, and, all else equal, an aversion to effort” (McCubbins, Noll, and Weingast, 1987). In a review of formal models of bureaucracy, Gailmard and Patty (2012) find most contemporary models assume bureaucrats “maximize policy preferences of the same nature as most other political actors.”

What can regime leaders do to prevent state militaries from directly opposing their principals? In other words, how can leaders deter state militaries from shirking and sabotage, and thus mitigate the moral hazard problems inherent to delegation? Theoretically, state governments are able to sanction their militaries in the same way they sanction other bureaucrats—cutting budgets and conducting investigations backed by a system of courts. But there is an important difference between a high-level bureaucrat and a leader in the armed forces: the latter has the means of violence at his disposal. So, a regime leader can threaten to fire individual soldiers or reduce funding or even disband the military altogether. The problem the leader faces is that it is public knowledge that most regimes cannot really afford to make enemies with armed forces. Because soldiers know that the regime leader does not want to provoke a bunch of heavily armed opponents to the regime, the leader's threat of cutting funding (beyond a certain level) is not credible. This is the central tension of security provision: delegating the means of violence to another actor may severely limit the state's ability to exercise sanctions.

#### *Private Military Contractors*

Compared to the 21 coups and 47 attempts perpetrated by state militaries in my dataset, in the same time period, no PMC ever used force against a regime that hired it.

Measured by Stepan's (1988) dimensions of articulated contestation and prerogatives, PMCs are likely to be easier to maintain civilian control over than are

state militaries. PMCs are profit-motivated corporations whose future profits depend on their ability to secure contracts, and their ability to secure contracts depends on a reputation for getting the job done without interfering in domestic politics. Thus, PMCs are highly motivated to maintain a reputation for being apolitical. In fact, a commitment not to engage in contestation may be second only to competence in a PMC's reputational priorities. For example, Executive Outcomes stressed this point over and over again on its website:<sup>23</sup>

- Employees “carry no political baggage” and “remain loyal to the company and its clients.”
- The major advantage of...EO is one of impartiality.
- The company has no hidden agendas or vested interest as is more than often found when a regional force/military is employed for such a task.
- At all times EO remains apolitical.
- It is EOs mission to provide...A total a-political service.

Whereas state militaries are composed of citizens with private domestic political preferences, PMCs are typically headquartered in a foreign state (with two clear exceptions and one borderline case)<sup>24</sup> and, when providing combat services, use foreign nationals as soldiers (with no known exceptions).

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<sup>23</sup> This website is not still available except through Archive.org's records, accessible at this URL as of 2015: <http://web.archive.org/web/19981206004309/http://www.eo.com/about/p1.html>

<sup>24</sup> The clear exceptions in my dataset are case 39 and 40 in Chapter 3, Appendix A, in which South African firms were employed in country for training and support services. The borderline exception is case 25, in which a South African firm was employed by its former trustee, Namibia, for support services.

While investing in the military can expand the selectorate and increase demands on the regime in the long run, hiring a PMC does not add new institutional interests to the regime. PMCs are hired to complete a specified job in a specified period of time. When they finish the job, they leave. (See Chapter 1, Section 2 for more information on how PMCs operate in developing states.) Even when states have refused to pay, PMCs have pursued payment by negotiating a payment plan (as Executive Outcomes did with Sierra Leone [Douglas, 1999]) or suing governments in court (as Sandline did with Papua New Guinea [Sturzaker and Cawood, 1999]), and not by the threat of violence.

Whereas regime leaders may struggle to mitigate moral hazard problems involving state militaries because they cannot credibly commit to sanctioning their own militaries, leaders have access to very high-powered sanctions in dealing with PMCs. As PMCs are economically motivated, the government is at the winning end of any power asymmetries. PMCs are unlikely to have any sort of long-lasting interest in the policies of the state and their troops are highly unlikely to remain in the state after their contract is over. Because of these factors, it is fairly easy to use high-powered sanctions against them. And sanctions against PMCs do not carry the same risk of violent retaliation that they do when wielded against state militaries. Because these companies are profit-seeking and want to have business in the future, they are also highly unlikely to turn against governments with whom they have contracted, as developing a reputation for such behavior would hinder future contracts with other

governments. This reticence to become involved is probably most acute with internationalized companies that are publicly held, as the scope of their potential customers is larger and their accountability to their constituency—shareholders and home government officials required to approve contracts—is greater.<sup>25</sup>

When it comes to direct opposition from security providers, there is one area in which scholars seem concerned that PMCs present a special threat, and that is the “hold-up problem.” Hold-up is the potential for contractors to be unwilling to perform duties outside their contract in times of need (Møller, 2005). While this issue is frequently raised, it is generally brought up as a theoretical possibility, and I am not aware of any documented cases of hold-up by a PMC against its principal. And while a rag-tag group of mercenaries might be tempted to extort the regime that hired them, a PMC that will rely on its reputation for securing future business would be ill-advised to bite the hand that feeds it.

Moreover, the hypothetical argument that PMCs might engage in hold-up seems to apply equally to state militaries, and perhaps more so, since they are harder to replace than a PMC and do not need to maintain an international reputation. Indeed, a working paper by Collier and Hoeffler (2006) suggests that in states where the coup-risk is high, threats by the state military are met with increased military spending.

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<sup>25</sup> The only limiting factor on using high-powered sanctions against private military companies is the present market for force available to the regime (Avant 2005). PMCs may be easier to fire than other options, but the motivation of a leader to do so may not be high when there are few available alternatives. Once a government has hired a PMC, though, the door may be opened for others, as a market develops to meet perceived demand. This was certainly the case in Iraq after the most recent US invasion. As particular contractors fell out of favor, lines of newly formed PMCs were waiting in the wings to take their place. If PMCs know that a state is likely to offer lucrative contracts and make good on their promises, then PMCs will be willing to offer their services.

They argue that this is a case of extortion, in which the military threatens the government and the government responds by giving in to the demands of the military to avoid another coup.

### *Conclusion*

If leaders want to remain in power and they feel that their power is being contested by their own security forces, they may not wish to provide for their security needs by empowering the very organization that poses a threat to their rule. In these cases, hiring private forces with few political ties to the state may prove to be a very attractive choice for a beleaguered leader. In other words, when a regime leader is concerned about the threat of direct opposition from a force provider, PMCs are a much safer agent to invest in than state militaries.<sup>26</sup> In fact, I expect this fear to be a major driving force behind the decision to hire PMCs. Therefore, if there were a method for directly measuring a leader's fears of direct opposition from armed forces, that measure would be a significant predictor of their decisions to hire PMCs.

**Theoretical Claim 1:** Dysfunctional civil-military relations increase the cost of investing in state militaries vis-a-vis a private military contractor. Thus, leaders of regimes with dysfunctional civil-military relations (i.e. regimes where the threat of

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<sup>26</sup> One potential complication for my theory that dysfunctional civil-military relations drive PMC use is that a similar causal pattern could work in the opposite direction. In other words, it could be that PMC use influences civil-military relations. (The most obvious case of this is Papua New Guinea's so-called Sandline Affair, but there may be examples in sub-Saharan Africa as well.) If this is true, then civil-military relations are in some degree endogenous to leaders' decisions about privatization, rather than purely an exogenous driver of those decisions. I hope to develop a model that treats civil-military relations as endogenous in future research. For the sake of simplicity and completeness, however, in this dissertation I assume that civil-military relations are an exogenous influence on leaders' decisions about privatization.



direct opposition from the state military is high) are more likely to hire private military contractors.

Since no such measure exists, I turn to a proxy: recent coup activity. When a military successfully performs a coup, it clearly indicates that supposed agents of the regime are willing and capable of opposing their principal by force. When a military attempts a coup but fails, this indicates willingness but a lower level of capability. When a coup plot is discovered, this indicates willingness among at least some members of the military, but provides no information about capability. Thus, I argue that coup activity represents a revelation of dysfunctional civil-military relations, with successful coups sending the strongest signal, coup attempts sending a weaker signal, and coup plots sending the weakest signal. This leads to three hypotheses.

**Hypothesis 1.1:** In the year following a coup, a regime leader is more likely to hire a PMC.

**Hypothesis 1.2:** In the year following a coup attempt, a regime leader is more likely to hire a PMC, but the effect will be weaker than that following a successful coup.

**Hypothesis 1.3:** In the year following a discovered coup plot (with specific high level conspirators identified), a regime leader is more likely to hire a PMC, but the effect will be weaker than that following an actual coup attempt.

## ***2.B. Regime Reliance on Appropriable Natural Resources***

Contracting for force is expensive because of unforeseeable contingencies. Contracting costs plague any type of delegation relationship, but when the potential use of force is involved, writing these agreements becomes an even more complex task (Williamson 1999). Designing, implementing, monitoring, and enforcing contracts can be especially expensive when it comes to military “outputs.” As Fredland and Kendry (1999) write, “measuring, or even specifying, outputs from the defense sector with sufficient precision to write contracts [with PMCs] is problematic since unforeseen contingencies are inevitable.”

### *The Difficulty of Contracting with PMCs*

For leaders who consider hiring PMCs, determining the characteristics of the services to be provided can be quite difficult. How many soldiers does the task require? What sort of training and experience should they have? What equipment will they require? Answering these questions is no easy task, and requires a great deal of effort on the part of the contracting state. Even during the early modern period, contracting was difficult and written documents went into great detail about the exact numbers of men and materiel to be provided. Mockler (1969) notes that contracts between Italian city-states and condottieri—the mercenaries of the day—frequently had just as much to say about horses as they did about men, so concerned were the principals with assuring a properly-equipped force. The difficulties of such contracts

remind us that these arrangements are not as simple as sending a particular number of soldiers to a given location, but that forces must be supplied and transported in order to be effective. And as technology has progressed beyond soldiers on horseback, so have the costs of creating a contract that appropriately addresses the necessities of manpower and logistics behind a military operation. In other words, it is difficult to write contracts that will be ‘complete’—able to cover all possible contingencies that could arise. Given the ‘fog and friction of war’ (Clausewitz 1993), it is incredibly difficult to predict the course a conflict may take. Private military companies are frequently entering into very complex situations in weak states—civil conflicts where there is no set ‘battlefield’ and opposition forces can be difficult to identify amongst civilian populations.

Monitoring military agents—a key tool for mitigating moral hazard—is an especially difficult enterprise. Agents that provide force for a regime often possess private information about the conditions on the ground. This informational asymmetry introduces monitoring problems, in that the principal often cannot be sure whether outcomes are the product of agent intent and effort or simply a by-product of the circumstances in which the agent is operating. A fantastic failure on the battlefield may be a symptom of bad intentions or planning on the part of the agent, or bad luck, such as a freak weather incident. The principal is neither an expert on planning nor weather, and will find it difficult to identify the true culprit behind the military’s

defeat. In this case, it is difficult for the principal to tell the difference between working, shirking, and sabotage.

Private military companies may be even more difficult to monitor than a state military. The monitoring relationship will probably be similar to that of a paramilitary group, in that these troops have already trained together and have an existing organizational structure outside of the state military that they will be aiding. This existing structure may cause difficulties; it may not mesh well with the structure of the state military. Conflicting standard operating procedures and hierarchies may exacerbate agency loss. One problem may be that because these agents tend to be hired for short-term contracts, it may not be worthwhile for the regime to overhaul its monitoring structure to incorporate the new agent. PMCs are also much more likely to be made up of foreigners. Although not inherently a monitoring problem, cultural differences and language barriers may create misunderstandings about expectations or behavior. Because communication is essential to monitoring, regimes may be at a disadvantage when trying to monitor foreigners as compared to their own nationals.<sup>27</sup>

*When is Contracting with a PMC Less Costly?*

One exception to the general fact that military outputs are difficult to contract with PMCs for is in the protection of strategic assets. The presence of site-specific

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<sup>27</sup> The US government acknowledges the difficulty of monitoring and attempts to address this problem by requiring “contracting officers” to oversee PMC activities and serve as a liaison between the Department of Defense hierarchy and that of the PMCs it hired. Developing states may have fewer resources to establish these monitoring institutions. Especially damning is the fact that in the US, contracting officer roles are chronically understaffed (Singer, 2003), and often get contracted to PMCs, placing the fox in charge of the hen house. If the US struggles to meet its own standards in monitoring PMCs, one can imagine the challenge in developing states.

assets can lower the costs of writing a complete contract for private security provision. This may be counter-intuitive, as much of the economics literature considers site-specificity to be a problem for the agent and therefore the principal (Klein, Crawford and Alchian 1978). But in the context of force provision, Fredland and Kendry (1999) point out that “the type of contingencies requiring re-contracting would be less pervasive in such cases.” In other words, when regime leaders want to protect a site-specific asset, the task is clearly delineated with easily monitored outputs, and if the contract is well written, it may even be somewhat self-enforcing.

Unlike the state military, PMCs do not come along with institutions of control that are usually available to the state like loyalty/patriotism, training, etc. When the state has no role in the creation of the PMC and is only going to have a relationship for a short period of time, they must rely on contracts, which by their nature, are incomplete. However, when states are involved in conflicts that impact their natural resource wealth, a site-specific asset, the cost-benefit calculation changes. A regime leader in this circumstance can write a simpler, more complete contract, thus making it easier to hire private military companies to perform services near the tip of the spear. From a principal-agent perspective, it would be unwise to hire a PMC with an open-ended contract because of concerns about moral hazard and adverse selection. However, if one may incorporate very specific goals that the agent is supposed to achieve within a specified time-frame, it makes it easier for that contract to be

enforced, and when achieving the goal efficiently is in the agent's best interest, the contract may be to some degree self enforcing.

For example, hiring a PMC to help fight insurgents has the potential to create a multitude of unforeseen problems. The PMC may be unable to complete the tasks, they may be unwilling to complete the task (creating a hold-up problem), they may have incentives to shirk on their tasks or even sabotage because a prolonged conflict would increase the period for which they were being paid. But if a contract requires only that the PMC takes a diamond mine that has been claimed by the rebels, there are very specific goals that must be achieved or the contract may be terminated.

Moreover, if the PMC earns a share of the mine's profits, they are incentivized to act efficiently (the same logic that drives managers to offer employees stock options). It is much less costly in this scenario for the principal to monitor the relationship and to determine whether the agent did their job; either they took the diamond mine or they did not. This evaluation makes it much easier to fire agents, because it is easier for the principal to identify when they have hired the wrong type (an agent unwilling or unable to retake the mine), and to give reason for termination of the relationship.

### Conclusion

One of the major obstacles to security privatization is the difficulty of designing contracts to mitigate moral hazard problems. The egregious incompleteness of contracts in warfare makes leaders less likely to hire PMCs. But when leaders seek

to retake or defend high-value site-specific assets from internal challengers, contracts with adequate monitoring and sanctioning tools may be easier to write.

**Theoretical Claim 2:** Regime leaders who prioritize the control and protection of high-value, site-specific assets are more likely to hire PMCs.

It is difficult to directly measure how important site-specific assets are to leaders, so again I turn to a proxy measure. Diamonds and oil are both high-value, site-specific assets commonly found in sub-Saharan Africa, and states that produce enough of these resources to export tend to be highly dependent on them (Ross, 1999; Humphreys, 2005).

**Hypothesis 2.1:** Leaders of states that export diamonds are more likely to hire PMCs.

**Hypothesis 2.2:** Leaders of states that export oil are more likely to hire PMCs.

### ***2.C. Civil Conflict***

To some degree, a regime's spending on the provision force is driven not by the need for force but by the need to provide consumption for the regime's constituents, which typically includes military leadership. (In the developing world, regimes whose militaries are not members of the winning coalition have a short half-life.) In the absence of a serious threat to the regime, this is especially true. In a sense, this means that for most developing states (in the absence of civil conflict), money

spent on the state military is not really “discretionary spending,” but closer to “entitlement programs.”

Because hiring a PMC is a form of discretionary spending, it is unlikely that any leader would choose to do so without a significant security concern. Threat may be thought of in terms of direct conflict that a leader may be engaged in. The most straightforward internal threat is the presence of civil conflict; leaders typically have greater demand for military force during times of intrastate war, although there will be variation according to the intensity of conflict. In other regions and time periods, of course, interstate is a major source of security threat, but from 1990-2010, the only such war in Africa was between Ethiopia and Eritrea in 2000, and that was essentially an aftershock of the civil war that resulted in Eritrea’s independence from Ethiopia in the 1990s.

Civil conflict tests the motivation and capability of state militaries. Private military companies benefit leaders threatened by civil conflict by increasing their military effectiveness, and this increased effectiveness may come from several sources (Brooks and Stanley 2007), most notably from either superior *capability* or *motivation*.

With regards to capability, private forces often have better training (often from Western militaries) and are therefore able to provide more sophisticated services in a shorter time-frame than could state forces. They also may have access to superior technology (such as air power). This is especially true since the end of the Cold War brought a precipitous drop-off in super-power funding to African states and their



militaries (Waal, 1996). The superior technology and training of PMC forces is especially important in civil conflict because the enemy is hiding amongst non-combatants, employing guerrilla tactics that require a superior conventional force to overcome.

When it comes to motivation, PMCs are often more reliable defenders of the regime than are local soldiers. Whereas a leader facing political challenges from fellow countrymen may have concerns about the loyalty of his domestic forces (Herbst 2004), PMCs, staffed mostly by foreigners working for profit and desiring to maintain an international reputation for loyalty, are unlikely to harbor sympathies for the enemy.

Finally, as noted earlier, Desch (1996, pp. 12-29) argues that militaries with primarily internal missions are less susceptible to civilian control than those with primarily external missions, so hiring PMCs may be particularly attractive to regime leaders embroiled in civil conflict.

**Theoretical Claim 3:** Leaders of regimes engaged in civil conflict are more likely to hire PMCs.

**Hypothesis 3.1:** In years with at least 25 battle deaths from civil conflict, regimes are more likely to hire PMCs.

### 3. How Can We Predict Which Services Will be Privatized?

The preceding discussion has laid the theoretical groundwork for three main hypotheses related to the primary question of this dissertation: under what conditions are states most likely to privatize military services? I test these hypotheses in Chapter 3. Next, I will address the secondary question of this dissertation: how can we predict which services will be privatized? Chapters 4 and 5 focus on the cases of privatization identified in Africa during the period of study (1990-2010) and consider the types of services being privatized.

Many discussions of privatization lump all cases of PMC hiring together, implying that the dynamics driving the private contracting for combat services are no different than those driving the private contracting for truck drivers.<sup>28</sup> I offer a framework that can help us explain the differences between circumstances under which the government privatizes at the tip or base of the spear. This approach offers two major advantages, one theoretical, and one design-related.

From a theoretical perspective, the transition in dependent variables allows me to test additional empirical implications of my model. Expanding the gradations of the observed phenomena and looking at them in greater depth gives us the opportunity to focus on internal dynamics, rather than broad brushstrokes. Perhaps most interesting from the perspective of readers looking for insight into the use of mercenaries, is that this research design allows us to differentiate between private military companies that

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<sup>28</sup> There are works that look specifically at one type of service provision. For an excellent example, see Kinsey (2006).

are more in line with the common understanding of a mercenary (particularly in terms of involvement in conflict) and those that seem to be less disconcerting to the public at large, such as logistics and support firms. We can look directly at the military provider firms, the ‘mercenaries’ that many are concerned about.

From a research-design perspective, besides my hope that a secondary test of additional implications of my theory will support my argument, this approach also allows me to avoid a problem plaguing much of the literature on this topic—selecting on the dependent variable. Looking at the type of service privatized allows me to look at the cases where I have the most information (those involving confirmed use of PMCs), and at the same time to have a selection criterion that differs from the outcome of interest. Instead of simply telling the reader what happened in these cases, I can harness the descriptive literature and my own research to bring some theoretical nuance to discussions of regimes that privatize—not just whether they are more likely to privatize, but *what* they are likely to privatize.

### ***3.A. Combat Services Less Likely to be Privatized in General***

I have already discussed the high contracting costs associated with privatizing security provision, but I emphasize here that contracting is increasingly costly as services approach the tip of the spear. Hiring an agent to wage war involves severe moral hazard problems with both hidden action and hidden knowledge—that is, the principal (regime) cannot observe the specific actions or overall level of effort of the

agent, and the process of fighting gives the agent private information about the conditions on the ground that he can strategically misrepresent to his principal. Moreover, it is impossible to write a complete contract for the supply of combat services, because neither party can foresee all the contingencies that will arise in the course of combat. These problems are so daunting, Fredland and Kendry (1999) conclude, that “viewed from the perspective of economic theory...privatisation of military outputs seems to have...quite limited, viability.”

Following the logic of scholars of privatization (Donohue 1984), governments are most likely to privatize services where they care about the ends but not the means, and keep services where the means are important in-house. Comparing logistics to combat, it is not surprising that privatization of logistics is more common. In the case of logistics, it is important that men and materiel are moved from point A to point B, but it is less likely that the government has concerns about how it occurs, as long as it is timely. This calculation is likely to be quite different for hiring soldiers to participate in combat. Not only are leaders likely to care about outcomes, but they are also likely to care very much about the manner in which the outcome is attained. Contracting at the tip of the spear is more costly to monitor, more costly to sanction, and more costly to replace at short notice. For this reason, regimes are more likely to hire PMCs for tasks father away from the tip of the spear, such as logistics and support, and less likely to hire them to provide services at the tip of the spear.

**Theoretical Claim 4:** Regime leaders are more likely to hire PMCs at the “base of the spear” (logistics, training, and support services) than at the “tip” (combat services).

**Hypothesis 4.1:** In the full set of PMC onset cases, a significant majority of these cases will represent the hiring of PMCs for non-combat services.

***3.B. Combat Services are More Likely When Regime Leader Faces Existential Threat***

As discussed in Sections 2.A and 2.C, existential threats to the regime, from either the state military or rebel groups, may motivate regime leaders to take the extraordinary step of writing a private contract for military outputs. In the absence of such a threat, I do not expect leaders to take this step because of the costs discussed in Section 3.A.

**Theoretical Claim 5:** Regime leaders should only hire PMCs at the “tip of the spear” (combat services) when they face an existential threat to their regime from the state military or from rebel groups.

**Hypothesis 5.1:** In the full set of PMC onset cases, privatization at the tip of the spear will occur only in regime-years with 25 or more battle deaths from civil conflict, or in regime-years following a coup, coup attempt, or the discovery of a coup plot.

#### 4. Conclusion

In this chapter, I have laid out my theory of security privatization. I argue that dysfunctional civil-military relations, reliance on appropriable natural resources, and civil conflicts are the driving forces behind regime leaders' decisions to hire PMCs. I view these drivers as having an additive force, so that the more determinants of privatization that occur in a given regime-year, the more likely the leader is to privatize. Furthermore, I argue that existential threats to the regime from the military (via dysfunctional civil-military relations) or rebels (via civil conflict) drive leaders to privatize at the tip of the spear, while reliance on appropriable natural resources drives leaders to privatize at the base of the spear. These arguments are summarized in Table 2.1 below.

**TABLE 2.1 EXPECTATIONS FOR SECURITY PRIVATIZATION**

	Existential Threat to Regime (Military or Rebels)	No Existential Threat
Appropriable Natural Resources	Very likely to Privatize Privatize at tip of spear	Less likely to Privatize Privatize at base of spear
No A.N.R.	Less likely to Privatize Privatize at tip of spear	Not privatize

As part of the development of this theory, I derived hypotheses that will be addressed in subsequent chapters. I will use both quantitative and qualitative data on sub-Saharan Africa and its patterns of privatization in order to test my theory. The next chapter will feature a large-n statistical test of the general propositions of the

theory, while the following two chapters will consider the privatization phenomenon via structured, qualitative case studies.

## **Chapter 3.**

### **Quantitative Tests**

In the previous chapter, I laid out the factors that affect the decision of a leader to delegate security provision to a private military company (PMC) as an alternative to the state military. The simple argument is that privatization is attractive to leaders when they face an existential threat to their regime, either from the state military or an armed rebel group, and when they rely on appropriable natural resources. In the former case, they will hire PMCs at the tip of the spear; in the latter case, they will hire PMCs at the base of the spear. I view these factors as having an additive force, so that the more determinants of privatization that occur in a given regime-year, the more likely the leader is to privatize. In this chapter, I explain how I collected data on the dependent variable and operationalized the independent variables. I then present a statistical model, the results of which lend support to my theory.



## 1. Dependent Variables

Using content analysis of both news and academic sources, I identified every case of security privatization in sub-Saharan Africa between 1990 and 2010 that I could verify from at least two independent sources. My hope is that this dataset represents a complete list of publicly-known instances of PMC hire by state regimes.<sup>29</sup>

For each instance of PMC hire, I provide the following information:

1. Contracting Country
2. Year of Onset
3. Year PMC Leaves
4. Firm Name
5. Firm Country of Origin
6. Service Provided<sup>30</sup>
7. Estimated Number of Employees
8. Nationality of Employees
9. Estimated Percent of Employees Drawn from Local Population
10. Specific Location of Operation
11. Active Conflict PMC Engaged In
12. Additional Information on PMC Mission

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<sup>29</sup> Occasionally new information comes to light about security privatization, so it is possible that this list may grow. Following my first publication of this data, it will be posted to the Harvard Dataverse, with a note requesting scholars to contact me if they become aware of a case that can be verified by two independent, reliable sources.

<sup>30</sup> Data on the types of services provided draws on Singer's (2003) typology as a guide for coding. PMC services were denoted as Combat, Training, and Support. Individual states can and do hire companies for multiple tasks during a single year

### 13. Further Notes

#### ***1.A. What Counts as an “instance” of PMC Hire?***

In the dataset (included as an appendix to this chapter), I list every instance that I could verify of PMC hiring from 1990-2009 in sub-Saharan Africa, in which a recognized national government contracted for internal security. The follow sections provide greater detail on the scope of cases under study.

#### *Sub-Saharan Africa*

From 1990-2009, sub-Saharan Africa was composed of forty-three states, including Madagascar and Mauritius but not São Tomé and Príncipe or Seychelles. (The latter two states are excluded because they have fewer than 1 million citizens; neither have hired PMCs.) Namibia gained independence from South Africa on March 21, 1990 (so is missing lagged variables in 1990); Eritrea gained independence from Ethiopia on May 24, 1993 (so is missing observations for all variables in 1990-1992 and lagged variables in 1993); South Sudan did not gain independence from Sudan until July 9, 2011, so is not included in the dataset.

As discussed in Chapter 1, this geographically restricted dataset somewhat limits the generalizability of my study, but by compiling an exhaustive list of PMC uses in this region and time period, I can build a dataset well suited for systematic, quantitative study—as opposed getting spotty global data for which I have no baseline. This sacrifices some external validity for the sake of internal validity, but since

internal validity is the sine qua non of causal inference, the sacrifice is worth making. It is my hope that future data efforts will allow for out-of-sample tests of my theory.

*Two Independent, Reliable Reports of Actual PMC Activity*

African leaders often accuse their opponents of hiring foreign mercenaries. This could be driven by a sincere belief in the veracity of the claim or could be motivated by a desire to sap the public support of a political rival, but either way, the result is that there are a large number of reports of *alleged* PMC hiring. Since state governments and PMCs actively attempt to conceal the existence and details of their contracts, it can be difficult to determine which allegations are true and which are false.<sup>31</sup>

I compiled a database of PMC use by collecting data from academic sources (Musah and Fayemi, 2000; Singer, 2003; Avant, 2005) as well as searching news stories related to the private provision of security, via LexisNexis. All stories were cross-referenced, with cases of PMC use being entered in the dataset only if reported by two or more independent sources.<sup>32</sup> The dataset includes a “Sources” column, in which I include a citation to the sources that establish the case. Sometimes a single academic work has citations to two or more reliable sources, and for those cases I

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<sup>31</sup> For many reasons, including national security and fears of unsympathetic reports by the press or watchdog groups, states are reluctant to release information about their privatization activities. The companies themselves are not eager to share these details either; those firms that maintain a public website describe previous missions in only the most general terms, lists of services provided are purposefully vague, and companies take pains to emphasize their discretion.

<sup>32</sup> For example, if an article by the Associated Press mentioned the use of a PMC and was printed in multiple newspapers, that would only count as a single observation. Inclusion in the dataset requires an additional, independent source.

indicate only the academic work. For all other cases, I provide two citations in the Sources column.

*Contracts with Recognized Governments for Internal Security*

There are multiple well-substantiated cases of PMC hire by entities other than recognized national governments. Rebel groups, corporations, and even NGOs hire PMCs for support, training, and occasionally combat. Rebel groups have hired PMCs in Burundi, Democratic Republic of Congo, Sudan, and elsewhere. Allies have provided support via PMCs (including United States through its African Contingency Operations Training and Assistance program). There are also cases of private individuals hiring PMCs to attempt coups (as Mark Thatcher and others did in the failed “Wonga Coup” of Equatorial New Guinea).

There are also several unrecognized governments in Africa, including Somaliland, Puntland, and Western Sahara, and at least one of these governments (Puntland) has hired PMCs. These regimes, however, are not the internationally recognized governments of the land over which they claim legitimacy, so they are not included in the study. By the same rationale, Eritrea, though gaining *de facto* independence in 1991, is not included as a case until 1993, when it gained official, internationally recognized statehood.

Finally, there are two important potential cases of PMC hire that I exclude. In the Eritrean–Ethiopian War of 1998-2000, both sides’ air forces were believed to rely

on Russian and Ukrainian pilots. I exclude these cases for two reasons: first, there is insufficient evidence that PMCs were hired, especially in the case of Eritrea;<sup>33</sup> and second, if PMCs were hired, they were not for internal security services but for an interstate war. The focus of my thesis is on threats to a regime that arise from within state borders (in particular, from state militaries and rebel forces). Since these cases fall outside the domain of my theory and are not well documented, I chose not to include them in my analysis.

Leaders of twenty-six different countries hired PMCs, and in all but two of these countries, leaders hired only one firm at a time (according to the available sources). However, in Angola and Sierra Leone, leaders hired multiple firms for overlapping time periods. From 1993-1997, Angolan President José Eduardo dos Santos hired 16 PMCs, mostly part of the Executive Outcomes network of firms. (See Chapter 1, Section 2.B for a discussion of the EO network.) In 1993, Sierra Leonean President Joseph Momoh hired two firms; then in 1995 President Valentine Strasser hired three firms, and then another two the following year; and then President Ahmad Tejan Kabbah hired another two the year after that, and restructured the roles of the PMCs currently working in country. (As in Angola, most of these firms were part of the Executive Outcomes network).

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<sup>33</sup> Available evidence for these cases comes from two websites, [acig.org](http://acig.org) (page inaccessible as of 2015, but republished at <http://www.dankalia.com/archive/2003/030117.htm>) and WND.com (<http://www.wnd.com/2000/07/7158/>). Singer (2003) cites the latter website and an article from the Russian newspaper *Izvestia*, but only describes the Eritrean air force as “rumored to have hired Russian and Ukrainian pilots.”

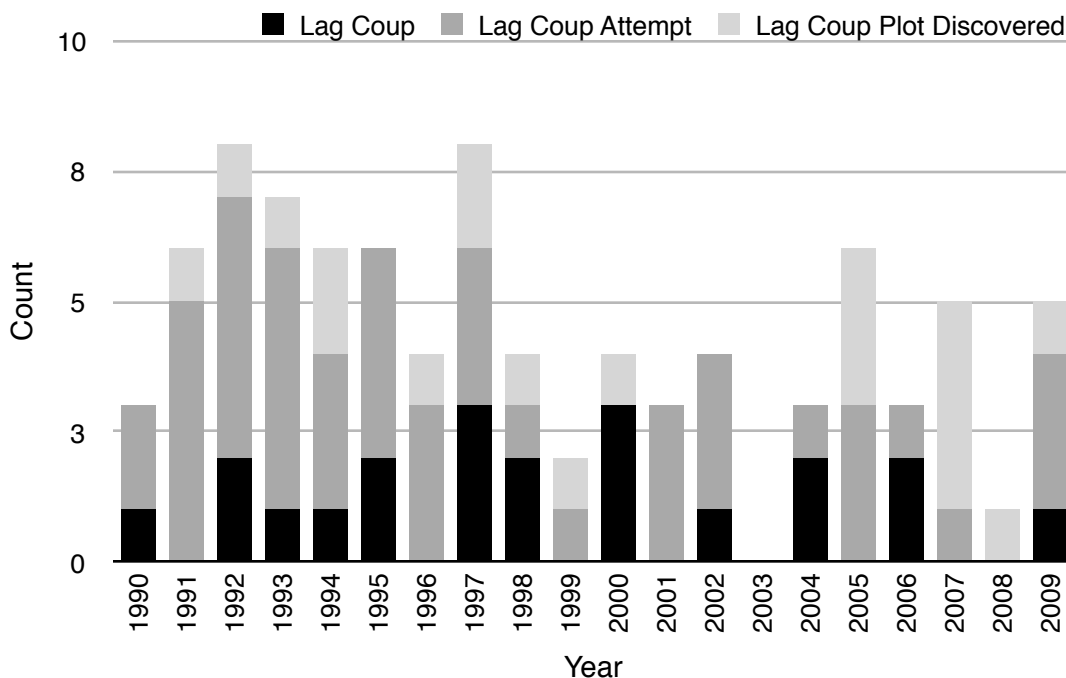
The goal of this research is to understand regime leaders' decisions. For that reason, in Angola and Sierra Leone I group together clusters of contracts that I believe represent a single "leader decision," while identifying each verified contract in the dataset (in column seven, "Additional Information on PMC Mission"). This results in the 16 Angola contracts being grouped into four cases and the nine Sierra Leone contracts being grouped into six cases. In Section 3.A., I report the result of robustness checks designed to determine the degree to which my analysis depends on this coding decision.

## **2. Independent Variables**

I integrate the PMC-onset dummy variable (`pmcOnset`) and a PMC-use dummy variable (`pmcUse`) into a larger dataset including proxy-measures for the theoretical constructs identified by my theory as driving PMC hiring. These include measures of dysfunctional civil-military relations, reliance on appropriable natural resources, and engagement in regime-threatening civil conflict. The larger dataset includes forty-three countries over twenty years (except for Eritrea, which starts as a case in 1993, when it declared its independence and gained international recognition), resulting in 857 country-years.

### ***2.A. Measures of Civil-Military Relations***

Dysfunctional civil-military relations are proxied by one-year lags for successful coups, attempted coups, and coup plots discovered (LagCoup, LagCoupAttempt, LagCoupPlotDiscovered). Data for these variables come from two sources: McGowan (2003), which focuses exclusively on African coups (successful and attempted) from 1956 to 2001; and Marshall and Marshall (2011) which covers all *coups d'état* (successful, attempted, discovered, and alleged) from 1946 to 2010. While successful coups are easy to observe, those that did not succeed are less so. Marshall and Marshall's three levels of unsuccessful coup-events are based largely upon the amount of reporting covering the event (based on news reports in Keesing's Record of World Events). Attempted are those that they are most sure about, with discovered and alleged following behind. I included all attempted events and those 'discovered' plots that had particular individuals attached to them, which I took to mean that there was a greater likelihood of the allegations being true. In the dataset, there were twenty-one coups, forty-seven attempted coups, and 20 coup plots discovered (involving named individuals). Figure 3.1 shows the number of coups, coup attempts, and coup plots discovered (lagged by one year) from 1990-2009.

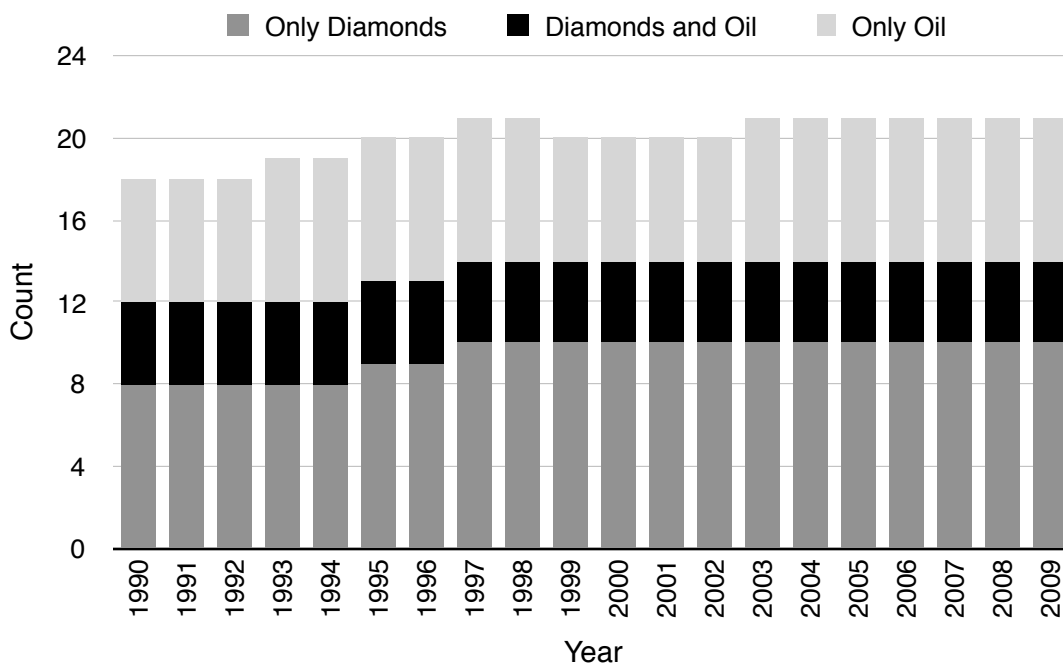


**FIGURE 3.1 NUMBER OF COUP EVENTS IN SUB-SAHARAN AFRICA BY YEAR**

### ***2.B. Measures of Reliance on Appropriable Natural Resources***

Reliance on appropriable natural resources is proxied by dummy variables identifying exporters of diamonds and oil (Diamonds, Oil). The dummy for oil-exporting states is coded based on the World Development Indicators (World Bank, 2011) and cross-referenced with data from Humphreys (2005) and Ross (2009). The dummy for diamond-exporting states again uses data from the World Development Indicators and is cross-referenced with a dataset compiled by Lujala et al. (2005). Figure 3.2 shows the number of states each year that export diamonds, oil, or both resources.

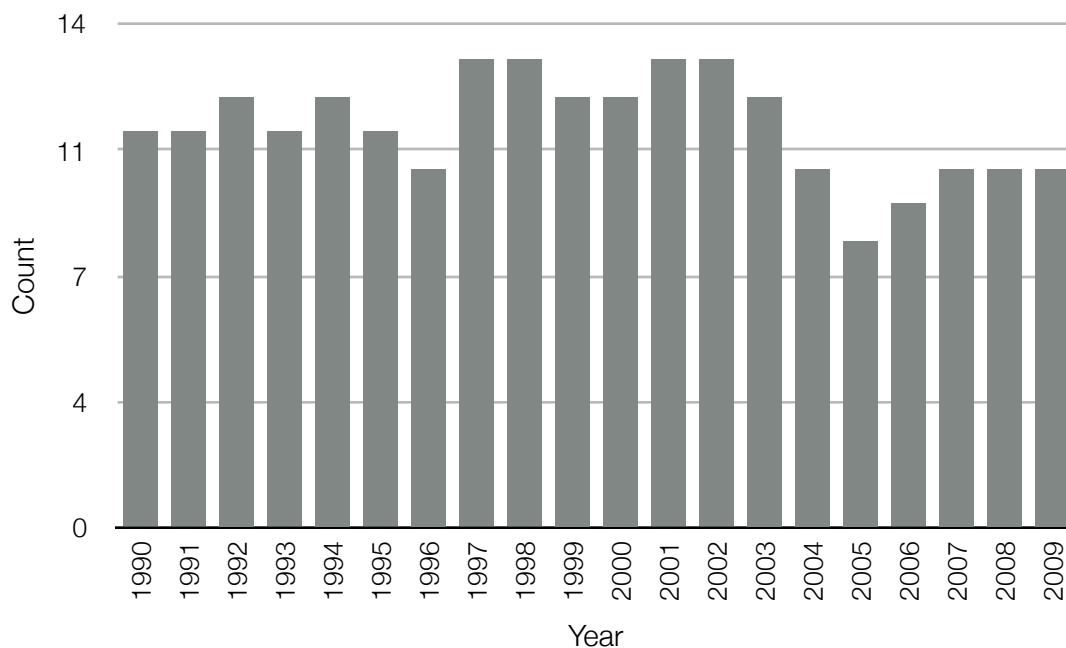




**FIGURE 3.2 NUMBER OF STATES EXPORTING DIAMONDS OR OIL BY YEAR**

### *2.C. Measures of Engagement in Regime-threatening Civil Conflict*

Engagement in regime-threatening civil conflict is proxied by a dummy variable for states that experienced 25 battle-deaths due to civil conflict (Civil\_War). My data on conflict comes from the UCDP/PRIO Armed Conflict Database version 4-2011 (Gleditsch et al. 2002, Themner et al. 2011). Conflict is defined as “a contested incompatibility that concerns government and/or territory where the use of armed force between two parties, of which at least one is the government of a state, results in at least 25 battle-related deaths.” Figure 3.3 shows the number of states each year engaged in civil conflict.



**FIGURE 3.3 NUMBER OF STATES ENGAGED IN CIVIL CONFLICT PER YEAR**

## **2.D. Joint distribution of independent variables**

Table 3.1 shows the joint distribution of the independent variables. Cases are counted as having recent coup activity if LagCoup or LagCoupAttempt equal 1. They are counted as relying on appropriable natural resources if Oil or Diamonds equal 1. They are counted as engaged in civil conflict if Civil\_War equals 1. Figure 3.4 displays the joint distribution as an Euler diagram, with region sizes proportional to the number of cases.

**TABLE 3.1 JOINT DISTRIBUTION OF IVS**

Condition	Number of Cases
Coup Only	22
Resources Only	296
Conflict Only	120
Coup and Resources	15
Coup and Conflict	13
Resources and Conflict	78
Coup, Resources, and Conflict	12
None	300
Total	556

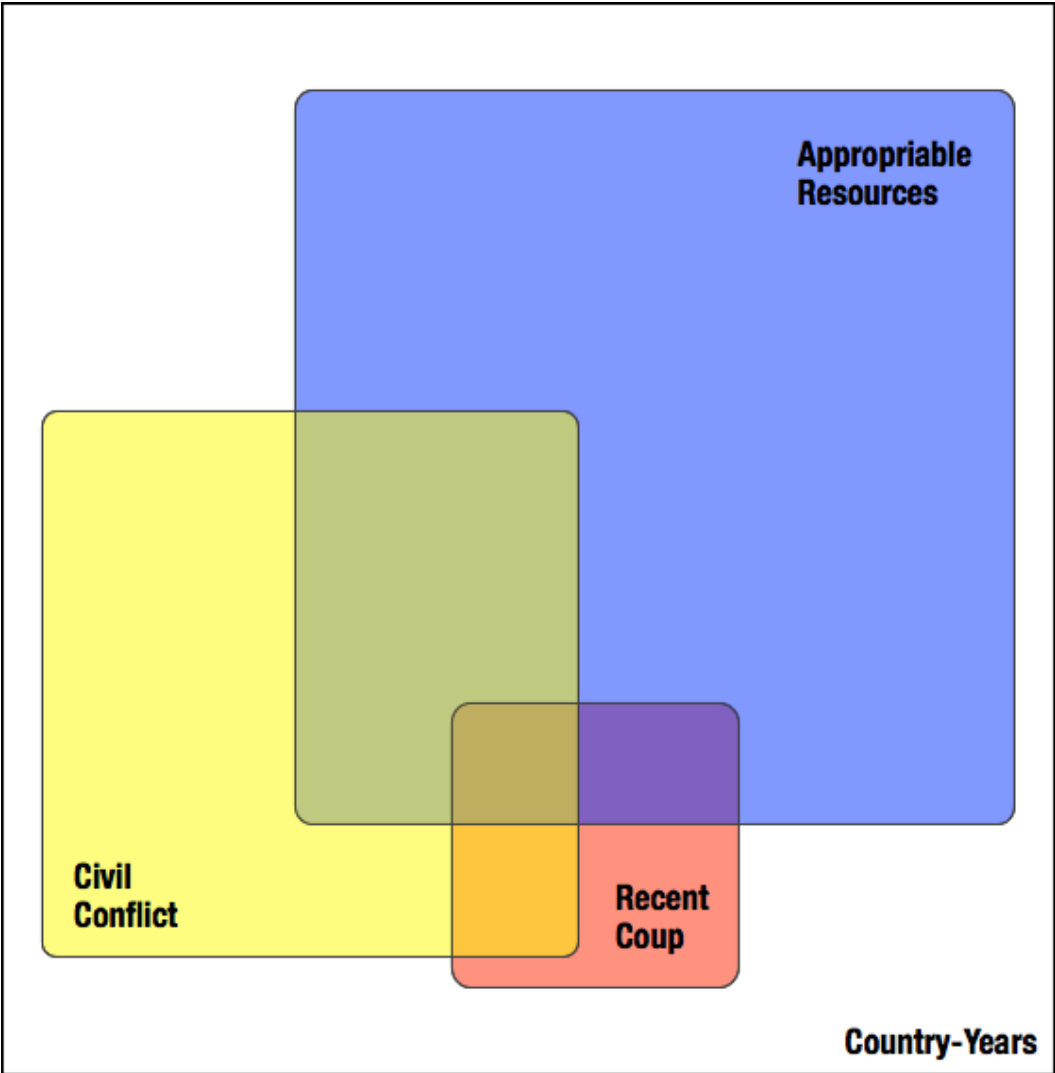


FIGURE 3.4 JOINT DISTRIBUTION OF INDEPENDENT VARIABLES

### 3. Statistical Models

Chapter 2 established a clear theoretical argument with testable implications, and in this section I describe the models I used to test those implications. Table 2 reviews the hypotheses established in Chapter 2. I test these hypotheses using the statistical models discussed in this section. I have posted the R and Stata code for reproducing this analysis at the Harvard Dataverse: <http://dx.doi.org/10.7910/DVN/NL5BBJ>. The data on PMC use is included at the end of this chapter as an appendix, but is embargoed until first publication by myself. The full dataset will be publicly posted upon first publication

**TABLE 3.2 HYPOTHESES**

	Hypothesis	Variable for Testing
1.1	In the year following a coup, a regime leader is more likely to hire a PMC.	LagCoup
1.2	In the year following a coup attempt, a regime leader is more likely to hire a PMC, but the effect will be weaker than that following a successful coup.	LagCoup Attempt
1.3	In the year following a discovered coup plot (with specific high-level conspirators identified), a regime leader is more likely to hire a PMC, but the effect will be weaker than that following an actual coup attempt.	LagCoupPlot
2.1	Leaders of states that export diamonds are more likely to hire PMCs.	Diamonds
2.2	Leaders of states that export oil are more likely to hire PMCs.	Oil
3.1	In years with 25 or more battle deaths from civil conflict, regime leaders are more likely to hire PMCs.	Civil_War
4.1	In the full set of PMC onset cases, a significant majority of these cases will represent the hiring of PMCs for non-combat services.	spearTip
5.1	In the full set of PMC onset cases, privatization at the tip of the spear will occur only in regime-years with 25 or more battle deaths from civil conflict, or in regime-years following a coup, coup attempt, or the discovery of a coup plot.	All variables above except Diamonds, Oil

### 3.A. Predicting When Leaders Hire PMCs

#### *Model 1: The Logistic Regression Implied by Hypotheses 1.1 to 3.1*

The base model tests the first six hypotheses in a single rare-events logistic regression model (King and Zeng, 2001). The unit of analysis is the country-year, and the outcome of interest is PMC use. The variable measuring PMC use, *pmcUse*, receives a 1 for any country-year in which a PMC operated in-country at the behest of the regime for all or part of the year; all other cases receive a 0. There are no missing values for this variable.

I do not expect the errors in this model to be independently and identically distributed; observations across time within a state will be correlated in some unknown way, inducing correlation in errors within each state.<sup>34</sup> To account for this correlation, I use clustered robust standard errors.<sup>35</sup> See Kézdi (2004) for a discussion of the benefits of using clustered, robust standard-error estimation when working with datasets similar to mine.

In this model, PMC use is a function of the six independent variables:

$$pmcUse = f(LagCoup, LagCoupAttempt, LagCoupPlotDiscovered, \\ Diamonds, Oil, Civil\_War, error_{country}, error_{country-year})$$

---

<sup>34</sup> I do assume, however, that there is no correlation in errors between states. This assumption is appropriate for theoretical and empirical reasons: theoretically, my approach is comparative in nature, focusing on causes and effects internal to each state; empirically, the in region and time period I study, there is virtually no interstate warfare.

<sup>35</sup> Whereas “fixed-effects” models assume a very special error structure—one in which, within the group, every observation is equally correlated with every other observation—using clustered errors makes fewer assumptions by allowing within-group correlation to vary.

Unfortunately, the coefficients in this model cannot be properly estimated, because there is no overlap between `LagCoupPlotDiscovered` and `pmcUse`. This is not particularly surprising, since coup plots and PMC hiring are both rare events. Because there are only 60 country-years in which PMC use occurred, and only 2% of country-years involve a discovered coup plot, the probability of observing no overlap—assuming random distribution—is a little over 24%. Of course, the hypothesis that coup plots drive privatization rests on the assumption that the joint distribution of these variables is *not* random, and the fact that not one of the 20 discoveries of a coup plot is followed by privatization is enough evidence to reject this hypothesis. In this case, the absence of evidence is indeed evidence of absence.<sup>36</sup>

In all future models, `LagCoupPlotDiscovered` is omitted from the analysis.

*Model 2: Excluding LagCoupPlotDiscovered*

The second model is identical to the first, with the exception that `LagCoupPlotDiscovered` is removed from the right-hand side of the regression. Table 3 summarizes the results of Model 2. The coefficients of this model can be successfully estimated, and provide strong support for my theory. Indeed, all five coefficients have the predicted sign, four are significant at  $p < 0.1$ , and two are significant at  $p < 0.01$ . Especially given the limited number of positive observations in the dependent variable, I interpret these results as evidence for the validity of the theory developed in Chapter 2.

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<sup>36</sup> Recall, though, that Hypothesis 1.3 argued discovered coup plots would be the weakest driver of privatization, so I do not consider the failure to detect an effect of `LagCoupPlotDiscovered` a crushing blow for my theory.

**TABLE 3.3 MODEL 2 RESULTS**

		Estimate	Std. Error	z-value	P-value
	(Intercept)	-3.51	0.32	-10.91	0.000
Civil-Military Relations	LagCoup	1.06	0.64	1.66	0.098
	LagCoupAttempt	0.75	0.40	1.90	0.058
Appropriable Resources	Diamonds	0.39	0.32	1.21	0.227
	Oil	1.04	0.33	3.11	0.002
Civil Conflict	Civil_War	1.01	0.33	3.05	0.002
Observations		814			

*Model 3: Adding a One-year PMC-use Lag*

Since a leader's decision to use a PMC in year  $t$  may be influenced by his decision to use a PMC in year  $t - 1$ , Model 3 includes a lag variable that receives a 1 if a PMC was in-country the previous year. Since PMC use is rare but often persists over multiple consecutive years, I expect this lag to have a significantly positive impact on the dependent variable.

Table 3.4 summarizes the results of Model 3. All coefficients retain the predicted sign, and four of six are significant at  $p < .05$ . LagCoup is no longer significant, but p-values for LagCoupAttempt, Oil, and Civil\_War decreased.

As predicted, lag\_pmcUse is a significant predictor of pmcUse. This "stickiness" of PMC use may stem from three factors. First, working with a PMC includes fixed and variable costs (in both financial and political terms), so once a leader pays the fixed costs of hiring a PMC, the balance of costs and benefits shifts to some degree in favor of PMC use. Second, PMC use develops relationship-specific



assets. Many academic and journalistic accounts stress the influence of relationships between members of the regime and PMC representatives in driving privatization. If this is true, then when a leader develops a working relationship with a PMC, both fixed and variable costs may decrease. Finally, many military missions simply can't be accomplished in the same calendar year as they began.

**TABLE 3.4 MODEL 3 (BASE MODEL PLUS PMC-USE LAG)**

		Estimate	Std. Error	z-value	P-value
	<b>(Intercept)</b>	-3.88	0.23	-16.78	0.000
Civil-Military Relations	<b>LagCoup</b>	0.69	0.94	0.74	0.459
	<b>LagCoupAttempt</b>	1.06	0.44	2.43	0.015
Appropriable Resources	<b>Diamonds</b>	0.22	0.22	0.98	0.328
	<b>Oil</b>	0.77	0.24	3.19	0.001
Civil Conflict	<b>Civil_War</b>	0.88	0.23	3.86	0.000
Dependence	<b>lag_pmcUse</b>	2.55	0.39	6.61	0.000
Observations		814			

*Model 4: Robustness Check for Independence of Observations*

Using the PMC-use dependent variable maximizes the number of positive observations. Unfortunately, it also requires the assumption that a lagged PMC-use variable sufficiently accounts for dependence between cases. If this is not the case, then we can only model PMC *onset*, losing the positive observations from all but the first year of multi-year contracts. In Model 4, I test whether the positive results of Model 2 hold when using a sparser dependent variable. Aside from resolving the

potential problem with the independence of observations, using Onset as the dependent variable is perhaps a more direct approach to analyzing leaders' decisions. After all, the decision to hire a PMC may be fundamentally different than the decision to continue the relationship, and my theory is most clearly focused on that initial decision.

The new dependent variable, `pmcOnset`, is constructed as follows: whenever there were multiple years of PMC Use by a single state, the first year was coded as a 1, and the following years of PMC use under that contract were coded as missing data, instead of a zero. This was done because those cases are unable to experience an onset during that time. Censoring the dependent variable in this way prevented non-onset regime-years in which there was a PMC present from entering the model as 'non-users.' Since all years after of PMC use after the first are coded as missing, five onsets, which occur during the course of a previous contract in the same state, are dropped from the data—again to take the most conservative possible approach to eliminating dependence between cases. Years of PMC use resulting from dropped contracts are still coded as missing, again to prevent non-onset regime-years with PMC use from entering the model as cases of non-use. Of course, Model 4 also removes the `lag_pmcUse` variable, since we are no longer concerned about use years.

Table 3.5 summarizes the results of Model 4. Again, all coefficients have the predicted signs. The effect of coup attempts is no longer statistically significant (not surprising given the dramatic decrease in positive observations of the dependent

variable), though the p-value of for the effect of coups as decreased, which brings it closer to the results from Model 2. The results of this model are not quite as strong as those of Model 2 or 3, but no variables have coefficients of the wrong sign, and two of five coefficients are significant. And given the 37% decrease in positive cases, the results are encouraging. Moreover, the consistency between this and the previous model suggests that the lag variable in Model 3 adequately accounts for dependence between cases.

**TABLE 3.5 ROBUSTNESS CHECK FOR DEPENDENCE ASSUMPTIONS**

		Estimate	Std. Error	z-value	P-value
	(Intercept)	-3.70	0.28	-13.20	0.000
Civil-Military Relations	LagCoup	0.94	0.66	1.43	0.154
	LagCoupAttempt	0.71	0.54	1.31	0.189
Appropriable Resources	Diamonds	0.40	0.31	1.27	0.206
	Oil	0.67	0.31	2.14	0.032
Civil Conflict	Civil_War	0.87	0.35	2.51	0.012
Observations		834			

#### *Further Robustness Checks*

I also performed two additional robustness checks: one including a cubic polynomial of a regime-year indicator, and one restricting the dataset to the years before South Africa passed the Regulation of Foreign Military Assistance Act of May, 1998 (see Chapter 1, Section 2). I do not include the results of these models here, as they offer little new information, but they can easily be reproduced using my R and

Stata code, posted on the Harvard Dataverse (<http://dx.doi.org/10.7910/DVN/NL5BBJ>).

Model 5 includes a cubic polynomial of a regime-year indicator. The base indicator simply counts the number of years a country has been in the dataset, and if PMC onset occurs, it re-starts. Squared and cubed indicators are included as well. This helps account for temporal dependence in the data. While cubic splines could have been used for this purpose, I follow Carter and Signorino (2010), who suggest that this simpler approach is actually more appropriate. Model 6 is identical to Model 3, except that years 1998-2009 are dropped.

As in Models 2-4, all coefficients in Models 5 and 6 have the predicted (positive) sign. Civil\_War remains significant at  $p < 0.01$  in both models, and Oil is significant at  $p < 0.1$  in Model 5 and  $p < 0.05$  in Model 6. No other factors reach traditional levels of statistical significance. In Model 5, with the cubic polynomial to account for temporal dependence, lag\_pmcUse is no longer significant.

### ***3.B. Testing of One Interpretation of Reno's "Warlord Politics"***

Reno (1998) collected extensive and groundbreaking qualitative data on African regime leaders' strategic responses to the challenges and opportunities of globalization. He used that data to illustrate his theory with case studies. While Reno did not attempt to develop quantitative tests of the observable implications of his theory, his theory of warlord politics could be interpreted to imply the following

hypothesis: the larger a state's foreign direct investment (FDI) is as a portion of its GDP, the more likely it should be to hire PMCs. (See Chapter 1, Section 1.A for further discussion of this "implicit hypothesis.") In essence, I do not believe Reno's theory is designed to predict security privatization, but if it were going to be used for that purpose, the most likely prediction to draw from his theory is that FDI drives privatization.

Model 7 is designed to test the implicit warlord politics hypothesis. The specification of Model 7 is identical to that of Model 3 except for the addition of FDI as a proportion of GDP (FDIbyGDP). This new measure comes from the World Bank, which describes FDI as "the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor."<sup>37</sup>

Table 3.6 summarizes the results of Model 7. Notice that FDI as a proportion of GDP is actually a significant *negative* predictor of PMC use. While I don't believe this result undermines Reno's theory of warlord politics, I do believe that it undermines the idea that Reno's theory is well suited for predicting security privatization.<sup>38</sup>

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<sup>37</sup> This measure is part of the World Bank's World Development Indicators, and is available at <http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>.

<sup>38</sup> The significance of FDI as a negative predictor of privatization could also be interpreted as support for the theory that PMC use is partially driven by existential threats to the regime. Political risk is a major determinant of FDI, especially in the developing world (Busse and Hefeker, 2007), so the inverse correlation between FDI and PMC use may be a result of a third confounding factor: as the existential threat to a regime grows, FDI decreases and the probability of hiring PMCs increases.

**TABLE 3.6 MODEL 7 RESULTS**

		Estimate	Std. Error	z-value	P-value
	(Intercept)	-3.78	0.24	-15.48	0.000
Civil-Military Relations	LagCoup	0.67	0.93	0.71	0.476
	LagCoupAttempt	0.99	0.43	2.29	0.022
Appropriable Resources	Diamonds	0.19	0.24	0.80	0.423
	Oil	0.88	0.26	3.32	0.001
Civil Conflict	Civil_War	0.88	0.24	3.71	0.000
Warlord Politics	FDIbyGDP	-0.04	0.00	-9.15	0.000
Dependence	lag_pmcUse	2.60	0.40	6.45	0.000
Observations	784				

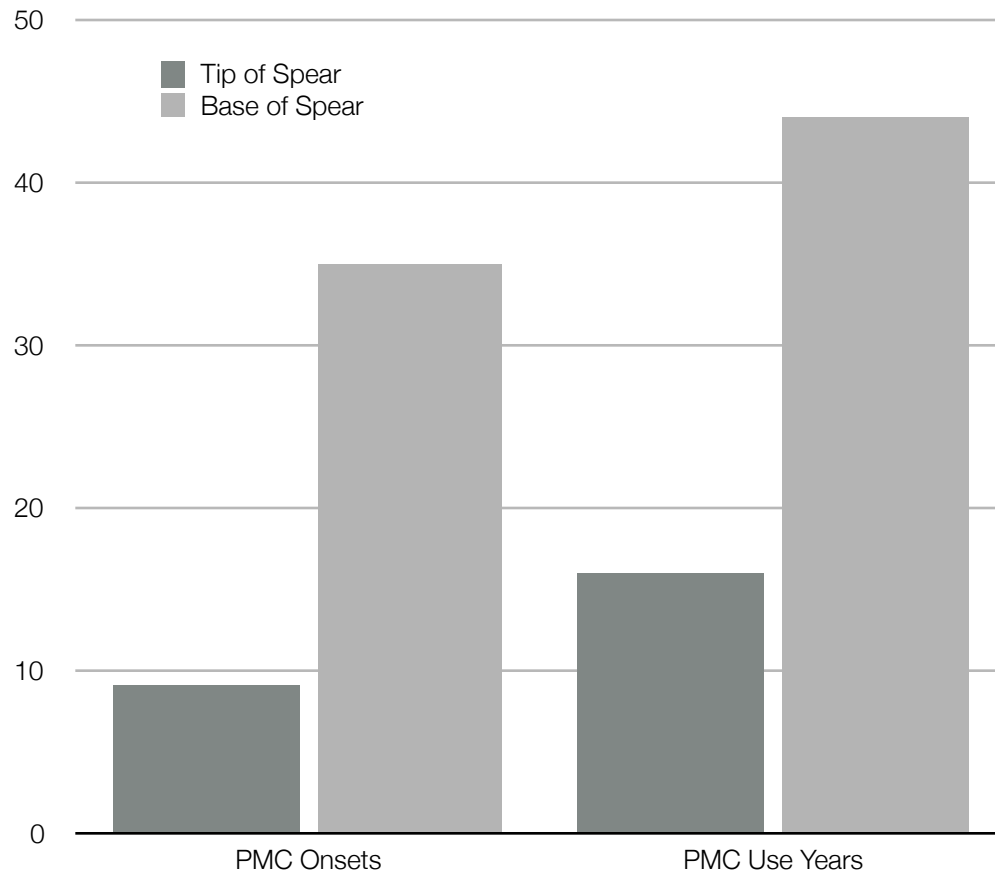
### ***3.C. Predicting which services leaders privatize***

#### *Most Privatization Occurs at the Base of the Spear*

The first hypothesis about the type of service leaders privatize does not require a regression model to test. Hypothesis 4.1 is simply that “in the full set of PMC onset cases, a significant majority of these cases will represent the hiring of PMCs for non-combat services.” Difference-in-proportions tests confirm that this is true. A majority of onsets are at the base of the spear,  $X^2(1, N = 42) = 7.17, p = .007$ , as are a majority of the country-year cases of PMC use,  $X^2(1, N = 60) = 5.96, p = .01$ . Figure 3.5 displays the discrepancy between PMC use at the base and tip of the spear.<sup>39</sup>

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<sup>39</sup> One potential criticism of the claim that most privatization occurs at the base of the spear is that both state regimes and PMC firms may take more efforts to conceal the use of combat services than they do for the use of support and training services, creating a selection effect. I would argue, however, that regimes and firms attempt to conceal all instances of privatization, and that combat services are more difficult to conceal than training and support services.



**FIGURE 3.5 MOST PMC USE IS AT THE BASE OF THE SPEAR**

### *Predicting Service Type*

Hypothesis 5.1 predicted that “in the full set of PMC onset cases, privatization at the tip of the spear will occur only in regime-years with 25 or more battle deaths from civil conflict, or in regime-years following a coup, coup attempt, or the discovery of a coup plot.” Technically, the data confirm this hypothesis; all 16 country-years of PMC use at the tip of the spear occur in a state that faces one of these conditions,  $X^2(1) = 17.9, p = 2.4 \times 10^{-5}$ .

However, this hypothesis is both too complex and too simple. It is too complex because Civil\_War alone is a necessary condition for privatization at the tip of the spear; it is too simple because it ignores reliance on appropriable resources, which also turns out to be a necessary condition for privatization at the tip of the spear. It is true that states experiencing a recent coup or coup attempt are more likely to privatize at the tip of the spear,  $X^2(1) = 2.95$ ,  $p = .09$ , but recent coup activity represents neither a necessary nor sufficient condition.

Thus, a more accurate statement would be this: in the full set of PMC onset cases, privatization at the tip of the spear will occur only in regime-years that *both* experienced 25 or more battle deaths from civil conflict *and* exported an appropriable natural resource,  $X^2(1) = 34.1$ ,  $p = 5.3 \times 10^{-9}$ . Table 3.7 summarizes the data on type of service provided.

**TABLE 3.7 COUNTRY-YEARS OF PMC USE AT TIP OF SPEAR**  
(DOMAIN: PMC USE COUNTRY-YEARS)

	Civil War	No Civil War
Appropriable Natural Resources	16 / 22	0 / 17
No Appropriable Natural Resources	0 / 8	0 / 13



#### **4. Conclusion**

In this chapter, I described an original dataset on security privatization in Africa from 1990-2009 and used the data to test my hypotheses. While many authors have noted the explosion of private security activity over the last twenty-five years, particularly in Africa (Howe 1998, Reno 1998, Musah and Fayemi 2000, Singer 2003, Avant 2005), the data reported here give us a clear sense of the scale and contours of that development.

The findings of this chapter can be summarized in the following tables and figure. Table 8 presents each hypothesis from Chapter 2 and the evidence that supports it. Table 9 presents the summary of predictions from the conclusion of Chapter 2 along with results. Figure 6 displays the joint distribution of the independent variables for cases of PMC use (the domain) and for PMC use at the tip of the spear (the region marked by the dotted line). As in Figure 4, the region sizes in this Euler diagram are proportional to the number of cases in each region.

**TABLE 3.8. THEORETICAL PREDICTIONS AND THEIR SUPPORT**

	Hypothesis	Conclusion	Evidence in Support
1.1	In years following coups, a regime leader is more likely to hire a PMC.	Confirmed	Table 3
1.2	In years following coup attempts, a regime leader is more likely to hire a PMC (effect will be weaker than that of a successful coup).	Confirmed	Tables 3, 4
1.3	In the year following a discovered coup plot, a regime leader is more likely to hire a PMC, (effect weaker than that of a coup attempt).	Rejected	[Untestable]
2.1	Leaders of states that export diamonds are more likely to hire PMCs.	Rejected	[None]
2.2	Leaders of states that export oil are more likely to hire PMCs.	Confirmed	Tables 3, 4, 5
3.1	In years with 25 or more battle deaths from civil conflict, regime leaders are more likely to hire PMCs.	Confirmed	Tables 3, 4, 5
4.1	In the full set of PMC onset cases, a significant majority of these cases will represent the hiring of PMCs for non-combat services.	Confirmed	Figure 5
5.1	In the full set of PMC onset cases, privatization at the tip of the spear will occur only in regime-years with 25 or more battle deaths from civil conflict, or in regime-years following a coup, coup attempt, or the discovery of a coup plot.	Confirmed but modified	Table 7

**TABLE 3.9 SUMMARIZATION OF THEORY, SUPPORTED BY (1) PERCENT OF REGIME-YEARS INVOLVING PMC USE AND (2) PERCENT OF PMC USE INVOLVING COMBAT SERVICES**

	Existential Threat to Regime (Military or Rebels)		No Existential Threat	
Appropriable Natural Resources	Very likely to Privatize	(21.9%)	Less likely to Privatize	(5.4%)
	Tip of spear	(69.6%)	Base of spear	(0.0%)
No A.N.R.	Less likely to Privatize	(5.2%)	Not privatize	(4.3%)
	Tip of spear	(0.0%)		(0%)

## **Chapter 3, Appendix A.**

### **Data on Each Case of PMC Hire in Sub-Saharan Africa, 1990-2009**

This appendix presents data on PMC use. This data is embargoed until first publication by myself. The full dataset will be publicly posted upon first publication.



Case	Contracting Country	PMC Onset	PMC Exit	Firm Name	Firm Country of Origin	Services Provided	Estimated Number of Employees	Nationality of Employees	Est. % Local	Specific Location	Active Conflict Engaged In	Additional Info on PMC Mission	Notes	Sources
25	Namibia	1991	1991	0 Executive Outcomes	South Africa	Support	Unknown, but about 100	South African	Unknown, but probably low	Coastal Namibia	None	Site protection of diamond mines	Although mine protection usually involves considerable local police, Namibian neighbors have been involved in the operation. (Namibian diamond mining is a joint venture between De Beers and the government). Both these factors increase the likelihood that South Africans were used rather than locals.	Musah and Fayem (2000)
26	Niger	2005	2005	0 DynCorp	United States	Training	Unknown, but about 50	American	0	Namney	None	Provided training for Niger's military to prepare them for AU peacekeeping	This is an extension of the colonial relationship with the UK.	Musah and Fayem (2000)
27	Nigeria	1990	1993	0 Defense Services Limited	United Kingdom	Support	Unknown, but about 200	British and Nigerian	About half	Northern Nigeria	None	Provided logistical support to the Nigerian military.		Musah and Fayem (2000)
28	Nigeria	2000	2000	0 MPRI	United States	Training Support	Under 50	American	0	Abuja	None	Consults with new democratically elected regime on restructuring state military forces, retrained a training program for that purpose.		Sigler (2003)
29	Rwanda	1994	1995	0 Torco Consulting Corporation	United States	Training Support	Under 100	American	Low	Kigali	None	Provided demining and some limited training of Rwandan military forces		Musah and Fayem (2000)
30	Rwanda	2003	2003	0 MPRI	United States	Training	Under 50	American	0	Kigali	None	Provided training for Rwandan forces to be used in AU peacekeeping		Sigler (2003), Awant (2005)
31	Senegal	1990	1990	0 Eric SA	France	Support	Unknown, but about 200	French	Low	Dakar	None	Provided support services for the Senegalese Army.	This is an extension of colonial relations with France. The French tend to handle support services with French nationals rather than locals.	Musah and Fayem (2000)
32	Sierra Leone	1991	1991	0 Specialist Services International	Germany	Support	Unknown, but about 200	German	About half	Freetown	None	Port Security		Musah and Fayem (2000)
33	Sierra Leone	1993	1993	0 Marine Protection Services	United Kingdom	Support	Unknown, but about 200	British	About half	Freetown	None	Port Security		Reed (1999), Musah and Fayem (2000)
34	Sierra Leone	1995	1995	0 Gurdia Security Guards Ltd	Nepal	Training Support	60	Nepalese	0	Freetown	Sierra Leone Civil War	Provided military training and support for the Sierra Leonean army.	Contracted by UN, a few vehicles – the leader of the GBA was killed by the RUF.	Musah and Fayem (2000), Reed (2000)
35	Sierra Leone	1995	1996	1 Executive Outcomes and its companies (US Air, UKGuard Systems, Reserves International)	South Africa, United Kingdom	Combat, Training, Support	500-1000	South African, Russian	Low for training, high for support (mining security)	Moabi in eastern Sierra Leone	Sierra Leone Civil War	1995-1997: Executive Outcomes brings 5000 South African soldiers and some Russian pilots to provide a variety of services to the government. In 1996-1998, based with support from the US, 1995-1996: US Air provides combat and support services. US Air is a subsidiary of Executive Outcomes (Pech, 2000). 1996-1998: UKGuard Systems (EO) and Reserves International (EO) provide mining facilities security. (Contract originally ends 1997 but is extended for one year)	UKGuard Systems is sometimes referred to as UKGuard Management or UKGuard International	Musah and Fayem (2000), Pech (2000)
36	Sierra Leone	1997	1998	0 UKGuard Systems, Sandline (both part of the Executive Outcomes network)	United States	Training Support	500-1000	South African, Zimbabwean, Namibian, Angolan, Mozambican	Low for training, high for support (mining security)	Moabi in eastern Sierra Leone	Sierra Leone Civil War	1997-1998: UKGuard Systems (EO) takes over mining facilities security, military support, and military training. They send in 285 employees. At Afrimex, Zimbabwean, Namibian, Angolan, Mozambican, and South African. 1997-1998: Sandline (EO) provides military training and logistical support for regime's Komajor allies (at least 30 employees in country).		Musah and Fayem (2000), Pech (2000)
37	Sierra Leone	1997	1998	0 ICI/PAE	United States	Support	Unknown, but about 200	American	Low	Eastern Sierra Leone	Sierra Leone Civil War	Contracted to provide logistics and air transport security		Musah and Fayem (2000)
38	Sierra Leone	1992	1992	0 DynCorp	United States	Support	Unknown, but about 200	American	Low	Mogadishu	Small Civil War	Provided protection for humanitarian operations.	Hired by the Somalis in name, this was more the responsibility of the US/UN. These contractors were attacked by local warlords.	Awant (2005)
39	South Africa	1990	1991	0 Executive Outcomes	South Africa	Training	Under 50	White South African nationals	100	Pretoria	None	Provided training to South African special forces		Musah and Fayem (2000)
40	South Africa	1992	1992	0 Stabco	South Africa	Support	Unknown, but about 200	White South African nationals	100	Northern South Africa	None	Provided logistical support for the South African military.		Musah (2000), O'Brien (2000)
41	Sudan	1992	1994	0 Defense Services Limited	United Kingdom	Support	Unknown, but about 200	British and Sudanese	About half	Northern Sudan, near Khartoum	None	Provided logistical support for Sudanese military		Musah and Fayem (2000)
42	Togo	1995	1995	0 Service and Security	France	Training	Under 50	French	0	Lomé	None	Provided training for paramilitary police forces		Musah and Fayem (2000)
43	Uganda	1995	1995	0 Executive Outcomes	South Africa	Training Support	Under 50	South African	0	Western Uganda	None	Provided training for the Ugandan military and protection services for several mining facilities		Musah and Fayem (2000)
44	Zambia	1995	1995	0 Executive Outcomes	South Africa	Training	Under 50	South African	0	Lusaka	None	Provided military training to the Zambian military		Musah and Fayem (2000)
45	Ethiopia	NA	NA	NA (Probably Sufin or Resourcerehire)	Russia	Combat	Under 50	Russian	0	Ethiopia and Eritrea	Eritrean-Ethiopian War	1998-2000: Supposedly provided pilots to fly fighter jets	Ethiopia and Russia both denied the use of Russian pilots.	Sigler (2003), Kyser and Cooper (2003), Smith (2000)
46	Eritrea	NA	NA	NA (Unknown, if any)	Unknown	Combat	Under 50	Ukrainian or Russian	0	Eritrea and Ethiopia	Eritrean-Ethiopian War	1998-2000: Supposedly provided pilots to fly fighter jets	Sigler (2003), Kyser and Cooper (2003), Smith (2000)	

## **Chapter 4.**

### **Threats to Political Survival**

This chapter illustrates the role that existential threats to a regime play in motivating the privatization of security at the tip of the spear. An existential threat is one that challenges the political leader's most basic goal: political survival. This thesis focuses on existential threats from within the polity, and the two most important of these threats are (1) the possibility of direct opposition from the regime's force-provision agent and (2) the possibility of being deposed by rebels. In Chapter 3, I used recent coup activity as a proxy for the former and civil conflicts with twenty-five battle-deaths in a year as a proxy for the latter. In this chapter, I use an in-depth case study to examine more directly existential threats to political survival and their role in driving regime leaders to hire PMCs for combat services.

This chapter illustrates the role that existential threats to the regime play in driving privatization at the tip of the spear. I consider the Sierra Leone Civil War (1991-2002), during which six different regimes took control of the state in rapid succession, with five of these regimes relying upon PMCs. Because Sierra Leone provides multiple cases of privatization in a single state, it offers an opportunity to apply Mill's method of difference (a most-similar-cases design) to investigate the causal mechanism driving privatization of combat services. This case study allows me to capture theoretical nuance that was simply not observable in the quantitative exploration.

Briefly reviewing the evidence from Chapter 3, states that experience existential threats from the state military (proxied by recent coups or coup attempts) or rebels (proxied by the UCDP/PRIO definition of civil war, requiring twenty-five battle deaths not all on the same side) are more likely to hire PMCs,  $\chi^2(1) = 12.7$ ,  $p = 3.6 \times 10^{-4}$ ; and these states, when they privatize, are more likely to do so at the tip of the spear,  $X^2(1) = 17.9$ ,  $p = 2.4 \times 10^{-5}$ . Table 1 shows all cases of PMC use by reliance on appropriable natural resources and service provided.

**TABLE 4.1 EXISTENTIAL THREAT AND PMC USE**

	Tip of Spear	Base of Spear	Total
Appropriable Natural Resources	<ol style="list-style-type: none"> <li>1. Angola 1993</li> <li>2. Angola 1994</li> <li>3. Angola 1995</li> <li>4. Angola 1996</li> <li>5. Angola 1997</li> <li>6. Angola 1998</li> <li>7. Chad 2009</li> <li>8. Congo, Dem. Rep. 1996</li> <li>9. Congo, Dem. Rep. 1997</li> <li>10. Congo, Dem. Rep. 1998</li> <li>11. Congo, Rep. 1997</li> <li>12. Cote d'Ivoire 2002</li> <li>13. Sierra Leone 1995</li> <li>14. Sierra Leone 1996</li> <li>15. Sierra Leone 1997</li> <li>16. Sierra Leone 1998</li> </ol>	<ol style="list-style-type: none"> <li>1. Chad 1994</li> <li>2. Chad 1995</li> <li>3. Congo, Dem. Rep. 2002</li> <li>4. Congo, Rep. 1994</li> <li>5. Nigeria 1991</li> <li>6. Rwanda 1994</li> <li>7. Rwanda 1995</li> <li>8. Senegal 1990</li> <li>9. Sierra Leone 1991</li> <li>10. Sierra Leone 1993</li> <li>11. Somalia 1992</li> <li>12. Sudan 1992</li> <li>13. Sudan 1993</li> <li>14. Sudan 1994</li> <li>15. Uganda 1995</li> </ol>	31
No Appropriable Natural Resources		<ol style="list-style-type: none"> <li>1. Cameroon 1992</li> <li>2. Congo, Rep. 1995</li> <li>3. Congo, Rep. 1996</li> <li>4. Cote d'Ivoire 1998</li> <li>5. Equatorial Guinea 2000</li> <li>6. Guinea 1990</li> <li>7. Guinea 2009</li> <li>8. Kenya 1990</li> <li>9. Kenya 1991</li> <li>10. Kenya 1992</li> <li>11. Kenya 1993</li> <li>12. Liberia 1993</li> <li>13. Malawi 1995</li> <li>14. Mali 2004</li> <li>15. Mauritania 1990</li> <li>16. Mauritania 1993</li> <li>17. Mozambique 1995</li> <li>18. Namibia 1991</li> <li>19. Niger 2005</li> <li>20. Nigeria 1990</li> <li>21. Nigeria 1992</li> <li>22. Nigeria 1993</li> <li>23. Nigeria 2000</li> <li>24. Rwanda 2003</li> <li>25. South Africa 1990</li> <li>26. South Africa 1991</li> <li>27. South Africa 1992</li> <li>28. Togo 1995</li> <li>29. Zambia 1995</li> </ol>	29
Total	16	44	60



## 1. Overview of the Sierra Leone Civil War

The Sierra Leone Civil War is of particular interest because the conflict included multiple coup events, regime changes, and interventions by different PMCs providing different types of services. During the course of the war, there were seven instances of coup activity, including three successful coups. Table 2 shows the succession of leaders during war, noting their ‘type’ according to Geddes’ definitions of regimes (2000) and the process by which the regime rose to power (“entry”) according to the ARCHIGOS dataset (Goemans, Gleditsch, Chiozza 2009).

**TABLE 4.2 REGIME LEADERS DURING SIERRA LEONE CIVIL WAR**

Years	Leader	Regime Type	Entry	Hires PMC
1985-1992	Joseph Momoh	Personalist	Succession	Yes
1992-1996	Valentine Strasser	Military	Coup	Yes
1996	Julius Maada Bio	Military	Coup	Yes
1996-1997	Ahmad Tejan Kabbah	Democrat	Election	Yes
1997-1998	Johnny Koroma	Military	Coup	No
1998-2007	Ahmad Tejan Kabbah	Democrat	Reverse-Coup	Yes

The Sierra Leone Civil War (1991–2002) began when the Revolutionary United Front (RUF) seized territory near the state’s border with Liberia. The RUF, a nominally Marxist organization,<sup>40</sup> was supported by Liberia’s infamous warlord

<sup>40</sup> In the early days of the organization, this ideological affiliation was used to recruit disaffected young men in Sierra Leone’s poor rural areas in the east. Over time, the ideology fell by the way-side, and the group took to violently coercing children to join their ranks.

Charles Taylor, both financially and militarily (through the provision of safe havens across the border). Taylor had his eye on the diamond mines in Sierra Leone's portion of the Mano River Basin. Sierra Leone President Joseph Momoh attempted to keep the rebels at bay, but financial pressures left many of the state's soldiers unpaid and disgruntled and the military ineffective against the insurgency in the south and east of the state.

A year into the conflict with the RUF, President Joseph Momoh was overthrown in a coup by Valentine Strasser, a captain in the Sierra Leone Army (SLA). Strasser's tenure as leader was uncertain from the beginning. At 25, he was the oldest member of his inner circle, all of whom came from the lower echelons of the officer corps that had not been selected for their loyalty to Momoh.<sup>41</sup> Observers were unsure whether he would be able to maintain control over SLA forces. Furthermore, Strasser's ascent to power did not change the basic contours of the conflict overnight; he still faced the very same threats as the previous regime.

During the transition period, the RUF took the opportunity to gain control over two of the state's largest diamond mines. The state military was virtually helpless to stop the advance of the RUF into some of the most strategically important areas of the country. Although a recent conscription effort spearheaded by Strasser helped to shore up the state military's numbers, it did not resolve the fact that the state was not paying its soldiers. This led to military forces that, when they were not running away from

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<sup>41</sup> Strasser was also the youngest head of state in the world.

the enemy, were working with the rebels to terrorize the local population and loot villages, such that they were popularly called soldier-rebels or ‘sobels’ for short (Reno 2000).

The RUF, maintaining its strongholds in the south and east of the country, were difficult for the SLA forces to counter. In 1993, however, the SLA, aided by Nigerian forces sent under the auspices of ECOMOG (the military apparatus of the Economic Community of West African States) managed to force the rebels back to the Sierra Leone-Liberia border. Some observers believed the war would end there, as RUF patron Charles Taylor was being pressed in his own conflict in Liberia and was no longer able to supply the RUF. Unfortunately for the regime, this opportunity was wasted, as SLA troops—still not being paid—returned to looting and even trading control over towns for money from the RUF. Local populations turned to local civil defense forces, such as the Kamajors, to fight against both the RUF and the corrupt SLA troops who were stealing supplies from civilians.

By 1995, it was clear that the SLA was not capable of defeating the RUF, and thus Strasser sought out private military companies to provide additional, more effective military capacity. The first contract Strasser signed was with a British company called Gurkha Security Guards (GSG), but the relationship only lasted a few months. The company was unhappy with the increasing list of tasks they were being asked to undertake and was staving off complaints from their home government that their involvement would be viewed as a British intervention, an uncomfortable

position for Sierra Leone's former colonizer (Avant 2005). When the leader of the GSG mission was captured and purportedly eaten by RUF leadership as a message to other potential interveners (Singer 2003),<sup>42</sup> the Gurkhas chose to leave.

With the departure of the Gurkhas, Strasser signed a contract with the South African PMC Executive Outcomes, which sent around 150 men to act as force-multipliers, fighting alongside the SLA troops at the tip of the spear. In addition to direct payment, Strasser promised the PMC a 50% share of the revenue from the Kono diamond mines once they were reclaimed from the rebels. Executive Outcomes made good on their end of the bargain, regaining the diamond mines, with the help of the Kamajors, whom they had given additional training.

Strasser was unable to make payments to Executive Outcomes, however, and they stood by as he was overthrown by his own Minister of Defense, Julius Maada Bio, in January of 1996. Brigadier General Bio was a different kind of leader in that he was not interested in maintaining the military's control of the government. In his first speech, he announced his intention to oversee a democratic transition in the very near term. The new government renegotiated a payment plan and was able to keep the Executive Outcomes soldiers in the country and in support of the government in Freetown, so that they would not lose the newly gained territory to the RUF and to help retain stability during the upcoming elections and hoped-for peace negotiations.

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<sup>42</sup> Singer notes that this part of the story may be apocryphal, but whether true or not, it certainly plays into the narrative that surrounded the RUF at the time. The group wished to propagate this reputation; it is useful to understand the type of information about the RUF that would be available to the regime, the citizens, and any potential intervener.

Bio made good on his promise when he handed power over to the democratically-elected Ahmad Tejan Kabbah, a former UN official and relative outsider to Sierra Leone politics. Kabbah's regime entered into negotiations with the RUF in late 1996 and the rebels demanded that as a part of the terms the Executive Outcomes troops be sent home (Singer 2003). The timing of this departure was highly contested. Kabbah wanted to keep EO in-country until a peacekeeping force could be deployed to Sierra Leone, but, under pressure from the IMF to cut government spending, he asked the company to leave before peacekeepers arrived (Musah 2001).

Thus, the relationship between Executive Outcomes came to an end in the beginning of 1997. With PMC forces gone and state forces still largely ineffective, and with an insurgency that continued despite negotiations, the newly elected Kabbah had to find a new agent to which he could delegate the state's internal security needs. He formed a relationship with Samuel Hinga Norman, the leader of the Kamajors, and created a Civil Defense Force, made up primarily of Kamajors and with Norman as its leader. The Civil Defense Force served as something of a personal paramilitary for Kabbah. He also reached out to Nigeria to provide additional troops under the auspices of ECOMOG (Howe 1998). These actions on the part of the government angered the SLA soldiers, who felt they were being supplanted by other actors—as indeed they were being downsized at the time (Musah 2001). The inclusion of the Kamajors was a particular affront, as Norman's forces had actually fought against looting SLA forces.

Kabbah's efforts to gain additional sources of loyal military capacity were not

enough to keep his regime in power; in fact, they may have been his downfall in the near-term. Three months after EO's departure, disgruntled SLA soldiers, led by Johnny Koroma and aided by the RUF, took the capital, Freetown. They called themselves the Armed Forces Revolutionary Council (AFRC). Once gaining control of the government, they declared the war over and instituted Operation Pay Yourself, encouraging SLA soldiers to loot the capital.

Meanwhile Kabbah, exiled in Guinea, made arrangements with another PMC, Sandline International, a British firm.<sup>43</sup> The contract provided for the active participation of Sandline employees in combat, marking yet another Sierra Leonean regime privatizing at the tip of the spear. In February 1998, 200 soldiers working for Sandline, alongside the Nigerian contingent and Norman's Civil Defense Forces, staged a combined air and ground assault, running the rebels out of Freetown, and returning Kabbah to power (Musah 2001).

With Kabbah back in Freetown, his international supporters hoped that this meant negotiations to end the war would begin in earnest. Instead, Kabbah doubled-down, announcing his intent to end the war militarily and imprisoning large numbers of AFRC and RUF members and sympathizers. Among these was Foday Sankoh, the leader of the RUF. Sankoh's arrest served as rallying point for the remnants of the AFRC and RUF, who undertook Operation No Living Thing, a brutal campaign of

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<sup>43</sup> While the British were unwilling to admit this at the time, the introduction between Tim Spicer of Sandline and Kabbah was made by a British diplomat, Peter Penfold (Musah 2001). Sandline had connections to Executive Outcomes, with the firms working together previously and certain high-level leaders overlapping between them, although the exact nature of their relationship has always been unclear (Pech 1999).

murder and looting across the country, which culminated in an all-out assault on Freetown in January 1999. The capital was yet again in rebel hands.

This state of affairs put Kabbah in a precarious position for peace negotiations. His plan for a military victory had failed, he had spent more money than the government had on PMCs, and Nigeria was recalling its forces. During negotiations in Lomé, Kabbah was forced to give greater concessions to the AFRC/RUF—these included making Sankoh vice president and giving the AFRC/RUF, now a political party, control of the cabinet portfolio that oversees the mining industry.

Implementation of the agreement was difficult, as the RUF was in the habit of kidnapping UN peacekeepers, even after the Lomé Peace Agreement was signed late in the summer of 1999. A military intervention by the British army, in addition to more UN support, allowed President Kabbah to declare the war over in 2002 (Avant 2005).

## **2. Analysis: Sierra Leone Across Time**

Sierra Leone illustrates this thesis' theoretical predictions. (Table 3 summarizes those predictions.) From 1991-2000, Sierra Leone had all three major determinants of PMC hire: dysfunctional civil-military relations (three successful coups and three coup attempts), reliance on appropriable resources (they were a diamond exporter), and civil conflict (more than 25 battle deaths in every year from 1991-2000). The only government during the civil war that did not hire a private military company was the

AFRC junta that ruled with the RUF, who had suffered major setbacks at the hands of EO.

**TABLE 4.3 THEORETICAL PREDICTIONS (REPRODUCED FROM CHAPTER 2)**

	Existential Threat to Regime (Military or Rebels)	No Existential Threat
Appropriable Natural Resources	Very likely to Privatize Privatize at tip of spear	Less likely to Privatize Privatize at base of spear
No A.N.R.	Less likely to Privatize Privatize at tip of spear	Not privatize

The story of privatization in Sierra Leone is one that hinges on gross military incompetence and dereliction of duty. In a chaotic political situation in which regime transitions happened in quick succession, neither Strasser, Bio, nor Kabbah had the full loyalty of the state military. Each of them faced major threats to their regimes from the ongoing RUF insurgency as well. Despite these similarities, we did see variation across the different regimes, which I contend can be explained by variations in the civil-military relations at the time. Let us consider each leader in turn.

Strasser was a young captain in the SLA, taking a position as president that had been held by autocratic leaders since 1967. His immediate predecessor, Joseph Momoh, had been the commander of the SLA before his accession to the presidency. The coup staged by Strasser was a symptom of the increasing disillusionment of the lower echelons of the SLA and the split between higher-level officials who had been



part of Momoh's patronage system and those who had suffered with no pay. Because the coup was a product of a split in the military itself, with lower level officers seizing control, Strasser did not have assurance that the SLA would remain loyal to him. It did not help that he faced the same financial constraints as the previous regime and had the same difficulties paying salaries to the SLA.

Strasser's strategy of privatization was a hedge—an attempt to balance the need to keep the military happy with the need to acquire additional capacity, potentially from more diverse sources. The SLA was not doing its job, but if Strasser wanted to keep *his* job, he needed their support. For this reason, it is not surprising that he initially sought training for them from the Gurkhas. One might view this as a vote of confidence and a desire to invest in the state's war-fighting capacity.

However, after the loss of the great territorial gains made in 1993 and re-emergence of the RUF with the complicity of the SLA forces, Strasser took a different approach. In light of these disintegrating relations between the leadership and the military forces, he hired Executive Outcomes to provide services close to the tip of the spear: EO officers would lead platoons of SLA soldiers.

While this might be considered an effort to increase military effectiveness by tapping the expertise of the EO soldiers, it was more likely that it was considered a slap in the face. Having the EO officers in charge of missions could be interpreted as Strasser viewing his SLA officers as unable to lead and perhaps needing to be watched. While it is impossible to know Strasser's true intentions at the time, it is not

difficult to imagine how the SLA may have interpreted the entrance of EO as an affront. Not only did it represent Strasser's lack of confidence in their abilities, but Executive Outcomes was being promised millions of dollars, when the SLA had gone extended periods without pay.<sup>44</sup>

In addition to the use of EO officers at force-multipliers, Strasser also asked the company to train the Kamajor militias. For Strasser, this was an opportunity to improve the capacity of forces that already proved themselves worthy on the battlefield. It also allowed for the empowerment of a potential military counterbalance to the SLA, should that be needed in the future. This move was also unlikely to be viewed positively by the SLA. Not only was the president investing in non-SLA forces, but these same forces had previously fought against the SLA when they were looting villages.

Thus, the transition in Strasser's privatization activity over time can be attributed to disintegrating relations with the SLA. As things worsened, Strasser was desperately in need of loyal military capacity, and thus hired Executive Outcomes to provide that directly.

Bio held different goals from those of Strasser, both for his presidency and in his use of private forces. While Strasser clearly wanted to preserve his rule, using PMCs to counter his two main potential challengers—the RUF and the SLA—Bio

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<sup>44</sup> As discussed in Chapter 2 (footnote 12), a potential complication for my theory that dysfunctional civil-military relations drive PMC use is that a similar causal pattern could work in the opposite direction. I hope in the future to develop my theory of privatization to treat dysfunctional civil-military relations not only as an exogenous determinant of PMC use, but also as endogenously influenced by PMC use. The relationship between Strasser and the SLA is one place to look for this 'reverse' causal pattern.

wanted an end to the conflict and a transition to democracy. While speeches about democratic reforms are a dime a dozen, the fact that he stepped down in favor of an elected president after only three months is a testament to his genuine desire to see a more inclusive and peaceful society in Sierra Leone. Bio's relationship with Executive Outcomes was a pragmatic one. He understood that the company had made a major contribution to the campaigns to remove RUF forces from Sierra Leone's diamonds mines (which had been a major source of funding for the rebel group) and feared that country would fall into chaos if EO left before a peace treaty was signed (Reno 1998). Recognizing that his presidency might be an important turning point in the conflict, he renegotiated the contract with EO, having them stay, even though they had millions in back pay owed to them.

When the 1996 election brought Kabbah to power, he shared Bio's view, believing that Executive Outcomes was contributing to stability in the country, stability that would be crucial at this time. Advisors of Kabbah even went so far as to write up plans for the long-term presence of EO, in which the company would be charged with the complete overhaul of the SLA (Musah 2001).<sup>45</sup>

These plans were never fulfilled, as the regime's financial woes forced Kabbah to send EO home, and Kabbah was quickly deposed by Johnny Koroma and the AFRC/RUF. It is not a surprise that those who had suffered because of EO's rise—the RUF, who had been run out of its strongholds by the mercenaries, and the SLA whose

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<sup>45</sup> While the focus of this study is on the domestic context of privatization, it is important to reiterate that Kabbah was a long-time UN diplomat and any long-term plans for EO involvement were likely to have been at least tacitly approved by the UN Security Council, particularly the UK.

influence had been supplanted by them—had no interest in establishing further relationships with private actors.

The coup, however, only strengthened Kabbah's desire to seek out additional military capacity. The SLA had never been the most well-behaved military, but actively ruling alongside the RUF made it clear that they would not be a part of Kabbah's return to Sierra Leone. Kabbah needed military capacity and he needed to diversify, so he would not be left in the lurch if one of them didn't come through, as had happened when EO left in 1997.

Ultimately, Kabbah, with the support of the international community, chose a three-pronged strategy. First, he contracted with Sandline to send combat troops that would support his return to Freetown. He also signed an agreement with the Nigerian government saying that Abuja would send more troops to support him. Finally, once returned to his position, he legitimated the Kamajors by turning their civil defense force into an official government paramilitary force.

Not only did these arrangements increase the amount of military capacity available to Kabbah and from a more diverse set of groups, it also diversified the timelines of the services within his security portfolio, as it were. Sandline, as a PMC on contract, was a short-term investment, troops who had no horse in the race and would leave when their contract finished. The support of the Nigerians was a medium-term investment. As a neighbor to Sierra Leone and the regional hegemon, Nigeria had an interest in bringing stability to Sierra Leone. However, that did not mean that their

troops would remain forever. (They would eventually return home in 1999.) Training the Kamajors as a military counterbalance to the SLA was a long-term investment. The group owed their rise to prominence to Kabbah and, as citizens of Sierra Leone, they had an interest in peace. One might also consider later interventions by the British and, particularly, the UN to be a similar sort of diversification of security. While Kabbah had had the support of the international community, a long-standing peacekeeping mission in Sierra Leone would prevent aid from moving elsewhere, at least to some extent.

The civil war in Sierra Leone is only one example of a contemporary case in which security was delegated by the leader of a state to other actors. It is a particularly interesting case because of the variety of actors—PMCs, domestic paramilitaries, allies—that aided the government in providing security. While the focus of this thesis is on PMCs, I believe that I have shown that a similar logic applies whenever a leader hires an actor other than its state military to provide security. All along the way, the relationship between the regime and military in Sierra Leone has driven the overall strategy of security provision undertaken by the state. When relations were fairly functional (i.e. during the early parts of the Strasser regime or during the rule of the AFRC),<sup>46</sup> the government did not hire PMCs or, if they did so, they did it in an empowering way—providing training to the state military. As relations deteriorated and the level of threat remained constant, privatization activity increased and moved

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<sup>46</sup> Note that by functional civil-military relations, I simply mean that the military and government leadership share interests and the military acts according to government directives without problematic agency slippage. I do not mean that the behavior of these regimes in general was normatively ‘good.’

toward the tip of the spear, as the leadership saw no other choice than to supplant or replace the military.

### **3. Conclusion**

This chapter discusses the Sierra Leone Civil War, which illustrates how regimes that both (1) face existential threats and (2) rely on appropriable natural resources are very likely to hire PMCs, and will tend to do so for the provision of combat services.

I attempted to go beyond the proxy-measures discussed in Chapter 3 to offer a more direct evaluation of civil-military relations as a threat to leaders' political survival. I exploited the differences in the relations between Sierra Leonean leaders and the state military, showing that variation in the type of services for which leaders contracted were driven by differences in relative levels of civil-military relations, ranging from the AFRC with the best civil-military relations (the military and the regime were led by the same people) to Kabbah with the worst (having been overthrown by the military and then re-instated). The variation in services sought out by the various leaders lends support to my theory.

## **Chapter 5.**

### **Reliance on Appropriable Natural Resources**

This chapter illustrates the effect that reliance on appropriable natural resources has on privatization at the tip of the spear. While much of the literature on the ‘resource curse’ argues that resource wealth contributes to weak institutions and regimes that lack incentives to respond to the needs of large swathes of society, this chapter offers a different view on why these states privatize security services, particularly those near the tip of the spear. The reasoning is not that these regimes are ‘bad’ or unresponsive, but rather a product of two factors related to the site-specificity of natural resource wealth: (1) because the economic livelihood of the regime is based on site-specific assets, they are much easier and therefore more likely to be contested and appropriated by internal challengers; and (2) it is easier to write contracts for services protecting or reclaiming site-specific assets without producing egregious moral hazard problems, making the use of PMCs less costly.

Dependence on natural resources increases a regime's demand for security. Contestation of the resource assets of a resource-dependent regime is an existential threat to that regime, making the contestation—or worse yet, appropriation—of these resources a highly salient issue demanding action. Second, it is in these cases where contracting for services near the tip of the spear involves the lowest contracting costs. It is much easier to contract with a company to reclaim a diamond mine or oil field than it is to write terms that require them to achieve more amorphous goals like 'win the war.' This explains why, in my dataset, reliance on appropriable natural resources is a necessary condition for privatization of combat services.

Briefly reviewing the evidence from Chapter 3, states that export diamonds or oil (proxies for reliance on appropriable natural resources) are more likely to hire PMCs,  $\chi^2(1) = 7.82$ ,  $p = 5.2 \times 10^{-3}$ ; and these states, when they privatize, are more likely to do so at the tip of the spear,  $\chi^2(1) = 9.74$ ,  $p = 1.8 \times 10^{-3}$ . Table 1 shows all cases of PMC use by reliance on appropriable natural resources and service provided.



**TABLE 5.1 RESOURCE RELIANCE AND PMC USE**

	Tip of Spear	Base of Spear	Total
Appropriable Natural Resources	<ol style="list-style-type: none"> <li>1. Angola 1993</li> <li>2. Angola 1994</li> <li>3. Angola 1995</li> <li>4. Angola 1996</li> <li>5. Angola 1997</li> <li>6. Angola 1998</li> <li>7. Chad 2009</li> <li>8. Congo, Dem. Rep. 1996</li> <li>9. Congo, Dem. Rep. 1997</li> <li>10. Congo, Dem. Rep. 1998</li> <li>11. Congo, Rep. 1997</li> <li>12. Cote d'Ivoire 2002</li> <li>13. Sierra Leone 1995</li> <li>14. Sierra Leone 1996</li> <li>15. Sierra Leone 1997</li> <li>16. Sierra Leone 1998</li> </ol>	<ol style="list-style-type: none"> <li>1. Cameroon 1992</li> <li>2. Congo, Dem. Rep. 2002</li> <li>3. Congo, Rep. 1994</li> <li>4. Congo, Rep. 1995</li> <li>5. Congo, Rep. 1996</li> <li>6. Cote d'Ivoire 1998</li> <li>7. Equatorial Guinea 2000</li> <li>8. Guinea 1990</li> <li>9. Guinea 2009</li> <li>10. Liberia 1993</li> <li>11. Namibia 1991</li> <li>12. Nigeria 1990</li> <li>13. Nigeria 1991</li> <li>14. Nigeria 1992</li> <li>15. Nigeria 1993</li> <li>16. Nigeria 2000</li> <li>17. Sierra Leone 1991</li> <li>18. Sierra Leone 1993</li> <li>19. South Africa 1990</li> <li>20. South Africa 1991</li> <li>21. South Africa 1992</li> <li>22. Sudan 1993</li> <li>23. Sudan 1994</li> </ol>	39
No Appropriable Natural Resources		<ol style="list-style-type: none"> <li>1. Chad 1994</li> <li>2. Chad 1995</li> <li>3. Kenya 1990</li> <li>4. Kenya 1991</li> <li>5. Kenya 1992</li> <li>6. Kenya 1993</li> <li>7. Malawi 1995</li> <li>8. Mali 2004</li> <li>9. Mauritania 1990</li> <li>10. Mauritania 1993</li> <li>11. Mozambique 1995</li> <li>12. Niger 2005</li> <li>13. Rwanda 1994</li> <li>14. Rwanda 1995</li> <li>15. Rwanda 2003</li> <li>16. Senegal 1990</li> <li>17. Somalia 1992</li> <li>18. Sudan 1992</li> <li>19. Togo 1995</li> <li>20. Uganda 1995</li> <li>21. Zambia 1995</li> </ol>	21
Total	16	44	60

Of course, quantitative tests rely on quantitative measures, and the best available proxy measures for a regime's reliance on appropriable natural resources are simple dummy variables that indicate whether regimes exported diamonds or not and whether they exported oil or not. But my theory suggests that it is the appropriability of the resources upon which a regime relies that drives that regime's likelihood both of hiring a PMC and, having hired a PMC, purchasing combat services. In this chapter, I will review case studies that suggest that states that are dependent on *highly appropriable* resources are most likely to privatize at the tip of the spear. In comparison, states with site-specific resources that are more difficult to contest (such as off-shore oil fields) are more likely to hire PMCs for the provision of logistics or training.

This second qualitative chapter illustrates the connection between natural resource wealth and privatizing services near the tip of the spear. What has particularly raised the hackles of those opposed to the use of PMCs is the fact that in these well-publicized cases, companies were paid in natural resources.<sup>47</sup> In Sierra Leone, Executive Outcomes was given mining rights to the Kono diamond mines in return for their service to the Kabbah government. In Angola, Heritage Oil, a company with ties to Executive Outcomes, was given concessions in government-held oil fields. There are some who have painted these business deals as exploiting a weak country during its time of need, but that seems hyperbolic, as these deals were reached before

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<sup>47</sup> The South African company Executive Outcomes is most often highlighted for receiving these sorts of payments.

the PMCs were in-country, without any type of coercion. What is of interest to this dissertation is the ways in which natural resource wealth allowed leaders to contract with private military companies at a lower cost and how it shaped their relationship.

It is important to note that these case studies are not designed to test any hypotheses; all the hypotheses developed in Chapter 2 are tested quantitatively in Chapter 3. I include these case studies in the hopes of providing more information about the mechanism driving resource-reliant regimes to privatize in general and to privatize combat services in particular. I also hope that a more detailed discussion of the cases can show how the actual theoretical constructs discussed in Chapter 2 (and not merely the proxy measures used in Chapter 3) are related to privatization.

In this chapter, I cover several sets of cases: Angola/UNITA, Angola/FLEC, Mozambique, and Congo-Brazzaville. I look at variation between resource and non-resource states and across different types of resource states. On one hand, I will add some nuance to the findings of the quantitative chapter, arguing that the degree to which the resources a regime relies upon are appropriable influences the likelihood of privatization generally and privatization of combat services in particular. This chapter deals with different types of resource wealth and how those types shape the contracts that are written. I show how variation in appropriability, which I operationalize via capital intensiveness and accessibility of site-specific assets, allows for more complete contracts and therefore more variation in the types of services provided. Governments that are dependent on accessible, site-specific labor-intensive resources, such as

alluvial diamonds, are going to be more likely to hire private military companies and will also be more likely to hire these companies for services near the tip of the spear; those whose revenue comes from capital-intensive resources that are difficult to access will be less likely to hire PMCs to participate in combat.

### **1. Adding Nuance to the Idea of Appropriable Resources**

Appropriability refers to the ease with which non-state forces, specifically rebel groups, are able to access, control, and exploit the natural resource wealth of the state. I contend that the appropriability of resources derives from two factors—the accessibility and controllability of the site, and the capital necessary to get resources to market. Non-territorial resources like offshore oil fields are going to be much more difficult for rebel groups to appropriate, as they generally lack the capacity to access and hold maritime resources. Resources located in areas with difficult terrain, such as mountains or jungles, may be less appropriable as well. Resources located very far from the capital may be more likely to be contested (as low levels of state capacity may render the government unable to project military power as far as their own borders).

Aside from geographic accessibility, the other factor that affects appropriability is the amount of capital necessary to get the resources to market. Capital-intensive resources, like oil, may be less likely to be contested, as they require a great deal of financial and human capital to extract and process the resource into a form that is

ready for the market. On the other hand, a resource like alluvial diamonds may be more appropriable, as they require fairly low levels of human capital and little technical sophistication to extract. Rebel groups are likely to prefer resources that can be accessed and exploited quickly and with little cost.

Resources with ‘easy’ geography and relatively low capital costs are more likely to be contested, while non-territorial resources that require high levels of economic and human capital are much less likely to be accessed, controlled, and exploited by rebel groups. I argue that governments with highly appropriable resources will be more likely to hire PMCs in general and combat services in particular.

### ***1.A. An Overview of Resources in Sub-Saharan Africa***

In this section, I will identify those sub-Saharan states that may be considered resource-dependent according to standard definitions in the literature and discuss the particular attributes of their resource endowments, paying particular interest to oil and diamonds, which have been linked to intrastate violence in the conflict literature.<sup>48</sup>

For the diamond producers, I differentiate between those with alluvial diamonds and those with kimberlite diamonds. Alluvial diamonds are usually found in river beds are easily mined by low-skilled workers without major capital outlays, meaning that they are diffuse and labor-intensive, and thus very appropriable. Alluvial

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<sup>48</sup> For example, see Lujala et al (2005), Humphreys (2005), de Soysa (2002), Ross (2009). Researchers have yet to find a consistent connection between resources and conflict and the current literature is exploring the mechanisms by which this may take place, looking to find a more concrete connection.

diamond deposits are found on the Atlantic coast of South Africa and Namibia, as well as in some riverbeds in Angola, Sierra Leone, Democratic Republic of Congo, Central African Republic, Cote d'Ivoire, Guinea, Ghana, Liberia, Tanzania, Togo, and South Africa. Kimberlite diamonds, on the other hand, are found in deposits deep in the ground, and are thus a point resource and much more capital-intensive to extract; for these reasons, kimberlite diamonds are less appropriable than their alluvial counterparts. In sub-Saharan Africa, the largest kimberlite diamond deposits are to be found in Botswana and South Africa.

I also consider the role of oil production in Africa. As of the end of 2012, BP reported that there were 130.3 billion barrels of oil in Africa. Just four states—Nigeria, Angola, Algeria, and Libya—hold 85% of Africa's reserves. The actual number of oil producers is larger, with the following 15 states exporting oil: Nigeria, Angola, Libya, Algeria, Sudan, Equatorial Guinea, Congo-Brazzaville, Gabon, Chad, Egypt, Democratic Republic of Congo, Mauritania. Because the focus of this thesis is sub-Saharan Africa, I do not consider North African oil producers such as Algeria, Libya, and Egypt.

For oil producers, I am interested in whether the oil fields are offshore or onshore. Onshore oil fields are a point resource and their exploitation is capital-intensive. Oil is not the most appropriable resource, but opposition can and have gained control of these areas, preventing the government from benefiting from the revenues (though it is rare for rebels to benefit from the oil themselves). Offshore oil

is the least appropriable form of natural resource wealth that there is. While it is a point resource, it is located in the ocean in deep water, making it incredibly difficult to access. Furthermore, the extraction of oil from deep-water fields is a technologically sophisticated and highly capital-intensive undertaking, making appropriation by opposition groups highly unlikely. The Gulf of Guinea has been a center for oil development after a combination of the development of deep-water drilling technology and rising oil prices led the major oil companies to explore the region.

While states with offshore oil fields will be less likely to hire private military companies, this does not mean that they will never do so. Offshore oil fields are still site-specific assets, but they are much more difficult for opposing groups to contest. Some states will remain interested in gaining access to services that help assure control of their territorial waters containing oil fields and assets, such as oil platforms. For example, the government of Equatorial Guinea hired American company MPRI to train its coast guard in 2006, so as to improve the regimes' control over its oil reserves in the Gulf of Guinea, and prevent incursions from neighboring Nigeria (Heilbrunn 2014).

## **2. A Set of Most Similar Cases: Angola/UNITA, Angola/FLEC, and Mozambique**

A comparison of the cases of Angola/UNITA, Angola/FLEC, and Mozambique will prove useful in illustrating the causal mechanism through which resource reliance motivates PMC hire. The three cases are very similar when it comes to the variables of

interest in my study, which I will explain in further detail shortly. Over the course of two civil wars, Angola used the services of PMCs in its fight against UNITA, but not against FLEC in the Cabinda province; Mozambique did not use PMCs at all.<sup>49</sup> I will argue that this difference is largely a product of the resource endowment of Angola. The presence of contested diamond mines in Angola were a major factor under consideration when it came to hiring outside forces to fight against UNITA. This follows my hypothesis that states with a contested site-specific asset will be more likely to hire PMCs because of lowered contracting costs. In Cabinda, where most of Angola's oil lies offshore, and is therefore much less appropriable, the government did not hire private military companies. Conversely, Mozambique, which has no major natural resources, did not have the same incentives to hire PMCs and instead relied mainly on the support of other states.

I will first describe how the cases are similar, save for the appropriability of any resources. I will follow that with short accounts of the conflicts in the individual states, highlighting the ways in which differing conflict dynamics, which I attribute largely to the role of appropriable natural resources, contributed to the incumbent governments' choices vis-a-vis privatization.

### ***2.A. Similarities amongst the Cases: Employing a Most Similar Systems Design***

In order to provide a clearer picture of the factors behind variation in

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<sup>49</sup> Mozambique did hire a private firm to do some land mine removal after the conflict was over, but I do not believe that this represents a challenge to my theory, as it is likely that it was purely a matter of capacity, rather than politics.



privatization, I employ Mill's Method of Difference (the most-similar-systems design [King, Keohane, and Verba 1994]). I argue that the cases are similar across a variety of variables, except for differences in the independent variable of interest—in this case, the appropriability of any natural resource wealth. In order to do so, I will largely compare Angola and Mozambique, as the Cabinda case is much easier to justify, being the same country, the same government, and the same years; however, I will take some time to flesh out those similarities at the end of this section and will highlight Cabinda-related material as needed.

All of the territories in question followed a fairly similar historical trajectory, at least from the late 19<sup>th</sup> through the 20<sup>th</sup> century. All began this time period as Portuguese holdings in Africa. The Portuguese first made in-roads in Mozambique (Portuguese East Africa) in the 15<sup>th</sup> century when Vasco de Gama sailed around the Cape of Good Hope. Over time, they integrated Mozambique as an overseas province, nominally treating the people living there as Portuguese citizens. Control over the territory was handed over to the Portuguese Colonial authorities in the early 20<sup>th</sup> century. A similar timeline occurred in Angola with Portuguese presence between the 15<sup>th</sup> and 19<sup>th</sup> centuries, but actual colonial status coming only in the early 20<sup>th</sup> century.<sup>50</sup> Cabinda (Portuguese Congo) was much easier to bring into the Portuguese holdings, as it was smaller, both geographically and in population, and the local leaders did not put up as much resistance as they did elsewhere. Portugal claimed

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<sup>50</sup> The timeline similarity is not surprising, as the Berlin Conference in 1884, where European powers divided up Africa, set up guidelines for claiming colonies and procedures for the process.

Cabinda as a protectorate, shortly after the Berlin Conference, in the 1885 Treaty of Simulambuco.

Being part of Portuguese Africa also had another effect on these territories—their decolonization was abrupt and relatively unplanned. After the Salazar regime was overthrown in 1975, the new government of Portugal decided to immediately let go of its colonies. The 1975 Alvor Conference set the terms of the transition, but left many things unsettled. Representatives of Angola and Mozambique attended the conference, but the Cabindans were not even invited.

Although there was talk at Alvor of elections, the departure of the Portuguese led to a power vacuum in the former holdings, which became violent as groups attempted to wrest control of the government in both Angola and Mozambique. The conflicts themselves had many similarities. Each involved groups that had formed before independence, which were hoping to be the ‘legitimated’ leadership in their countries post-independence. These groups in conflict had different ideological motivations, specifically some of them espoused a Marxist ideology, which increased the interest of the superpowers. Leaders pitted East and West against each other in order to get training, troops, and other forms of military aid (Shubin 2008).

There was also a lot of interest in these states outside of the Superpowers, particularly from the perspective of South Africa. The South African Apartheid government did not want to be surrounded by states ruled by black Africans, for fear that those ‘frontline states’ would then offer refuge and support to the African National

Congress (ANC) and the South West Africa People's Organization (SWAPO), groups that were in opposition to the government in Pretoria. Thus, South Africa funded rebel groups in Angola and Mozambique, sending its own elite military units to fight in the wars alongside the rebels.<sup>51</sup>

Both of the civil wars were large in scale. They covered the entirety of the country's territory, involved tens of thousands of soldiers on each side, and inflicted high costs on the population in terms of casualties and displaced persons. All of the civil wars under exploration were also very long running. They began shortly after decolonization, but lasted for decades. Mozambique's civil war ended after sixteen years of conflict, while Angola's lasted a devastating twenty-six years<sup>52</sup>. The low-intensity conflict between Angola and Cabindan separatists has yet to have come to a conclusion.

## ***2.B. The Case of Angola***

The first case under examination is the conflict between the Angolan government (MPLA) and the National Union for the Total Independence of Angola, whose Portuguese acronym is UNITA. I will begin by providing a brief background to the conflict, which has its roots in violence that began before Angolan independence

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<sup>51</sup> Amongst the forces sent was Buffalo 32, a South African special forces battalion. This is notable, not just because Buffalo 32 was known for its skill and ruthlessness, but because it was members of this group that went on to form the (in)famous private military company, Executive Outcomes. It may seem odd on first glance that the Angolan government hired a group that once fought against it, but that experience meant that the EO soldiers knew the enemy and the territory well.

<sup>52</sup> Note that, globally, the average civil war lasts three years.

and involved Superpower intervention on both sides. I will then move to the second phase of the conflict, which took place after the failed 1992 Bicesse Accords and falls under the time period that is of prime interest for this study. Finally, I will contrast the experience of the MPLA in its fight against UNITA with the same regime's tactics against the insurgency in the Cabinda province, a non-contiguous area north of Angola that is also controlled by Luanda.

The civil war with UNITA has frequently been characterized as a battle between oil and diamonds, referring to the fact that the MPLA government was propped up by oil revenues and UNITA funded its activities by selling diamonds on the black market (Le Billon 2001). While the resources at stake in the conflict with UNITA (oil and diamonds) were territorial, the sizeable oil reserves in Cabinda are offshore, and therefore less accessible to challengers to the state. According to my theory, this means that the MPLA government would be more likely to privatize, specifically in its conflict with UNITA than to do so in the context of its conflict with FLEC in Cabinda.

#### Phase One

In 1966, Jonas Savimbi and his group of guerrillas who came to be known as UNITA, attacked the Portuguese colonial government (Potgeiter 2000). The group had been trained in China, where it adopted the Maoist notion of "People's War," which is a multi-stage civil war dependent upon popular support and insurgency tactics. In addition to their training, UNITA waged its war with the support of the Chinese

government, and with support from leaders in Tanzania and Zambia.

Despite Savimbi and his group's efforts to assert its power in Angolan politics, they were overlooked in 1975 when the Portuguese granted Angola independence. Instead, a Marxist political group, the MPLA, was put in charge and shortly thereafter, UNITA resumed its guerrilla tactics, this time against the MPLA government, a single-party socialist government propped up by the USSR and receiving military support in the form of training and troops from Cuba. Given the Marxist proclivities of the government and Moscow's support, the US saw this as an opportunity to stop the spread of Marxism in Africa and therefore gave aid to UNITA. However, UNITA's main supporter in this effort was the South African government, who supplied UNITA with "most of its military needs, while acting as a conduit for trade in natural resources such as diamonds, ivory, and timber to the outside world" (Potgeiter 2000: 260). As noted previously, South Africa considered Angola to be a "frontline" state, and preferred instability there, so that the ANC would not gain allies in the region.

While aid flowed from both Superpowers to the respective groups in conflict, perhaps the most surprising participant was Cuba. The MPLA government had made connections with Castro and, with the blessing of the USSR, the two formed a close military alliance. Officers in the Angolan military went to Cuba to receive training and Cuban trainers also traveled to Angola. In addition, Cuban troops also became involved in the conflict, 30,000 of them at the height of their participation. Not only did their numbers almost double the military forces at the MPLA's disposal, but they

also brought plenty of armaments with them.

What ensued was sub-Saharan Africa's first Cold War proxy war. What may have started out as a disagreement over election results and a small insurgency, soon turned into full-scale mechanized warfare with tens of thousands of troops on both sides—MPLA and Cuban troops, funded by the USSR, on one side; UNITA and South African troops, funded by the US, on the other.

However, as the Cold War came to a close, so did interest in fighting proxy wars in the Third World. The 1988 Brazzaville Accords marked an end to Soviet, Cuban, and South African involvement in Angola, decreasing the perceived benefits of the continuation of the conflict (Howe 2001). This decrease in benefits allowed the conflicting parties to come to the negotiating table in 1990 and 1991. The resulting agreement, the Bicesse Accords of 1991, provided for national elections which would recognize UNITA as a legitimate political party and provide for the re-integration of the guerrilla forces into the national army (Sherman 2000).

#### Phase Two

As decided in Bicesse, elections were held in September of 1992, and the MPLA won the presidency and control of the parliament. As could be expected, Savimbi was displeased with the election results, contested them, and the country returned to civil war. By the end of 1992, UNITA controlled seventy percent of the country, covering most areas except the capital, Luanda, and the Cabinda area (Sherman 2000).

At this point, a private military company first entered the conflict. In October of 1992, the MPLA government of Angola contracted Executive Outcomes (EO), a private military company based in South Africa and made up of soldiers displaced by the disbanding of the South African Defence Force. EO was tasked with reclaiming the Soyo region, a UNITA stronghold rich in oil reserves (O'Brien 2000). The contract was made on behalf of the Angolan government, but at the request of several oil companies in the region, including Branch Heritage Oil Company, which has ties to EO (Reno 1998, Frynas and Wood 2001).

In the signed contract, Executive Outcomes' employees are called "security guards," but in actuality EO sent in 80 men who launched a commando assault in March of 1993 and quickly captured the Soyo oil fields from UNITA. Singer (2003) notes the importance of the Soyo mission saying that it demonstrated the capabilities of private firms in providing for state security and served as the proving ground for future private military companies.

The Soyo mission was also the first in a string of EO engagements in Angola. Their next major operation involved wresting the diamond-rich areas in the Luanda Norte province from UNITA control. UNITA was thought to have made billions of dollars in revenues from the sale of the diamonds, and thus this mission was considered critical to undermining their efforts. MPLA forces had previously attempted to retake some of the diamond areas, but several generals treated the reclaimed territories as their own private fiefdoms, selling the diamonds on the black

market and making themselves rich (Dietrich 2001). With the state forces deemed untrustworthy and Executive Outcomes having been so successful in Soyo, they seemed like the logical choice lead operations to reclaim the diamond areas. The mission was successful and the MPLA was able to reclaim Luanda Norte and take a major source of revenue away from UNITA.

Because of the success of the EO-supported missions, the Angolan government renewed Executive Outcomes' contract, in the amount of \$40 million for one year, some of which was financed by the diamond company DeBeers (O'Brien 2000). As a part of this contract, Executive Outcomes' employees largely acted as force multipliers, meaning that they provided the specialized skills necessary to make the larger state army more effective, which qualifies the EO in this circumstance as a military provider firm, serving at the very tip of the spear. The number of EO employees in-country was never over 500 men, but they had a large impact by participating in the Soyo mission as well as training 5,000 Angolan troops and 30 pilots (Howe 2001).<sup>53</sup>

By the end of 1994, UNITA, weakened by its decreased revenues, agreed to a peace accord with the MPLA government. But, as the 1994 Lusaka peace negotiations between the MPLA and UNITA show, there are some shortcomings to PMC use.

Territory may have been regained, but trust was not, and this became apparent at the

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<sup>53</sup> Note that in this case, Executive Outcomes did not act only as a military provider firm, but also provided training and some logistics support to the Angolan military. As mentioned earlier, plenty of PMCs cross categories, even sometimes in a single mission. As a coding rule, I note all services provided, but code the case according to the services provided closest to the tip of the spear.



negotiating table. Before signing the agreement, UNITA was adamant that Executive Outcomes leave the country (Singer 2003). From their perspective, peace was not possible with the presence of a PMC.

Unfortunately for those trying to make the peace process in Angola work, the implementation of the Lusaka Protocol was unsuccessful. Even though the United Nations was brought in to enforce the demobilization of UNITA troops, the process was highly flawed and many observers doubted that those who turned themselves in were actually members of UNITA's army (Manning 1999). It is suspected that UNITA used the intermittent peace following the signing of the Lusaka Protocol as an opportunity to refocus its energies on its illicit trade activities, allowing it to bring in a reported \$1.72 billion in revenues (Sherman 2000). The MPLA government did not keep its end of the bargain, either. Executive Outcomes personnel remained in Angola until January of 1996, and EO spin-off companies provided demining and other services as the conflict wore on (O'Brien 2000).

Even though Executive Outcomes was no longer an official part of the Angolan conflict, its exit did not mean the end of all PMC involvement in Angola. In 1996, at the urging of the US government<sup>54</sup>, the MPLA hired American company MPRI to provide training for the Angolan state military, which the MPLA believed would be instrumental as they tried to normalize the state administration throughout Angola and bring all regions under the government's control (Manning 1999). UNITA,

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<sup>54</sup> Once the Cold War was over, the United States transferred their support to the government in Luanda.

as was to be expected, resisted, coordinating an attack in Quibala, and brought the reintegration of the country to a halt.

In 1997 and 1998, the dynamic of the conflict again changed dramatically. Civil war broke out in neighboring Zaire and the Congo Republic<sup>55</sup>, providing an opportunity for UNITA and the MPLA to take their dispute to another venue. Mobutu Sese Seko of Zaire had been a longtime supporter of UNITA<sup>56</sup>, as had Denis Sassou-Nguesso, the leader of the Congo Republic (Manning 1999). Accordingly, UNITA supported these leaders as their respective countries went to shambles, while the MPLA supported the opposition.

The civil wars in the Congo region also provided a set of new opportunities for UNITA. Because part of the UN's mission in Angola was to prevent UNITA from participating in the diamond trade, the chaos across Central Africa provided a convenient cover for UNITA's continued presence in the diamond market. It also allowed UNITA to forge relationships with arms dealers who were willing to aid the rebel group in their struggle in Angola (Musah and Fayemi 2000).

Under this state of affairs, the war in Angola raged on. The MPLA attempted to starve UNITA, by blocking the transport of food and supplies to UNITA-controlled areas. This strategy took a major toll on the civilian populations living in these areas, but it also weakened UNITA. In 2002, Jonas Savimbi was killed during a military

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<sup>55</sup> This conflict will be discussed later in this chapter.

<sup>56</sup> Holden Roberto, the leader of the FNLA, a group that was a precursor to, but eventually absorbed by, UNITA, was Mobutu's brother-in-law (Cleary 1999).

operation and his soldiers were too weak and malnourished to fight on without him. A few days later, a handful of his emaciated lieutenants surrendered to MPLA forces.

The conflict between the MPLA and UNITA in Angola serves as an example of the way in which regimes dependent upon highly appropriable resources may find hiring private military companies to participate in combat to be a reasonable choice. While the activities of the PMCs in this conflict were not decisive in terms of bringing an end to the entire war, they were effective in reclaiming territories lost by the government to the rebels and to weakening UNITA enough that they were willing to come to the negotiating table. Thus, they were able to achieve the objectives of their contracts (which were reasonably complete), and manage a turn-around that corrupt state forces had been unable to sustain.

### ***2.C. Angola's Conflict with FLEC in the Cabinda Enclave***

I shall now compare the conflict between Angola's MPLA government and UNITA with that between the MPLA and the Front for the Liberation of the Enclave of Cabinda (FLEC). A discussion of the Cabinda conflict is useful, as we can hold many of the variables constant because we are looking at the same government operating in Luanda. However, the differences between the MPLA's strategy in mainland Angola versus that in Cabinda are informative regarding my theory of the interplay between resources and privatization.

Cabinda is a small enclave of territory north of Angola proper, separated from

the south by a sliver of the Democratic Republic of Congo (formerly Zaire). The territory as it stands began its life as Portuguese Congo and was ruled as a protectorate separate from Portugal's other African holdings. In the late 1960s and early 1970s, while still under Portuguese rule, oil was discovered both onshore and offshore of Cabinda, with the larger reserves being offshore. For this reason, Cabinda was considered a very valuable piece of territory.

When the Portuguese left Africa abruptly in 1975, who should rule the protectorate was not settled. The Alvor Conference had given some guidance as to what was to be done with Angola and Mozambique (not that that prevented long-standing civil wars in both of those countries), but the Cabindans living in Portuguese Congo were not even invited to the conference. There were disagreements over Cabinda's status, with those living there believing that they had been excluded and those in Angola believing that they had rights to the territory (Porto and Parsons 2003). Thus in 1975, shortly after decolonization, MPLA forces invaded Cabinda, solidifying their claim that Cabinda belonged to Angola. The forces recruited from amongst the 200,000 Cabindans were no match for the MPLA forces (which were well-trained and supported by Cuban troops). After the conquest, Cabinda was considered a semi-autonomous enclave of Angola<sup>57</sup>.

The precarious relationship between Cabinda and Luanda only became more tenuous as the revenue potential of Cabindan oil was realized. As part of the oil boom

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<sup>57</sup> The Cabindan people, or at least their most vocal representatives, have never accepted this conquest as legitimate and their anger at being conquered has fueled the secessionist movement for decades.

in the Gulf of Guinea, the government in Luanda benefited greatly from the new oil revenues, little of which was shared with the Cabindans. A frequently-cited figure is that Cabindan oil is the source of ninety percent of Angola's oil production and at least sixty percent of Angolan government revenues (Porto and Parsons 2003, Englebert and Ron 2004, Heilbrunn 2014). This asymmetric relationship was easy to maintain for the government in Luanda, as Cabinda is very small in geographic size and population, making the Cabindans easier to repress than the full-out insurgency that UNITA presented, at times controlling eighty percent of Angola proper.

However, just because there are not many Cabindans does not mean that they did not put up a fight. The Front for the Liberation of the Enclave of Cabinda (FLEC), which was formed in the 1960s sought to make Cabinda an independent state by any means necessary. Throughout the 1970s and 80s, this meant engaging in low-intensity guerilla warfare—hit and run attacks on government installations and the kidnapping of foreign oil workers<sup>58</sup>.

Tension grew as the anticipated value of the oil to be gained from the territory increased. Initially, oil offshore Cabinda was in shallow water wells just off the coast, however as technology progressed, so did the exploration farther out in the state's territorial waters and Exclusive Economic Zone (EEZ)<sup>59</sup>. In the late 1990s, oil companies began deep-water exploration, with Chevron's Kuito field being the first to

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<sup>59</sup> Exclusive Economic Zones are the areas within two hundred nautical miles from a country's shore, wherein the state has a right to pursue economic activities. This term was codified in the UN Convention on the Law of the Sea.

begin production in 1999 (Frynas and Wood 2001). Ultra deep-water exploration also began at this time, with fierce competition between oil companies bidding on contracts anticipated to be highly lucrative. The most promising of these is Block 17, which is being developed by France's TotalFinaElf, and has added 200,000 barrels a day to Angola's production (Le Billon 2007).

Despite the importance of Cabindan oil to the Angolan economy, military intervention has been limited and undertaken by state forces. During the 1980s, Cuban troops as well as FAA troops came into Cabinda to assert Angolan sovereignty, and to protect Chevron employees from FLEC guerillas. After the Cubans left, there was less of a military presence. For most of the time that the war with UNITA was raging, Cabinda mainly served as an occasional staging point for military forces, particularly when it came to neighboring states like Congo-Brazzaville and the Democratic Republic of Congo.

In the late 1990s, as the war with UNITA looked like it would end soon, and particularly after the war ended in 2002, guerilla activity in Cabinda increased. More kidnappings took place, but the government did not seek outside help. In fact what they did do was to have Chevron provide their own security. Currently, Airscan, a private air support firm with ties to former officers of Executive Outcomes, provides fly-overs of Chevron's oil platforms and other assets, in order to provide security for workers. So, while there has been privatization, it has been provided by multinationals for multinationals, without the intervention of the state.

I argue the lack of military activity in Cabinda can be attributed to the nature to the nature of the resources at stake. The FLEC, which over the years has split into two factions, both of which have established Cabindan governments in exile, never put the sort of pressure on Luanda that UNITA did (Porto and Parsons 2003). Because they could not directly threaten the oil fields because they were located offshore, they would attempt to disrupt things indirectly, which usually meant kidnapping one or two oil workers a year. That is not to say that regular kidnappings aren't a serious issue, but when there is a civil war raging elsewhere, killing thousands of people, priority generally goes to the most severe conflict. Because FLEC did not have the capacity to take the resources by force, they never were a real threat to the government's oil revenues, and therefore the government did not use its scarce resources to hire external military capacity.

#### ***2.D. What Might Have Been? Contrasting Angola with Mozambique's Civil War***

As noted previously in this chapter, there are many similarities between the civil wars in Angola and Mozambique, both were Portuguese colonies that fell into civil war after decolonization. Both of these conflicts were quite severe, long-lasting and affecting many lives. They also featured a great deal of external intervention. Just as South Africa supported UNITA in Angola, they funded the RENAMO rebels in Mozambique. The government in Mozambique did not hire private military companies, which I attribute to the lack of resource wealth. This had important

implications for the dynamics of the conflict, differentiating it from the Angola fight with UNITA, which was fueled by resources on both sides. DeBeer and Gamba note that “The question begs to be asked whether the different results of UN operations in Angola and Mozambique—one failed, one successful—were at least in part related to the fact that Mozambique is rich in prawns and peanuts, while Angola is rich in oil and diamonds” (2001:78). While the behavior of interest in this chapter is privatization during the conflict, not the outcome of said conflict or the various interventions, I follow the authors in noting that it is differences in resource wealth that drove the states down different paths, even when they began at a similar starting point.

The conflict in Mozambique began in 1976, just a year after independence. The ruling party, the Mozambique Liberation Front (FRELIMO), struggled to create institutions that could govern the entire country. Furthermore, their early activities greatly alienated large portions of the population. First, they declared Mozambique a one-party state, denying the possibility of future elections and the democratic transition of power. Second, they nationalized major services and attempted to institute broad-based land reform that disenfranchised local populations in areas far from the capital, forcing them to work on collective farms for a central government to which they had little connection. Finally, they took their revenge on those people that were viewed as benefiting from the previous Portuguese regime, mainly the educated and those that had served in the security forces, sending them to re-education camps (Weinstein et al., 2005).



These actions created discontent in Mozambique, particularly amongst the elites outside FRELIMO, and many people fled to neighboring states. It would be out of these displaced persons that the Mozambican National Resistance (RENAMO) would find its first members.

While the actual participants in RENAMO were Mozambicans (for the most part), RENAMO was not initially organized by Mozambicans, but rather by the leadership in white-dominated Rhodesia. FRELIMO did not have good relations with its neighbors. It allied itself with the East, while neighboring Rhodesia and South Africa were at least tacitly supported by the West. They also allowed challengers to those regimes, the Zimbabwe African National Union (ZANU) and the African National Congress (ANC) to find safe havens within Mozambique. For these reasons, the neighboring regimes, Rhodesia in particular, found the FRELIMO regime threatening and were eager to see its downfall.

At the beginning, the Rhodesians hoped to create a rebel group that would enter Mozambique and fight against the armed wing of ZANU, not FRELIMO. They trained, armed, and paid the salaries of the RENAMO rebels to do just that for a period of roughly three years. Then in 1979, Rhodesia fell (and Zimbabwe was born), leaving RENAMO without its main source of financial support.

At this point, South Africa stepped in as the external supporter of RENAMO. However, the South Africans had different goals and therefore different requirements of their protégés. The main foreign policy of the Apartheid regime was to create

instability in the frontline states (Minter 1995). As such, they gave the Mozambican leadership of RENAMO much more control over their objectives and tactics. They even encouraged them to develop an ideology and identity of their own, as that would make RENAMO a more effective challenger to the FRELIMO regime (Weinstein and Francisco 2005).

Despite encouragement from Pretoria for RENAMO to develop its agenda further, the group failed to establish itself as a serious political force or engender broad political mobilization, even though there were large portions of the population unhappy with FRELIMO's policies of Marxist collectivization. Weinstein (2006) argues that this is because RENAMO continued to depend on coercion and the distribution of material benefits to recruit and maintain its membership. RENAMO's soldiers did not have loyalty to a cause; they simply wanted to be paid.

Unfortunately for RENAMO, as the last decade of the 20<sup>th</sup> century began, South Africa was more worried about keeping its domestic politics under control than destabilizing its neighbors. In 1989, they signed a treaty that forced them to stop their activities in Angola and Namibia, and Mozambique shortly fell by the wayside as well. As the Apartheid regime crumbled, so did financial support for RENAMO.

Without an external guarantor, RENAMO came to the negotiating table. The Rome General Peace Accords were signed in 1992 and brought peaceful elections and

the transition of RENAMO into an opposition party<sup>60</sup>.

In many ways, the experience in Mozambique serves as a potential counterfactual for how the Angolan civil war may have turned out had there been no natural resources. Without external funding from South Africa, RENAMO was ready to negotiate; the same might have been said of UNITA, if they had not had access to a supply of diamonds to support their efforts.<sup>61</sup> Because of those resources, the war in Angola continued, and because of those resources, they looked for additional military capacity from private military companies like Executive Outcomes.

### **3. Alternative Avenues of PMC Involvement: Congo-Brazzaville and Paramilitaries**

#### ***3.A. History of Congo-Brazzaville Case***

The Republic of Congo, also known as Congo-Brazzaville, is yet another example of a weak state with large amounts of resource revenues coming from offshore oil. Like Mozambique, it makes a particularly good comparison to the Angolan case. Specifically, Congo-Brazzaville's resource endowments are geologically similar to that of Cabinda, as they are located next to each other. Situated

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<sup>60</sup> RENAMO was not very successful in the elections, only gaining some parliamentary seats representing the south. Afonso Dhklama, the leader of RENAMO, had been promised a cabinet position, but was denied after FRELIMO's success at the polls (Walter 1999). There was no return to violence.

<sup>61</sup> There are some who might argue that UNITA had more of a coherent ideological core, especially when compared to the 'manufactured' RENAMO. However, evidence suggests that that ideology was largely held by Savimbi and his close associates and less so with the average member of UNITA. It is also hard to deny that the lucrative diamond trade was not an effective tool for recruiting and retaining troops (Dietrich 2000).

on the coast of the Gulf of Guinea, Pointe-Noire, Congo's main port for its offshore oil industry, is only seventeen miles from Chicambo, the northernmost town in the Cabinda enclave.

Unlike the Angolans in Cabinda, the Congolese government did hire PMCs to act as trainers during the course of a civil conflict between the government and two opposition groups. While this may seem to run counter to theory forwarded here, I contend that differences between my primary theoretical constructs, *threat* and *capacity*, can explain the variation in choices made by the respective governments. This case is informative, as it adds nuance to the story of resources and privatization.

Oil was first discovered in The Republic of Congo in 1957, but it was not until a large offshore discovery that the state became an oil producer. Oil exports did not begin until the 1970s, at which point government revenues became oil-dependent. Despite the Congolese economy's increasing dependence on oil, like Angola, it is what Basedau and Lay (2009) "oil poor" as oil production and revenues are quite small when considered per capita. Nevertheless, a series of military governments, led by M'Bochi from the northern part of the country, used the oil revenues to retain their hold on power, as well offer 'public' goods that were mostly directed at those in the north (Clark 1997).<sup>62</sup>

In 1985, oil prices declined rapidly, and with them, the Congolese economy. The country suffered negative economic growth for the next five years and could

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<sup>62</sup> One frequently cited benefit to the north was an expensive railway project that connected secondary cities in the region to Brazzaville.

barely keep its creditors at bay, resorting to loans from the French oil company, Elf, to buoy its budget (Heilbrunn 2014). With oil futures into the 21<sup>st</sup> century leveraged, the Sassou-Nguesso regime could do no more. The country went to the IMF and was put under a structural adjustment program.

This proved to be the beginning of the end for Sassou-Nguesso's government. Not only was the economy demolished, but the IMF introduced reforms that further undermined Congolese patrimonial relations. For example, Sassou-Nguesso had courted southern elites by offering civil service jobs to anyone with a university degree. This state of affairs was interrupted when the IMF imposed major cuts to civil service personnel, leaving many educated young people unemployed. To make matters worse, those who remained employed were not receiving pay, leading to major demonstrations and strikes in Brazzaville (Heilbrunn 2014). Economic troubles, civil unrest, and pressure from international actors forced Sassou-Nguesso's hand in instigating democratic reforms and an election was held in 1992.

Pascal Lissouba, a previous prime minister under Sassou-Nguesso, won the run-off election for president, with Bernard Kolelas, the mayor of Brazzaville in second. Sassou-Nguesso had not even made it to the run-off and he was not happy, as it was fairly clear that the only reason he agreed to an election was because he expected to win. Initially, Sassou-Nguesso agreed to join forces with Lissouba so that a government could be formed, but when executive portfolios were not doled out as Sassou-Nguesso had wanted, he quickly left the coalition.

Not only did Sassou-Nguesso refuse to work with Lissouba, but his well-established network refused to work with the new government. When the former president left office, he took his Presidential Guard with him. Many military officers, particularly those from the north, defected, leaving with Sassou-Nguesso. The Presidential Guard and defectors made up the core of what would be Sassou-Nguesso's personal paramilitary, the Cobras. To make matters worse for the new government, those supporters of the previous regime that stayed in the armed forces did not seem interested in transferring their loyalties to Lissouba.

Overall, while Lissouba supporters in the south were far more numerous than Sassou-Nguesso's supporters in the north, the previous regime had so effectively established and maintained a patrimonial network, it was incredibly difficult for the Lissouba to effectively control the country's institutions, despite being the democratically elected leader of the state. Beyond these domestic woes, foreign relations proved difficult during the transition, particularly with France. Sassou-Nguesso had positive relationships with Chirac in France, Bongo in Gabon, Kabila in the Democratic Republic of Congo and Dos Santos in Angola.<sup>63</sup> These actors provided support for his regime that did not transfer once Lissouba took power (Engleburt and Ron 2004). In fact, relations between the Lissouba government and these other states were downright bad. For example, France, which had financed the Congolese government budget in one way or another for almost ten years, refused to loan any

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<sup>63</sup> Some of these relationships were based on shrewd matchmaking on Sassou-Nguesso's part. Both Bongo and (Joseph) Kabila married one of Sassou-Nguesso's daughters.

money to Lissouba (Clark 1997).

After the dissolution of the coalition in the initial aftermath of the government, Lissouba dissolved the parliament, saying that new elections would have to be held. There was a great deal of uncertainty over what party would emerge victorious from the elections, but ultimately Lissouba's followers retained a majority of the seats in parliament. This angered the other leaders greatly. Kolelas immediately ordered his paramilitary, the Ninjas to fight the forces supporting Lissouba. Sassou-Nguesso largely stayed out of the conflict at this time, instead retiring to his northern stronghold, biding his time. The fighting ended in 1994, but each of the individual leaders maintained their paramilitaries and certain regional areas of influence.

Lissouba wanted to be prepared for any future conflict and for his paramilitaries to be able to deter future challengers. From 1994 to 1996, Israeli PMC Levdan was charged with training the Presidential Guard and armed forces of the Republic of Congo (Clark 1997, Musah and Fayemi 2000, Englebert and Ron 2004)<sup>64</sup>. Levdan, a subsidiary of a multinational with major mining interests, was paid \$50 million to send sixty-five trainers for three years. (O'Brien 2000). While the focus of this thesis is the privatization behavior of state governments, it should be noted that both of the opposition leaders hired trainers for their militias as well. A French firm trained the Cobras and a Belgian firm provided similar services for the Ninjas (Pech 1999).

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<sup>64</sup> All three of the cited articles mention the Israeli trainers. Clark (1997) mentions that there may have been South African trainers as well, but I cannot find further evidence to confirm that claim.

During this time, Lissouba also did additional house cleaning of the state military. He purged the forces of any M'bochi officers, whom, coming from the same tribe as Sassou-Nguesso, were suspected to be disloyal to the current regime (Englebert and Ron 2004). While this may have helped assure Lissouba that his forces would be loyal, it also created more disgruntled former soldiers with a reason to join the Cobras.

On the eve of the 1997, Sassou-Nguesso, who had spent the previous three years in exile in Paris, returned to Brazzaville to stand in the presidential election; understandably, this caused quite a stir (Bazenguissa-Ganga 1999). When Lissouba-supporting troops attempted to disarm Cobras in Brazzaville, the country descended into violence yet again, but the character of the fighting was quite different. Fighting occurred for the first time in Brazzaville and overall, the conflict became much more urban, with greater participation by disgruntled urban young people who could not find employment. A phrase commonly heard at this time was "N'Kossa, chacun aura sa part," meaning that everyone would get a piece of the money flowing from the N'Kossa oil field, the largest of the Congolese fields (Bazenguissa-Ganga 1999). Foot-soldiers were motivated by the promise of redistribution, the idea that oil revenues would benefit those other than the Congolese elite.

As things began to deteriorate for Lissouba, he became desperate. He could not lose the capital, as it was the key to accessing the state oil revenues that were necessary to fund the war effort. Thus, in 1997, Lissouba hired a platoon of South



African soldiers, purportedly from Executive Outcomes (O'Brien 2000). These soldiers were to act as personal security detail for the president and were also helping the regime import additional armaments to fight the Cobras. He also recruited Kolelas' Ninjas to fight alongside his forces.

Despite Lissouba's efforts to increase his military capacity, it was not enough to keep him in power. Ultimately, an external intervention brought an end to his regime. In 1999, Angolan troops entered from Cabinda and reinstated Sassou-Nguesso as president (Heilbrunn 2014).

### ***3.A. Analysis of Congo-Brazzaville Case***

The Republic of Congo case is important because it illustrates the behavior of a government with a great amount of resource wealth offshore. According to my theory, these cases are the least likely to privatize overall and if they do, the private forces will not actively participate in combat. Ultimately, I consider this case to be in line with my theory, as the Lissouba government hired private trainers to improve the capacity of this loyal paramilitary troops. It was not until he was threatened to losing the capital in 1997, that he brought in a small group of armed private soldiers. This aspect of Lissouba's privatization decisions will be discussed further below.

Furthermore, this case introduces theoretical nuance, combining lessons from the previous chapter and extensions of the ideas in this chapter. Specifically, we see the effects of variation in civil-military relations (as touched upon in the previous

chapter on coups) and the role of the state capital as a site-specific asset, functioning similar to the natural resources highlighted here.

In terms of civil-military relations, the previous chapter showed that if, in times of great uncertainty, the leader cannot trust the military, they will seek out private actors to provide for their security. We see this happening in the Congo-Brazzaville conflict. After Lissouba came to power, a large portion of the armed forces defected and joined Sassou-Nguesso's militia. This left the new president with little military power that he could depend upon. Quickly building forces that would be loyal to the new regime was of critical importance. After the first phase of the conflict, it was ever more clear that defeating the opposition paramilitaries, particularly the Cobras would be difficult and thus it made sense for Lissouba to seek out additional training for his forces. This training would not have been advisable, if these forces were not loyal (for example, if the supporters of Sassou-Nguesso had stayed in the state military).

The other interesting aspect of this conflict is the unexpected role of site-specific assets. As made clear earlier in this chapter, my expectation was that the privatization of services near the tip of the spear would only occur when appropriable site-specific assets were contested. However, Lissouba did contract for services near the tip of the spear, despite none of the states's strategic natural resources being actively contested. This brings up an important point about offshore assets that is highlighted by Englebert and Ron (2004) in their discussion of the Congo conflict.

They contend that when resources are offshore and therefore inaccessible to challengers, the state capital becomes the locus of conflict. This is because he who controls the capital, controls the government and therefore has access to the state's oil revenues. This may be why when fighting came to Brazzaville itself, Lissouba hired private armed forces to protect himself and his position. In essence, he was contracting for the protection of a site-specific asset, not a natural resource, but a strategic political asset that ensured access to that resource wealth.

#### *How Congo Differs from Cabinda*

Both the Republic of Congo and Cabinda have offshore oil, yet we see the governments in question making different policy choices. Why might this be the case? I argue that the amount of threat posed by the different challengers can explain the variation. Let us consider Angola first.

During this time period, Angola had two conflicts going on, and the one in Cabinda was relatively less of a threat to Luanda. The resources at risk are offshore and therefore less appropriable than those in mainland Angola, especially the diamond mines of Luanda Norte. Furthermore, Cabinda is geographically separated from the rest of the country, meaning that FLEC was much less likely to attack Luanda or onshore resources, whereas coopting onshore resources was a prime tactic of UNITA. Finally, FLEC did not even purport to *want* to take Luanda. They are and have always been a secessionist movement, while UNITA's goal was always to wrest control of the

government, which it felt it had a right to after the Portuguese left. Yes, if Cabinda seceded and took sixty percent of government revenues with it, this would have been devastating for the MPLA, but that scenario was much less plausible than UNITA taking Luanda<sup>65</sup>; therefore, the threat posed by UNITA was much greater than that posed by the FLEC.

In the case of Congo-Brazzaville, the opposition groups were all fighting for control of the government. Decisive victories did not come at the ballot box or on the battlefield. Former allies of the Congolese, turned away from the new government. Overall, this left the Lissouba regime in a very precarious position. Given the particular problems with the loyalty of the military, it is not surprising that he hired trainers. What is different is that he also contracted for services near the tip of the spear. This came after an even more extreme threat to his regime. Violence had come to the state capital in Brazzaville, challenging Lissouba's access to oil revenues. Although the offshore oil was not directly appropriable, the Cobras challenged Lissouba's ability to control the government. In this case, Brazzaville became a strategic site-specific asset that one could contract to protect. Desperately in need of additional military capacity, this is exactly what Lissouba did. Ultimately, it was not enough, when faced with the well-trained and war-hardened troops from Angola.

In this chapter, I have illustrated with qualitative case studies the ways in which my theory informs the role between natural resource wealth and security

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<sup>65</sup> UNITA was a much more effective fighting force and had major backing. Cabinda had neither, and the international community has a very mixed record regarding recognition of secessionist territories, instead preferring to hold onto norms of territorial sovereignty.

privatization. I argued that differences across types of resources may have an impact on the level of threat faced by the government, affecting their choices regarding privatization. Namely, I contend that appropriability, an interaction between site-specificity/accessibility and capital intensity of resource extraction, will be the major driver of privatization. States with highly appropriable resources are most likely to face existential challenges to the regime and will therefore face the most threat from armed challengers.

While high levels of appropriability may bring about more threat, the site-specificity of assets means that they will be the easiest to write contracts to protect. As noted earlier, it is difficult to enforce a contract that requires an actor to “help win the war,” but far easier to require that they “reclaim X diamond mine for the government.” Because the protection of these resources is easier to contract for, we are more likely to see privatization at the tip of the spear in these cases. In fact, certain states have written fairly innovative contracts in which they offer a certain portion of future resource rents to the contractors. This helps to align the incentives of government and contractor, but does not empower a potential political rival, as would be the case if a similar deal were given to members of the state military or a paramilitary group.

To illustrate my argument, I offered several cases for the reader to consider. First, I pursued a Most-Similar-Systems design in which I compared civil conflicts in Angola (with UNITA and with FLEC in the Cabindan province) with that of Mozambique. There are many similarities across the cases, save for the presence and

appropriability of resources. In its conflict with UNITA, where the rebels had access to highly appropriable alluvial diamond fields and onshore oil fields, Angola hired a PMC (Executive Outcomes) to reclaim these resource-producing areas for the government, and was rewarded with oil concessions from the Soyo oil field. However that same government, when facing the FLEC insurgency in the Cabindan province, where there are large but not highly appropriable offshore oil fields, did not choose to privatize. Finally, in the case of Mozambique, which has no major natural resource wealth to speak of, no privatization occurred, and conflict fizzled when external allies stopped sending financial support.

Finally, I considered another way in which resources may lead to privatization. FI discussed the civil war in Congo-Brazzaville, a state with great offshore oil wealth, where battling elites hired private trainers for their personal paramilitaries and the government. When opposition groups came to Brazzaville to challenge the government's rule, the capital itself became a appropriable site-specific asset, the key to the oil revenues, and the Lissouba government hired private actors to participate in combat to protect it.

## **Chapter 6.**

### **Conclusions, Implications, and Future Research**

This chapter reviews the empirical support for my theory of privatization and discusses its theoretical and policy implications. This research contributes not only to the growing literature on the privatization of security, but also to the discussion of more general trends in the privatization of public goods and its relationship to the development of state capacity. A sole focus on the state provision of goods overlooks the complexities of governance and emerging alternative structures, such as the use of private military companies, to the detriment of IR theory.

Why do some leaders decide to hire private companies to provide security, rather than producing it internally? And what determines the type of service they privatize? In Chapter 2, I used agency theory to develop a theory of privatization; in Chapter 3, I tested that theory with an original dataset on security privatization in sub-Saharan Africa from 1990-2009, finding strong support for six of my eight hypotheses; in Chapters 4 and 5, I illustrated the causal mechanisms driving privatization at the tip of the spear. I find that leaders are most likely to privatize when they face dysfunctional civil-military relations, rely on appropriable natural resources, or face regime-threatening civil conflict, and leaders will only privatize combat services when they both engaged in civil war and reliant upon appropriable natural resources. This research has implications for the study of state development and will be of interest for policymakers concerned with issues of state failure and private security regulation.

### **1. Contributions and Implications**

This dissertation makes both an empirical and theoretical contribution to the political science literature on state development and non-state actors, as well as offering insights into important current policy debates. The original quantitative dataset is one of the first systematic collections of instances of the privatization phenomenon and the first to compile instances of privatization outside of the US. The



qualitative cases comprise the first effort to capture the entire range of African privatization, as opposed to focusing on a few well-known cases.

From a theoretical perspective, this dissertation contributes to the literature on state development, suggesting that the use of alternative forms of security governance moderates the relationship between war and state-making. Indeed, focusing exclusively on actions taken by states causes scholars to overlook important steps in the consolidation of power and the development of state capacity.

This research also has implications for policymakers concerned with failed states and the instability they can engender. As the UN debates appropriate regulation of PMC use and balances this against the need to provide security in developing states, research that explains the dynamics of privatization will be an important part of the debate.

Study of these alternative forms of security provision may also inform policy debates. In recent years, the United Nations has transitioned from a prohibitive stance against private military companies to one that seeks to regulate the international market for security services. In a world where great powers are reticent to intervene in failed states and resources for such purposes are generally scarce, a movement towards a more open market for security services, decoupled from the Weberian definition of the state, may be a positive development. Certainly, careful objective examination of the causes and consequences of privatization in this area will provide evidence for the debate.

One of the aspects of international relations that my research highlights is that there is an under-provision of security globally. Even as the 'market for force' is becoming increasingly international, there are still ungoverned spaces, where state forces are unwilling or unable to provide security. Internationally, we call these failed states. Domestically, we call them bad neighborhoods. Whatever you may call these areas, it is not surprising the private actors have entered to fill this niche.

Even with the presence of these private actors, there remains suboptimal provision of security. We can attribute this to two main reasons, both of which increase the barriers to entry into the market for force. First, providing security is costly. It requires expenditures of blood and treasure of varying degrees. Beyond these direct costs, leaders also have to think about the political costs associated with security provision and the dangers and opportunity costs of investing in state militaries. The costs associated with security make it difficult for many developing states to provide security consistently across their entire territory.

The second reason security is undersupplied is because it is largely considered the exclusive purview of sovereign states. This means that it is incredibly difficult for non-state providers to participate. Previous international bans on mercenarism illustrate these costs. There may even be difficulties associated with governments that are not recognized by the international community and therefore not legitimate providers of security (e.g. Somaliland and Puntland, which are the functioning but unrecognized governments within Somalia).

Many politicians view these high barriers to entry positively. For politicians in weak states, the legitimacy of sovereignty allows them to stave off challengers, who are rarely as well-organized or equipped as even the weakest state military. Politicians in powerful states benefit from the system as it allows them to choose winners and losers, as they dole out military aid in return for political favors/concessions from willing client states.

The growth in the private military industry since the end of the Cold War shows that costs and barriers to entry to providing military services are not insurmountable. One of the main culprits behind the limited scope of private security is the external political considerations that prevent it from being supplied. Many Western politicians ruffle at the thought of a completely unregulated market because of perceptions regarding potential negative externalities, many of which can be tied back to their discomfort with security provision being decoupled from the state. This is a problem, as it is the powerful states that are most likely to have the excess capacity and human capital needed to staff these companies.

Despite the widespread concerns about potential human rights abuses or ‘hold-up’ problems, I contend that private forces are no more likely to misbehave, assuming that contracts are structured in ways that take potential agency loss into account. Any difference between forces based on identity (private employees, state soldiers, UN peacekeepers) seems likely to be marginal. And if that is the case, there are gains to be

had by lowering the barriers to entry in the international security market and allowing for more privatization.

One way we might envision this happening is by privatizing peacekeeping, as a form of public-private partnership. Weak states could get the (short-term) capacity they need in a way that is less costly to powerful states, especially liberal democracies that are particularly casualty-sensitive. One might argue that this is already the implicit bargain behind peacekeeping forces, but I argue that private forces are likely to be more effective on the ground and, when properly incentivized, less likely to shirk or subvert the goals of the principal. This presents an attractive third way—more efficient provision than the UN can offer alone, with greater regulation and legitimation from the international community than PMCs can provide. This arrangement might alleviate concerns about the potential negative externalities of PMC use.

There are three main issues I foresee in attempting to implement a plan of peacekeeping privatization. First, it may cost more to send PMCs instead of peacekeepers, as PMCs tend to be more highly trained and come from more developed states (or so-called emerging economies) where higher wages are the norm. Peacekeepers, on the other hand are generally from developing states, such as Nepal and Bangladesh, where forces garner such small wages that their home governments benefit from the surplus provided via UN contracts. These additional costs may be worthwhile, however, if the use of highly skilled private soldiers leads to efficiency

gains and thus shorter missions. Shorter missions could lower costs, despite higher initial outlays.

Second, because developing states benefit from loaning out their soldiers to peacekeeping missions, they may not welcome changes that threaten this income stream. This is also a valid concern, as some of the major contributors are quite poor and may have come to depend on the revenue associated with ‘loaning out’ their military. On the other hand, more professionalized troops may be less likely to participate in unsavory side activities, such as the human rights abuses in which many UN forces have engaged (Notar, 2006). One might also see a compromise in which a division of labor becomes the norm in peacekeeping; it might be possible for developing countries to continue to provide “blue helmets” for traditional peacekeeping missions, those sent under Chapter 6 of the UN Convention. PMCs would then be brought in to provide services that require certain skill sets, more likely for Chapter 7 ‘peace enforcement’ missions or even under the auspices of an ‘intervention brigade,’ such as that the UN dispatched to the Democratic Republic of Congo late in 2013.

The third potential difficulty comes with the fact that there has been an increased focus on peacekeeping being regionalized (e.g. “African solutions to African problems” and the rise in African peacekeeping forces), so my proposal may be interpreted as a form of neo-imperialism. This argument hinges on the same assumptions behind the idea that local, state government forces are better than foreign,

‘mercenary’ ones. Are these identity issues more important than effectiveness? While gains in efficiency must be measured empirically, the notion that there are gains to be realized by the use of more highly-trained forces is intuitively compelling.

Furthermore, short-term use of these companies does not mean that security will be forever changed or that state forces will never be used. We are not going to see complete privatization, and as African states develop, they will develop greater, more reliable domestic military capacity and experience less need for PMCs. A public-private partnership between supra-national government bodies and PMCs is simply designed to provide a short-term fix in support of long-term goals. We know that development is one of the biggest factors in improving a variety of political and social outcomes, but it cannot happen if governments are too busy defending their regime to actually govern.

## 2. Future Research Plans

In addition to submitting my dissertation for publication at an academic press, I plan to deepen and broaden my research agenda. Using the data from the dissertation, as well as some that I constructed previously, I plan to test the effects of PMC use on conflict duration and termination. My preliminary results suggest that in conflicts where PMCs intervene on the side of the government in civil war, the government is more likely to achieve its objectives and wars end more quickly. I also plan to evaluate

the effect of PMCs on other outcomes of interest, such particularly the incidence of human rights abuses and the development of state-based military capacity.

My interests in developing this agenda are not limited to security outcomes, however. Recent research suggests that security is one, if not *the most*, important variable for sustaining economic growth in developing countries. Understanding the trend of security privatization may help us better understand what states are likely to see foreign direct investment in the aftermath of conflict, particularly in cases where there are site-specific assets involved. It may be the case that outside investors will be more likely to invest their capital if there are competent forces that investors consider capable of protecting those investments.

In addition to an exploration of the implications of security privatization, I plan to expand my research to explore other forms of security delegation. Hiring private military companies is only one option available to leaders (see Chapter 2, Section 1.E). I want to explore other alternatives to the state military, such as alliances with paramilitary groups, warlords, or other states. This more comprehensive look at security delegation and the substitutability or complementarity of the various options will serve as the foundation for a second major research project that I call “Build, Buy, or Ally.”

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