

# Arms Companies: Profiting from 9/11 and War

By Jennifer del Rosario-Malonzo

The U.S. is the biggest military spender in the world and the largest military corporations are based in the U.S. In arming the U.S., the so-called "Globocop," corporations derive the most benefit because they are lavished with billions to come up with lethal weapons, surveillance equipment, tanks, submarines, ships and airplanes designed for a seemingly never-ending war.

While many sectors in the U.S. are suffering from the economic crunch, top weapons manufacturers are awaiting new orders, hiring new people, looking for new investments and gaining attention on the stock market.

## Exciting Days for War Business

In December 2001, the U.S. Congress debated a military budget of \$343.2 billion, an increase of \$32.6 billion over the previous year. The increase would bring military spending to more than half of all discretionary spending.

This is good news to the weapons industry. While many sectors in the U.S. are suffering from the economic crunch, top weapons manufacturers are awaiting new orders, hiring new people, looking for new investments and gaining attention on the stock market.

An analyst with the Lexington

### Actual U.S. Military Spending

An annual report by the War Resisters League (WRL) reveals that since the Vietnam War, the U.S. government has deceptively underestimated its military budget. For instance, while the U.S. government equates military spending with the Department of Defense (i.e., \$362 billion for the year 2003), this does not include military-related spending for the Department of Energy, NASA, Coast Guard, CIA, FBI, Veterans Benefits and interest on the national debt. Once these are included, U.S. military spending for 2003 doubles to become \$776 billion, i.e., 46% of the U.S. Federal Budget.

Source: <[www.warresisters.org/piechart.htm](http://www.warresisters.org/piechart.htm)>



Institute said, "The whole mind set of military spending changed on Sept. 11. The most fundamental thing about military spending is that threats drive military spending. It's now going to be easier to fund almost anything."

These are fruitful times for companies like Lockheed Martin, Raytheon, Northrop Grumman and Boeing. The war in Afghanistan is definitely a success despite friendly-fire incidents, bombing accidents, mounting civilian casualties and the recent crash of a \$280 million B-1 bomber. The Bush administration is already targeting new countries for military action, with Somalia, Yemen and Iraq topping the list. Indeed, this is a satisfying time to be in the war business.

"For a long time, [the arms industry] just didn't seem like a sexy area that has a lot of legs to it," said a partner at an options trading firm. All that has changed. In response to investor interest, stock exchanges are thinking about creating a new Defense Index.

While Congress worked out the

versions of the military budgets, weapons manufacturers and their supporters are confident that it will be big. "With the [Bush] administration, we'll see a rebuilding of the military to bring it back to where it was eight years ago," said military analyst Paul Nisbet. "We'll see a considerable appreciation in military stocks, as we saw in the Reagan years."

### Boosting the Military-Industrial Complex

Long before the so-called anti-terrorism efforts, George W. Bush already planned to boost the position of the U.S. military-industrial complex. On September 23, 1999, Bush delivered his comprehensive military policy wherein he set three ambitious goals: (1) to "renew the bond of trust between the American President and the American military"; (2) to "defend the American people against missiles and terror" and (3) to "begin creating the military of the next century."

Bush proposed to invigorate

trust by increasing military pay and benefits and by clarifying the mission of U.S. forces to “deter...and win wars,” not to undertake “vague, aimless and endless deployments.” Bush gave few specifics on his second promise but indicated that as president he would make substantial new investments in anti-terrorism efforts and “deploy anti-ballistic missile defenses, both theater and national,” as soon as possible.

He also promised “an immediate, comprehensive review of our military” designed to “challenge the status quo and to envision a new architecture of American defense for decades to come.” Bush urged the replacement of existing programs “with new technologies and strategies” aimed at creating forces that would be “agile, lethal, readily deployable and require a minimum of logistical support.”

Military companies are naturally resisting the idea of abandoning current programs and the military-industrial complex would not allow such thing to happen. While at first creating a ripple of misgiving among military contractors, Bush’s vision of high-tech military systems in fact gives the military industry so much to look forward to. Since existing giant corporations, like Lockheed Martin or Raytheon, are the ones that have the technological capacity to pursue such vision, they will be the main beneficiaries of these future programs.

## Post 9-11

Although Bush and top advisers keep on harping that their global campaign against terrorism will be a “new kind of war,” the largest beneficiaries of the weapons spending sparked by the September 11 attacks are the big military contractors like Boeing, Raytheon, Lockheed Martin and Northrop Grumman.

The bulk of new funding will be channeled to longstanding pet projects of the military-industrial complex. According to analysts, renewed Pentagon spending will only benefit existing systems, many of which were designed during the Cold War.

The weapons industry’s main agenda of recent years – a massive, across-the-board increase in military spending – took a giant leap forward after September 11. Within days, Congress signed a \$40-billion package for

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reconstruction and anti-terrorism efforts. Secretary of Defense Donald Rumsfeld compared the war on terrorism with the Cold War, and a \$400-billion military budget is in the offing.

## U.S. as Globocop

Beyond corporate and institutional pressure for perennially high military spending, there is also a strategic rationale — the idea that the U.S. should retain the capability to serve as some kind of “Globocop.” The U.S. has taken upon itself the task of maintaining “order and stability,” especially in the perpetuation of “free markets.”

## U.S. Hawks Need a “Perpetual War”

By George Monbiot, Honorary Professor at the Department of Politics, Keele University, columnist for the *Guardian* and author of *Captive State: The Corporate Takeover of Britain* (2000).

The U.S. possesses a vast military-industrial complex, which is in constant need of conflict in order to justify its staggeringly expensive existence. Perhaps more importantly than any [other] factors, the hawks who control the White House perceive that perpetual war results in the perpetual demand for their services. And there is scarcely a better formula for perpetual war, with both terrorists and other Arab nations, than the invasion of Iraq. The hawks know that they will win, whoever loses. In other words, if the U.S. was not preparing to attack Iraq, it would be preparing to attack another nation. The U.S. will go to war with that country because it needs a country with which to go to war.

**Source:** *The Guardian* (London) August 6, 2002. <[www.guardian.co.uk/comment/story/0,3604,769699,00.html](http://www.guardian.co.uk/comment/story/0,3604,769699,00.html)>

The U.S. is already providing military assistance and special operations advisors to the Philippines in the war against the Abu Sayyaf group, which the U.S. says has links with Osama bin Laden. In Yemen – where Bin Laden attacked the USS Cole that killed 17 U.S. sailors in 2000 – Yemeni Special Forces, U.S.-trained and armed with tanks, helicopters and artillery, attacked a local al-Qaeda organization. Other potential targets include Somalia, which is accused of hosting terrorists, and Iraq, which is accused of developing weapons of mass destruction.

Global force projection remains the focus of Pentagon’s strategy and budget. In places where there are critical resources or potential U.S. investments at risk, such as the Persian Gulf and the oil-and-gas-rich Central Asia, the Pentagon is preoccupied with providing weapons and training, arranging access to bases, and pre-positioning troops and equipment in preparation for a possible military intervention at any time.

Meanwhile, war and war preparation mean more profits for U.S. military corporations. These companies expand, hire more workers, embark on more projects and help prop up the U.S. economy. But as the U.S. military-industrial complex grows, so does the danger of unprecedented annihilation of innocent people.

**Source:** *IBON Features, Facts and Figures*, April 15 & 30, 2002 <[www2.nadir.org/nadir/initiativ/agp/free/9-11/military\\_complex.htm](http://www2.nadir.org/nadir/initiativ/agp/free/9-11/military_complex.htm)>

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# Post-9/11 Windfalls for Arms Manufacturers

By Michelle Ciarrocca, an analyst with the Arms Trade Resource Center who writes for Foreign Policy In Focus.

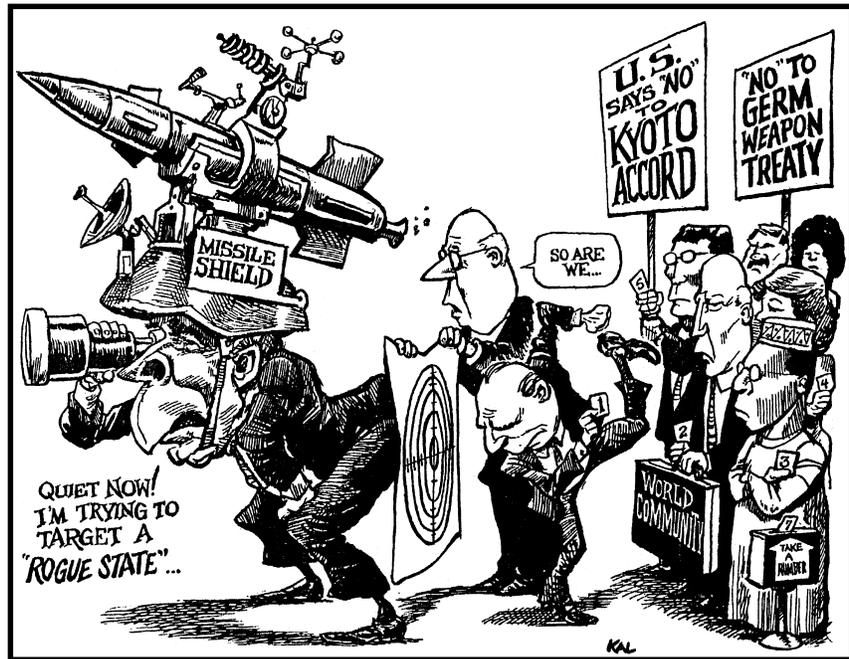
## Key Points:

- In the wake of September 11, President Bush requested the largest increase in military spending in two decades.
- The potential for an open-ended war poses great opportunities for weapons makers and great challenges for those who seek to curb wasteful military spending.
- Major military contractors are figuring out new ways to tap into the homeland defense market.

President Bush's military budget increase and the war time "unity" on Capitol Hill have created an environment in which weapons makers can enjoy the best of both worlds — continuing to make money on the weapons systems of the Cold War while reaping the benefits of a war-time bonanza of new military contracts.

In order to replace weapons used in Afghanistan and in preparation for possible military action in Iraq, many U.S. weapons makers have increased production. Boeing added a second shift of workers to boost production of its Joint Direct Attack Munitions (JDAMs) — the most widely used smart bomb in the Afghan war. Raytheon, best known for its Tomahawk missile, added a third shift and announced that production for its laser-guided bomb has been accelerated by five months "to support the warfighter in the war on terrorism." Alliant Techsystems, the largest supplier of ammunition to the U.S. military, was awarded a \$92 million contract to make 265 million rounds of small-caliber ammunition for the Army.

Additionally, with the new influx of money for homeland defense (\$38 billion for FY 2003), virtually all of the big military contractors — Boeing, Lockheed Martin, and Raytheon — have adapted their marketing strategies and are repackaging their products for use in domestic se-



curity. Boeing is looking into how its sensors designed to track enemy missiles could be used to locate and identify hijacked planes. Lockheed is trying to adapt military simulators to train local emergency response teams. And Raytheon is pitching its hand-held thermal-imaging devices, designed for the military, as useful for fire fighters searching through collapsed buildings.

But it's not just the traditional military contractors who are fighting for a piece of the Pentagon pie. Smaller companies, too, are "dusting off old domestic security proposals and developing new ones in an attempt to cash in on what they hope will ultimately be hundreds of billions of dollars in new spending on homeland security," according to *The Wall Street Journal*. Air Structures is introducing fortified vinyl domes for quarantining infected communities in the aftermath of a potential bioterror attack, Visionics is looking into designing facial recognition technology, and PointSource Technologies is developing a sensor to detect biological agents in the air or water.

In July, the world's top military contractors gathered in the United Kingdom for the Farnborough International Air Show, which convenes CEOs, generals and heads of state every two years. At the last show, \$52 billion in orders were announced. Although contractors didn't anticipate

that much this time around, they were keen to show off the latest developments in antiterror weapons and homeland defense.

Raytheon showcased its role in missile defense and precision strike munitions. Boeing exhibited its tried-and-true 767 tanker transport, its C-17 Globemaster, and its JDAM — all of which have been on display in Afghanistan. TRW, Northrop Grumman, Lockheed Martin and Boeing all focused on new approaches to developing unmanned aerial vehicles, another star weapon of the Afghan war.

The big boost in the military budget is good news for major Pentagon contractors, who were among the few companies to show increases in their stock prices when the market reopened after the September 11 attacks. Among the top gainers for the week of September 17-21, 2001, were military and space contractors like Raytheon (+37%), L-3 Communications (+35.8%), Alliant Techsystems (+23.5%) and Northrop Grumman (+21.2%).

As of May 1, 2002, *Aviation Week's* Aerospace 25 stock index had climbed past the level at which it was trading in May 2001 and compared favorably to the 5.4% decline for Standard & Poor's 500. Northrop, Boeing and General Dynamics all reported better-than-anticipated earnings for the second quarter of 2002, due to

increases in weapons spending and homeland security. And with expected annual increases in military spending of 10% or more, most analysts are banking on a gradual, long-term boost for the defense industry. As Loren Thompson, a defense analyst with the Lexington Institute remarked: "The whole mind set of military spending changed on Sept. 11. The most fundamental thing about defense spending is that threats drive defense spending. It's now going to be easier to fund almost anything."

## Problems with Current U.S. Policy

### Key Problems:

- The increases in military spending due to September 11 have allowed the Pentagon to avoid reform and transformation.
- More than one-third of the Pentagon's \$68 billion weapons procurement budget for this year will go to big-ticket, cold war-era weapons systems.
- The failure of policymakers and military officials to cancel unnecessary weapons programs is, in large part, due to the undue influence exerted by the top military contractors.

Despite a slowing economy and Bush's \$1.35 trillion tax cut, notions of fiscal conservatism have been brushed aside to fund the fight against terrorism. Boeing Vice Chairman Harry Stonecipher got to the heart of the matter when he told *The Wall Street Journal* that "the purse is now open," so the Pentagon will no longer have to make "hard choices" among competing weapons projects. Unfortunately, no hard choices were being made in the first place.

The highly anticipated Quadrennial Defense Review (QDR), an assessment of the nation's military needs mandated by Congress, was released September 30, 2001. But as Senate Armed Services Committee Chairman Carl Levin (D-MI) quickly noted, the QDR "seems to me to be full of decisions deferred." None of the weapons systems mentioned as a candidate for elimination during the Bush campaign was canceled. Instead, Defense Secretary Rumsfeld set the stage for

major increases in military spending, arguing that "the loss of life and damage to our economy from the attack of September 11, should give us a new perspective on the question of what this country can afford for its defense."

Military spending for FY 2002 totaled \$343.2 billion, a \$32.6 billion increase above 2001 levels. Congress is currently debating President Bush's \$396 billion FY 2003 military budget request, a \$52.8 billion increase. Long-term plans envision the national military budget increasing to \$469 billion in FY 2007, 11% higher than the Cold War average.

The most widely used items in Afghanistan to date have been Raytheon's Tomahawks, Boeing's JDAMs, and Northrop Grumman's UAVs. But only about \$3.2 billion in the president's budget request will go for more of these systems. Much of the new Pentagon funding will be used to bankroll longstanding pet projects of the military-industrial lobby. More than one-third of the Pentagon's FY 2003 \$68 billion procurement budget will be allocated to big-ticket, Cold War-era systems that have little or nothing to do with the war on terrorism.

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Although many analysts had assumed that defending against long-range ballistic missiles might take a back seat to other more urgent military priorities in the wake of September 11, the Bush administration has moved full speed ahead with missile defense. Spending on missile defense increased by 43% in FY 2002, and the Bush administration plans to spend at least \$32.7 billion on the missile defense program between now and 2005. Total costs for the deployment and maintenance of a multitiered system could top \$200 billion over the next two decades.

Despite campaign promises by President Bush to "skip a generation" in weapons procurement, all three of the Pentagon's advanced fighter plane

programs are moving forward. This year alone, close to \$12 billion will be allocated to the Air Force's F-22 Raptor, the Joint Strike Fighter (JSF)/F-35, and the Navy's F-18E/F fighter plane. The F-22 has been described as a costly Cold War relic designed for an enemy that no longer exists. The Super Hornet (F-18E/F) has not been able to meet key performance goals that were used to justify its development. The JSF was viewed as a likely program to be cut or scaled back, but within weeks of September 11 Lockheed Martin was awarded a \$19 billion development contract, and international partners signed on.

The debate over the Crusader artillery system indicates just how difficult it is to cancel a weapons system. Both President Bush and Defense Secretary Rumsfeld criticized the \$11 billion Crusader program for being outmoded, because it was designed to fight a land war with the Soviet Union. However, the Army and members of Congress from Oklahoma, Minnesota, and a dozen other states where parts of the Crusader would be built, put up a tough fight. And for the moment, they seem to have won. Although the Pentagon

did officially terminate the program in May, there's still \$475 million in the 2003 budget for the Crusader system.

As Congress puts the finishing touches on the defense bill, it is expected that the money will go to the Army to develop alternative artillery systems.

The failure of policymakers and military officials to cancel unnecessary weapons programs is, in large part, due to the undue influence exerted by the top military contractors. More than any administration in history, the Bush team has relied on the expertise of former weapons contractors to outline U.S. military needs. Thirty-two major Bush appointees are former executives, consultants, or major shareholders of top weapons contractors. Seventeen administration appointees had ties to major military contractors Lockheed Martin, Northrop Grumman, or Raytheon prior to joining the Bush

team. These include former Lockheed Chief Operating Officer Peter B. Teets, now undersecretary of the Air Force and director of the National Reconnaissance Office; Secretary of the Air Force James Roche, a former Northrop Grumman vice president; and Secretary of the Navy Gordon England, a former General Dynamics vice president. The theory behind Rumsfeld's reliance on former corporate executives is that they would be more willing to cut costs and try new approaches than the average Pentagon bureaucrat. However, that clearly has not been the case.

The geopolitical reach of the military megafirms is reinforced by millions of dollars in campaign cash. In 2000 the top six military companies spent over \$6.5 million in contributions to candidates and political parties. In addition to these hefty campaign donations, military contractors spent an astonishing \$60 million on lobbying in 2000, the most recent year for which full statistics are available.

## Toward a New Foreign Policy

### Key Recommendations:

- Efforts to reform the military should not be abandoned because of 9/11.
- The Pentagon and Congress must set real defense priorities, not just throw money around under the guise of fighting terrorism.
- U.S. policies must promote, rather than undermine, human rights and democratic institutions abroad.

Instead of seizing the historic moment to establish new defense priorities after September 11, the Bush administration appears to be doing exactly what candidate Bush promised not to do—funding two military strategies at once, one for the Cold War and one for the future. A recent *Defense News* article noted: "Unfortunately, the Pentagon is still dominated by cold warriors, obsessed with big, expensive weapons programs. Congress is still addicted to the jobs and political contributions that can only come from defense contractors with massive hardware programs ... At the Pentagon, specific personnel changes are required, in particular closing the revolving door that rewards senior military leaders with the prom-

ise of future civilian employment if they 'play the game.'"

The potential for conflicts of interest involving former weapons industry executives and their former companies has substantially increased as a result of Defense Secretary Rumsfeld's corporate management style, which one Pentagon insider described as "Department of Defense, Inc."

**If the majority of top policymakers have longstanding ties to the companies that will benefit from increases in military spending, who will represent public interests?**

These links between the Bush administration and arms manufacturers raises a critical question: If the majority of top policymakers have longstanding ties to the companies that will benefit from increases in military spending, who will represent public interests? At a time when corporate scandals are making headlines, the administration's reliance on individuals with ties to the arms industry deserves far greater scrutiny than it has received to date.

The vicious circle of pork barrel politics and special interest money has been a regular feature of military budget politics for decades, resulting in higher levels of Pentagon spending than might be justified by an objective assessment of the security threats facing the United States. Unfortunately, few members of Congress have been willing to challenge the status quo.

**Source:** *Foreign Policy in Focus briefing papers*, Sept. 2002. <[www.fpif.org/briefs/vol7/v7n10arms\\_body.html](http://www.fpif.org/briefs/vol7/v7n10arms_body.html)>

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## The U.S. Threat to World Peace

By Nelson Mandela, former President of South Africa.

The U.S. has made serious mistakes in the conduct of its foreign affairs, which have had unfortunate repercussions long after the decisions were taken. Unqualified support for the Shah of Iran led directly to the Islamic revolution of 1979. Then the U.S. chose to arm and finance the mujahedin in Afghanistan instead of supporting and encouraging the moderate wing of the Afghan government. That is what led to the Taliban. The most catastrophic action of the U.S. was to sabotage the decision painstakingly stitched together by the UN regarding the withdrawal of the Soviets

from Afghanistan.

If you look at those matters, you will come to the conclusion that the attitude of the U.S. is a threat to world peace. [The U.S.] is saying is that if you are afraid of a veto in the Security Council, you can go outside and take action and violate the sovereignty of other countries. That is the message they are sending to the world.

**"It is clearly a decision motivated by George W. Bush's desire to please the arms and oil industries in the U.S."**

**Nelson Mandela**

That must be condemned in the strongest terms. France, Germany, Russia and China are against this decision. It is clearly a decision motivated by George W. Bush's desire to please the arms and oil industries in the U.S.

**Source:** Interview by *Newsweek*, <[www.msnbc.com/modules/exports/ct\\_email.asp?news/806174.asp](http://www.msnbc.com/modules/exports/ct_email.asp?news/806174.asp)>