



# TranState Working Papers

THE BUSINESS OF SECURITY  
AND THE TRANSFORMATION  
OF THE STATE

Nicole Deitelhoff

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*Nicole Deitelhoff*

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## ***The Business of Security and the Transformation of the State***

### **ABSTRACT**

The field of security policy seems to have undergone dramatic changes in the last decades. Under the broad umbrella of a turn to security governance, one can observe trends of an internationalization and privatization of security. Of these trends, one seems to stand out, that is the increasing reliance of states on private business actors in the provision of security. How do these trends affect the state? While some believe that the provision of security by private agents is unproblematic as long as the state keeps its governmental supervision, others fear that the state is losing its capability to control the activities of private actors in the field of security, the more privatization proceeds. The working paper, firstly, provides a systematic overview on the inclusion of private business actors in the provision of security. Secondly, it will address the question of its consequences for the state. The paper highlights that privatization stops short of transforming the state but it is about to weaken the democratic legitimation of the use of force.

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## **The Business of Security and the Transformation of the State**

### **1. INTRODUCTION<sup>1</sup>**

The field of international security and security politics has undergone some remarkable changes during the last decades. Traditionally, the production and supply of security has been understood as one of the core functions of the modern nation-state. Under the broad umbrella of a turn to security governance, however, security provision has taken quite different shapes which can be roughly highlighted as internationalization and privatization. Increasingly, the organization of security politics has been internationalized at least within the OECD-world (Jachtenfuchs 2005; Krahmman 2003). International institutions take over responsibility for an ever-larger share of security policies and increase the pressure on harmonization of national security organization and structure. Examples range from the development of a European Security and Defense Policy (ESDP; Wagner 2005), which probes an integrated European military and command structure, to NATO-doctrines which rely on a harmonization in weapons procurement, military strategies and tactics to multilateral interventions and counter-terrorism-strategies of the United Nations (Biersteker 2004), all aiming to further integrate national security policies and politics.

Likewise, a number of private actors have entered the stage which challenges the state's role in providing security. In failing and failed states, mostly in the non-OECD-world, in which the public order is about to collapse, private actors are often forced to produce and supply security by themselves (Lilly 2000; Chojnacki 2007; Mandel 2002). Alternatively, however, even “strong” states in the OECD-world increasingly outsource or share security provision with private actors, be it private security providers guarding military camps or operating modern weapons systems or public-private partnerships between governments, International Organizations and private business actors to regulate certain practices, as for instance the Kimberley Process to counter the trade of conflict diamonds (Bone 2004; Wolf et al. 2007; Huckel et al. 2007). Similarly, International Organizations such as the United Nations or even NATO have increasingly come to rely on or co-operate with private actors in organizing and securing humanitarian assistance in conflict zones (Bryden/Hänggi 2005).

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<sup>1</sup> This paper has profited enormously from discussions within the research team on Business and Conflict at Peace Research Institute Frankfurt (PRIF), especially Melanie Zimmer, Moira Feil, Susanne Fischer, Andreas Haidvogel and Klaus Dieter Wolf. I am also grateful to Alexander Kocks and two anonymous reviewers for their comments on an earlier version of this paper.

Although such developments in the field of security lag behind quite similar trends in other policy areas, they mirror these well-documented changes in policy areas such as labor standards, water management or transportation in which the state seems to lose its role as a central provider of public goods and is perceived to share it or even compete with a range of private actors in the provision of these goods. Of the above mentioned trends, this paper focuses on the increasing reliance on private business actors in the provision of external security and ask if and if so how they affect the role of state in the provision of security.

Private business actors enter the field of security in two broad ways. One is rather indirect. In this way, transnational corporations (TNCs) are either called upon by states, civil society or the international community to engage in security measures in their day-to-day operations (for instance the Global Compact, or the Wolfsberg principles), they partner with strong states in Public-Private-Partnerships to provide security in areas of limited statehood or they commit themselves to private self-regulation schemes such as codes of conduct (Wolf et al. 2007; Feil et al. 2008; Bailes/Frommelt 2004). This is the area of Corporate Social or Security Responsibility. The involvement of private business corporations in the provision of security often comes about as a result of increasing pressure of states, the international community and civil society alike as well as a need to secure their investment and day-to-day-operations in zones of weak government and conflict. Basically, TNCs are drawn into security governance measures but it is by no means their primary focus (Wolf et al. 2007; Deitelhoff/Wolf 2009).

But apart from such “regular” TNCs there is another type of business actor in the field of security policy, that specializes in security, the so called Private Security and Military Companies (PSMCs). Their involvement signals the increasing outsourcing or contracting of the state with PSMCs to provide specific security services, such as combat support (comprising the whole range of logistics, intelligence, weapons maintenance), convoy, personal and facility security, advice and training (risk-management, military and security training measures and weapons procurement) or even combat (field troops or weapons operation in theater). This is the most direct way in which private business actors might enter the field of security politics although often not the most visible. In contrast to TNCs for PSMCs security provision is not an additional burden but their core mission. These actors sell security as a commodity to those customers willing and capable to pay for their services.

Overall, outsourcing and contracting with private business has increased in importance in nearly all OECD-states, albeit in varying degrees. Among the Anglo-Saxon countries, privatization is strongest, and unmatched within the United States. Still, it is on the rise in other states as well. This development is strengthened by a general denationalization of security threats (Zangl/Zürn 2003) and an ideological trend which per-

ceives of outsourcing or partnering with private actors in the provision of public goods as a high hope for the future of (global) governance (Ottaway 2001a: 267; Reinicke 1999-2000; Börzel/Risse 2005). It is supposed to relax state resources, as being more cost-efficient, as well as to increase flexibility (Huckel et al. 2007; Haufler 2004).

Given these trends, this paper asks as to how privatization in general and private business actors in particular affect the role of the state in providing security? There seem to be two principal positions on that. One holds that the inclusion of private actors is unproblematic for the state as long as the latter is able to control the conditions under which they operate, thus making the business of security just another facet of the state's multiple strategies to fulfill its functions (Grimm 2002: 1305; also Shearer 1998). The other position, however, suggests that privatization might have inherent features which undermine the state's control in the long run (Leander 2005; Avant 2005: 253ff).

The paper provides an overview of the inclusion of private business actors in the field of security policy to assess their potential to lead to a transformation of the state. It outlines the connection between the modern state and the monopoly of force and formulates broad indicators as to what kind of changes in international security politics would amount to a beginning transformational effect on the state (part 2). After a discussion of the recent changes of security threats and politics (part 3), it then turns to an analysis of two principal types of private business actors in security politics: the activities of TNCs in zones of conflict and the outsourcing to PSMCs in military interventions (part 4). Finally, it compares these actors with regard to their effects on the state (part 5). The analysis highlights that TNCs do not affect the state's monopoly of violence in any meaningful way, different to what one could expect given the political expectations towards these actors. In contrast, PSMCs have discernable effects on the state's monopoly of violence although an accurate assessment of long-term effects is difficult at this stage. Still, it can be shown that privatization stops short of transforming the state yet but it is about to weaken the democratic legitimation of the use of force.

## **2. SECURITY AND THE STATE**

Historically, the monopoly of the use of force in the hands of the state is among the first characteristics in the formation of the modern nation-state (Giddens 1987; Thomson 1994; Grimm 2002) in Western Europe, associated with the consolidation of the territorial state (Leibfried/Zürn 2005: 5f). Nevertheless it has taken for centuries for the state to eliminate private competitors in the use of force to establish this monopoly, which was never empirically uncontested.<sup>2</sup> Once established, however, security by the state

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<sup>2</sup> Private actors were never completely abandoned in security (Grimm 2002: 1301), be it in the form of privateering or chartered companies during 16<sup>th</sup>, 17<sup>th</sup>, and 18<sup>th</sup> centuries (Wolf 2009; Ortiz 2007), the mercenary activities

comprised internal security (criminal law and policing) and external security (international law and the military).

During the centuries, the monopoly on the use of force has undergone several developments which sum up to a firstly, legal (the constitutional state) and later democratic civilization (the democratic state) of the use of force (Leibfried/Zürn 2005). The monopoly has changed to be understood as a monopoly on the *legitimate* use of force which not only connotes the idea that only states can legitimately resort to force but also that they are legitimated to do so given a legal framework and democratic processes defining the conditions of the use of force (Grimm 2002: 198-1302). Security, on many accounts, most famous the one of Weber (1972), lies at the heart of the modern state (Grimm 2002: 1299), not only because it came first in its formation but also because of its potential effects on society and the individual. Security makes the Janus face of the state most explicit, being the protector of society but its greatest threat as well as it has the power to unleash unlimited violence upon it (Zürn/Leibfried 2005: 4). The famous picture of the fabulous beast, the “leviathan”, highlights this best. Legal embeddedness and democratic process restrain this power but they do not destroy it. The nasty brutish face of the Leviathan still lurks out behind the civilized, even bureaucratic processes of modern nation-states, leading Derrida to imply the sovereign state himself to be a rogue: “The reliance on terror and horror has always been [...] the last resort of the sovereign state: implicit or explicit, rude or subtle, contractual or hidden in paternalistic terms. To claim the contrary is always a denial, a rationalization, sometimes a ‘Vernünftelei’ that should not deceive us” (Derrida 2006: 212, my translation).

It is thus not surprising that we are particularly irritated of privatization trends within the field of security as they give rise to worries of an unleashing of this inherently unconditional power to destroy. On the other hand, however, changes in the provision of security might simply be innovative tools to exercise the monopoly on the legitimate use of force in response to altered political or economic environments not challenges to the monopoly itself or the state. Indeed, one could even argue that these trends rather signal a move of ‘back to normal’, inspired by the pre-modern patterns of public-private co-production of statehood, with the modern western nation state being merely an ephemeral artefact (Wolf 2009).

The golden-age of the nation-state of the 1960s and 1970s was defined by the actual convergence and reinforcing character of its four dimensions at the national level, i.e. the resource, the legal, the legitimacy, and the welfare dimension, or: TRUDI (Leibfried/Zürn 2005: 10f). Thus, the question arises as up to what point we can talk of a

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that varied during the centuries ( Thomson 1994) or private support personnel accompanying the state’s armed forces at all times (Schaller 2007).

change of “the” state or a *transformation* of the state instead of variations in the organization or institutionalization of activities in one of its dimensions with regard to security. For instance, even though democratic control of the exercise of the use of force is a feature shared by all OECD-states, there are huge variations in its organization and institutionalization (Peters/Wagner 2008; Born/Hänggi 2005). Similarly, most states have differing principles regarding the organization of police and the military or their separation (Jachtenfuchs 2005).

Following the TranState approach, the paper will trace the recent privatization trends in the provision of security as to whether it is (1) epidemic in that it can be observed in the majority of OECD-states, and, (2) whether it is beyond corridor variation, i.e. whether the observed shift is either fundamental to the dimension or/and affects more than one dimension of the state, giving rise to new configurations of statehood (Leibfried/Zürn 2005). With regard to the second question, the analysis will focus on three broad indicators. For the resource dimension, i.e. the possession of the means of violence, it will assess in how far privatization affects (a) the state’s autonomy of decision-making on the use of force; and (b) the state’s control on the exercise of force. Turning to the inherent connection of the dimensions, the analysis will focus on (c) the effects of privatization for the democratic legitimation processes on the use of force.

The underlying hypotheses are that the more states rely on private business actors, the more they become dependent on their resources. Moreover, an increased level of privatization might also affect the configuration of statehood. Privatization has the potential to undermine TRUDI’s achievement of a reinforcing effect of its dimensions by weakening the link between the factual monopoly on force (the resource dimension) and its democratic legitimation (the legitimacy dimension). Both effects obviously lie in the future so it is impossible to test these hypotheses in any strict way. Instead, the analysis attempts to collect first evidence that support or reject them.

### **3. CHANGES IN SECURITY AFTER THE END OF THE COLD WAR**

At least since World War II, the dominant problem of international security seemed to be that of inter-state war.<sup>3</sup> Consequently, international security policies focused on the prevention or resolution of inter-state conflicts. International cooperation in security matters was minimal and at best involved inter-state regimes such as the development of security alliances to counter collective threats (like NATO or the Washaw Pact) or regulations to control or reduce armaments (Müller 2002; Zangl/Zürn 2003; Wulf 2005), all aimed at reducing the risk of inter-state war or its consequences.

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<sup>3</sup> Even though the ratio between inter-state war and intra-state war was already tipping towards the latter in that period. Still, policy-makers focused their attention on classic inter-state war.

However, with the end of the Cold War, the effects of globalization and denationalization already present in many other policy fields began to materialize in security as well. In this context, even the understanding of security began to change, comprising increasingly non-military threats such as transnational crime, terrorism, gross human rights violations, epidemics, migration or environmental threats (Hampson et al. 2002). Security no longer focused solely on the survival of the state but also on individuals, as is expressed in the notion of human security or the establishment of a ‘responsibility to protect’ (Brock 2004; ICIIS 2002). Among other factors, the broadening of the understanding of security threats was a reflection of changes in the nature of conflicts and warfare states and the international community are facing today. The once predominant inter-state conflicts are decreasing since World War II while intra-, sub- and non-state conflicts have generally gained in importance and make up for about 90 percent of all wars today (Chojnacki 2005, 2006). Many of these conflicts share some basic characteristics, which have led many to dub them “New Wars” (Kaldor 1999; Münkler 2002). Among these characteristics are the blurring of combatants and non-combatants as conflict parties are often non-state actors which do not have an organized or uniformed military, as conflict parties do change quite frequently during conflicts because they split up in rival groups and re-align in different patterns. Furthermore, these conflicts, often fought with light weapons and guerilla tactics, show a prevalence of violence against the civilian population and in many of them political and economic motifs of fighting by conflict parties are hard to distinguish. War economies have emerged in which fighting seem to be determined by the chance to gain economic wealth not political control of a territory. Often, these conflicts take place in or fuel weak or failing state structures leaving even the supply of basic security functions by the state questionable and, finally, they share a tendency to spread to neighboring regions resulting in transnational or regional conflict systems like in West Africa or the Balkans region.<sup>4</sup>

In total, one could speak of a trend of a privatization or denationalization of security threats that states and the international community are confronted with today. In consequence, international security policies have changed as well. Military interventions in these kinds of conflicts have not only increased dramatically during the 1990s but have also changed their character. Most often, we observe multilateral interventions by the UN, NATO or other regional alliances or even changing coalitions of the willing, mostly of western states (Geis 2006). Furthermore, interventions, especially in failing and failed states, have become more complex and require long term post-conflict reconstruction and stabilization as evidenced in the increase of protectorates as in Kosovo or East Timor. But apart from the increased importance of military means in global gov-

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<sup>4</sup> Vgl. Le Billon (2001, 2003); Reno (2000); Duffield (2001).

ernance we can also witness a growing privatization of security politics. Roughly speaking, privatization of security comes in two types: bottom up and top-down. Bottom-up privatization captures essentially the features of the “new wars” as described above. It refers to private actors who take up security matters on their own either because the state is not capable or unwilling to provide public security to its citizens. Bottom-up privatization is particularly visible in weak states but poses great risks for strong states as well as for instance in the form of transnational terrorism. Top-down privatization, on the other hand, could be partly understood as a reaction to bottom-up privatization. It refers to the delegation, partnering and contracting of states and IOs to and with private actors to contribute to or take over the provision of security in certain areas and time frames, a strategy visible in weak *and* strong states.

#### **4. TRANSFORMING THE STATE? PRIVATE BUSINESS ACTORS IN SECURITY**

##### **4.1. Corporate Security Responsibility: Transnational Corporations and Zones of Conflict**

The aforementioned developments pose several challenges for transnational working business corporations (TNCs). On the one hand, many corporations had accessed new markets and invested into transition or developing countries after the cold war to reap the benefits of cheap labor or because of the location of valuable natural resources such as oil, timber, gold or diamonds (Avant 2005: 180f). Faced with the spread of conflicts zones and respectively failing or weak state structures these companies faced difficult decisions as to whether to withdraw from these areas or to protect themselves against the increasing threats to their investments and personnel by a hostile environment (Maresca 2004: 123f; Sherman 2001; Rittberger 2004).

On the other hand, the international community felt increasingly overburdened to address all these crises, confronted with the spread of violent intra-state conflict and significantly decreased military troops on behalf of western states. Driven by the underlying political view, that the private sector could alleviate many public policy problems more effectively than the public sector (Hauffler 2004: 159; Deitelhoff/Wolf 2009), the international community thus turned their eye to private business to contribute to the solution of these crises (Ruggie 2004: 30). This development profited from the ongoing initiatives to include business companies to contribute to such public policy issue as labor or environmental standards under the umbrella of corporate social responsibility (Maresca 2004: 121; Feil et al. 2008: 5). Already in 1999 in a speech at the World Economy Forum in Davos former UN Secretary General Kofi Annan called on global business to become aware of their responsibilities as corporate citizens and to avoid

negative impacts of their operations and to partner with the United Nations in contributing to *good* global governance, i.e. in enforcing universal rights and standards (Huckel et al. 2007). Since then, company and industry codes of conduct, shared standards and initiatives have flourished throughout the business sector (Ruggie 2007; Hauffler 2004: 160) and with it came an extension of the political expectations towards companies to take up responsibilities, even in security issues.

Already the first policy dialogue within the UN-Global Compact in 2001 dealt explicitly with “The Role of the Private Sector in Zones of Conflict”. It called upon companies to assess the risks and negative impact associated with their operations in zones of conflicts, to promote the principles of the Global Compact in these zones and to proactively counter corruption and bribery, thought as drivers in many conflicts (Wolf et al. 2007: 296f; Fort/Schipani 2004: 17f. In 2004, the UN Security Council took up the issue and established a working group on the “Role of Business in Conflict Prevention, Peacekeeping and Post-Conflict Peace Building”<sup>5</sup>. These political announcements and expectations have been fueled and strengthened by civil society movements. Companies have become the target of a whole range of campaigns and protests during the last decade. The most well-known among them are the “blood diamond” campaign, focusing on the business sector’s fueling of the conflicts in Angola, Sierra Leone, and the Democratic Republic of Congo by purchasing and trading diamonds from conflict parties (Bone 2004; Smillie et al. 2000). Another famous campaign was the “Publish what you pay” campaign, targeting extractive companies to disclose their payments to host governments to counter the lack of transparency of money flows and the resulting economic inequality so often reported for resource rich but weak zones of governance (Fort/Schipani 2004 17; Deitelhoff/Wolf 2009).

This combined pressure has resulted in a number of initiatives and activities of companies even in the field of security. Among them are the Wolfsberg principles, a voluntary commitment of eleven of the world’s largest banks to counter money-laundering and terrorist financing strategies,<sup>6</sup> the “Voluntary Principles on Security and Human Rights”, developed by the US and the British governments partnering with the biggest oil companies, such as BP, Shell, Talisman and Rio Tinto.<sup>7</sup> Furthermore, the “blood diamond” as well as the “Publish what you pay” campaigns have equally led to governance initiatives, respectively Kimberley process certification scheme for diamonds of 2002 (Huckel et al. 2007: 129-132), and Extractive Industry Transparency Initiative (EITI), a multi-stakeholder initiative, with the aim to increase the transparency of pay-

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<sup>5</sup> See UN Doc. SC/8058 (09.11.2008).

<sup>6</sup> See <http://www.wolfsberg-principles.com> (09.11.2008).

<sup>7</sup> See [www.voluntaryprinciples.org](http://www.voluntaryprinciples.org) (09.11.2008).

ments flows between governments and extractive companies by demanding regular reports of companies (Deitelhoff/Wolf 2009).

What these different initiatives and guidelines share is their voluntary character, being almost bereft of coercive mechanisms, their overall focus on the extractive industry and, finally, their usually indirect security focus, i.e. they are not aimed at involving the business sector in war making or war financing but rather in cutting the connection between war-making and trade or in managing the root causes of political stability and unrest, such as economic inequality. Most of these empirically documented involvements of TNCs in the provision of security are to be observed in the context of multistakeholder initiatives or public-private partnerships. Although companies are engaging in several forms of governance in zones of conflict, they rarely engage in direct security governance, i.e. related to the use of force (Feil et al. 2008: 30).

Taking this empirical evidence of TNCs in security governance it becomes clear that their effect on the state is negligible. TNCs are not involved in the use of force on behalf of states. Basically, the involvement of TNCs in security governance is indirect at best and rather reflects a compensation strategy for states' reluctance to intervene directly in the manifold conflicts in weak zones of governance. States partner with TNCs or call upon them to take over shares of (rather indirect) security policies to unburden themselves from the manifold expectations to engage in security policies. It is thus the prototype of a modern governance strategy by states to decrease costs and responsibilities as well. This is also highlighted by the well-documented fact that many voluntary initiatives are reactions to implicit or explicit threats by states to impose state regulations on companies or industries if they do not engage voluntarily. They operate under an albeit remote shadow of hierarchy (Börzel/Risse 2005: 203f). Apart from the undisputed fact that business companies do have superior resources to tackle certain security problems effectively (the Kimberley process being a case in point), overall, states are not dependent on the private business sector in contributing to security policies but they utilize it to relief their own burden. Given that TNCs are not involved in the direct use of force, they similarly hardly affect the legitimation basis of the state's monopoly of violence. Things look a little different once we turn to PSMCs.

#### **4.2. Private Security and Military Companies: Privatizing Peace**

The rise of Private Security and Military Companies can be roughly associated with the end of the Cold War although some of these companies have been active for much longer.<sup>8</sup> The extent of services and geographical range however, is a newer feature. The demand for PSMCs was increasing, the more states in zones of conflicts became unable

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<sup>8</sup> Especially, the US-military relied on companies already in Vietnam (Singer 2008).

to provide for basic levels of security and the more the international community, and most often western states especially, felt the pressure to intervene within these conflicts. Weak states asked for support to defend themselves against insurgents, rebel movements or simply criminal organizations and were often frustrated by the ignorance or slowness of the international community thus turning their eye to PSMCs to satisfy the need (Chojnacki/Deitelhoff 2005). Strong states from the OECD-world came under enormous pressure to react to an ever-increasing set of conflicts, crises and threats, leading to more and multiple interventions and often complex post-conflict reconstruction. This increased importance of military measures in international security led to general overstretches of military capabilities even of the most powerful countries like the US. Outsourcing and contracting with Private Security and Military Companies was one strategy to alleviate overstretches, ensure flexibility and so called surge capabilities and, not less important, decrease costs. In line with that, the nature of warfare changed, giving rise to high-technology weapon systems that in turn made private support for maintenance and even operation necessary (Zamparelli 1999: 11; Schörnig 2007; Deitelhoff 2008).

International Organizations or humanitarian organizations were asking for private security to remain able to deliver humanitarian disaster relief services in such conflict zones as public militaries were often not capable or not even present to protect them (Spearin 2001; von Boemcken 2007). TNCs faced with massive security problems in their day-to-day operations in zones of conflict, finally, turned to PSMCs to secure their investments (Avant 2005). The nascent private security industry could rely on a huge supply of military personnel and infrastructure on the global market resulting from the reductions in troop sizes and the general disarmament of most major armies after the Cold War (Singer 2008; Zamparelli 1999).

These companies should be distinguished from the well-known phenomenon of mercenaries that were particularly active in conflicts on the African continent since World War II as PSMCs have become a „regular“ industry (Musah/Fayemi 2000). Most of them have a professional management; they are legally registered and sometimes even traded on the stock markets. Some of the bigger companies are meanwhile part of global Consortia such as Halliburton, L-3 Communication or Lockheed Martin (Singer 2008; O'Brien 2000). They are business corporations who offer specialized security services on a global or regional market.

Still, the industry is often perceived as a production site for private soldiers fighting for conflict parties as some of the early companies actually did, for example, Executive Outcomes or Sandline International in Angola and Sierra Leone in the 1990s (Binder 2004). However, direct involvement in combat is only a small part of the kind of security services these companies offer (Deitelhoff 2008). Their main business areas belong

to direct or indirect combat support. They offer logistics (housing, transportation, amenities), intelligence (interrogation, satellite surveillance and analysis), training and advice (risk-management, training of Special Forces, police, army), personal, convoy and facility security and, finally, the whole range of weapons system development, procurement, maintenance and operation (Spearin 2001; Avant 2007b: 424).

Even though the private security industry is fast evolving and growing at astonishing rates since the early 1990s there is still a lack of reliable numbers and figures. Given the fluidity of the market, of firms dissolving and recreating themselves, we miss data as to the actual number of companies, the sum of their employees or the annual turnover of the industry. Given different sources we can probably estimate that about 200-300 different PSMCs are currently active in more than 90 countries (Bures 2005: 535; Singer 2008). The annual market revenue of the private security industry is purported to increase at a level of eight per cent per year and is supposed to currently lie between 100 and 200 Billion US-Dollar (Mandel 2002: 11; Von Boehmcken 2007: 261f; Singer 2008: 78). Especially, the wars in Afghanistan and Iraq have been a boost for the industry. The General Accounting Office of the United States for example estimates that about 180 PSMCs are currently working in Iraq (GAO 2006b: 2), offering their services to the coalition troops, the Iraqi government, international organizations, humanitarian organizations and local and transnational businesses as well. Figures available for Afghanistan project approximately 90 PSMCs operating there (Joras/Schuster 2008: 11).

Outsourcing and Contracting is a global phenomenon albeit not an evenly dispersed one. It is most advanced in the United States which started an outsourcing initiative already in the mid 1990s. The United States might be unparalleled in its rate of outsourcing but it is not without followers. The governments of France, the UK, and Israel are working with PSMCs (see Kinsey 2006), former CIS-countries' militaries are trained to follow NATO-standards (Krahmann 2007; Avant 2007b: 424). Even the German military has increased its privatization aims even though these are still limited to non-core functions such as site and facility management (Branovic/Chojnacki 2007). However, the Bundeswehr has already relied on PSMCs for troop transportation and facility security in Afghanistan (Petersohn 2006: 15). Remarkably, in almost all new security strategies of western states privatization strategies have found their place (see among others German Weißbuch 2006: 74).

With the rise and spread of PSMCs in conflicts and among states so have worries that they might undermine the state monopoly of violence, becoming a rival of the state (Singer 2008; Avant 2005; Leander 2005). Part of this worries certainly stem from experiences with PSMCs in weak states and especially so on the African continent. Thus, it makes good sense to first analyze the weak state experience before turning to strong states' use of PSMCs.

### ***Weak states and PSMCs***

Private security services are mushrooming in most African countries and conflicts alike, leaving many worried that they constitute a renaissance of the old “dogs of war”, i.e. the prevalence of mercenarism in postcolonial Africa after the Second World War (Musah/Fayemi 2000; Muthien/Taylor 2002; Zarate 1998). Mercenaries were a prominent feature of many post-colonial conflicts on the African continent and were often part of external commercial interests to keep or regain control of certain resources or regions in these countries (McIntyre/Weiss 2007: 76f; Leander 2005: 610).

Even though the modern PSMCs do not have very much in common with the former mercenaries, these worries are not unfounded. Many studies on PSMC-operations in African conflicts argue that PSMCs rather weaken than strengthen state structures in the long run (McIntyre/Weiss 2007; Singer 2008; Avant 2005; Leander 2005; Chojnacki 2007). They criticize that their involvement often leads to more fragmentation in the supply of security (Chojnacki/Deitelhoff 2005; Leander 2005: 615; Spear 2006: 39), that they increase the influence of external commercial but also political interests on these states (Chojnacki 2007: 253; McIntyre/Weiss 2007: 68). Others have found that they tend to weaken the already shaky loyalty of public military forces to the government (Leander 2005: 617), thus diverting resources and recognition from public institutions (Avant 2005: 97), and, finally, rather increase the possibility for further conflict by being perceived as a threat by local populations (Joras/Schuster 2008).

Even though, it is difficult to assess such long-term consequences with any certainty at this stage, these criticisms do not come out of the blue. Basically, many weak state governments do not have many options in securing or re-gaining their monopoly of violence when faced with secessionist or rebel movements. Often, their military forces are themselves weak and badly trained (Clapham 1999). This might result from a lack of resources or simply because the ruling government aims to oppress a potential rival from seeking shares of revenues from natural resources, as is the case with many so-called shadow- or quasi-states (Jackson 1990; Reno 1998; Herbst/Mill 2003). Furthermore, since the end of the Cold war, these weak state governments have overwhelmingly lost the support of superpowers stabilizing their rule. The former superpowers are not particularly eager to intervene in some distant African conflicts if they do not see manifest interests involved (Sorenson/Wood 2005; Kocks 2007). Thus, Private Security or Military Companies may be the last resort to state survival at least as long as these governments do have the necessary financial resources to pay (also by third party funding or expected future revenues from the exploitation of natural resources).<sup>9</sup>

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<sup>9</sup> Of course, this does not say anything about the legitimacy of the state in question.

The most prominent cases in this regard are the operations of Executive Outcome and other PSMCs in the conflicts in Angola and Sierra Leone in the Mid 1990s. Both states suffered from an up rise of civil wars or rebel movements after the end of the Cold War. In Sierra Leone, a classic example of a resource rich (diamonds) but weak and corrupt state, civil war broke out when a new rebel movement, the Revolutionary United Front (RUF) began to invade the country from neighboring Liberia in 1991. The rebel movement did not meet much resistance as the public army, as in Angola, was in miserable conditions, underpaid (if at all), badly trained and small in number (Singer 2008: 111). The conditions within and practices of the Sierra Leonean Forces even gave rise to the term of the ‘sobel’ (soldier by day, rebel at night) to describe such forces (Avant 2005: 84). Quickly, the RUF gained ground and in 1995 it had captured all relevant diamond mining sites and was about to take the capital Freetown. Similarly in Angola, another resource rich (oil and diamonds) but weak state, in which civil war had taken place already since the days of independence in 1975, but checked upon by the superpowers. After the end of the cold war, the rebel movement UNITA gained in strength and was able to capture the most important oil facilities of Soyo. In both cases, the governments pledged for help to their former colonial powers and the UN alike and in both cases, these requests were denied thus leaving the governments with little choice but to hire PSMCs.<sup>10</sup>

Both cases also show some astonishing similarities with regard to the outcome and problems of PSMC-interventions. In both cases, PSMCs were able to rapidly pullback the rebel movements with a comparatively small amount of employees on the ground (in Sierra Leone, it had at its peak 300 employees on the ground; Vines 1999: 132; in Angola, the number was about 500; Singer 2008: 109). The companies were able to stabilize the situation in the countries to such a degree that rebel movements were willing to enter into peace negotiations, leading to the Lusaka agreement in 1994 in Angola and to the Abidjan peace accord in 1996 in Sierra Leone and democratic elections, bringing Ahmed Tejan Kabbah into power (Avant 2005: 90; Spear 2006: 31).

In both cases, however, similar problems arose. After the PSMCs withdrew from the scenes, as was part of the respective peace agreement, in both countries fighting quickly resurfaced, leading to a further deterioration of the situation (Fuchs 2007: 110; Singer 2008: 109). In Sierra Leone, only a unilateral intervention by the British Army in 2000 could finally put an end to the conflict (Avant 2005: 96; Spear 2006: 30f).

Even though PSMCs were obviously able to bring short-term stability to the countries, supporting the state monopoly of violence, they failed in bringing about long-term

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<sup>10</sup> Both governments entered into several contracts with several PSMCs, among them Executive Outcomes Ghurka Security Guards and Sandline International.

stability. Part of this problem could probably be attributed to the fact that PSMCs further weakened the loyalty of the public forces to the respective governments. In Sierra Leone for instance, faced with an unreliable and untrained army, PSMCs turned to the Civilian Defense Forces, esp. the Kamajors which were a regional tribal militia. They trained the Kamajors to support them in the fight against the RUF. While these proved very effective in fighting the RUF, it was rather detrimental to all attempts to consolidate the state. The Kamajors became a regionally based rival force in the country leading to new conflicts between the regular armed forces and the government, and, finally, to the military coup against president Kabbah (Fuchs 2007: 109; Singer 2008: 113; Avant 2005: 88-91). The shifting of resources to private foreigners and local militias exacerbated the already existing tensions between the military and the civilian government (Musah 2000: 95). Sierra Leone and Angola also experienced the claimed fragmentation of security (Fuchs 2007: 40; Leander 2005). Whether or not it is true that the PSMCs were (partly) paid in diamond mining concessions, central part of their contract with the governments was (besides frontline operations and the training of the Armed Forces) to regain and secure control of the important resource facilities in the countries. Thus, PSMCs focused on these areas and so with undeniable successes, leaving other parts of the country and population, however, in an even worse security situation. This has in turn given rise to a further disaffection of the population from the state, as the population suspects that the state rather serves economic interests and not those of its citizens (MacIntyre/Weiss 2007: 74). Another consequence is that PSMCs and the mining or drilling companies they protect become increasingly enmeshed in the political struggles within the countries as they are perceived as a conflict party closely connected with the state, a feature that is also well known in outsourcing strategies in military interventions (see below). Quite similar developments have also been reported for the involvement of PSMCs in Papua-New-Guinea or Nigeria (Lilly 2000). These illustrations indeed feed fears that PSMCs rather hollow out than stabilize the state monopoly of violence and state formation processes in weak states more generally, at least if they are not followed by state interventions (Spear 2006: 40f). As Peter Singer put it nicely (2008: 56f), the option to hire PSMCs does release governments from the need to invest in state consolidation like developing their economy and public institutions to establish tax revenues in the first place, thus undermining the very conditions for a sustainable state consolidation in these areas (similarly see MacIntyre/Weiss 2007: 78; Leander 2005: 617f).

But does this and how does this translate into strong state experiences, in which state formation is long complete and consolidated? To assess this, the following section will focus on the outsourcing of security services in military interventions by the US, with a special focus on the Iraq-conflict. This case is chosen for two reasons. Outsourcing and

privatization is most extreme in the US-case and surrounding the Iraq intervention, thus suggesting especially strong values on the dependent variable (i.e. a loss of autonomy/control/weakening of democratic legitimation with regard to the monopoly of violence). If privatization constitutes a transformation of the state we should be able to observe it here first. Secondly, given the secrecy and lack of transparency surrounding the outsourcing activities, data on the Iraq conflict is comparatively good as the media attention was high. I will, however, rely on other illustrative cases as well.

### ***Strong states and PSMCs: Outsourcing in the US-military***

It is fairly safe to say that PSMCs have become an integral part of military intervention and post-conflict reconstruction during the last years by western powers and especially by the United States. Depending on different estimates, up to 190.000 private contractors are currently operating in Iraq (see GAO 2006b: 2; Singer 2008: 245; CBO 2008: 15). However, Iraq is not unique. About 25.000 PSMC-employees are operating in Afghanistan and they are prevalent in many other conflicts and post-conflict-settings as well (Joras/Schuster 2008: 12).<sup>11</sup> Contracts for example of US government agencies between 2003 and 2007 with contractors only for the Iraq theater sum up to between 10 to 85 Billion US-Dollars (CBO 2008). The large variance results from the wide or narrow definition of private contractors. A narrow definition includes only armed security services, a broader one also logistics and administration. No matter how we define contractors, it is clear that there is no historical precedent to this presence of private contractors in theater, amounting to a 1: 1 ratio (CBO 2008: 12). But even if we consider the narrow definition of armed security contractors, we end up at a conservative number of about 30.000 employees (CBO 2008: 14).<sup>12</sup> Putting this in perspective, the ratio between military personnel and PSMC-employees has changed from 50: 1 in the first Gulf war (1991) to 10: 1 in the Iraq war of 2003 (Isenberg 2007: 83).

As mentioned before, so far the privatization rate is unparalleled in the US-military. Already in the mid-90s, outsourcing and privatization became dominant strategies. The Pentagon report on “Improving the Combat edge through outsourcing” thus held that Experience in the Department of Defence (DoD) on the private sector consistently and unambiguously demonstrates how the competitive force of outsourcing can generate savings and improve performance” (DoD 1996) and similarly former Secretary of Defence Donald Rumsfeld ordered in 2001 that all areas that were not necessary to be pro-

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<sup>11</sup> In Angola, studies report that since 2002 PSMC numbers have increased to about 100 companies present and working. See Joras/Schuster (2008: 47).

<sup>12</sup> The number is certainly too low as the respective agencies (US Aid, DoD, State department) do not have accurate numbers on their contractors (Isenberg 2007; GAO 2006a).

vided by DOD should be outsourced and privatized to increase efficiency and effectiveness (Rumsfeld 2001).

Even though outsourcing is not novel to the US-military, the breadth and degree of outsourcing is. While privatization was long confined to non-critical support functions apart from theater, nowadays PSMCs are all over the place, working alongside regular soldiers in theater as well. Already a third of all US-weapons systems are depending on private contractors and this number is steadily increasing (Isenberg 2007; Blizzard 2004; Singer 2008: 247). But besides weapons maintenance, training and operation in theater, PSMCs are also on the rise in other sectors. They provide nearly the complete logistics of US-troops deployed abroad, ranging from housing to postal services and transportation. Similarly, they guard military facilities, convoys and diplomats and have even taken over large portions of military police functions (vgl. GAO 2003; Blizzard 2004; Petersohn 2006). Finally, they support intelligence, interrogations and are the main actors to train foreign military and police forces on behalf of the US (see Krahnmann 2007).

In how much do these impressive numbers and functions of outsourcing lead to a transformation of the state in the field of security? As outlined in section two, there are two broad dimensions to assess this. The first concerns the generality of the trend, i.e. is privatization a trend that can be observed along similar lines in the majority of OECD-states?

Given the lack of reliable numbers and transparency surrounding privatization and outsourcing in the military, it is quite difficult to evaluate this aspect. However, it is clear that the United States are a unique case, given its rate of outsourcing, even though outsourcing is on the rise in other OECD-states as well. However, for the time being, to talk of an epidemic trend would be rather premature.

More important in the question of transformational effect might rather be the second broad dimension. In how much does privatization constitute a fundamental change to the state's role in security beyond simple variation in its institutional makeup, and, secondly, in how much does privatization affect more than one dimension of the state, leading to a different configuration of statehood? To evaluate this dimension in the field of privatization of security, the analysis will focus on three broad indicators, (1) does privatization affect the state's autonomy of decision-making on the use of force, (2) does it affect the state's control over the exercise of force and (3) does it affect the legitimating processes on the use of force? Basically, these indicators broil down to the question as to whether privatization and outsourcing rather reflect innovative tools for states to pursue their security policies or whether they signal a growing dependence of states on private contractors.

### *Outsourcing and the autonomy of decision-making*

There are hardly any indicators of a loss of autonomy of decision-making caused by outsourcing. First, of all, outsourcing and privatization are clearly intentional strategies by strong states and they are not limited to military interventions or crises but are carried out in peace times as well. Basically, the US-government perceives of outsourcing to PSMCs as a valuable force-multiplying strategy and an effective tool of foreign policy. Outsourcing is heralded to increase the flexibility and to increase the cost-effectiveness of security and military policies. The first idea is easily explained. All major states have decreased their troop sizes significantly after the end of the Cold War (Zamparelli 1999; Petersohn 2006). With a general increase in military interventions in the 1990s and the global war on terror since 2001 they experienced severe problems to live up to their military commitments. Thus, outsourcing security services to PSMCs increased their flexibility, alleviating troop overstretch and allowing for rapid response capabilities as PSMCs can rapidly deploy forces and quickly relocate them when necessary. Outsourcing thus ensured the possibility of military projection capabilities (see also DoD 1996).

The second argument reflects the general belief that privatization decreases the costs of services. Private actors do not have large bureaucracies; they face competition on a market and can better specialize on specific services. Furthermore, PSMCs have only to be paid for the time of their contract. In contrast to regular forces, states can save on training, education, maintenance and pensions. Thus, states rather use PSMCs to retain their autonomy of decision-making. This is supported by many incidents in which states obviously used PSMCs to regain their autonomy vis a vis international regulations or national legislative opposition. Examples would include the training and (alleged) combat support of MPRI, commissioned by the US-government, to the Croat Forces in the 1990s to tip the balance of power against the Serbs (Operation Storm; see Zarate 1998: 109; Avant 2007b: 426f), the Arms to Africa affair of the British government after it became public that the government was aware of arms exports by the British PSMC Sandline to Sierra Leone, grossly violating British arms export laws and a UN embargo (Avant 2007b: 438-440; Binder 2007: 317f), or DynCorp's share of armed counter-terrorism in Colombia against international and national agreements on the Plan Colombia (Singer 2008: 206f; Wulf 2006: 94).

### *Privatization and control over the exercise of force*

At first glance, there are also few indications that would suggest that outsourcing and privatization have led to an erosion of the control on the exercise of force – at least not with regard to strong states.

In contrast to weak states, states within the OECD-world have generally put a limit on outsourcing. This limit is the outsourcing of direct combat functions, i.e. the direct use of violence. While for instance Angola or Sierra Leone hired PSMCs to fight for them, in strong states, outsourcing is limited to combat support and non-lethal areas. Surely, the line between combat and combat support is increasingly hard to be drawn in many of today's conflicts or intervention situations, in which there is hardly any clear demarcation between a frontline and a hinterland. PSMCs operating or maintaining weapons systems but even those who secure convoys are at risk to become involved in combat as well, as the incidents in Iraq show (Petersohn 2006; Schaller 2005). However, the decisive point is that states are determined to preserve the core of the state monopoly on violence, i.e. the direct engagement in the use of force. Additionally, states do seem to have at least a minimal control on the behaviour of PSMCs. They have regulations in place on what and when they are allowed to wear weapons (Isenberg 2007: 89), contract contents usually specific the range of activities. Still, all these regulations do not mean that PSMCs never violate them or are not involved in the exercise of force without permission (Singer 2004, 2008). Overall, however, there is no indication of PSMCs running loose. However, another aspect of the control of force question is, in how much states do have control over the contracts with PSMCs or in how much they have become dependent on them. And here are some disturbing developments to be observed.

As mentioned above, states claim to outsource basically to ensure cost-savings and to increase effectiveness. New data suggests, however, that cost-savings are hardly realized by outsourcing (GAO 2006a: 4; GAO 2008; Schreier/Caparini 2005: 98). This would cast serious doubts on the argument that outsourcing just contributes to an effective exercise of the state monopoly of violence but would rather suggest a growing dependence of the state on PSMCs.

Basically, there is hardly any data that support the argument that privatization and outsourcing of security generate cost-savings (Isenberg 2006: 155). Even though figures are abundant which calculate cost-savings, most of these figures rather represent estimations of cost-savings not realized cost-savings (see Wulf 2005: 190f; Dickinson 2007; Avant 2005: 117f; Singer 2008: 157). Instead, newer figures report that outsourcing increases the cost of military functions (see GAO 2006 a, b, GAO 2008: 8-15). There are two major reasons for this. One is the contract market environment of outsourcing in security the other is the political environment of military interventions and crises. The possibility of cost-saving by privatization depends on several conditions. First, a transparent and competitive market is needed, so that clients can pick and choose among different suppliers. Secondly, contracts must be subject to transparent bidding procedures, competing offers must be systematically compared and the performance of sup-

pliers on the contract terms has to be closely monitored, and, if necessary, sanctioned (Markusen 2003; Singer 2004). None of these characteristics seem to apply to the current situations of contracting, however (Dickinson 2007). Only 40 per cent of all contracts of US-government agencies (between 1998 and 2003) were subject to bidding and since then the numbers have only slightly increased (Singer 2008).<sup>13</sup> Above that, more than 50 per cent of all contracts have not been monitored at all (Dickinson 2007: 226). Other governments do not fare much better. A new study on Canada's military contracting concludes that only 60 per cent of all contracts were competitive and that this number was decreasing (Staples 2007). These numbers explain why so many companies that have a record of bad practice and financial fraud or are accused of serious human rights violations were again rewarded contracts, among them Halliburton, CACI, Titan or latest Blackwater (see also Dickinson 2007: 219f).

One reason for this is that the market for private security services is only partially competitive, while some quasi-monopolies exist (for instance in certain areas of logistics; see Chesterman/Lehnhardt 2007: 254; Deitelhoff 2008; Cockayne 2007). Additionally, the market is also very fluid. Companies quickly dissolve and re-establish under different names and locations, making it difficult to trace wrong-doers. Most PSMCs, apart from some of the bigger ones are small, nearly virtual companies which rely on huge rosters of potential employees that they hire whenever a new contract comes in. Thus, they are very flexible and can locate and re-locate whenever necessary (Dickinson 2007). In line with that, the widespread practice of sub-contracting in the market reduces transparency even further (Wulf 2005: 70).

Secondly, the political environment of situations of military interventions and crises are probably among the least likely environments to favour cost-savings. Situations of military interventions are usually characterized by secrecy, heavy time constraints and the imperative of military victory. Thus, there is hardly time for neither complex bidding procedures nor the transparency available to assess contract performances. Furthermore, military commanders usually calculate for worst case scenarios thus always having a back-up at hand, a strategy that is hardly cost-saving in contracting (Singer 2008: 163). This explains not only the high number of non-competitive contracts but also the widespread practice of so called cost-plus contracts, i.e. contracts, in which the rewards increase with the increase of costs (Singer 2004).

Another cost increasing factor is the coordination problem arising from the increase of private contractors in military theater. First, employees of PSMCs on a contract with a conflict party usually remain outside the command chain and are not allowed to take part in hostilities in conflict as they are regarded as civilians under International Hu-

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<sup>13</sup> See *Center for Public Integrity* ([www.publicintegrity.org/pns/report.aspx?aid 385](http://www.publicintegrity.org/pns/report.aspx?aid 385)).

manitarian Law. However, in most of the military interventions today the differentiation between frontline and hinterland increasingly blurs, bringing PSMCs who are most active in logistics, site and convoy security and weapon maintenance ever closer to theatre and to an active participation in hostilities (Schaller 2005, 2007). This not only increases their risks to become a target of military attacks, it also calls upon the regular forces to extend their protection to these companies thus leading to higher coordination costs. Additionally, coordination is needed to prevent conflicts between the regular forces and the PSMCs. The increase of so-called blue-on-white fire in Iraq, i.e. accidental attacks between US forces and the contractors indicates how difficult that is (GAO 2005: 28; GAO 2006a). In fact, until now the US-government has no exact number how many employees are working for it in Iraq let alone where and when (GAO 2006a: 4).

Taking all this together one needs to wonder why privatizations is still increasing although the envisioned cost-effectiveness associated with outsourcing security to PSMCs is often not realized? Is this a beginning dependence of strong states on PSMCs? It would be if strong states would have no effective counter-strategies to end this. However, it is rather the case that states seem to be unwilling to stop this trend (Deitelhoff/Wolf 2009). States have not taken up measures to increase their control over contracts and companies. A telling example for this is that although the number of contracts has greatly increased since 2001, the US-government has simultaneously reduced the number of controllers and ombudsmen to supervise contracts (Singer 2008: 252). Secondly, the majority of western states eschew the possibilities to increase the international regulation of PSMCs, which would allow them to better track wrong-doers and to further competition and a transparent market. States have not only shied away from attempts to set up a UN convention on the banning of these companies, they have also not agreed on a binding licensing system. The only existing regulatory framework for companies is the Montreux-document from September 2008, which is a non-binding declaration, signed by 17 states, among them the USA, UK, France and Germany. The document has two parts, the first “merely” recalling the legal obligations arising for PSMCs under international law and the second part displaying a list of best practices states should adhere to in working with PSMCs.<sup>14</sup>

Obviously, cost-saving is not the primary focus of strong states in hiring PSMCs but it is rather their utility as a flexible policy tool in pursuing security policy. This would also explain the weak national regulations systems PSMCs are subject to. In the US, for example, the national licensing system only regulates and thus controls the export of security services. It regulates the conditions under which PSMCs are allowed to work

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<sup>14</sup> See Montreux-Document at <http://www.icrc.org/web/eng/siteeng0.nsf/htmlall/montreux-document-170908>

for what foreign client not for their home government.<sup>15</sup> These regulations rather ensure that PSMCs support the foreign policy goals of their governments not that they safe costs (vgl. Schneiker 2007: 408).

### *Outsourcing and the legitimating process*

Overall, the discussion so far suggests that privatization and outsourcing do not (yet) constitute a transformation of the state but should rather be seen as a variation of the state's exercise of its functions. However, a look at the effects on the legitimating dimension by outsourcing disposes a different picture. To reveal this, a closer look is needed as to whom remains in control over the exercise of violence within the state. The flexibility that outsourcing promises for states is essentially a promise directed to the executive and it is one that is directed against the legislative and the public more generally (Deitelhoff/Geis 2007 a, b; Deitelhoff/Wolf 2009).

State governments' reluctance to increase the regulation of PSMCs discussed above is not only out of convenience but it is by design as governments want to increase their flexibility vis-a-vis their parliaments and publics alike. PSMCs allow for covert foreign policy not consensual among the national public and/or international community and they generally increase the power of governments vis a vis their parliaments (Avant 2007a: 184-187, 2005: 60; Chesterman/Lehnhardt 2007: 252f). Outsourcing to PSMCs help governments to hide the extent of their military engagement abroad to their respective publics and legislatures (Silverstein 2000; Cockayne 2007: 212). Outsourcing might thus not weaken the effective exercise of violence and even strengthen the autonomy of decision-making but only by undermining its legitimation basis.

Governments can and do circumvent troop ceilings ordered by parliaments thus freeing soldiers for war making, a strategy which the US-government has used in the Balkans conflict and again in its plan Colombia (Avant 2005: 128; Singer 2008: 211-215). Secondly, governments can manipulate the public opinion on their foreign policy. Research on democratic peace has convincingly shown that popular consent to military operations is a function of the prospect of military victory and the safety of one's own soldiers (Schörnig 2007). Democratic publics are casualty avoiding, but PSMC casualties are not listed in official casualty statistics. Public debates about the estimated 1001 PSMC casualties in Iraq have at least been absent.<sup>16</sup> Most importantly, contracts are usually negotiated with by the executive.<sup>17</sup> Parliaments have only limited insight in con-

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<sup>15</sup> Other governments do not even have such systems in place, e.g. Great Britain or Germany.

<sup>16</sup> See list at: [icasualties.org/oif/Civ.asp](http://icasualties.org/oif/Civ.asp); 09.11.2008. The list only reports 426 names but refers to 1001 as a government-based number.

<sup>17</sup> US Congress only needs to be involved in contract negotiations if the contract volume exceeds a limit of 50 Million US-Dollar (Schneiker 2007, S. 414).

tractual contents or/and are often unaware of these contracts as they are hidden in several titles in defence budgets (Singer 2004: 10, 17; Schreier/Caparini 2005: 102). Furthermore, the general practice of sub-contracting makes parliamentary oversight even more difficult. This illustrates the fact that the US-Congress still has no accurate data on the number of contractors working on behalf of the US in Iraq (GAO 2006a: 4).

Strengthening regulations on PSMCs would therefore increase political costs: Increasing monitoring and transparency and clarifying responsibilities and liabilities would make the activities of PSMCs more visible for the public and legislatures alike, thus lowering significantly the discretionary powers of executives.<sup>18</sup> Hence, governments do not have much of an interest in regulating PSMCs as their advantages are tied to the fact that their activities are less visible and weakly regulated (see also Caparini 2007: 166; Cockayne 2007: 206; Dickinson 2007: 228). It is no mistake that it is rather the PSMCs themselves than governments who argue for national binding regulation, if only to secure their market position (Deitelhoff/Wolf 2009; Schneiker 2007: 407f; Dickinson 2007: 230). Regulatory initiatives only follow public pressure. The latest incidents in Iraq especially with the Blackwater shootings of civilians in fall 2007 have greatly increased public awareness of PSMCs and pressure to step up to regulate their conduct and to punish offences.<sup>19</sup> Only after public outrage and under enormous pressure by congress, the US-government has started to close legal gaps,<sup>20</sup> such as extending jurisdiction to civilian contractors working for DOD agencies and lately also for those working for the state department and other US agencies.<sup>21</sup> Basically, what becomes clear is that outsourcing does affect the state organization of violence, however not directly and not in the short run. While it does not directly affect state control of the exercise of vio-

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<sup>18</sup> See also Avant/Sigelman (2008), who analyzed the (amount and type of) media coverage of PSMCs in Iraq compared to coverage of US-Military.

<sup>19</sup> However, incidents did not start with Iraq. DynCorp employees were involved in sex trafficking in Bosnia in the 1990s. In Angola, PSMC employees are accused of torturing and even killing mine workers and in Colombia PSMCs are accused of a whole range of abuses and crimes (Singer 2008: 251; Grofe 2007: 243). Iraq only differs from previous PSMC-operations by the higher frequency and visibility of incidents.

<sup>20</sup> Similar dynamics can be observed in Great Britain, where coordination between PSMCs and the government is largely informal. Tighter regulation has only been discussed after scandalizations and public outcry. The famous “green paper” on regulation of PSMCs of the British government was solely a reaction to the “Arms to Africa” affair, in which the British PSMC Sandline International had delivered arms to Sierra Leone, grossly violating existing arms embargos, but nevertheless implicitly supported by the government (see Avant 2007b: 438f; Lehnhardt 2007: 140f).

<sup>21</sup> See Jane’s Defence Weekly (10.01.2007: 5).

lence and might even increase state autonomy of decision-making it is effectively undermining the legitimating basis of the state monopoly of violence.

Strong states outsource services basically to generate more flexibility thus highlighting that they perceive of PSMCs not as a threat to their monopoly but as an innovative strategy to exercise their monopoly.

However, this does not mean that outsourcing may not lead to a weakening of the control of the exercise of violence in the long run. The higher the rate of privatization and outsourcing, the higher the risk for the state to lose generic resources to exercise its monopoly. This is already visible within the United States. In certain areas such as logistics, the US-forces have lost generic capabilities, meaning that they are reliant on private contractors to perform these functions (Avant 2005: 133; Zamparelli 1999). The renewing of the logistics-contract with Halliburton although the company was repeatedly accused of overbilling and fraud, highlights this risk. The US-military simply had no own resources to take over logistics on their own (Schreier/Caparini 2005; Deitelhoff 2008).<sup>22</sup> But the problem is not limited to resources, but also to manpower and expertise. Experts warn that in vital areas such as military training (Avant 2005: 116-120; Wulf 2005: 70; Isenberg 2006: 156), weapons maintenance and operation (Petersohn 2006: 21; Zamparelli 1999) as well as military policing (Avant 2005: 127, the US has lost generic competences (Blizzard 2004). The more certain areas are privatized the more the military experiences a brain drain as well (Avant 2005: 134f). PSMCs rely on their excellent well-trained employees to be attractive companies for states. They recruit these, however, in the special forces of state militaries, such as green berets or delta forces. The US-military has already started to work with stop-loss programs to counter this strain of expertise in the force structure to prevent that their best officers can directly be hired by the private sector. Furthermore, it has started to grant high-ranking officers huge monetary rewards to convince them to stay in the forces. Again, this is not a problem of the US alone. Australia grants its officers a one year sabbatical to give them the chance to profit from the much higher salaries in the private sector but to return then (Singer 2008: 257). Thus, the gain in flexibility might come with a much higher price for states in the long run than expected.

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<sup>22</sup> Given the threat of a dependence of the forces on private contractors DoD has ordered that the forces need to have back-up plans if contractors drop out. However, the General Accounting Office has repeatedly warned that these back-up plans were either non-existent (GAO 2003: 16) or insufficient (GAO 2006 a, b). A problem that popped up again after the Blackwater shooting and subsequent prohibition of the firm's operation by the Iraqi government. Blackwater is responsible for the protection of the State Department diplomats. Thus, the US-government pressured Al-Maliki to lift the prohibition on Blackwater as the State Department had no back-up and was dependent on Blackwater's services.

All these trends should be monitored closely without underestimating the persistent force of the state in upholding its control. It remains, however, clear, that outsourcing is an intentional strategies of executives to unravel the democratic control system in place.

## **5. LESSONS TO BE LEARNED: BUSINESS OF SECURITY AND THE TRANSFORMATION OF THE STATE?**

First of all, the analysis and comparison of the inclusion of TNCs and PSMCs in security policies clearly shows that states involve these actors intentionally, as part of a modern governance strategy to exercise their functions. This is most straightforward in the inclusion of transnational corporations to engage in security policies. They are basically thought of as compensation to states' reluctance to intervene more directly into the manifold conflicts in weak states. It is releasing strong states of their burden to provide security by themselves and a possibility to shift the blame to the private sector. Outsourcing and contracting with PSMCs follows similar lines. It is not, as always claimed in the political debate, the potential to decrease the financial costs of security policies that fuels outsourcing strategies but the decrease of political costs. State executives can increase their flexibility in security policies by relying on PSMCs, either by licensing their export to third states or by hiding the extent and (the lack of) success of their own military engagement abroad.<sup>23</sup> In this vein, privatization through TNCs or PSMCs rather strengthens the state autonomy on decisions on the use of force. They help state governments to increase their discretionary power in security policies vis-a-vis their national legislative and electorate or the international community.

Things do not look much different with regard to the control over the exercise of force. For TNCs, it is safe to say that they do not affect the state in this regard as they are not involved in any direct or indirect way in the use of force but rather address indirect security problems pertaining to the connection of political instability and violence to economic and social problems. Accordingly, their contribution to security rather affects weak states not the consolidated (TRUDI) states of the OECD-world. PSMCs are involved in security policies of weak *and* strong states. However, until now strong states jealously secure the core of their monopoly of violence, i.e. the direct use of force. However, there are some disturbing tendencies as well. The faster privatization proceeds, the more states might become dependent on PSMCs as they lose generic resources and competencies in certain areas of security, such as logistics, training, weap-

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<sup>23</sup> Privatization and outsourcing thus might be conceptualized as complementary strategies of a new *raison d'état*, as Wolf (2000) termed it, While he observed how executives bind themselves to international cooperation to generate autonomy vis-a-vis their legislatives and publics, in this case executives delegate functions to private business actors to achieve the same effect (also Deitelhoff/Wolf 2009).

ons operation and maintenance and military policing. In how far this danger becomes a reality is however to be assessed in the future. The so called “Iraq bubble” has led to a rush in outsourcing within the US-military and it remains to be seen whether the government will revise (and how so) its privatization strategies and if and how other governments in the OECD-world will learn from the US experience.

Privatization and outsourcing are unparalleled in the USA, but other governments are increasing privatization within their militaries as well. Still, it is premature to talk of an epidemic development. Privatization thus stops short of transforming the state, it is neither epidemic nor has it led to an essential erosion of the state’s monopoly of violence yet. However, it does affect another aspect of the state’s monopoly of violence, i.e. its legitimating base, binding the use of force to democratic control and due legal process. The net gain of involving PSMCs in security policies seems to be the emancipation of state governments from their legislative and electorates more broadly. Empirical evidence suggests an undermining of democratic control mechanisms which in turn affects the reinforcing nature of TRUDI’s dimensions.

This aspect of unravelling the monopoly of force from its legitimating basis is not only worrisome from a democratic point of view. It should also alert us given its global repercussions. The increasing reliance on military means in global governance, that is to be observed since the 1990s (see Geis 2006; Duffield 2001) might not be a direct or singular effect of this unravelling but the latter might very well contribute to and further fuel it. Normative and institutional thresholds on the use of force are mechanisms to slow down political decisions on the use of force to give executives a chance to reflect on their decisions and motifs and to search for alternative options. Privatization essentially lowers these thresholds thus making the resort to force an easier and more attractive option for executives (Deitelhoff/Geis 2007a, b).

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