



School of Economics and Management
Lund University

Privatizing an Uncontested Public Good

The Rise of Transnational Corporate Military Service Provision

Pierre Nikolov

Thesis Advisor: Martin Andersson

EKH 470
Department of Economic History
School of Economics and Management
Lund University



LUND
UNIVERSITY

Pierre Nikolov

Privatizing an Uncontested Public Good

The Rise of Transnational Corporate Military Service Provision

Economic History

2009-05-28

ABSTRACT

The provision of military and armed security services typically is the monopoly domain of the state. With the end of the Cold War legitimate private firms, however, expanded as worldwide providers of military and security services. The proliferation of private military companies echoes back to pre-modern eras when it was customary for state rulers to allocate force and security through the market. This study therefore aims to explore and explain the rapid rise of transnational corporate military service provision in our time, and to ground this change process historically by exploring the economic history of private military service provision. Historically this study primarily addresses private military service provision during Medieval and Early Modern periods. During these eras state and local rulers relied on contractual institutions to employ military companies and other private military actors. To explain the rise of private military service provision in our time this study explores global institutional changes, national institutional arrangements and military privatization paths, and the proliferation of transnational private military companies. This study demonstrates that the capacity of the modern state to control, sanction and exercise legitimate violence has not diminished, but it has rather been transformed by the resurgence of contractual arrangements under new post-Cold War institutions. Today modern states control private military companies through formal rules and informal norms, competition constraints, and through informal ties between public sector and military officials and entrusted private military firm executives. Modern states that are able to provide security as a public good primarily hire military service firms to augment regular forces and public security provision. The substitution of public security and military force resurfaced in weak states as a short-term response to armed conflicts, political instabilities, and humanitarian crises. Overall this change underlines a partial return to contractual institutions in public security and military provision. While military privatization has served to augment the regular military structure and has contributed to reduce many peacetime military costs the resurgence of contractual institutions has amplified transaction costs due to the ensuing demand for efficient contract management practises and the intrinsic need for new efficient military contract management structures.

Keywords: Private Military Company; Private Security Company; Private Contractor; Market for Force; Institution; Public Good; Private Good; Path Dependence; New Institutional Economics; Executive Outcomes; MPRI; KBR; Blackwater.

TABLE OF CONTENTS

<i>ACKNOWLEDGEMENTS</i>	iv
<i>ABREVIATIONS</i>	v
1 INTRODUCTION	1
1.1 Research Aim	4
1.2 Delimitations	4
1.3 Disposition.....	5
2 THEORY	6
2.1 Institutions & Economic Change.....	6
2.2 Differentiating Public & Private Goods	8
2.3 Defining Private Military Companies.....	9
3 METHOD	11
3.1 Research Design	11
3.2 Material Selection & Critique.....	11
3.3 Analytical Framework	12
4 THE HISTORY OF PRIVATE MILITARY SERVICE PROVISION	13
4.1 Medieval & Early Modern Private Military Service Provision.....	14
4.1.1 Contracting Free Companies.....	14
4.1.2 Exporting Pike Square Units.....	16
4.1.3 The Peak & Decline of Private Military Service Provision	17
4.2 Mercantile Companies as Profit-Driven Military Organizations	18
5 THE RISE OF CORPORATE MILITARY SERVICE PROVISION	21
5.1 Global Institutional Change & the Proliferation of Non-State Actors	21
5.1.1 Defense Conversion & the Global Rise of Internal Armed Conflict	21
5.1.2 Non-State Actors, Privatization Ideology & International Frameworks.....	23
5.2 States & Private Military Service Regulation Paths	25
5.2.1 The Privatization Path in the USA	25
5.2.2 The Delegitimatization Path in South Africa.....	27
5.2.3 The Informal Export Facilitator Path in the UK	29
5.3 Companies as Transnational Military Service Providers	30
5.3.1 Combat PMCs in Sierra Leone	31
5.3.2 Consulting & Support Services PMCs in the Former Yugoslavia.....	33
5.3.3 Security PMCs in Iraq.....	35
6 ANALYSIS	39
6.1 Competition Constraints & Informal Principle-Agent Ties	39
6.2 Substituting Public Force & Security Provision in the Short-run	43
6.3 Augmenting Public Force & Security Provision in the Long-run	46
7 CONCLUDING SUMMARY	50
8 REFERENCES	52
8.1 Research Articles, Books, Official Documents & Reports	52
8.2 Newspaper Articles & Digital Media Sources	60

ACKNOWLEDGEMENTS

First and foremost, I would like to express my gratitude to my thesis advisor, Ph.D. Martin Andersson, for his insightful and critical reflexions, encouraging and vital feedback.

This study primarily relies on research publications. Academic books that cover the research topic in this study usually are only available at specialized libraries. I am therefore grateful that the “Stockholm International Peace Research Institute Library” and the “Anna Lindh Library” in Stockholm generously permit university students from other parts of Sweden to borrow publications from their collections on a long-term basis.

Finally, I am grateful to my student colleagues from the Peace and Conflict Research Division in Lund for both recommending vital research publications and engaging in interesting and critical discussions regarding the research topic in this study.

Pierre Nikolov

Helsingborg

May, 2009

ABREVIATIONS

AFRC	Armed Forces Revolutionary Council
ANC	African National Congress
BRS	Brown & Root Services
CBO	Congressional Budget Office
CPA	Coalition Provisional Authority
DOD	Department of Defence
ECOMOG	Economic Community of West African States Monitoring Group
EO	Executive Outcomes
EU	European Union
INGO	International Non-Governmental Organization
IE	Institutional Economics
IFOR	The Implementation Force
KBR	Kellogg Brown and Root
KLA	Kosovo Liberation Army
LOGCAP	Logistics Civil Augmentation Program
MPRI	Military Professional Resources Incorporated
NATO	North Atlantic Treaty Organization
NCACC	National Conventional Arms Control Committee
NGO	Non-Governmental Organization
NPM	New Public Management
NIE	New Institutional Economics

OAU	Organization for African Unity
PMC	Private Military Company
PMF	Private Military Firm
PSC	Private Security Company
PSD	Personal Security Detail
TNC	Transnational Corporation
UN	United Nations
UNDP	United Nations Development Program
USAID	United States Agency for International Development

1 INTRODUCTION

Providing national security and controlling violence is widely perceived as the cornerstone responsibility of the nation-state. Sociologist Max Weber (1964) underlined that the very defining characteristic of the modern state is its legitimate use of violence – i.e. the sanctioning, control, and use of physical force. Weber (1964: 154) declared that the state “successfully upholds a claim to the monopoly of the legitimate use of physical force in enforcement of its order”. The modern state not only centralized and monopolized coercion within its territorial borders, but as well enforced its control by delegitimizing non-state violence in the international system (Thomson, 1996: 3-4). Economic historian Douglass C. North (1981: 21) in his research about the development of Western economies notes that the state maintains a “comparative advantage in violence” as its inherent role is to maintain order and to specify and enforce property rights. In economic theory national defense and security is moreover upheld as a rare defining example of a perfectly non-excludable and non-rivalled good – a so called “pure public good” (Stiglitz, 2000: 132). Normatively stout privatization proponents, such as radical libertarians, even refrain from contesting the public monopoly of force (Singer, 2003: 7-8). In 1998 UN Secretary-General Kofi Annan stated that on a prior occasion he had considered hiring private sector contractors to secure a Rwandan refugee camp, but this course of action was evaded as he interpreted “the world may not be ready to privatize peace” (UN, 1998).

In 2003 the US-led war in Iraq, however, was readily described as the first “privatized war” (Mathiason, 2003). During the same year the “Guardian” reported that “private corporations have penetrated western warfare so deeply that they are now the second biggest contributor to coalition forces in Iraq after the Pentagon” (Traynor, 2003). As of early 2008, according to a report by the US “Congressional Budget Office” (CBO), more than 190 000 contractors, including subcontractors, were employed in Iraq under US-funded contracts (CBO, 2008: 8). The CBO (2008: 8) moreover notes that the ratio of US-funded private contractor to US-military personnel in Iraq is 1 to 1. If we consider the scale of the Iraq War and the following reconstruction process this is the most extensive military engagement of hired civilian personnel in US-military history. In the same report it is also estimated that between 25 000 to 30 000 security contractors in Iraq were hired by private military and security service firms. The US-administration directly employed between 30 to 40 percent of these contractors (CBO, 2008: 12). Some of the companies that were contracted in Iraq, such as US-firm “Blackwater” and UK-firm “ArmorGroup International”, were as well employed by the public and the private sectors to provide security services in New Orleans following the devastation of hurricane “Katrina” (Witte, 2005). Peter Singer (2003: 18), a “Brookings Institution” Director and renowned expert in this interdisciplinary research field, suggests a pattern is emerging whereby individuals, companies, states, and international organizations no longer only rely on public security and military service provision, but as well depend on

corporations that are competing worldwide to obtain military and armed security service contracts. Deborah Avant, also a leading researcher in this field, in fact refers to a transnational “market for force” that exists alongside state systems and state forces (Avant, 2005: 3).

The rapid expansion of privately provided military services and armed security has inescapably confronted formal rules and informal norms. Economist Paul Krugman in his “New York Times” column for example states: “... the so-called private security contractors are mercenaries. They’re heavily armed. They carry out military missions, but they’re private employees who don’t answer to military discipline. On the other hand, they don’t seem to be accountable to Iraqi or U.S. law, either. And they behave accordingly” (Krugman, 2007). The antagonists of this trend indeed refer to private military service firms as mercenary organizations in corporate disguise (Percy, 2007: 12). This critique most recently escalated following several scandals relating to the conduct, operational procedures, and accountability of contractors in Iraq. Private contractors for example participated in the interrogations at the infamous “Abu Ghraib” prison where detainees were tortured (Kwok, 2006: 36). In 2005 the “Observer” published a Blackwater company-memo that stated: “actually, it is ‘fun’ to shoot people” (Townsend, 2005). Companies such as “Hart Group”, “Control Risks”, and “Triple Canopy” have been engaged in several armed clashes with Iraqi insurgents (Kwok, 2006: 35), and on September 16th, 2007, Blackwater employees shot and killed seventeen and wounded twenty-four civilians in “Nisour Square”, Baghdad (Glanz & Rubin, 2007). These and other scandals have generated worldwide media attention and consequently shaped a negative public perception of the rising private military service industry. In both research and media publications the critical perspectives of political philosopher and practitioner Niccolo Machiavelli are regularly revisited to historically ground discontent or caution about profit-driven non-state military service providers. Machiavelli (1999: 39-40) for example stated the following:

“Mercenaries are disunited, thirsty for power, undisciplined and disloyal; they are brave among their friends and cowards before the enemy; they have no fear of God, they do not keep faith with their fellow men; they avoid defeat just so long as they avoid battle; in peacetime they are despoiled by them, and in wartime by the enemy. Surely no one can be called a good man who, in order to support himself, takes up a profession that obliges him at all times to be rapacious, fraudulent, and cruel, as of course must be all of those – no matter what their rank – who make a trade of war”.

To classify military service firms as mercenary organizations, however, is analytically complicated. In international law a mercenary is defined as an individual that is recruited to fight in armed conflict for personal profit, that is not a national of the conflicting parties, and that has not been sent by a state that is not

part of the armed conflict (Wulf, 2005: 52). Mercenaries hold no legal rights, and their operations are thus criminalized. The rising private military service industry during the post-Cold War era, in contrast, signifies the emergence of private military service providers that are legally registered as corporations (Singer, 2003: 45). Many of these companies have executives, shareholders, holding companies and subsidisers. Some military service firms are part of “Fortune 500” conglomerates (Holmqvist, 2005: 4). Nowadays even the UN and NGOs hire security services from such companies to protect humanitarian missions in volatile regions (Avant, 2005: 7). While mercenaries strive to conceal their activities the private military industry firms are registered, pay taxes, and compete for contracts worldwide (Wulf, 2005: 50). These companies moreover do not predominantly carry out combat missions. On the contrary, their activities cover a diverse range of military and security services – such as protecting and transporting state officials, protecting strategic sites, building and maintaining military facilities, military logistics, demining, military consulting and training, and support services for advanced weapon systems (Kinsey, 2006: 2-3; Avant, 2005: 18-20).

At the beginning of the new millennium it was estimated that the annual market revenue in this industry averaged USD 100 billion, and it is further estimated that this revenue level will double by the year 2010 (Avant, 2005: 8). While there is an astounding expansion of privately provided military services in our time the market provision of such services is not historically unique. On the contrary, it was customary and often necessary for ancient as well as for pre-modern state rulers to employ private military and security providers. During the early modern period the military industry developed into a leading capitalist industry in Europe. Entrepreneurs such as Albrecht von Wallenstein controlled great private military forces, and entrepreneurs such as Bernard von Sachsen-Weimar as well leased armies and navies to state rulers (Singer, 2003: 28). History demonstrates that non-state violence dominated the international system, and military and security services were regularly bought and sold as commodities (Thomson, 1996: 3). The significance and influence of legitimate private actors and organizations in armed conflict is in fact as old as war itself. The conventional perception of war as a collective endeavour by public armies for shared benefit, Singer (2003: 19) notes, is thus an idealisation. The consolidation of the modern state system fragmented the market-based provision of force, but due to new institutional arrangements, worldwide socio-political destabilizations, and economic change in the post-Cold War era firms emerged to provide military services worldwide. The rapid rise and transnational scope of the private military service industry in our time is historically unprecedented, but at the same time we are witnessing a resurgence of private military service provision. If our ambition is to understand and explain the rise of corporate military service provision we therefore need to as well analytically address the economic history of private military service provision.

1.1 Research Aim

Private military and security service providers have been hired by states since ancient eras to augment or to substitute the public provision of force and security. While such practises and arrangements diminished with the rise of the modern state system many states during the post-Cold War era increasingly started to rely on the market and contractual institutions to augment or substitute the public provision of military and security services. The primary aim of this study therefore is to explore and explain the rise of corporate military service provision in our time. In order to historically ground this economic change the aim of this study is also to explore the contractual institutions that enabled the pre-modern market provision of military and security services. The main research questions in this study therefore are:

- Why did an expansion of corporate military service provision emerge during the post-Cold War era?
- How does the rise of corporate military service provision compare to private military service provision in pre-modern eras?

1.2 Delimitations

The private and profit-driven provision of military services is a controversial topic. It addresses the foundational legitimacy of the state, and the extent of private sector service provision. The aim of this study is not to engage in such topics nor to evaluate legal frameworks or to present normative accounts for or against military privatization. The aim of this study is rather to explore and explain the rise of corporate military service provision in our time, and to ground and demystify this change by as well exploring the economic history of private military service provision. The market for military services is transnational, but foremost the USA, the UK, and South Africa have variably influenced the global rise of a private military service provision. This study therefore primarily explores the institutional frameworks in these countries, the corporations that originated in these countries, and the influence they project/projected on the worldwide provision and rise of private military services. The resurgence of private military service provision constitutes a return to contractual institutions as a means to augment or substitute legitimate violence. Such contractual practices were initiated during the Middle Ages. The historical exploration of private military service provision therefore is limited to this period and the following early modern period. This study explores and analyzes the legitimate private military service industry, whereby mercenaries – i.e. illegitimate profit-driven non-state actors – are disregarded. Private military actors that were hired by states during history are thus continually referred to as private military service providers.

1.3 Disposition

This study is comprised of seven chapters. In the following chapter the theoretical foundations of this study are outlined. The theoretical chapter defines and outlines the links between institutions and economic change, introduces and defines public and private goods, and outlines and defines private military service companies. The following chapter presents the methodology of this study. This chapter introduces the research design, material selection and critique, and the analytical framework. In the next chapter the economic history of private military service provision is explored. This chapter addresses the contractual institutions of private military and security provision during foremost medieval and early-modern periods. In the fifth chapter the rise of corporate military service provision during the post-Cold War era is explored as an institutional change processes on three interconnected levels – global, state and company. In the following chapter the findings in this study are analyzed and interpreted. The analysis focuses on the characteristics of the market for force in our time, and differentiates between private military provision that serves to augment public military and security provision in states that provide security as a public good, and private military and security service provision in weak states that serve to substitute public security and military force in the short-run. In the final chapter the findings in this study are summarized and concluded.

2 THEORY

In this chapter the theoretical foundations in this study are outlined. Initially institutions are theoretically problematized, defined, and introduced as intrinsic to economic change. Subsequently public and private goods are theoretically differentiated, and finally private military service companies are outlined and defined.

2.1 Institutions & Economic Change

In orthodox economic theory the economy is outlined as inter-connected and self-regulating markets that enable buyers and sellers to engage in mutually advantageous exchanges and that enable efficient allocations of scarce resources – without government intervention (Stillwell, 2002: 147). This neoclassical economic theory fundamentally presupposes that consumers strive to maximize utility, have access to perfect information and thereby make rational purchase decisions, while firms are presumed to act on perfectly competitive markets and strive to maximize profits by optimizing output as it is also assumed that firms can obtain perfect information about their production costs and market demand. The reliance on such static preconditions for market equilibria to transpire sacrifices or discards the actual institutional conditions and historical processes that incited firms to emerge in the first place. In 1899 heterodox economist Thorstein Veblen initiated his contestation of the principal neoclassical “rational economic man” concept in his book “The Theory of the Leisure Class”. Veblen demonstrated how socially determined excess consumption behaviours serve to display social group belonging rather than utility maximization, and in effect produce waste rather than efficient resource allocations (Stillwell, 2002: 212-213). Although Veblen inspired the development of institutional economics (IE) other leading IE-scholars, such as John Commons and Wesley Mitchell, did not completely discard neoclassical economic theory (Hedlund, 2007: 65-66). During the first half of the twentieth century IE-researchers studied economic change phenomena that the neoclassical school could not sufficiently address – e.g. the expanding role of the government in economic affairs, the development of new influential financial organizations, the rise of trade unions, and the increasing power of corporations (Stillwell, 2002: 211). IE-research accordingly is concerned with empirical reality rather than abstract market equilibrium models, and social reality is approached as dynamic and evolutionary. Information is regarded as asymmetrical, and the enforcement of legal agreements is underlined as costly and imperfect (Stillwell, 2002: 210).

As a research tradition IE however did not develop a cohesive theoretical framework (Hedlund, 2007: 103). Commons (1931: 648) for example noted: “the difficulty in defining a field for the so-called institutional economics is the uncertainty of meaning of an institution“. With this challenge in mind scholars, such as Douglass C. North and Oliver Williamson, worked to further integrate IE

and orthodox economic theory. This research developed into the so called “New Institutional Economics” (NIE). NIE is grounded in economist Ronald Coase’s research that applies transaction cost theory as a fundament to explain why firms emerge. In his famous article “The nature of the firm” Coase (1937: 392) underlines that the operation of markets is costly, whereby firms arise to direct resources and reduce transaction costs. Transaction costs are the costs of human interaction and exchange. Such costs include economic costs – e.g. bargaining, collecting market information, and enforcing contracts – and political costs that emerge from establishing frameworks of rules and enforcement (North, 1991: 24). In neoclassical theory transactions are disregarded as zero-costs. In contrast Coase (1992: 718) argues that exchange is comprised of positive transaction costs: “It makes little sense for economists to discuss the process of exchange without specifying the institutional setting within which the trading takes place, since this affects the incentives to produce and the costs of transacting”. Institutions thereby determine total costs – i.e. the combination of transaction and transformation (production) costs. If institutional arrangements influence total costs and the rise of firms, how do we in turn define institutions?

North (2005a) argues that economic change should be analyzed as historic processes that originate from the human effort to control and manage uncertainty. Throughout history humans have established institutions to enable or improve predictability in human interaction. Such institutional frameworks form political structures that direct and aggregate political choices, build property rights structures that outline formal economic incentives, and form social structures – i.e. norms and conventions – that create the informal incentives in the economy (North, 2005a: 49). NIE also finds its roots in Commons’ institutional theory. Commons conceptualized transactions as transfers of legal ownership that are determined by the working rules of society – i.e. institutions (Kaufman, 2007: 24). According to Commons all organizations are subject to explicit and implicit working rules that direct their behaviour and performance (Kaufman, 2007: 15). North (2005b: 22) applies a similar definition: “Institutions are the rules of the game – both formal rules, informal norms and their enforcement characteristics”. The division between formal regulations and informal norms is not absolute. Formal and informal constraints are rather opposite ends on the same continuum (North, 1993: 78). Formal constraints are explicit and arise from political processes and mutual agreements between stakeholders – e.g. constitutions, laws, and property rights. These constraints are thus tied to political and judicial rules, economic rules, and contracts (North, 1993: 79). Informal constraints are rather determined by culturally constructed conventions, codes of conduct, and norms of behaviour (North, 1993: 64-65). The cultural influence of the past does not always provide the most efficient practises to encounter new uncertainties. The past and how it impacts the present and the future thereby is decided by the cultural system of a society – so called “path dependence” (North, 1994: 364). Although formal rules can change rapidly – e.g. after a revolution – informal norms and belief systems change gradually (North, 2005a: 51). Disparities can therefore occur if tensions materialize between the implementation of new formal frameworks and durable informal societal norms or structures. During the 1990s Coase for

example raised critique against the indifference towards institutional arrangements by leading policy-makers that enforced or promoted deregulation programs in order to rapidly transform the former European communist countries into market economies (Hedlund, 2007: 29-30).

While institutions constitute the rules of the game organizations are the game players. North (1993: 18) differentiates between economic organizations, e.g. companies and trade unions, political organizations, e.g. political parties and regulatory bodies, and educational organizations, e.g. schools and universities. As reality is comprised of uncertainty and scarcities the implementation and enforcement of agreements, as mentioned above, is costly, asymmetrical, and imperfect (North, 1993: 51). Organizations are thereby constructed instrumentally for goal fulfilment. The institutional framework dynamically influences the rise and decline of organizations. Simultaneously organizations deliberately try to improve their position by altering established institutional arrangements in their favour (North, 2005b: 21-22). This dynamic interplay and the ideological beliefs of influential political and economic actors change policies over time and construct, North (2005b: 25) further notes, the formal rules and informal norms that determine economic and political performance. Established institutional frameworks hence also constitute constraints towards actors that are seeking to change or modify institutions in their favour. Path dependence and the dynamic and complex interplay of actors that seek to alter institutional arrangements decide economic performance and change. While institutions emerge or are established to reduce insecurity and to structure interaction any achieved or adapted stability hence does not guarantee efficiency (North, 1993: 20). If the institutional framework rewards productive endeavours then organizations will emerge in order to engage in productive activities, but if for example piracy is rewarded, North (1994: 361) underscores, then piratical organizations will rise.

2.2 Differentiating Public & Private Goods

Markets operate efficiently under perfect competition conditions. Such conditions include open market entry and exit, and a sufficiently high number of firms and consumers that can equally influence the price setting (Stiglitz, 2000: 77). Under such conditions efficiency is achieved when the increased utility of one individual does not reduce the utility of any other individual – so called “pareto efficiency” (Stiglitz, 2000: 57). This perspective however is concerned with individual welfare and thus demands a decentralized system by which the myriad of firms and individuals aggregate which and how goods should be produced (Stiglitz, 2000: 60). In reality, as introduced above, market transactions are costly, demand property rights structures, and contract enforcement in order to function. Some industries moreover are only comprised of a few firms, and some markets are dominated by firms with large market shares. Markets can thus fail to sufficiently provide goods, or even completely fail to provide some goods. Market failures have ensured a role for the public sector to provide certain goods – e.g. national

defense, education, police, and fire protection. So called public goods are characterized by non-rivalled consumption and non-excludability traits (Rosen & Gayer, 2008: 47). Non-rivalled consumption does not detract from another person's consumption, and non-excludability does not reject anyone from consuming a good. If a private good is not compensated the consumer will thus be excluded, and when a private good is consumed the consumption of another person is detracted. Some goods, such as national defense and light houses, are classified as "pure public goods" because they do not cause any rivalry and excludability is impossible (Stiglitz, 2000: 128). Separating public from private goods, however, is not a definitive matter. It can for example be argued that national defense is not a pure public good if armies are engaged in one part of a country while the protection of communities in other locations is detracted. Public goods that are rivalled and/or excludable to some extent are rather referred to as impure public goods (Stiglitz, 2000: 132).

When the public sector asks for compensation for medical services or housing provision the public sector is as well a provider of private goods. In turn public goods can be provided by private initiatives. Central Park in New York City is a public space, but the landscaping is funded by private donations (Rosen & Gayer, 2008: 54). The rivalry and excludability distinctions hence do not necessarily reveal if a certain good is or should be provided publically or privately. In reality the differentiation of public and private goods varies historically as policy-making, market conditions, and technologies change. Privatization refers to the transfer of provision and/or production of goods to the private sector (Rosen & Gayer, 2008: 63). In our time privatization trends, Rosen and Gayer (2008: 63) note, have increased worldwide. In for example Denmark two-thirds of the fire protection services are provided by a private firm, and in the USA about three times more police are hired privately than publically (Rosen & Gayer, 2008: 62). Public provision moreover does not reveal if a good is produced by the private or the public sector. It is not uncommon for local governments to hire private firms in order to provide for example public transportation and fire protection (Rosen & Gayer, 2008: 54).

2.3 Defining Private Military Companies

The companies in the private military industry are legally registered, hierarchically organized, and competitive corporations that provide services in the global marketplace. Singer (2003: 45) underscores that the firms in this industry "target market niches by offering packaged services covering a wide variety of military skill sets. The very fact that a coherent industry made up of these companies is identifiable provides evidence of their distinction". While the private military industry is identifiable the diverse private organizations that operate in this industry are difficult to distinguish. Often terms such as private military company (PMC), private military firm (PMF), and private security company (PSC) are applied interchangeably and arbitrarily. According to researcher Carlos

Ortiz (2007a: 61) the companies in this industry can be differentiated as stand-alone firms that supply private military services independently, and as representative entities that are part of hybrid business organizations. Stand-alone firms are independent military service providers, but they can also be a subsidiary of a different firm. Hybrid business types are however divisions within a corporation. Although a company division may provide private military services its main business thus falls outside the military branch – such corporations are found in for example aerospace, engineering, and information technology sectors (Ortiz, 2007a: 62). In this study the standalone private military and armed security firm is hereafter referred to as a “private military company” (PMC). As defined by Ortiz (2007a: 60) PMCs are: “legally established multinational commercial enterprises offering services that involve the potential to exercise force in a systematic way and by military means and/or the transfer or enhancement of that potential to clients”.

Ortiz (2007a) positions the variable PMCs on a service spectrum continuum. In one end of the service spectrum companies provide highly specialized services. For example “Medical Support Solutions” provides field medicine services in conflict areas, and “Global Development Four” provides worldwide transport fleet management services (Ortiz, 2007a: 57). On the opposite end of the service spectrum, which is the primary concern in this study, companies are engaged in operations that are traditionally undertaken by the state military. Some companies in this end of the spectrum are negatively labelled as “private armies” or “new mercenaries” (Ortiz, 2007a: 56). Such PMCs have the capacity to deploy an armed force in order to end a rebellion, or to restore a government to power. These services were for example provided by “Sandline International” in Papua New Guinea, and by “Executive Outcomes” in Angola. Such PMCs are examples of “private combat companies” that operate on the sharp end of the security industry (Kinsey, 2006: 13). On this end of the spectrum non-combat companies, such as “Military Professional Resources Incorporated” (MPRI), are also positioned. MPRI provides the same services that the US military would supply, but at a supposedly lower cost and with a limited political risk for the government (Kinsey, 2006: 15). MPRI is a global provider of military consulting and training services. MPRI for example was hired to upgrade the military and security sectors in several Southeast European countries. Some of these PMCs work closely with their home governments, and are thus referred to as “proxy military companies” (Kinsey, 2006: 15). Among the non-combat PMCs another category of firms can be positioned. Firms such as “Kellogg, Brown and Root” provide wide-ranging supportive and logistic services for the deployment and maintenance of state forces and military facilities (Ortiz, 2007a: 56-57). Security PMCs are also found on this sharp end of the spectrum. For example UK-firm “Aegis Defence Services” was contracted to provide country-wide security operations in Iraq. Due to the negative media attention and mercenary associations many PMCs, however, choose to label themselves as security firms – although they are heavily armed and/or operate in military environments and war zones (Singer, 2003: 73).

3 METHOD

This chapter introduces the methodology of this study: the research design, material selection and critique, and the analytical framework.

3.1 Research Design

A qualitative theory-driven literature study design is applied in this study. In theory-driven literature studies previous research is analyzed through a specific theoretical perspective (Appelquist, 2001: 4). Qualitative approaches are moreover advantageous when the research ambition entails exploring broad topics and aims to provide an overall account (Holme & Solvang, 1997: 79). Institutions and transaction costs are multidimensional phenomena and as well socio-historically determined. Transaction costs include a wide range of costs that depend on many variables. It is therefore inherently complicated to precisely quantify such costs. Causality links between transaction costs and institutions hence are difficult to establish (Appelquist, 2001: 5). In order to provide an interpretative, explorative and explanatory account about the rise of corporate military service provision a qualitative research design therefore was selected as a favored research approach.

A qualitative research approach was also selected in this study as the access to reliable statistical data is very restrictive within the private military industry. Uncertain and unavailable data within this industry for example obstructs reliable annual market revenue estimates (Perlo-Freeman & Sköns, 2008: 8). Neither PMCs nor public organizations that employ such private firm practice transparency, and despite the recent intensive media focus the knowledge about the so called “market for force” is limited (Kinsey, 2006: 1-2).

3.2 Material Selection & Critique

This study primarily relies on secondary source materials. Publications were obtained from three main electronic catalogue search engines: ELIN – the Lund university catalogue of research journals; LOVISA – the Lund university library catalogue, and LIBRIS – the Swedish national academic library catalogue. During the article searches general search word combinations were initially applied – e.g. “private military” and “Iraq”. Abstracts and full text versions of relevant articles were then selected and read, and thereafter new search sessions followed. More specific search key word combinations were then applied – e.g. “privatization”, “public good”, “private military”. Search sessions were repeated until a sufficient number of research publications were obtained. Books that were not available at the Lund University libraries were borrowed from other university libraries through the university distance-lending system. This study also relies on public and official documents and reports. Additionally, newspaper articles and online

radio- and TV-programs are utilized in this study as complementary or background sources.

The existing research about the private military industry is interdisciplinary. Robert Kinsey (2006: 1) moreover notes: "While there are some excellent books written by academics on the subject, they are few and far between". The works of leading researchers that have produced numerous publications in this field thereby are the main secondary material sources in this study – foremost Peter Singer, Deborah Avant, Robert Kinsey, and Carlos Ortiz. Peter Singer (2003) provides a well-researched historical exposé of private military service provision. In order to avoid dependence on one main historical account several other relevant historical publications were as well consulted – e.g. by Jan Glete, Michael Howard, and Janice Thomson.

The application of economic theory in research about the private military industry is moreover limited. Most publications in this field originated from scholars and authors with limited or no background in economics (Drutshmann, 2007: 444). As the ambition in this study is to explore the rise of corporate military service provision as a phenomenon of economic change the new institutional economic theory perspective of economic historian Douglass C. North, as outlined in the previous chapter, therefore constitutes the explorative and analytical research frame in this study.

3.3 Analytical Framework

The expanding delegation of military and security service provision functions and tasks to private military companies constitutes an intensification of contractual public-private sector relationships. Under contractual arrangements the principle delegates authority and entrusts a hired agent to provide or produce the requested services, goods or information. This study is foremost concerned with state governments – as contractual principles – and firms – as contractual agents. The incentives, choices and objectives of the parties in contractual relationships are shaped by the "rules of the game". How markets in turn develop rests upon institutions (Grief, 2005: 727). Institutions are conditioned by their past, they provide the structure for exchange and determine the cost of transacting and transformation. In accordance with Douglass C. North's new institutional economic theory the findings in this study are therefore analyzed through the scope of institutions as formal rules, informal norms, and their enforcement characteristics. All societies in history have established variable formal and informal constraints in order to structure interaction and to alleviate decision-making (Hedlund, 2007: 147). The effort to restrict violence within collective structures by means of laws, rules, and norms constitutes a recurring struggle in human history (Avant (2005: 3). This study thus addresses how the contextual interplay of formal rules, informal norms, and their enforcement characteristics periodically developed, shaped and constrained military and security service provision.

4 THE HISTORY OF PRIVATE MILITARY SERVICE PROVISION

The rise of the state and its objectives to control internal matters and coercion to enforce rules and compete with other states was, North (1981: 94) argues, the most fundamental development in the ancient world. In order to control violence and maintain or expand territories state rulers often turned to the market to mobilize forces. During the battle of Kadesh (1294 BCE), which is the oldest great battle with detailed historical account, the Egyptians fought the Hittites with a hired force of Numidians (Singer, 2003: 20). The ancient Greek states upheld citizen-armies, but over time, particularly with the onset of the Peloponnesian Wars, they also depended on hired forces (Sage, 1996: 148). Eastern monarchies, such as Persia, as well readily relied on hired professional troops. When the methods of warfare changed Greek rulers increasingly hired specialized troops – e.g. archers, slingers, cavalry – as this option was considered more cost-efficient than raising equivalent citizen-based troops (Sage, 1996: 156). Frequent political turmoil and the rocky soil in Greece ensured vast supplies of professional soldiers for hire (Lendon, 2005: 111). Due to the demand for professional military service provision specific marketplaces for such services emerged – e.g. at Cape Matapan in Southern Lakonia. Alexander the Great in 336 BCE ended the conquering of Persia with a predominantly hired force of soldiers (Singer, 2003: 21). The imperial citizen-army was the central force of Rome, but as most other states Rome also depended on hired specialized units – such as archery and cavalry. Carthage, the adversary of Rome during the Punic Wars, by comparison almost entirely relied on hired forces due to its small citizen-body (Rich, 2001: 64). As the Roman Empire expanded it was increasingly difficult to recruit native Romans to command conquered lands. Often armed units were thereby hired from the most economically backward regions of the ancient world to overcome this constraint (Singer, 2003: 21). By 50 BCE Caesar's cavalry was virtually a hired force. While West Rome deteriorated East Rome ("Byzantium") maintained its Roman institutional heritage. During the middle and late Byzantine periods the imperial army was increasingly comprised of "Tagmata" troops, which were elite regiment troops that served on a full-time salary basis rather than for duty (Haldon, 1999: 92). The Muslim enemies of Byzantium also employed professional military forces – such as the famous Mamelukes (Singer, 2003: 22).

While the Byzantine Empire prospered its Western and Northern neighbours regressed into the "Dark Ages". During the war-torn Middle Ages profit-driven and autonomous military companies flourished. In the early modern period the private provision of force became a transnational capitalist industry, and beyond Europe powerful mercantile trading companies engaged in warfare to conquer lands and resources for profit. These developments are the historical focal concerns in this study as they signify historical eras when military force and security were provided under contractual institutions. Contractual military and security arrangements expanded and peaked until the modern state rose to gradually monopolize violence and enforce its centralized order.

4.1 Medieval & Early Modern Private Military Service Provision

Rome was a unitary state with a strong civic-ethos, disciplined armies, and vast man-power resources (Rich, 2001: 64). In Rome the centralized administration, imperial army, exceptional road networks, and efficient postal services enabled the management of security as a public good (Volckart, 2000: 5). Roman imperial institutions – such as Roman law and legal concepts – that enabled stability, protection, justice, and property rights lived on in Byzantium (Laiou & Morrison, 2007: 17-18). Until at least the 12th century Byzantium was a powerful and centralized state, and prospered as the most advanced economy in Europe. Byzantium maintained exclusive taxation rights, and revenues were redistributed through salaries for military and civil officials, defense and military campaigns, and public and infrastructural works (Laiou & Morrison, 2007: 18). Corresponding institutions did not emerge in medieval Western Europe. The dissolution of West Rome caused chronic insecurity, and over time – despite brief order under Charlemagne – a feudal system with layered obligations and small scale introvert societies developed (North, 1981: 124-126). The political order in feudal Europe innately became fragmented, and decentralized political units developed. Feudal rulers were not able to organize disciplined armies in order to conduct tactical and strategic military campaigns (Honig, 2001: 113). Overseeing and protecting decentralized territories caused high transaction costs, whereby feudal rulers could not rapidly respond to dangers nor uniformly control their territories (Volckart, 2000: 5).

4.1.1 Contracting Free Companies

In feudal Europe security was primarily tied to land ownership. In this system lords entered agreements with monarchs as vassals in exchange for military protection and mutual security (North, 1981: 127). Local lords were thus tied to overlords up to the highest lord in a system of hierarchical obligations. In this institutional system security was maintained through the local castle and knights. The foundation of this (defense) structure depended on the ability of local lords to provide sufficient military capability in the form of costly armoured and mounted knights. The knights were only duty-bound during limited time periods – regularly forty days of the year – and they were moreover not obligated to serve abroad (Thomson, 1996: 27). Despite the hierarchical characteristics of feudal institutions hired forces were employed to overcome medieval security constraints. Profit-driven military organizations emerged to provide military services to the highest bidder, and they specialized in providing weapon skills that were considered unsuitable for nobles and too advanced for peasants – e.g. the crossbow (Singer, 2003: 22). The ability of feudal rulers to pay for private military services in the end shaped the course of military engagements.

When wars ended the hired soldiers, or “free lances”, became unemployed. Over time professional soldiers learned to form free lance military organizations

in order to facilitate their employment as a group. These organizations were known as “free companies”. The term “company” was originally derived from the words “con pane” that denote the bread that the free company members shared (Singer, 2003: 24). The company members travelled together for mutual protection, to find new campaigns, and to blackmail and exploit towns and villages. The free companies moreover were not homogenous organizations. Company employees were of noble as well as of base-born decent (Howard, 2001: 18). Over time the companies became durable military and economic organizations. The companies sold military services and maintained contract based long-term income by supplying protection services in several localities. The free companies even conducted marketing and “brand management” by spreading rumours about their fierceness in order to create awareness among potential employers and to discourage competing companies (Singer, 2003: 24).

The feudal economies were agrarian based, and the importance of the cities regressed during the Dark Ages. Feudalism dominated many parts of Europe, but in the 13th century there was a revival of the urban-based commercial economy in Italy. The banking sector grew, and many Italian towns were even turned over to private investors for management (Singer, 2003: 22). The Italian city-states possessed vast wealth in tradable capital, and thereby they could afford to frequently employ free companies. Initially some city-states – such as Florence where Machiavelli was active – raised civil forces. The civil forces however regularly lost in battle against the more efficient free companies, and eventually these city-states as well started hiring free companies to remain competitive (Singer, 2003: 23). Wealth, contractual practises, and recurring small wars situated Italy as the primary market for force. The companies were employed by “condotta” (contract), and a hired soldier was thus called a “condottieri” (Shearer, 1998: 14). There was a high demand for foreign companies during pre-Renascence Italy as foreign companies were not perceived as potential rivals by the city-state rulers. By employing military companies the city-state moreover could avoid enlisting its citizens for war, which otherwise would constrain the productive economy. The Milanese dukes, Venetian doges, the Queen of Naples, Florentine financiers, and the Pope all hired foreign military companies (Zarate, 1998: 83). The multinational 10 000 men strong “Great Company” dominated the “protection racket” in Italy, and other notable companies such as the “English White Company” and the “Grand Catalan Company” were also readily active in Italy (Howard, 2001: 25).

The free companies in Italy, as elsewhere, proved difficult to control as they only served the highest bidder (Mallett, 2003: 71). The Catalan Company later relocated to Greece, and in 1311 the company turned against its employer – the Duke of Athens. This company ruled Athens for the next sixty-three years (Thomson, 1996: 27). During the Hundred Years’ War (1337-1453) the French monarchy lost control over the companies. The companies were not only dangerous to the enemy, but they were also perilous to their employer as they ravaged the countryside during periods of unemployment (North, 1981: 137). The pillaging only detracted when the companies were re-recruited for warfare under regular pay (Howard, 2001: 18). During peacetime the companies thus were a

severe social and economic burden, and the French king eventually attempted to eliminate the companies. The free companies however united as one army, and managed to defeat the royal army at the battle of Brignais in 1362 (Singer, 2003: 25). The companies had no political agenda, and so their army soon disintegrated. In order to provide employment for the free companies the French king eventually went as far as to wage war against Spain and Hungary for this very purpose (Howard, 2001: 18). In the Italian city-states various sophisticated institutional arrangements emerged to prevent the free companies from gaining control. Contracts were for example spread among several competing company captains, and some loyal and successful company leaders became integrated into the local aristocracies (Singer, 2003: 22-23). By the end of the 14th century privately organized units dominated the battlefields on the European continent. Another modern business term, “commissioning”, emerged during this time as private actors were commissioned to raise armies in exchange for potential returns from goods obtained in warfare. The military campaigns in Aquitaine, Brittany, and Normandy constituted, Singer (2003: 23) notes, some of history’s first “joint stock enterprises” as private investments were risked for future shares from these campaigns.

4.1.2 Exporting Pike Square Units

Another type of profit-driven military organizations, in contrast, developed from the battle for political freedom. In 1291 the Swiss forest areas and towns united to resist foreign forces, and eventually form the Swiss confederation (Howard, 2001: 27). This confederation successfully defended itself with pikemen citizen-militias. At the battle of Sempach in 1386 a force of 1600 Swiss pikemen managed to defeat the 6000 men strong invading Austrian army (Singer, 2003: 26). Eventually the Swiss militias innovatively transformed the Macedonian phalanx military formation into the famous Swiss pike square formation. This pike square formation could be applied defensively as a huge and invulnerable hedgehog, but it was the charging thousand men Swiss pike square phalanxes that annihilated any opposition in their path and altered the nature of warfare on the European continent (Howard, 2001: 15). The Swiss and their methods of warfare ended the dominance of the mounted knight (Kinsey, 2006: 35). Due to the sparseness of their economy the Swiss exported their military skills to rulers on the European continent (Howard, 2001: 27). The Swiss became, as Howard (2001: 27) further notes, the most sought-after providers of hired military force. Eventually other impoverished peoples in the region, such as in South Germany and Austria, started copying the Swiss methods and rose pike square units for hire. The Swiss dominated this market, but over time they faced competition from foremost the South German “Landsknechte” (Howard, 2001: 15). By the end of the fifteenth century the hired pike square unit was an indispensable part of warfare.

Much like the free companies the Swiss pike square units travelled as cohesive armed organizations, and they went to Italy to sell their services to the highest bidders. To this day the Vatican is protected by its “Swiss Guard” (Shearer, 1998:

14). Pope Julius II employed the Swiss Guard in 1502 to augment the Vatican forces (Singer, 2003: 27). The Swiss however primarily provided military services to France. The infantry units of France were predominantly hired Swiss forces, and the bodyguard units of French monarchs were as well Swiss. The Swiss remained a central part of the French forces, Singer (2003: 27) notes, until the end of the Napoleonic wars. The Swiss units however were not as autonomous as the free companies. The Swiss canton authorities negotiated their contracts, and decided which units would be exported (Howard, 2001: 27). The cantons tried introducing rules for this export business, but often they had to settle with guarantees that that Swiss units never had to fight each other (Singer, 2003: 27). Additionally the Swiss were highly specialized. They provided great pike phalanxes with troops armed with swords and pole-arms for close combat, but they did not diversify their methods as warfare technology evolved (Howard, 2001: 27-28). The Landsknechte in contrast were autonomous, business oriented, maintained a flexible organization, and their recruitment was socially and geographically broader (Howard, 2001: 15). Unlike the Swiss the Landsknechte also did not hesitate to diversify and adapt as military technology changed – such as when firearms became crucial in warfare (Howard, 2001: 28).

4.1.3 The Peak & Decline of Private Military Service Provision

By the end of the sixteenth century the provision of private military services had become a classless and multinational trade, and the leading capitalist industry in Europe (Howard, 2001: 29). Advanced institutional arrangements that enabled stability, protection, justice, and property rights in Rome and Byzantium had not yet developed. The lack of competence needed to run complex hierarchical organizations for extracting resources by taxation and custom duties, and managing public armed forces still constrained early modern rulers to rely on market solutions (Glete, 2002: 55). By this time the market in fact provided entire armies and navies. Entrepreneurs such as Louis de Geer provided Sweden with a complete navy with officers, and Bernard von Sachsen-Weimar raised armies for both Sweden and France (Singer, 2003: 28). The leading military entrepreneur however was Albrecht von Wallenstein. The military business made him the wealthiest person in Europe (Howard, 2001: 29). Wallenstein converted his personal wealth into a vast complex of armouries and factories, managed what was considered the largest and most efficient enterprise in Europe, conquered areas corresponding to current-day Germany and the Czech Republic, held a two-thousand acre territory as the base for his army, and was a most significant force and central actor during the Thirty Years' War (Singer, 2003: 28-29; Thomson, 1996: 27-28). During the Thirty Years' War (1618-1648) military forces predominantly were hired armies, and most battles were fought with multinational units. For example a Bavarian regiment was comprised of soldiers from sixteen different nationalities – e.g. Spanish, Czech, Greek, Scottish, Turkish, Burgundian, Dalmatian (Hartmann, 2001a: 177). The early Swedish campaigns in the Thirty Years' War were primarily conducted with soldiers from Sweden and

Finland, but over time this army as well became a multinational hired force. By 1632 only one-fifth of the Swedish army consisted of soldiers from Sweden and Finland (Hartmann, 2001a: 176). In this contractual institutional system soldiers were loyal to their commanders rather than the ruling monarchs. Military entrepreneurs that as well operated as commanders, such as Wallenstein and von Sachsen-Weimar, thereby held significant power and were often demanding more than financial returns from warfare (Hartmann, 2001a: 178). The great military entrepreneurs however never managed to transform their military power into durable political power. Wallenstein almost established a sovereign state, but due to continuous warfare and indecisive outcomes the great military entrepreneurs could not establish themselves as permanent political actors (Howard, 2001: 30).

The end of the Thirty Years' War paradoxically reversed the influence of the private military industry. This war caused great devastation in Europe and reduced the dominance of the Hapsburg Empire. The war ended with the "Peace of Westphalia" treaties (1648). This peace solidified the sovereignty of the state and opened the route for a modern state system in Europe (Hartmann, 2001a: 179). Over time hired armies were replaced by citizen-based mass armies, and the authority of the state increased dramatically. Feudal ties were disentangled, the autonomy of powerful local elites was reduced, and territorial boundaries became fixed between states (Hartmann, 2001b: 158). In late medieval Europe contractual institutions had provided procedures for rulers to hire armies and navies from entrepreneurs, but by the 18th century this market system was virtually replaced by hierarchical institutions that enabled states to maintain permanent armies and navies (Glete, 2002: 56). Raising and maintaining public armies demanded large bureaucracies, nationalism, and vast resources (Kinsey, 2006: 43). Increased and more efficient taxation and customs duty enforcement thereby made it possible, Glete (2002: 14) notes, to channel resources from society into new organizational structures to control violence. Advances in military technology, such as the emergence of more accurate firearms, also altered military strategy and the scale of war (Kinsey, 2006: 36). Gunpowder-based weapons became the dominant military technology on both land and at sea (Glete, 2002: 14). The convergence of bureaucratization, politicalization, and industrialization thus enabled the modern centralized state to efficiently utilize and mobilize entire societies under a hierarchical organization and the new scale of war (Kinsey, 2006: 42).

4.2 Mercantile Companies as Profit-Driven Military Organizations

The feudal system was a defense structure under a decentralized political order. The rise of centralized states in contrast established an expansive system. Mercantile ideology incited European rulers to achieve national prosperity by means of positive trade balances and the acquirement of colonies (Pearson, 1991: 92). Trade and the plundering of enemies enabled monarchs to build the administrative apparatus of their states and to finance national military forces (Ravenhill, 2008: 7). At sea states however continued the hiring of "privateers",

which was the practise of authorizing private vessels to attack enemy commerce during warfare (Thomson, 1996: 22-23). Until the end of the 18th century this practise was a central feature in warfare, and both a foundation and a substitute for the naval power of states (Thomson, 1996: 26).

The trading companies however became the global instruments of the mercantile ideology. They dominated the international trade system, and international relations to a great extent were shaped by these companies. Travelling to the Indies was a high risk endeavour. These voyages could take many years to complete. In order to spread risks the trading companies were formed as joint-stock companies (Ortiz, 2007b: 11). Trading companies were also charted ventures. They obtained consent in the form of “charters”, which legitimated companies to exercise force and conquer lands of commercial and military value (Kramer, 2007: 23). The autonomy of the trading companies however varied. The Dutch companies were virtually private organizations, the French and Portuguese companies were in essence state enterprises, and while some English companies were under state control others were autonomous (Thomson, 1996: 33). In order to conduct trade and conquer foreign lands the trading companies developed sophisticated methods of warfare that enabled them to operate and enforce their will on land and at sea (Ortiz, 2007b: 11). The English East India Company and the Dutch East India Company are the most evident examples of mercantile companies with profound military capabilities.

The English East India Company was established in 1599, and in the following years the English Crown granted the company full sovereign powers (Kramer, 2007: 25). The English company became a competitive instrument for the English Crown in regions where the Dutch and Portuguese trading companies dominated. By establishing treaties with local rulers the English company managed to secure control over the Indian subcontinent (Thomson, 1996: 40-41). The company spent a high portion of its revenues to raise armed forces and to maintain a powerful military organization. This force was upheld for more than 150 years. In India the three administrative areas of Bombay, Madras and Bengal maintained their own armies, but they were under company control. This force was larger than the English army, and the officers were all English and trained at the company’s military academy in England (Kramer, 2007: 25). The company however did not always side with the Crown’s policies, nor did the company always adhere to the demands of the English rulers. During 1612-1615 the English company supported the Mogul against the Portuguese, while the English king simultaneously was trying to build an alliance with the Portuguese. Another example concerns the battles between the French East India Company and the English East India Company in Europe during the Seven Years’ War (1754-1763). In this war the English Crown’s forces were primarily responsible for defeating the French company, but following the exit of the French company the English company demanded territories that the English Crown forces had conquered (Kramer, 2007: 26). The English company maintained a stronger military force than the English Crown, and the government met their demands.

The Dutch East India Company was granted a government charter in order to primarily engage in trade, but this company as well colonized territories for profit

and Dutch geopolitical interests. The Dutch company maintained 150 merchant ships, 40 war ships, 50 000 employees, and a 10 000 men strong army (Kramer, 2007: 27). As a military organization this company fought indigenous peoples, and even exterminated whole populations (Kramer, 2007: 26). In Indonesia the Dutch company employed Japanese mercenaries to torture and decapitate village leaders, the Dutch company conquered Macassar, Sumatra, East Java, and Bantam with hired Indonesian forces, and to retake its fort in Calcutta the Dutch Company employed 5000 European and 20 000 local troops (Thomson, 1996: 38). The Dutch company eventually managed to gain monopoly control over the spice trade. These trade routs were also used for textile, gold and silver transports. By 1669 the Dutch company had become the wealthiest company in history (Kramer, 2007: 27). Much like the English East India Company the Dutch company also defied the interests and demands of its national government. Despite the signing of a peace agreement between the Netherlands and Portugal the Dutch company engaged in battles with the Portuguese over the South Indian Malabar Coast. Another example concerns the conflict over the Indonesian island of Pularoon. The Dutch company refused to give up the island despite the fact that this had been settled in a treaty between the Dutch and English governments (Kramer, 2007: 27).

The trading companies distorted all basic distinctions: political and economical, state and non-state, property rights and sovereignty, public and private (Thomson, 1996: 32). The charted trading system served the political, territorial and economic interests of states, but this system came with an institutional paradox. The mercantile states legitimized non-state violence outside their borders, but often they could not enforce charter restrictions. Informally some mercantile companies thus operated autonomously, and evolved into historically exceptional commercial and military companies. The trading companies dragged their states into wars with other states, the companies fought each other, and they even engaged in armed battles against their own state (Thomson, 1996: 43). On the Western Hemisphere the Dutch West Indies Company for example involved the Netherlands in a land war with the Portuguese. As the Dutch West Indies Company had made significant profits in this war they prevented the enforcement of the peace treaty (Kramer, 2007: 28). To optimize the efficiency of the charted non-state organizations formal constraints were minimized. At times when regulation was enhanced this only reduced the incentives of mercantile companies to engage in trade and warfare (Thomson, 1996: 43). This institutional arrangement at the same time provided monarchs with the option of “plausible deniability”. When trading companies obtained profits and conquered new colonies European rulers claimed their share of the progress., When mercantile companies on the other hand caused negative outcomes – such as when the companies interfered in the interests of states – the same rulers practised deniability and referred to mercantile companies as non-state actors that were beyond the control of the state (Thomson, 1996: 21).

5 THE RISE OF CORPORATE MILITARY SERVICE PROVISION

This chapter explores the resurgence of contractual institutional arrangements and the rise of corporate military services provision in our time on three interrelated levels: *global* institutional change and the proliferation of non-state actors; *states* and private military service regulation paths; *companies* as transnational military service providers.

5.1 Global Institutional Change & the Proliferation of Non-State Actors

The end of the Cold War brought about a sudden and profound change in the global “rules of the game”. This change altered international relations as well as the global security arena. In the wake of this system change new insecurities followed. Defense budgets were downsized worldwide, and Cold War political alliances changed. Before the end of the Cold War armed conflicts were primarily conducted between states, but in the new era armed conflicts were dominantly conducted within states (Hoffman & Weiss, 2006: 59-60). After the Cold War policy-makers in many countries, moreover, enhanced privatization programs, and international organizations, such as the World Bank, furthered market ideological policy frameworks around the world (Hedlund, 2007: 33-34). During the post-Cold War era these formal and informal changes, under the new global institutional arrangements, variably incited and enabled the proliferation of transnational non-state service providers.

5.1.1 Defense Conversion & the Global Rise of Internal Armed Conflict

The provision of public security and the protection of territorial integrity – i.e. sovereignty – solidified the very essence of modern statehood (Held et al, 1999: 145). While security was established as a public good within modern states insecurities only escalated between states. The World Wars and the following Cold War marked the 20th century as the most violent century in human history – the so called “age of global conflict” (Held et al, 1999: 96-97). Two superpowers emerged to contest over the post-World War order. This global dynamic materialized into two ideological and economic blocks, and globally as well as regionally bilateral and multilateral economic cooperation and military alliances were established. The superpowers directed vast public resources into the “arms race” as a strategy to deter adversaries from ever attacking (Stiglitz, 2000: 335). The “hyper-militarized” bipolar world order came to an end when the communist block collapsed. The Cold War defense spending had strained national economies, and consequently a military downsizing and restructuring trend followed. In for example the USA this so called “defense conversion” reduced the number of troops, many military bases were closed, and high unemployment followed in communities that had relied on generous defense expenditure (Stiglitz, 2000: 341-

342). Due to the global downsizing of armed forces millions of former soldiers became available on the open market. Highly qualified military experts also started selling their expertise around the world (Wulf, 2005: 38). In conflict regions across the globe former soldiers and special-forces found new employment opportunities as private contractors. For example Russian private military service providers emerged and were employed to operate alongside regular Russian forces in Chechnya, and to defend strategic sites in the Caucasus and Central Asia (Singer, 2003: 12). In the war between Ethiopia and Eritrea contractors from Russia and Ukraine were deployed (Wulf, 2005: 42), and recently Russian as well as other Eastern European contractors were employed by US and UK PMCs in Iraq (PBS, 2005).

When the Cold War ended some scholars hastily declared that we had reached “the end of history”. It was professed that the global ideological rivalry was concluded, the enduring Western form of liberal democracy would thereby be the global premise for organizing society, and people would compete peacefully on a worldwide market (Nye, 2003:243). This broad enthusiasm about “peace dividend” had also incited decision-makers to reduce defence expenditures (Stiglitz, 2000: 332). The world however did not prosper or turn peaceful. States collapsed, severe economic downturns followed, and the most violent period since the Second World War arose. 122 armed conflicts erupted between 1989 and 2006, and 115 of these conflicts were internal armed conflicts (Harbom and Wallensteen 2007: 624). The escalation of armed conflict and civilian deaths during the 1990s thus did not primarily originate from warfare between states, but from intensified armed conflicts within states. Under the bipolar institutional order the superpowers economically and militarily supported regimes across the globe along ideological lines, which enabled weak states to contain internal or regional instabilities to some extent (Kinsey, 2006: 111). When this support system came to an end many weak states in foremost Africa disintegrated further. The ability of weak states to control violence was significantly undermined (Wulf, 2005: 4). Such states also found it increasingly difficult to control their territorial integrity as so called “shadow economies” expanded. Shadow economies are characterized by interlinked legal and illegal structures that enable the informal handling and trade of arms and resources, such as diamonds and oil, through transnational networks (Duffield, 2001: 145). While powerful states downsized their arsenals after the Cold War the quantity and illegal trade of small arms – such as assault weapons and rocket launchers – only increased in the Third World (Duffield, 2001: 171-172). During the Cold War states or organized political groups had engaged in armed conflicts over political-ideological differences. Under the diminishing authority of already weak states the new wars, in contrast, were highly localized and interlinked with organized crime, transnational shadow economies, and systematic human rights violations (Kaldor, 2000: 9-10). Rebel forces, war lords, and criminal organizations systematically targeted civilian populations as a strategy to expand or retain influence. In our time 90 percent of all casualties in armed conflicts are in fact civilian (Hoffman & Weiss, 2006: 72-73). During the early 1990s PMCs emerged to offer market solutions to governments that were facing such instabilities and difficulties. In for example the

Angolan War PMCs employed former U.S. Green Berets, French Foreign Legionnaires, South African paratroopers, Ukrainian pilots, and Nepalese Gurkha fighters (Singer, 2003: 9). These companies operated the Angolan air force and conducted aerial reconnaissance, launched commando raids, protected diamond fields, blocked rebel force supply routes, and conducted demining (Singer, 2003: 9-10).

5.1.2 Non-State Actors, Privatization Ideology & International Frameworks

The proliferation of non-state actors during the post-Cold War era manifested the ideological convictions of policy-makers and advocates that distrusted the ability of the state to provide cost-efficient or sufficient public services and development solutions (Anheimer, 2001: 3; Kinsey, 2006: 96). To enable economic growth developing countries were “prescribed” certain economic reforms – such as privatization, deregulation, and trade liberalization – by the World Bank, the IMF, and the US Treasury Department. This economic reform paradigm is broadly referred to as the “Washington Consensus” (Stiglitz, 1999: 4). Privatization promotion was for example grounded in the “grabbing hand” theory of government. According to this perspective the state causes inefficiencies or failures by interfering in state firms and by preying on private firms (Stiglitz, 1999: 21). Washington Consensus advisers as well prescribed rapid privatization programs – so called “shock therapy” – in the former Soviet Union and Eastern Europe. Stiglitz (1999: 1) critically notes: “As rapidly as the countries announced the abandonment of communism, so too did western advisers march in with their sure-fire recipes for a quick transition to a market economy”. In Western countries broad privatization programs, however, were initiated long before the end of the Cold War. During the 1980s the privatization programs of US President Ronald Reagan and UK Prime Minister Margaret Thatcher for example included to the defense industry, military research, and international development policy (Wulf, 2005: 169). The conviction that the market should provide solutions and ensure cost-efficiency in the public space became an international model for public management – the so called “New Public Management” (NPM). The NPM framework promoted extended contractual institutions by furthering the interaction between the public sector and private firms. When many firms compete to obtain government contracts, NPM proponents argue, the public sector is expected to be able to reduce costs and improve service quality – whether social or military services are provided (Ortiz, 2008: 3-4). Under these contractual institutions the traditional service provision roles of the public sector became interlinked with new contract tendering, management, and supervision responsibilities. As traditional public domains were privatized or constrained in accordance with the NPM framework(s) privatization policies also came to increasingly include the military service domain. While for example Prime Minister Thatcher did not specifically support the proliferation of PMCs the privatization of military services in our time is, according to Wulf (2005: 169-

170), an enhancement or continuation of the privatization trends that were initiated before the end of the Cold War.

The state-centric international doctrines and institutions that were developed during the Cold War were reassessed in the wake of escalating internal violence and civilian deaths. After the Cold War the international community gradually transformed the normative framework for international affairs under the UN (Tschorr, 2003: 2-3). While the UN continued its traditional “Westphalian” responsibilities – i.e. state security and territorial integrity – it also increasingly focused on human security from a non-state perspective. The UN therefore legitimized humanitarian interventions and launched many international peacebuilding missions that in some cases even included the temporary administration of states – such as in Cambodia (Paris, 2002: 639; Kinsey, 2006: 59-60). In the search for balance between state-led and market-led approaches the UN, EU, World Bank, and other international organizations as well as bilateral donors allocated more responsibilities to non-state actors and dramatically increased their funding (Anheimer, 2001: 3-4). In our time international NGOs thereby are estimated to disburse more money than the UN (Keane, 2003: 5). Non-profit and community organizations were normatively upheld as a middle-way between market solutions and state-led approaches, and their activities increased in volatile regions due to the new global insecurities and vast humanitarian needs. Networks that are comprised of UN organizations, the military, government agencies, NGOs, and PMCs are now emerging in development work (Kinsey, 2006: 128). When the public apparatus is unable to provide security in volatile regions, Avant (2005: 148) notes, non-state actors such as international organizations, NGOs, and transnational corporations (TNCs) have contracted PMCs to conduct logistics, site security, crime prevention, and intelligence gathering. The worldwide proliferation of non-state actors consequently has increased the demand private force and security services. For example US-firm “ICI Oregon” has both provided security and transportation services for the UN “World Food Program” and to corporations in unstable regions (Avant, 2005: 149).

As the “global rules” of the Cold War “game” changed state militaries were not only adapted for conventional warfare in the new era, but they were also restructured to respond to the global rise of internal armed conflicts and humanitarian crises (Kinsey, 2006: 96). While the UN initiated new international frameworks and supported humanitarian interventions to protect civilians, powerful states, however, only selectively took on such responsibilities (Shearer, 1998: 32-33). This is foremost underlined by the failure of the permanent UN Security Council member nations to respond to the genocide in Rwanda (Kinsey, 2006: 60). The USA retained its superpower status after the Cold War, but US-public support for military interventions fragmented after the 1993 setbacks in Somalia. Since the end of the Vietnam War the US-military and the political leadership have sought to follow the so called “zero dead” doctrine. According to this doctrine military operations need to be resolute and successful, and only cause marginal casualties to avoid declining public support (Agrell, 2000: 164). This ideal was fulfilled during the Gulf War in 1990. When the TV-media showed a

video of the bodies of US-causalities being dragged through the streets of Mogadishu by Somalis the US-public support plummeted. In the 1999 Kosovo War US-forces were, in contrast, not engaged on the ground until the war had ended. During the 1990s the contracting of military support services firm “Brown & Root Services” for example reduced US-troop commitments in the former Yugoslavia by about 8900 troops (Singer, 2003: 146). As Perlo-Freeman and Sköns (2008: 3) note “this practice may carry perceived political advantages because the deaths of private contractors may be less politically sensitive than those of soldiers”. Casualties among PMC-employees are in fact not included in official US death-toll statistics (Singer, 2007: 4). In 2004 the TV-media however showed videos of the desecrated bodies of four US-American Blackwater contractors that had been lynched, drag through the streets and hung from a bridge in Fallujah, Iraq. Blackwater had sent the contractors on a mission without the proper equipment, training, or preparation (Singer, 2007: 14). While the US-military was restructured in the 1990s to engage a higher number of contractors the profound increase of non-state actors in US-military operations, however, came to blur the distinction between the regular military and private sector contractors in the field (NPR, 2005; PBS, 2005). After the lynching of the contractors the infamous and bloody Fallujah battle(s) between coalition forces and insurgents followed. US-marines and soldiers were killed and 500 were wounded, and Fallujah became a rallying point for the wider insurgency (Singer, 2007: 4, 14). The proliferation of non-state actors under contractual institution, as during pre-modern eras, distorted the public-private sphere distinction.

5.2 States & Private Military Service Regulation Paths

Many private military companies are transnational organizations and their employees are recruited worldwide. The rise of corporate military service provision however is signified by companies that are or were legally registered in the USA, South Africa, and the UK (Avant, 2007: 419). The institutional arrangements in these countries constitute three contrasting frameworks that variably influenced the post-Cold War rise of PMCs.

5.2.1 The Privatization Path in the USA

The US-military has relied on private contractors since the Revolutionary War. During the 2003 Iraq war and the reconstruction process the engagement of contractors reached its heights. The ratio of US-funded contractor to US-military personnel in Iraq was 1 to 1, while during the Second World War the ratio was 1 to 7, and in the Vietnam War the ratio was 1 to 5 (CBO, 2008: 12-13). During the last century the defense industry and the US-military gradually developed a close and mutually beneficial working relationship. Companies were foremost awarded contracts to provide technical solutions and to manage military assignments (Kinsey, 2006: 98). This gradual military privatization was not merely driven by

market ideological paradigms. The evolution of sophisticated military technology has as well contributed to transform the structure and path of the US-military. According to Kinsey (2006: 95-96) the maintenance and handling of advanced military technology requires civilian support as such expertise is not taught by the military. As military operations and technologies became more sophisticated the contracting of PMCs therefore evolved and increasingly became a vital and necessary part of the US-military (Avant, 2007: 422). Unlike the regular military unit PMCs are not directly part of the military structure, and thereby do not accrue costs during peacetime (CBO, 2008: 14). Firms thus are employed under contractual arrangements to rapidly provide specific services and skills when their engagement is required, and to augment the regular military capacity when conflicts emerge (Cancian, 2008: 66).

Military privatization hence is far from a recent post-Cold War arrangement. For example the “Vinnell Corporation” was founded in 1931 as a construction company, but during the Second World War this firm became experienced in managing military assignments (Kinsey, 2006: 99). Vinnell eventually evolved into a military training PMC with a worldwide customer base. Notably Vinnell trains and provides expertise to the “Saudi National Guard”, and employs about 1400 people in Saudi Arabia – foremost former U.S. Special Forces – under a USD 800 million contract that, according to Singer (2003: 13), virtually makes this PMC the manager of Saudi Arabia’s national forces. “DynCorp”, another prominent US PMC, was formed in 1946 and diversified as a domestic and global provider of aviation and marine services, logistical support services, and personal and physical security services (Kinsey, 2006: 99). The employment of private contractors foremost increased after the Vietnam War as military technology became more sophisticated (Avant, 2006: 329). In 1985 the first “Logistics Civil Augmentation Program” (LOGCAP) was initiated. Under this contractual program the US-Army hired corporations to provide logistics and supportive services that are vital to the fielding of an army (Cancian, 2008: 66). During the Cold War the US Air Force and the US Navy also employed contractors to provide specialized services and to maintain complicated equipment under large contractual programs (Gansler Commision. 2007: 37). During the 1990 Gulf War the operational support for the optically tracked wire-guided missiles, M1A1 tanks, and the Patriot missiles was provided by private contractors, and in the 2003 Iraq War private contractors provided operational support for the B-2 stealth bomber, the F-117 stealth fighter, the unmanned Global Hawk aerial vehicle, the U-2 reconnaissance aircraft, the M-1 tank, the Apache helicopter, and several Navy ships (Avant, 2006: 329). Over time PMCs thus have become an integral and indispensable part of the US-defense system. US PMCs are however not allowed to sell their services to any foreign country or actor. Domestic formal and informal frameworks regulate if PMCs can obtain or bid for foreign contracts.

Formal regulatory constraints were established over time to halt PMCs from contravening US-policy aims. PMCs are therefore obligated to apply for government consent before they can accept contracts abroad. Congress is only notified on rare occasion when contracts surpass USD 50 million (Avant, 2007: 426). The “International Transfer of Arms Regulations” dictates US-military

service exports to foreign governments, and the “Department of State’s Office of Defence Trade Controls” oversees if proposed PMC-service exports contravene US-policy interests (Avant, 2007: 425). Contracts are licensed by the US-government, and other organizations are invited to remark if a license should be granted – e.g. the political-military bureau, the desk officer from the country in question, and other organizations such as the “Bureau of Democracy, Human Rights, and Labor” (Avant, 2007: 425). Services that involve lethal training are more closely inspected than non-lethal service exports. Countries that are not restricted by the “State Department Embargo Chart” are usually allowed to buy military services from the US private military sector. For “in-between cases” several offices are consulted, and finally the “Assistant Secretary” makes a final decision. In reality, Avant (2007: 425) argues, the licensing process rather occurs ad hoc. When PMCs apply to renew a license they are sometimes not scrutinized as closely even if conditions may have changed. The US “State Department” is obligated to monitor the behaviour of countries that employ US PMCs. If expectations are not being met the State Department can freeze contracts (Avant, 2007: 425). Sometimes this oversight is not prioritized. After US-firm “AirScan” coordinated air strikes in Columbia – during the so called “War on Drugs” – and caused civilian casualties a State Department official stated: “...our job is to protect Americans, not investigate Americans” (cited in Singer, 2003: 239).

5.2.2 The Delegitimatization Path in South Africa

The battle for equality and political freedom in South Africa brought down the apartheid system almost at the same time as the Cold War came to an end. The democratic state building process in South Africa also entailed restructuring the military sector. Under the apartheid system South Africa was a militarized society, security forces operated with impunity, and vast resources were directed towards maintaining this control apparatus (Avant, 2007: 429). While the ANC government worked to transform the old security and military system domestic PMCs, such as Executive Outcomes, started recruiting military personnel from this sector – especially from Special Forces regiments. At the same time the ANC ideologically opposed broad privatization programs. The previous apartheid era governments had initiated wide privatization programs to restrain the influence of the next democratic government by leaving it with a small public sector (Avant, 2007: 430). After the superpower proxy support ended many African states were in need of external support to restore order. The security vacuum on the continent incited South African PMCs to target countries with extractive resources as well as wealthy commercial clients (Avant, 2005: 159). As South African PMCs obtained lucrative contracts in conflict regions on the African continent the ANC government – as a moral representative of a new democratic state – regarded PMCs as threats to its foreign policy (Avant, 2007: 431). Officials at the same time have expressed that the government also perceived the foreign activities of PMCs as an opportunity to keep “troublesome” ex-military personnel outside South Africa (Avant, 2007: 429). In other interviews officials, however, have also

stated that PMCs undermined the new South African military structure by draining it of resources and competent personnel.

Although South African PMCs employed ex-military personnel from Europe, the Americas, Asia and Africa many PMCs also employed personnel that had actively worked against the ANC during the apartheid era (Avant, 2005: 158). With this inherent distrust the government moved to regulate PMC activities. During the early 1990s some interaction between South African PMCs and the government did occur, but the relationship between the ANC and PMCs was distrustful (Avant, 2007: 431). Officially PMC regulation was motivated as a necessary step to regulate the “foreign military assistance” activities of South African citizens, and in 1998 the “Regulation of Foreign Military Assistance Act” was passed (Avant, 2005: 161). Executive Outcomes – the world-leading PMC at the time – supported the adoption of regulation. EO was granted a license in 1998. Many other South African PMCs also supported the adoption of regulation as they expected that legal frameworks would give them legitimacy and thereby enhance their capacity to further engage on the global market (Avant, 2005: 166). Informally this regulation was however perceived as an instrument to put the South African PMCs out of business (Avant, 2007: 432). Within one year EO closed down. Several South African PMCs however continued providing their services by moving their offices abroad, restructured into smaller companies, or moved underground (Avant, 2005: 166). While the government increased its domestic control over PMCs it lost what little influence and insight it had over South African PMC activities abroad.

The South African government opposed the 2003 US-led war in Iraq. South African citizens still went to Iraq to work as contractors (PBS, 2005). About 4000 South African citizens are estimated to have found employment as PMC contractors in Iraq (IRIN, 2008). In response the South African government continued on its delegitimization path by replacing the aforementioned “Regulation of Foreign Military Assistance Act” of 1998 with a new Act: “The Prohibition of Mercenary Activities and Regulation of Certain Activities in Country of Armed Conflict Act” of 2006. According to Len le Roux (2008), from the “Institute For Security Studies”, the purpose of the new Act is to “prohibit mercenary activity, to regulate the provision of assistance or service of a military or military-related nature in a country of armed conflict, to regulate the enlistment of South African citizens or permanent residents in other armed forces, and to regulate the provision of humanitarian aid in a country of armed conflict”. The new regulation also states that South African organizations and individuals are required to apply for authorisation with the “National Conventional Arms Control Committee” (NCACC) before they can enter a country that is undergoing armed conflict (IRIN, 2008). The NCACC authorization process aims to stop individuals and organizations from enlisting in foreign armies, and to halt those that intend to provide assistance, training, recruitment, financing or any other act that may further the military capabilities of parties in armed conflict (IRIN, 2008). Until today South Africa is still the only country to have delegitimized PMCs.

5.2.3 The Informal Export Facilitator Path in the UK

The UK-government relies on informal relationships with non-state military service providers. This allows the government to maintain its official distance from such actors, to practise plausible deniability, and to refrain from introducing regulation (Avant, 2007: 436). The UK regulatory environment is informal, and interactions between the government and PMCs therefore are conducted ad-hoc (Avant, 2005: 167). Due to the lack of regulation and formal ties the governmental influence over UK PMCs is limited (Kinsey, 2003: 103). Interactions between the government and PMCs are also politically sensitive. During the midst of the Cold War the informal ties between some politicians and (illegitimate) non-state military actors were considerable. According to Kinsey (2006: 43-44) the shared experiences of having served in the British Army during the Second World War, and similar political beliefs among political elites and individual mercenaries facilitated informal networks during the Cold War that were utilized to promote UK foreign policy objectives in Africa, the Middle East, and the Far East. Today the public as well as military personnel in the UK are suspicious of PMCs: private contractors are often referred to as mercenaries, when former military personnel decide to sell their expertise this is traditionally frowned upon, and British Army personnel usually regard PMCs as an intrusion in their work field (Avant, 2005: 174). As most UK PMC personnel are former military or government employees their activities are, for the most part, unlikely to contravene British interests (Shearer, 1998: 36). When for example UK-firm Sandline planned to work with the Kosovo-Albanian rebel force (KLA) in 1998 – at the time the KLA was classified as a terrorist organization by the USA – the British Foreign Office intervened to prevent this engagement (Singer, 2003: 219, 223)

The contractual military and security arrangements between the public and private military sectors in the USA provide PMCs with lucrative and long-term contracts. Similar institutional arrangements do not exist in the UK. While the UK-government has recognized the benefits of contracting PMCs for military training tasks and security operations the government continues to rely on and even increases the engagement of public agencies and public forces where required (O'Brien, 2000: 6). Consequently the UK-government is not a frequent employer of PMCs. While US PMCs foremost target large and lucrative government contracts UK PMCs, by comparison, are smaller and to a greater extent depend on the commercial security market (Kinsey, 2006: 103). Although UK PMCs strive to obtain contracts from the UK-government and foreign governments they depend on contracts from the corporate sector, international governmental organizations, and NGOs. In the UK, as in most countries, the private military service business is not regulated. Instead military firms and public departments interact informally. The “Defence Export Services of Arms Organization”, within the UK “Ministry of Defence”, provides advise to firms aiming to export their products or services, facilitates interaction between UK-firms and foreign governments, provides advice in legal, financial, military and political issues, and generally supports the UK-industry in other countries (Avant,

2007: 438). This informal export facilitator path was initiated during the 1960s when the company “WatchGuard International” emerged a provider of military and security services to the Persian Gulf states. WatchGuard employed former British special forces personnel, and provided military training and military support in operations against rebel movements in the Gulf States (O'Brien, 2000: 3). This PMC expanded globally and eventually provided military advisory training services in the Middle East, Africa, Latin America, and East Asia. Before the end of the Cold War other companies such as “KMS”, “Saladin”, and “Defense Systems Limited” also emerged, and during the post-Cold War era “Northbridge”, “Aims Limited”, “Rubicon International”, and “Sandline International” entered the market as new UK PMCs (Avant, 2007: 437). After a political scandal involving UK-firm Sandline International in Sierra Leone, which is further addressed below, it was officially investigated if so called “military service exports” ought to be regulated (Avant, 2007: 439). In 2002 a “Green Paper” – i.e. a tentative report of a government proposal not committed to action – raised the case for regulation. The need for regulation was recommended in order to contain PMCs within formal frameworks, to protect UK interests and the reputation of the UK-government, and to avoid risks to British lives (Avant, 2005: 172). This proposal thus called for regulation to ensure standards and guidelines within the military service industry. It was argued that such standards would enable the differentiation between reliable and less reliable firms. Despite heated debates in parliament the Green Paper recommendations did not lead to any new legal frameworks or guidelines. Many UK PMCs supported the regulation proposals as they expected that such regulatory frameworks would lead to more government support for their industry (Avant, 2005: 173).

In September 2008 the UK, however, alongside 16 other nations – including the USA, South Africa, and China – signed the so called “Montreux Document” (UN, 2008: 3). Although the Montreux Document is not legally binding and does not aim to legitimatize PMCs the 17 countries have signed on to follow 70 recommendations of good practises that relate to the engagement of PMCs – such as contracting procedures and track-record verifications of firms, staff vetting, and contract monitoring. This document underlines that international law, especially international humanitarian law and human rights law, applies to PMCs and that such firms therefore do not operate in a legal vacuum (UN, 2008: 3). As such PMCs are bound to “comply with international humanitarian law or human rights law imposed upon them by applicable national law, as well as other applicable national law such as criminal law, tax law, immigration law, labour law, and specific regulations on private military or security services” (UN, 2008: 10).

5.3 Companies as Transnational Military Service Providers

Since the 1990s more than one hundred PMCs have operated in more than one hundred countries (Holmqvist, 2005: 1). Although the industry is dominated by companies from the US, UK and South Africa new firms such as the Russian

“Alpha team” and other firms from e.g. France, Canada, Belgium, Israel, and Australia have as well entered the market as transnational PMCs (Singer, 2003: 12). These companies apply standard business practises such as staff vetting and draw on financial, legal, marketing, and administrative support as any other legitimate business (Kinsey, 2006: 14). PMC personnel are recruited worldwide. Backgrounds range from jungle fighters with twenty years of warfare experience to administrative staff without any combat experience (Singer, 2003: 76). In the latter Iraq war UK PMC “Global Risk Strategies” employed 500 troops from Fiji that had served in East Timor or the Middle East, and other companies, such as US-firms Blackwater and Triple Canopy, recruited personnel from Chile and El Salvador (Avant, 2006: 330). The mobility of PMC personnel enables fluidity in the industry as employees with specialized skills can be contracted by smaller companies to expand the range of services offered (Kinsey, 2006: 8). To the outside world PMC personnel are usually difficult to identify. Although PMCs are permanent structures their workforce usually is only large enough to enable the management of administrative tasks and contracts. Most ex-service personnel are thus subcontracted. US-firm DynCorp even held a potential employment list of Spanish speaking personnel in the event that DynCorp would be hired to operate in a “post-Castro” Cuba (Singer, 2003: 14-15). Although PMCs sometimes are referred to as “database militaries” this subcontract model is common in other industries where firms seek to reduce work force costs (Kinsey, 2006: 15). Singer (2003: 75) notes that PMCs thereby operate similarly to e-commerce companies. While this model is cost-efficient and enables a flexible service range, Kinsey (2006: 15) underscores, the reliance on subcontracting practices constrains the vetting process.

To differentiate and illustrate PMCs as transnational actors and link the aforementioned post-Cold War global institutional changes and the national formal and informal regulation paths the services and impact of combat PMCs in Sierra Leone, consulting and support services PMCs in the Former Yugoslavia, and security PMCs in Iraq are further introduced in this chapter. These cases also reflect three waves of PMC expansion that signify the post-Cold War rise of corporate military service provision.

5.3.1 Combat PMCs in Sierra Leone

During the decolonization in the 1960s national liberation movements fought for self-determination in Africa. In response mercenaries were hired to retain the economic and political interests of colonial enclaves and Western powers (Zarate, 1998: 79). In 1977 the “Organization for African Unity” (OAU) adopted a convention to prohibit mercenary activity. The OAU convention was specifically adopted to prohibit the hiring of mercenaries by colonial enclaves (McInstyre & Weiss, 2007: 67). As the proxy support from the superpowers ended and internal armed conflicts intensified the first broad wave of new PMCs emerged in the early 1990s to offer their services to governments in Africa. Unlike the illegitimate hire of mercenaries during the decolonization period PMCs in contrast offered

legitimate contractual solutions to governments. Weak states that are in need of military and security services that can be provided by PMCs, however, usually are unable to pay for such services in the long-run.

During the 1990s Executive Outcomes was the market-leading transnational PMC (Fuchs, 2007: 105-106). EO still holds a renowned reputation in the private military industry, and embodies the first broad rise of combat PMCs during the post-Cold War era. EO was formed in 1989 by South African defence force members and secret service member Eeben Barlow (Zarate, 1998: 91). This PMC foremost employed former elite army troops and conducted military operations in Africa and Asia until it closed down in 1999. In 1995 the Sierra Leone government contracted EO to train its defense forces and to drive out the rebel forces (RUF) from Freetown and the diamond fields (Fuchs, 2007: 108). Before EO emerged Sierra Leone was under total anarchy. The civil war in Sierra Leone was one the most brutal in history (Singer, 2003: 3). The rebels massacred villages and systematically murdered, raped and tortured civilians. Machete mutilations were common. Children were as well used by the rebel forces to carry out attacks on civilians. Many underpaid soldiers from the regular military also joined the rebels and targeted civilians (Singer, 2003: 3). When EO entered Sierra Leone it successfully coordinated operations that destroyed key RUF-bases, the RUF was forced to retreat and negotiate, and eventually this enabled the signing of a peace agreement. EO's intervention strengthened the Freetown regime, enabled elections, and internal war-torn regions were stabilized to the extent that one million refugees could return home (Shearer: 1998: 65). For the first time in 23 years Sierra Leone could hold free elections (Singer, 2003: 4). Notably Sierra Leone had asked for British military support in the early 1990s, but this request was turned down by the UK (Kinsey, 2006: 63). After EO's departure the new civilian government was soon overthrown in a military coup, and the security conditions in Sierra Leone again deteriorated. The coup was lead by Major Johnny Paul Koroma that had formed the "Armed Forces Revolutionary Council" (AFRC) by mobilizing revolting fractions within the Sierra Leone army (Fuchs, 2007: 110). The "Economic Community of West African States" responded by directing 11 000 Nigerian troops from its "Cease-Fire Monitoring Group" (ECOMOG) to Sierra Leone as a peacekeeping force and to confront Major Koroma. The Major however turned to a power-sharing agreement with the RUF and remained in power in the capital (Shearer, 1998: 67). The military coup and the return of the RUF destabilized Sierra Leone, and undermined the security progress that EO had achieved in a short-time period. Following EO's official departure UK-firm Sandline International was eventually contracted to reinstate the exiled President Kabbah (Fuchs, 2007: 111). According to Fuchs (2007: 111) some EO personnel, however, stayed in Sierra Leone unofficially and continued working with Sandline.

UK-firm Sandline International was founded in London by Colonel Tim Spicer that aimed to "fill a vacuum in the post-Cold War era" (Wulf, 2005: 178). To reinstate the exiled president Kabbah this PMC was entrusted with multiple roles. Sandline provided training, planned and coordinated operations, provided logistical and air support, intelligence services, and was entrusted to unofficially

equip Kabbah-supportive forces with tons of arms and ammunition (Avant, 2005: 93; Fuchs, 2007: 111). It was alleged that the “British High Commissioner” to Sierra Leone had introduced Sandline to Kabbah with the consent of the UK Security Services and parts of the British government (Fuchs, 2007: 111). The involvement of UK-officials in a country under an UN-arms embargo grew to the aforementioned political scandal – the so called “Sandline Affair” (Fuchs, 2007: 111-112). The British Custom’s Agency raised legal proceedings, and raided the offices of Sandline International (Singer, 2003: 115). Sandline claimed that the British Foreign Ministry was fully informed about its activities in Sierra Leone, which was denied officially but later, Singer (2003: 115) notes, shown to be true. The controversy aside, in 1998 Sandline International, ECOMOG troops, and pro-Kabbah forces enabled the return of president Kabbah. This second major combat PMC intervention in Sierra Leone was also successful. Soon after the completion of this mission Sierra Leone however again descended into violence (Holmqvist, 2005: 13). Some EO and Sandline personnel stayed in Sierra Leone, according to Avant (2005: 95), due to their alleged associations with international mining interests and companies. Although Sierra Leone is resource rich it is financially poor. For ten years the war in Sierra Leone was primarily waged for the control of the diamond fields and other mining interests rather than for the political control of the capital (Singer, 2003: 65). The mining industry made up two-thirds of Sierra Leone’s exports during the 1990s whereby the government needed to secure this industry to ensure national survival and security. Most researchers argue that EO was in part compensated through diamond exploration concessions (Fuchs, 2007: 108). Former EO executives and personnel, however, have never been prosecuted for such illegitimate payments.

5.3.2 Consulting & Support Services PMCs in the Former Yugoslavia

The second broad expansion of PMCs during the early 1990s is signified by the rise of non-combat firms that entered the market to profit from the US-defense conversion, US-military interventions, and from the need of states to upgrade their military and security sectors and capabilities. Commonly these PMCs either provide military training and consulting services, or supportive services to alleviate the deployment of public forces and to maintain and/or build military facilities and manage logistics. The post-Cold War military downsizing and the emergence of new states in need of security and military sector upgrading constituted a broad worldwide demand. Due to the military privatization path in the USA many US-firms entered the market to provide military training and consulting, and supportive services. At the same time the global diversity of these service markets is signified by firms such as French “Secrets”, Australian “Fynwest Party, Ltd.”, British “Aims Limited”, Belgian “International Defence and Security”, and Israeli “Levdan” (Avant, 2005: 18-19).

Among the non-combat consulting and training PMCs US-firm MPRI is the most prominent. This firm was started by former US-Army Major General Vernon Lewis as a domestic company that aimed to profit from the US-defense

conversion (Singer, 2003: 119-120). The potential to profit on the global market however incited MPRI to expand worldwide. In the early 1990s for example Sweden hired MPRI to consult its senior military leaders about the lessons of the Gulf War (Singer, 2004: 3). MPRI employees are recruited from the top levels of retired US-military personnel. This firm does not only offer clients the highest levels of military expertise, but their services are as well closely and informally tied to US-policy interests (Singer, 2003: 119). MPRI is one of the primary consultants and advisors to the US-military (Singer, 2003: 123). Domestically MPRI for example conducts military analyses, simulations, and runs training exercises. These are all tasks that otherwise are undertaken by the regular military. MPRI however primarily proliferated from its international contracting, which took off during the deterioration of Yugoslavia.

In 1994 the US “State Department” issued a license that allowed MPRI to provide its services to the Croatian “Ministry of Defence”. The introduction of MPRI altered the war in the region. Officially MPRI was contracted to assist the Croatian Army to become a more professional force so it could participate in the “Partnership for Peace Program” (Avant, 2005: 102). In 1995 an advanced military offensive called “Operation Storm” however was launched by the Croatian forces and, according to Singer (2003: 126), the scale and sophistication of this attack caught everyone in the region by surprise. In a short time period the Croatian army had been transformed from a “rag-tag” militia into a highly professional military force. Within a week the Croats had seized the Krajina region from the Serbs (Avant, 2005: 103). This was the turning point in the war. MPRI was as well contracted to provide classroom instructions about democratic principles and civil-military relations to the Croatian officers. This is notable as the Croatian offensive, additionally, violated the UN established cease-fire, 170 000 people became refugees, and led to ethnic cleansing (Singer, 2003: 126; Avant, 2005: 106). In 1991 the USA had approved an arms embargo in the UN Security Council that as well prohibited the provision of military training and consulting by other states (Singer, 2003: 125). To overcome these “constraints” MPRI thus served US-policy objectives in the region as a proxy organization, whilst the US-government could practise plausible deniability (Singer, 2003: 125, 133). Before MPRI entered the African, Asian, and South American markets this firm was awarded several other contracts in the former Yugoslavia. MPRI secured a high-profile contract to transform the Bosnian military, set up a program to improve the military and the border patrol of Macedonia, and through its Croatian and Bosnian contracts MPRI as well trained the leadership of the Kosovo-Albanian rebel-force “KLA” (Singer, 2003: 130).

US-firm “Brown & Root Services” (BRS) entered the military service market at about the same time as MPRI and EO. BRS expanded by recruiting former US-military officers, much like MPRI, and as well proliferated from the US-defense conversion and from the US-military interventions around the world (Singer, 2003: 136). BRS was an integral part of US-military operations in for example the former Yugoslavia, Somalia, Haiti, Afghanistan, and in the recent war in Iraq (Avant, 2005: 20). Until 2007 this PMC was a subsidiary of the publically traded company “Halliburton”. In the latter US-military engagements this firm however

operated under its new name “Kellogg, Brown & Root” (KBR). When former US Vice President Dick Cheney was the CEO of Halliburton in 1995 he stated: “The first person to greet our soldiers as they arrive in the Balkans and the last one to wave good-bye is one of our employees” (cited in Singer, 2003: 136). BRS/KBR is foremost involved in providing logistical support in military operations by the procurement, maintenance, and transportation of military materiel, facilities and bases, and personnel (Singer, 2003: 137).

During the 1990s BRS was closely tied to US-military engagements in the former Yugoslavia. In 1995 this military support services PMC was awarded a USD 546 million contract by the US-Army to provide logistical services for the NATO IFOR-peacekeeping mission (Singer, 2003: 143). These services involved supporting the deployment of 20 000 US-troops in the region, and supporting the forces of other IFOR-nations. As the Kosovo War broke out in 1999 BRS was employed to provide logistical support for US-troops that were deployed to bordering Macedonia and Albania (Singer, 2003: 144). NGOs and other aid organizations could not cope with the sudden influx of refugees to these bordering nations. BRS was contracted to rapidly build and maintain massive refugee camps (Singer, 2003: 144). Notably NATO spokesmen took credit for the aid that the refugees received, but, as Singer (2003: 145) underscores, it was essentially a PMC that made this humanitarian endeavour possible. After the war NATO KFOR-forces were deployed to keep the peace in Kosovo. In only a few months and in the middle of wheat fields BRS built and managed two military bases in Kosovo that correspond to the size of a small town. For the larger military base, “Camp Bondsteel”, BRS provided infrastructure in the form of roads, sewage, and power for housing and working buildings, helicopter airfields, a detention center, and provided various force protection measures – such as guard towers and perimeter defences (Singer, 2003: 145). BRS provided all the food for US forces, provided all hazardous material handling, provided all of the maintenance of tactical and non-tactical vehicles, provided 90 percent of the water provision, provided 80 percent of the fuel provision, and provided 75 percent of construction and heavy equipment transfers (Singer, 2003: 145). BRS was initially hired under a USD 180 million contract in Bosnia, but by 1999 the contracting of BRS in the region had reached almost USD 1 billion (Singer, 2003: 145).

5.3.3 Security PMCs in Iraq

The third broad PMC expansion emerged during the so called “War on Terror”. In this war foremost Afghanistan and Iraq were targeted. Before the invasion of Iraq PMCs built and in part operated US-bases, during the war PMCs provided logistics, support services and maintenance for advanced weapons systems, and during the reconstruction process PMCs continued to manage bases, trained the new Iraqi army, and supplied foremost security services (Stöber, 2007: 125). The contracting of military consulting and training PMCs and support services PMCs in Iraq was a continuation of the US public-private military sector integration that had intensified during the 1990s. In Iraq KBR-Halliburton was awarded contracts

totalling about USD 20.1 billion to for example build and maintain facilities, to run military base food halls, and to transport fuel and ammunition (Singer, 2007: 2). These services cost, Singer (2007: 2) notes, about three times more than the US-government had spent on the entire Persian Gulf War in 1990. Next to the continued engagement of unarmed PMCs the third broad expansion of PMCs was signified by the rapid rise of security PMCs. During the reconstruction of Iraq the demand for security services escalated and many new firms emerged. The vast majority of security PMCs that operate in Iraq did not exist before the invasion of Iraq (Pelton, 2006: 107). In Iraq security PMCs for example guard facilities and bases, protect convoys, and transport and protect officials and other “high value” individuals (Singer, 2007: 3). These tasks constitute some of the most dangerous operations in Iraq, and, as Singer (2007: 3) further notes, security PMCs therefore “use military training and weaponry, to carry out missions integral to the mission’s success, in the midst of a combat zone...”. About 75 percent of the security contractors in Iraq, however, are “static” as they work within major facilities and bases and never leave such closed areas (Cancian, 2008: 65). The infamous incidents and scandals involving security PMCs in Iraq thus are not representative of the behaviour and engagement of the vast majority of security contractors. Most incidents involving unnecessary and excessive acts of violence have been carried out by so called “personal security detail” (PSD) units – i.e. contractors that provide “bodyguard” services (Cancian, 2008: 66). Retired Marine Corps Colonel Mark Cancian (2008: 66-67) describes the mindset of PSDs as follows:

“To a bodyguard the mission is to protect the principal at all costs. “At all costs” means just that; costs to the local populace, to the broader counterinsurgency effort, to relations with the host government all appear to be irrelevant. If the principal’s car is stuck in traffic and that delay poses a risk, then these contractor bodyguards will smash their way through the intervening cars of local civilians in an effort to escape the danger. If traffic is too slow and that poses a risk, the bodyguards will often switch into the oncoming lanes and open a way by threatening cars with their weapons. Blackwater, for example, prides itself on never having lost a principal. For bodyguards this is the only measure of effectiveness”.

The rampant need for private security services was the result of political miscalculations and a deficient post-invasion plan. The US-administration had underestimated the number of troops needed to establish stability after the invasion of Iraq (Isenberg, 2007: 83). Senior US-officials in the “Department of Defense” expected that the USA would be welcomed as a liberator, that government functions would be operational, and that the police would be able to provide public security (Stöber, 2007: 124). Instead there was a complete collapse of public order and the bureaucratic system. The so called “Baghdad bubble“ for security services emerged in this security gap. The independent Gansler

Commision (2007: 8), which investigated the US-Army acquisition and contracting system, critically stated: "...the Army sent a skeleton contracting force into theater without the tools or resources necessary to adequately support our warfighters". The delegation of more power to an Iraqi-interim government and the adoption of a new constitution did not halt the escalation of violence. In 2006 the US "House Committee on Government Reform" revealed that one quarter to a third of the reconstruction funds for Iraq had been spent on security (Rosén, 2008: 85). In this committee concerns were raised that the reconstruction agencies could not sufficiently account for the costs of employing private contractors. This underlined the lack of efficient oversight and contract management procedures.

During this third wave of PMC expansion US-firm Blackwater rapidly became a world-leading provider of armed security and tactical military training services. During the period 2002-2005 the annual revenue of Blackwater increased by 600 percent (Cullen, 2008: 245). Erik Prince, the founder and owner of Blackwater, in an interview proclaimed that his firm constitutes an efficient and privatized solution to wasteful government bureaucracy (Pelton, 2006: 2). Unlike the multitude of small-staffed PMCs that emerged during the 1990s Blackwater maintains its own training center in the USA with 100 employees. Cullen (2008: 245) describes this training center as "a 6000 acre facility including 40 computerized shooting ranges, sophisticated shoot-houses, parachute drop zones, a mock village, two mock ships, and miles of driving track". In this facility more than 50 000 people have received training (Wulf, 2005: 177). In 2003 Blackwater obtained a USD 27.7 million PSD contract to protect Paul Bremer – i.e. the head of the US "Coalition Provisional Authority" (CPA) in Iraq. One year later Blackwater operated in Iraq under contracts that totalled USD 100 million, and by 2007 this firm was employing 845 people in Iraq under contracts totalling USD 1.2 billion (Stiglitz & Bilmes, 2008: 12).

The UN (2007) has criticized the contracting of armed security PMCs in Iraq as "new modalities of mercenarism". Some security contractors have carried heavy military weapons – such as anti-tank weapons – and therefore the UN (2007) argues that some contractors can not be separated from active combat. In December 2008 the US "Department of Justice" indicted five Blackwater PSD employees for killing 14 and wounding 20 civilians in the 2007 Nisour Square incident, and for having broken US weapons laws by carrying and using machine guns, a sniper rifle, and grenade launchers as private company employees (Reuters, 2008). A sixth Blackwater employee pleaded guilty. Employees from other firms also engaged in unnecessary acts of violence. Contractors from UK-firm Aegis filmed a "trophy video" by firing rounds at civilians from the back of a utility vehicle and published the video online (Singer, 2007: 7). In another infamous incident a supervisor from US-firm Triple Canopy engaged in joyride shootings of Iraqi civilians. In a TV-documentary interview (PBS, 2005) a US-officer stated that the recklessness of certain PMC units had increased the hostilities against US-troops as insurgents did not differentiate between contractors and US-troops. While the need for security services escalated PMCs found it difficult to recruit sufficient personnel (Wulf, 2005: 187). Next to regulation and guidelines the conduct of contractors is determined by the vetting

process (Isenberg, 2007: 86). Some PMCs mistreated the vetting process due to the opportunities to obtain large profits in the short-run and even employed former bouncers and regular security guards to operate in military security environments (Kinsey, 2006: 107). During an interview a Blackwater contractor stated: “Business has grown so fast that the companies are not that concerned about the people that work for them” (cited in Pelton, 2006: 94). While the US Department of State (DoS) and the Department of Defense conduct background screenings of PMC employees such procedures have been particularly difficult in the Iraqi theater as most contractors, by far, are not US-citizens: 40 percent are Iraqi citizens, and 40 percent are third-country nationals – i.e. non-US or non-Iraqi nationals (CBO, 2008: 8-9). To overcome such insecurities the DOD and the DoS in December 2007 agreed to develop policies and procedures for the vetting, training, and engagement of security PMCs (CBO, 2008: 15). This agreement as well serves to establish formal frameworks and common principles for the use of force by contractors and to ensure their coordination with military commands.

In March 2004 Blackwater was sued in the USA by family members of the employees that had been killed by insurgents in the infamous Fallujah incident. The family members held Blackwater accountable for having engaged the employees understaffed and without the proper equipment (Stöber, 2007: 131). The media images and videos that showed the desecrated bodies of the contractors that had been dragged through the streets and hung from a bridge in Fallujah outraged the US-public. The public around the world, in many cases for the first time, also became aware of the existence of PMCs (Wulf, 2005: 177). According to Singer (2007: 4) even the US-public is not well-informed about the private military industry. PMCs are rarely mentioned in media reports. This incident additionally echoed of the 1993 Somalia tragedy. Pelton (2006: 117) notes: “the vivid brutality of that attack put many contractors on edge... ...security contractors became much more ready to shoot if they felt threatened”. Private contractors were moreover exempt from Iraqi law. The CPA established early that private contractors would be immune to Iraqi laws and legal processes (Isenberg, 2007: 85). After the “Nisour Square” incident in September 2007 the Iraqi government however revoked Blackwater’s license, and opened a criminal investigation. While security PMCs are not the cause of the Iraqi security deterioration the “Baghdad bubble” for armed security services and the lack of oversight, vetting and contract management had severe political and military consequences. Due to the lynching of the Blackwater contractors, Singer (2007: 14) notes, the US-administration felt “the pressure of the television news camera” and took action by ordering the Marines to seize the city. The battles for Fallujah caused many civilian deaths, and US-soldiers and marines died and were wounded. In the end the battle for Fallujah was also a grave political setback as the US-leadership had aimed to “win hearts and minds” (Singer, 2007: 14). In the aforementioned PBS (2005) TV-documentary several US-military personnel stated that the events in Fallujah motivated the rise of the insurgency, and eventually reversed the US-public support for continued engagement in Iraq.

6 ANALYSIS

The aim of this study is to explore and explain the rise of corporate military service provision in our time, and to ground this change historically by exploring the economic history of private military service provision. In this chapter the above historical findings and the exploration of the post-Cold War rise of PMCs are analyzed and interpreted as contractual institutions that have periodically changed and conditioned the management and provision of security and military force. Since ancient eras states have continually relied on the market to either augment or substitute the public provision of security and military force. While the state never entirely eliminated non-state violence the sanctioning of non-state violence fragmented after the 18th century. Contractual institutions that enable states to augment or substitute public security provision re-emerged as the post-Cold War “rules of the game” changed. Today modern states predominantly hire PMCs to augment the regular military and to improve public security provision in the long-run. Modern states thus still decide the sanctioning, control and use of violence. This is underlined by the formal rules and informal norms that constrain PMCs from obtaining contracts that contravene the interests and objectives of states. Competition on the so called “market for force” is constrained, and in many cases the awarding of large government military service contracts is decided by informal principle-agent ties. The wide engagement of PMCs in Africa during the 1990s is the only recent market for force that bears any resemblance to the open and competitive early and pre-modern markets for force. In weak African states domestic governments and foreign non-state actors, such as TNCs and NGOs, have contracted PMCs to substitute the lack of public security provision in the short-run. During the post-Cold War era military privatization foremost intensified in the USA, and the dependence on contractors in Iraq, as Kinsey (2006: 106) notes, demonstrates the extent of privatized military services in our time. In this chapter the competition constraint characteristics and informal principle-agent ties, and the military augmenting and substitution service roles of PMCs are further analyzed and grounded in these aforementioned main cases.

6.1 Competition Constraints & Informal Principle-Agent Ties

The contracting of private military companies originated in pre-Renaissance Italy. The wealthy city-states hired free companies as a competitive military strategy, and as an economic productivity strategy in order to alleviate the citizenry from military duty. The pre-Renaissance market for force was open to new entrants, highly competitive, and engaged many multinational companies. While the free companies were difficult to control the principle maintained control by awarding contracts to many competing companies and exercised contract termination at will. In contrast the so called market for force during the post-Cold War era is dominated by a few leading firms, competition is constrained by formal rules and/or informal norms, and often the awarding of contracts depends on informal

principle-agent ties. The reach and dominance of the pre-modern markets for force are not viable in our time. Today modern states maintain and enforce formal rules and informal norms that sanction and control the provision of military and security services. Only a few companies have for example been awarded large service contracts with the US-military. During the period 1994-2002 the Pentagon awarded 3061 contracts, but 2700 of these contracts were only awarded to two companies: BRS/KBR-Halliburton and “Booz Allen Hamilton” (Wulf, 2005: 187). KBR-Halliburton has maintained almost a monopolistic position by continuously obtaining the US Army’s large contract program – the LOGCAP. While KBR lost the LOGCAP to DynCorp in 1997 the following LOGCAP in 2001 was yet again awarded to KBR (Singer, 2003: 146). The lack of competition inherently distorts the bidding process. For example, only about half of the defense-contracts that KBR obtained in 2003 – totalling USD 4.3 billion – were awarded after competitive bidding (Makinson, 2004). Often public defense sector managers thus settle with a monopolistic cost by only contracting one or two firms. Under such conditions firms can “low-ball” bids and later negotiate “add-ons” (Markusen, 2003: 478). To provide taxpayers with the best possible option under contractual institutions the public sector typically needs to encourage competitive bidding. As Stiglitz and Bilmes (2008: 13) note: ...the Bush administration has often chosen to short-circuit this process by using “sole source bidding”, claiming there is a need to act expeditiously, without waiting for the competitive process to work”. Additionally many defense sector contracts are so called “cost-plus contracts” (Stiglitz & Bilmes, 2008: 13-14). In these contracts the firm is compensated for everything that it spends, and it receives a profit-margin on top – i.e. profits increase the more the firm spends. Under such contracts firms are often not incited to perform efficiently. PMCs can manipulate their performance and withhold data under the appearance that proprietary information needs to be protected (Markusen, 2003: 479). In contractual relationships agents enjoy an information advantage over the principle as they produce or provide the actual services and/or goods (Drutschman, 2007: 446). The principle in turn practises oversight and contract specification in order to reduce the agent’s information advantage and to incite contract fulfilment. While PMCs do not incur a peacetime cost the hiring of such firms demands the establishment of efficient contract management procedures and institutions. Under weak contractual oversight and enforcement firms can over-price, contain innovation and quality, hide information about true costs, and engage in opportunistic behaviour and cause moral hazard problems (Markusen, 2003: 478). During 2005 the “Defense Contract Audit Agency” in the US Department of Defense for example identified USD 1.2 billion of “questioned and unsupported costs” that had been charged by KBR-Halliburton in Iraq (Perlo-Freeman & Sköns, 2008: 15). Establishing or adapting oversight structures and institutions, and conducting contract tendering and management always incurs transaction costs. As the Gansler Commision (2007: 27) underlines: “Contract management is the essential post-award contracting function to ensure mission accomplishment, and to ensure that the Government obtains the required work on time and at the quality level

called for by the contract. It is also an important control over fraud, waste, and abuse”.

The contracting of PMCs many times is decided by informal ties between public sector and military officials and PMC-executives. Such ties can create a “revolving door” between the government and the private sector as senior personnel move between the two sectors (Perlo-Freeman & Sköns, 2008: 15). These practises can significantly strengthen the lobbying power of some firms. According to Singer (2003: 120) MPRI-executives maintain close contacts with their former public sector colleagues – usually these colleagues were their former subordinates. Consequently MPRI has been awarded several contracts with foreign governments after direct referrals from US-officials (Singer, 2003: 121). Sometimes the informal ties between a firm and public officials can even override formal rules. In 1998 MPRI for example applied for a license to evaluate the defense department of Equatorial Guinea and its need for a coast guard, but the “Office of Regional Affairs” in the US State Department rejected the request due to the poor human rights record of Equatorial Guinea (Avant, 2007: 427). MPRI representatives exercised their influence by approaching members of congress and the “Assistant Secretary for African Affairs” with honoured former high level military officers in order to argue that US-engagement could provide an opportunity to improve human rights in Equatorial Guinea and enhance US rather than French oil interests, MPRI resubmitted its request and it was approved by the regional office, but this time the application was denied in the “Office of Democracy, Human Rights, and Labor” (Avant, 2007: 427). MPRI then again went back to argue its case to the Assistant Secretary, members of congress, and to the officials that had halted the second application. Without adding any new conditions to the contract, such as how the human rights record of Equatorial Guinea could be improved, MPRI was licensed to undertake this contract in 2000 (Avant, 2007: 428). While the formal regulatory framework faltered in this case the license application process otherwise functions as a constraint, and the long-term potential of the company to be granted new military service export licenses hence depends on the firm’s ability to abide by the formal framework. It took MPRI two years to obtain this license. Close informal ties between some public and private sector actors and competition constraints on the military service market at the same time enables predictability and public control. In the end these firms depend on the public sector to obtain large and lucrative (government) contracts. While the military security service market in Iraq in part operated as an open multinational market with many and new entrants and the awarding of contracts did not depend on informal public-private sector ties such open market conditions are not viable in most military environments. The contracting of private personnel that are not informally tied to the public sector can undermine national security if such private contractors are hired to engage in operations that entail classified procedures and the handling of classified information and materials. Often military contracting procedures therefore are undisclosed to prevent the hiring of staff that can cause harm to the state and the regular military.

Competition constraints and informal principle-agent ties do not only restrain non-state violence within public control, but as well provide governments with a

new range of political choices. After all, the institutional framework is as well comprised of political structures that influence and aggregate policy choices (North, 2005a: 49). Peter Singer argues that military privatization is "...not about economic cost saving; it's about political cost savings. When things go wrong, you simply blame the company" (cited in Pelton, 2006: 107). According to Wulf (2005: 61) some governments prefer to hire PMCs as firms are only accountable to shareholders and the client. Utilizing PMCs as proxy firms to further foreign policy interests can reduce political risks and enable the government to exercise "plausible deniability" – such as during the engagement of MPRI in the former Yugoslavia. UK-firm "Saladin Security" has for example been contracted to train Oman's military forces since the mid 1970s by supplying Oman with former British officers (Shearer, 1998: 37). According to Shearer (1998: 37) the contracting of Saladin provides the UK-government with several benefits: "it provides leverage over the contracting government if necessary; offers access to intelligence; and raises the possibility of materiel sales on the strength of the advice given by the company". The delegation of vital foreign policy tasks to unaccountable firms, however, "short-circuits" democracy (Singer, 2003: 214). In some cases the engagement of proxy PMCs has enabled the US-government to circumvent the US-congress, formal rules, and public debates to carry out foreign policy goals (Singer, 2003: 211). Proxy PMCs thereby have as well been utilized to provide military services to undemocratic countries, such as Equatorial Guinea, that by law are not eligible to receive US-military assistance (Singer, 2003: 210). While US firms do not exercise combat interventions nor are usually contracted to engage in offensive operations the military training and consulting services that such companies provide can transform the capability of state militaries or rebel forces to conduct or improve offensive military capabilities. An official from the US State Department once expressed that the only difference between MPRI and EO is that "MPRI hasn't pulled the trigger yet" (cited in Shearer, 1998: 39). Before the 19th century the boundary between state and non-state security and military service providers was unclear or did not exist. As Thomson (1994: 19) underlines: "Because states authorized non-state violence, it was difficult to determine which acts of non-state violence were state sanctioned and which were private, independent, or free-lance". The escalating engagement of PMCs to reduce political costs in our time has once more blurred such distinctions. In the end the government represents the public, voters, and taxpayers. Merely "blaming the company" does not always bring about political cost savings. This was confirmed by for example the Sandline Affair in the UK, and the controversies and insecurities that developed from relying on security contractors – foremost non-static contractors – in Iraq. When state and non-state military actors are engaged interchangeably the potential of exercising plausible deniability diminishes. In for example both Colombia and Iraq the engagement of US PMCs has increased threats against regular US-military forces as rebel forces do not tend to distinguish between public forces and private military firm employees (Singer, 2003: 212).

6.2 Substituting Public Force & Security Provision in the Short-run

During pre-modern eras state rulers struggled to control internal order and to provide security as a public good. Advanced Roman institutions that enabled stability, protection, and property rights withered away with the fall of the Byzantine Empire. Corresponding advanced institutions did not re-emerge until the rise of the modern state system. The modern state eventually generated support from the citizenry, gradually developed institutions and complex organizational structures that enabled efficient tax and custom duty collection, and laid the foundation for the hierarchical organization and public management of armed forces and security. The ability of modern states to control coercion and violence did not develop uniformly or rapidly. After about three hundred years of modern state-building the state managed to functionally and politically control violence and coercion (Thomson, 1994: 11). Depending on the institutional arrangements and structural conditions non-state actors were hired to either substitute or augment public security and military force provision. Modern states for example hired non-state actors in warfare – such as privateers – and even provided mercantile companies with sovereign powers. Throughout history private military and security service providers recurrently emerged during periods of national and international systemic change and instabilities, weak governance, and demobilization (Singer, 2003: 38). The end of the Cold War changed the international system, global instabilities emerged, warfare and humanitarian crises escalated, militaries were downsized, proponents of free-market ideology furthered rapid privatization worldwide, and as the superpower proxy support vanished security provision in many weak states failed. Due to these global and national changes and circumstances the age-old alternatives of substituting or augmenting public security and military force under contractual institutions re-intensified during the post-Cold War era. The augmenting role of private military contractors, which is addressed in following chapter section, primarily signifies the contracting of PMCs in states that already are able to provide security as a public good. Contractual frameworks that serve to substitute the inability of the state to provide security in the short-run foremost re-emerged in weak states.

Weak states in Africa are undermined by inefficient or absent hierarchical public structures, fragmented national unity, and governments are rarely supported by the citizenry (McInstyre & Weiss, 2007: 78-79). Holmqvist (2005: 11) notes that the engagement of PMCs in Africa is “to a great extent symptomatic of state weakness and the failure of the state to provide physical security for its citizens through the establishment of functioning law-and-order institutions”. Such dysfunctional structural conditions fuelled internal instabilities and armed conflict in weak states, and undermined development and economic growth capacities. Economist Branko Milanovic (2005: 26) has for example demonstrated that during the period 1980-2002 low-income countries lost about 40 percent of their output due to a greater incidence for warfare as compared to middle- and high-income countries. While high-income states can delegate specific security provision tasks to the private sector as a long-term strategy, weak states, on the

other hand, often look to the private military service market to substitute their failed security provision in the short-run. During the Cold War the superpowers supported regimes in Africa along ideological lines. The security balance on the continent changed when the superpowers abandoned Africa (Ortiz, 2008: 8). In this security gap new internal wars emerged and transnational shadow economies proliferated during the 1990s. Due to these new insecurities such states were in need of rapid support from external actors. Without external support to restore internal order African governments in many cases were only left with the option of contracting private military companies. PMCs were in essence hired by weak state governments as a rapid crisis response. Under such contractual institutions PMCs are only able to influence security conditions in the short-run. In Sierra Leone EO rapidly forced the rebels to retreat, established stability that enabled elections and the return of refugees, but soon after the departure of EO the government was overthrown and the rebel forces re-intensified their offensives and assaults on civilians. With the departure of EO the military pressure on the rebel force vanished, and a new security vacuum emerged. Security conditions deteriorated in Sierra Leone and the position of the government was weakened during the peace settlements (Shearer, 1998: 68). While EO was militarily successful it was not allowed to broker the following peace agreement. This responsibility was undertaken by the UN, Côte d'Ivoire, and the British Commonwealth. The military importance of EO in Sierra Leone was not recognized by the UN, EO was widely described as a “mercenary force”, and the lack of contact between the UN and EO, according to Shearer (1998: 68), undermined the implementation of the peace agreement. In Africa contractors have as well been hired to substitute the inability of the state to conduct warfare against other states. During the 1990s Ethiopia suffered early defeats in the war against Eritrea, and much like Sierra Leone and Croatia it also turned to the private sector to overcome its military incapacity. While Ethiopia purchased Russian Su-27 fighter jets it had to as well hire 250 pilots, mechanics, and ground personnel (Singer, 2003: 173). Ethiopia in effect leased a small air force. With the military expertise and advice by hired former Russian Generals Ethiopia launched “Operation Sunset” and swiftly defeated the Eritrean army (Singer, 2003: 173). While PMCs can substitute public security and military service provision in the short-run the ability of the state to provide such services in the long-run, however, demands the development of efficient public structures and institutions to enable the sustained management of public forces and provision of security as a public good. Sometimes weak state regimes refrain from such transformations as a strong public military sector can undermine the regime’s dominance. Tax-collection duties in many weak states – such as Sierra Leone, Liberia, and Congo – have in fact been outsourced to private firms (Singer, 2003: 67).

In pre-Renaissance Italy the city-states controlled vast wealth in tradable capital, and protected their territories by contracting many free companies. In other parts of Medieval Europe, such as in France, the ability of the principle to exercise control over free companies was more limited during peacetime. The companies therefore as well constituted a severe social and economic cost as they plundered localities. The resurgence of the market for force in our time has

reintroduced age-old private force control dilemmas. Under contractual frameworks the agent/firm can abandon the client, or even end up dominating the principle (Singer, 2003: 159). In for example Sierra Leone a firm left two areas that it was protecting when the violence escalated in 1997 (Shearer, 1998: 24). Financially poor states have moreover relied on natural resources to pay for private military services (Shearer, 1998: 73). Holmqvist (2005: 14) argues that private military interventions can worsen security conditions if the compliance of PMCs is conditioned to the access of natural resource concessions. The prioritization to secure natural resource industry regions thus can exclude the provision of security in other regions of the country. Under such conditions the provision of security becomes skewed. During the war in Mozambique UK-firm “Defence Systems Limited” – later renamed to ArmorGroup International – was hired by conglomerate “Lonrho” to provide security (Singer, 2003: 227). Protection was provided in the capacity of tanks, watchtowers, and a 1400 men strong militia. In this case the PMC intervention caused negative externalities by altering the security conditions in Mozambique. In response rebel forces turned their attacks against less protected areas. This underlines the excludability and rivalry characteristics of security as a private good. In the wars in Algeria, Angola, Sierra Leone, and Sudan during the 1990s the engagement of PMCs to protect foreign commercial interests, according to Singer (2003: 227), skewed security conditions and increased the threat against the local citizenry. In worst-case scenarios PMCs have worked on both sides of conflicts (Kinsey, 2006: 111). In Sierra Leone a firm called “Lifeguard” provided weapons to the rebels while it was hired by mining companies to protect them from the same rebels, and additionally Lifeguard was an associate of Sandline International, which, as mentioned above, was hired by the government to oust the rebel forces (Singer, 2003: 158).

Financially wealthy states, on the other hand, can employ PMC on a long-term basis. As a rare case Saudi Arabia is able to provide security as a public good and maintain internal order by outsourcing parts of its national security management to PMCs. As Saudi Arabia is financially wealthy it can employ firms in the long-run and thereby ensure national security. Saudi Arabia however completely depends on PMCs for military training and planning, and weapons maintenance. Without the planning and organizational support of PMCs Saudi Arabia would find it difficult to even conduct simple military exercises (Singer, 2003: 172). If these PMCs were to suddenly exit the military capability of Saudi Arabia – as in the case of Sierra Leone – would thereby fragment. PMCs thus foremost provide variable forms of short-term security and military protection, supportive, consulting and training services for the contracting state and/or regime. Without structural and institutional developments the ability of the state to provide long-term public military and security services will fragment once PMC contracts are terminated. These practises in turn pose democratic and moral dilemmas as oppressive regimes can hire PMCs as instruments to retain power in the short-run and thereby suppress popular movements and uprisings (Shearer, 1998: 69-70).

6.3 Augmenting Public Force & Security Provision in the Long-run

During history powerful states frequently hired non-state military service providers to augment public security provision and military capabilities. While the Roman Empire provided security as a public good and primarily relied on public forces this grand ancient state also hired forces to augment its military capability. For centuries the military capability of France relied on hired Swiss forces. In 1793 Britain hired 33 000 troops in the war against France (Thomson, 1994: 10). The USA for instance hired contractors in the Revolutionary War and in both World Wars (CBO, 2008: 13). Military privatization in states that today are able to provide security as a public good rather signifies a continuation or an enhancement of past practises. In our time PMCs have foremost been delegated to augment rather than to substitute the public provision of security and military services (Wulf, 2005: 60). In the former Yugoslavia during the 1990s and in Iraq since 2003 the ratio of US-funded contractor personnel to US-military personnel was 1 to 1 (CBO, 2008: 12-13). In Iraq about ten times more regular US-military personnel and private contractors were however engaged compared to US-operations in the former Yugoslavia (CBO, 2008: 13). Unlike in previous US-military campaigns the main external support in Iraq did not come from other countries, but from the private sector – the so called “skeleton contracting force”. The US-funded contracting of PMCs in the former Yugoslavia introduced both benefits and obstacles. The hiring of PMCs assisted to reduce the deployment of public troops, and firms rapidly responded to military logistical needs and material and base maintenance demands. At the same time contract management problems surfaced. In for example Kosovo US-firm DynCorp short-changed the US-government by employing over-aged and inadequate police personnel on its behalf for the UN-peacekeeping mission (Singer, 2003: 153). During the invasion of Iraq contractors provided similar supportive and consulting services as they had in previous US-military operations. During the reconstruction phase national security in Iraq collapsed and complex contract management obstacles emerged. The chronic need for security became evident when for example USAID in March 2005 cancelled two electric power generation programs to pay USD 15 million for security at another site (Stöber, 2007: 126). Security PMCs were hired to rapidly respond to the deterioration of security. Control and contract management dilemmas that usually signify the hiring of PMCs in weak states also surfaced in Iraq. While contractors were hired to rapidly facilitate security the Pentagon did not scale up oversight, its guidelines or contract management procedures (Isenberg, 2007: 91). Security spending soared as the insurgency grew stronger. The lack of oversight under weak contract management institutions was underlined by the inability of US-reconstruction agencies, according to the US “Government Accountability Office”, to even provide information about how many PMCs were actually contracted in Iraq (Stöber, 2007: 127). Under these inefficient institutional arrangements complex principle-agent information asymmetries developed.

While PMCs have efficiently augmented the US-military in the past the sudden and escalating dependence on unaccountable and non-static security contractors undermined US-military objectives in Iraq. The so called “Baghdad bubble” emerged due to the urgent and strong demand for security services, political miscalculations, and an unconsolidated supply side (Stöber, 2007: 129). Both the public and the private sectors were unprepared for this PMC boom. Stiglitz and Bilmes (2008: 12) note that the high pay for contractors forced the US-Army to pay higher bonuses for reenlistment. After their army duty had ended many soldiers chose to work for the PMCs in Iraq. In 2007 Blackwater and DynCorp paid their security employees up to USD 1200 per day, while a Sergeant in the US-Army earned between USD 140-190 per day (Stiglitz & Bilmes, 2008: 12). These market conditions in combination with non-applicable or non-existent local and international law to constrain PMCs, and the hiring of many and new security PMCs without informal ties to the US-government, and severe information asymmetries and insufficient public sector contract management procedures and structures consequently were utilized by some firms to maximize profits by engaging in unproductive practises and misconduct. The “Special Inspector General for Iraq Reconstruction” even declared that the corruptive practises of some private contractors in Iraq constituted “the second insurgency” (Singer, 2007: 4). Market entry barriers were low, and new companies emerged to profit from the new insecurities in Iraq. To overcome understaffing limitations some companies, as mentioned above, went as far as to hire bouncers. Although established PMCs have introduced beneficial self-constraints – such as training and vetting procedures and codes of ethics – these constraints were undermined by the high demand for security personnel and the predominant hiring of local as well as third-country nationals. Neither reputable PMCs nor US-government departments could conduct proper background screenings under such conditions. Some Third World countries have no national criminal records. In 2007 the US “Defense Contract Audit Agency” before the “House Committee on Oversight and Government and Reform” stated that it had identified more than USD 10 billion in unsupported and unsubstantiated costs from battlefield contractors after only having scratched the surface (Singer, 2007: 4). The alleged “grabbing hand” of the government in this case paradoxically appears more applicable to the private sector. At the same time the developments in Iraq constitute a policy and government failure as the sudden intensification of security contractor engagements were not met with reinforced contract management procedures and structural adaptations by the Bush-administration. The Gansler Commision (2007: 29) notes: “Army “culture” is focused on warfighting and thus neither recognizes the critical and complex nature of contracting nor rewards people in the contracting community. Contracting personnel incorrectly have been characterized as “shoppers,” by some both inside and outside of the Army (and, consequently, reduced in both quantity and stature) as opposed to being viewed as true professionals”. The commission moreover underscores that contracting – including translation, pricing, acquisition strategy, and contract management – must be part of all operational planning procedures within the regular military (Gansler Commision, 2007: 21). In Iraq the rules of the games rapidly changed

with the escalating reliance on security contractors, but necessary structural adaptations to facilitate efficient contract management and enforcement procedures and oversight were not implemented.

By comparing personnel costs and operational and equipment costs the CBO (2008: 16) estimated that the cost of hiring security PMCs in Iraq did not differ significantly from the cost of engaging equivalent regular military units. The contracting of PMCs however appears more cost-efficient as regular military units are part of the permanent military structure and therefore incur peacetime costs. From a new institutional economics perspectives such costs comparisons however are only partially sufficient. Under contractual institutions the public sector in addition incurs transaction costs from contract tendering, management, and oversight practises and obligations. Conducting oversight and monitoring contracts moreover is particularly difficult and costly in military environments as these contracts often are established in highly complex, rapidly changing, and volatile environments – the so called “fog of war” (Singer, 2003: 152-153). As the Gansler Commision (2007: 27) critically reports: “The inability to monitor contractor performance and enforce contracts is a critical problem in an expeditionary environment. After the contract is awarded, there are no resources trained to monitor and ensure that the contractor is performing and providing the services needed by the warfighter. The Commission heard of the difficulties associated with knowing whether a contractor had performed at all”. Comparisons of personnel costs and operational and equipment costs between engaging contractors and regular military units do not reveal transaction costs and therefore, as mentioned above, do not demonstrate the actual total cost of hiring PMCs. Rapidly escalating the reliance on contractual institutions to augment public military forces hence consequently demands the establishment of structures and formal rules (and informal norms) to enable efficient contract management. As Wulf (2005: 198) notes: “...regulations and control mechanisms for the protection and distribution of food, for example yoghurt, and pharmaceutical products, or environmental regulations, are much stricter and clearer in many countries than the state control of the use of force by PMCs”. The ability of the principle to reduce agent non-compliance depends on the principle’s capability and willingness to establish contract management and monitoring structures and to accept the costs that follow with such implementations (Stöber, 2007: 133). Based on the critique and recommendations by the Gansler Commision and due to the high number of criminal investigations involving wartime contract fraud the US-Army is for example establishing a new military contracting command that will be run by a two-star general and two one-star generals as deputies (Lardner, 2008).

While Blackwater aims to mimic Executive Outcomes in order to open a new transnational military combat service market the national and international support to legitimize such engagements remains limited or non-existent. Blackwater claims that it is prepared to intervene in for example Darfur with a privately trained and equipped army with supporting helicopters and cargo craft (Pelton, 2006: 4). During an interview Blackwater founder Erik Prince expressed “...frustration at the complete lack of interest by governments and aid organizations in utilizing the experience of a private army to solve major security

and stability problems in Africa” (see Pelton, 2006: 296). The transnational private military service industry is predominantly comprised by companies that depend on government expenditure and by small mobile companies that rely on databases to subcontract their staff. The ability of the modern state to decide the sanctioning, control and use of force may have changed, but it has not diminished. In modern states public forces are not being substituted by private forces. The regular military has rather been transformed as an adaptive response to the aforementioned new post-Cold War “rules of the game”. This transformation has entailed an intensified reliance and engagement of private contractors. In cases where PMCs have substituted public military force and security provision this has rather been carried out as short-term crises responses in weak states that are unable to provide public security in the first place. While the US-Army is expanding from 482 400 to 547 400 soldiers this increase in regular military forces however has not reduced the reliance on contractors (Cancian, 2008: 69). The belief systems of the past and their influence over current choices usually condition path dependence (North, 2005a: 21). Singer (2007: 2) reminds us that once a path is reinforced it is difficult to alter the particular course: “If we judge by what has happened in Iraq, when it comes to private military contractors and counterinsurgency, the U.S. is locked in a vicious cycle. It can’t win with them, but can’t go to war without them”. To replace military support service contractors and security contractors with additional military personnel within the US-military is, according to Cancian (2008: 73), not viable without reconstituting the draft as such a replacement would demand a minimum of 250 000 new personnel. As of May 2009 the contracting of armed security PMCs by the US Department of Defense has increased by 23 percent in Iraq and by 29 percent in Afghanistan (DOD, 2009: 3). In our time we are moreover entering a new era of warfare that will increase the deployment of unmanned weapons systems. During the invasion of Iraq in 2003 US-forces engaged a small number of unmanned aircraft vehicles – so called “drones”. By the end of 2008 the US-inventory had expanded to 5331 unmanned aircraft systems and held more than 12 000 unmanned ground vehicles (Singer, 2009: 105). A US-defense analyst once stated: “We’re using the most advanced technology in the history of the world to wage wars and sometimes the people who built it are the only ones who know how to fix it” (cited in Singer, 2003: 64). The dependence on contractors to operate and maintain unmanned veichle systems is therefore bound to increase. For humanitarian, democratic, economic, and military operational reasons the establishment of new national and international regulation and guidelines is necessary to improve oversight and to enable efficient public management of private military and security service contracts and to delegitimize unreliable private military companies. The “Montreux Document” is a vital step in this direction.

7 CONCLUDING SUMMARY

The market allocation of military force and security services is as old as war itself. Under medieval and early modern contractual institutions companies and other non-state actors were hired to augment and/or to substitute the public provision of force and security. With the rise of the modern state system the sanctioning and utilization of non-state violence gradually fragmented, and the state moved to direct and condition the control of legitimate violence nationally and internationally. The end of the Cold War profoundly changed national as well as the global “rules of the game”. During history private military actors and organizations recurrently emerged to profit from the need for security and military services during periods of national and international systemic change and instabilities, weak governance, and demobilization. The rise of the private military service industry during the post-Cold War era as well emerged due to similar overlapping trends. As global security conditions changed new instabilities emerged, and warfare and humanitarian crises escalated. At the same time militaries were downsized, market ideology proponents and state advisers furthered rapid privatization programs worldwide, non-state actors proliferated, and as the superpower proxy support vanished security provision in many weak states failed. Due to these global and national changes and factors the age-old alternatives of engaging private and non-state actors to augment or to substitute public security and military force under contractual institutions re-intensified during the post-Cold War era. Private military contractors primarily expanded to augment public military and security provision in states that are already able to provide security as a public good. Private firms thus foremost emerged to supplement the public provision of security and military services. Contractual arrangements that served to substitute the inability of the state to provide security and military force foremost re-emerged in weak states that were already unable to provide security and military force as public goods.

Military privatization is not a historically unique post-Cold War phenomenon. The delegation of public security and military tasks to private firms rather constitutes an enhancement of previous privatization frameworks. During the Cold War for example the US and the UK engaged PMCs domestically as well as overseas to protect or to further economic and political interests and objectives. Formal and informal public-private sector partnerships foremost developed in the USA due to the evolution of sophisticated military technology. Over time firms were increasingly delegated to provide various military supportive and consulting services in US-military operations, and thereby served to reduce many peacetime military costs. While the engagement of PMCs reduced military personnel costs and operational and equipment costs the escalating dependence on contractors during the reconstruction of Iraq without the implementation of parallel efficient oversight and contract management structures amplified transaction costs and underlined contract enforcement deficiencies. Due to these negative outcomes the US-military is developing new military contracting command structures to enable efficient contract management and oversight. The fundamental rationale for the

state to privatize traditional military functions is after all the presumed cost-efficiency of PMCs. Until transaction costs are included in such estimations the economic cost-efficiency of PMCs remains highly uncertain.

During history states customary authorized non-state violence and delegated military service tasks to private actors to expand or to retain political, economic, and territorial interests. At the same time these practises and strategies always incurred new risks and insecurities as they innately reduced the public control over violence and coercion. Today modern states control private military companies through formal rules and informal norms, by competition constraints, and by informal ties between public sector and military officials and executives from entrusted private military firms. While formal rules and/or informal norms constrain PMCs from the USA, the UK and South Africa the global mobility and operational characteristics of the private military service industry has undermined national regulatory arrangements on several occasions. Due to the profound and sudden national and global post-Cold War institutional and structural changes private military companies emerged in an international legal vacuum. The expansion of the private military industry took-off during the early post-Cold War years, and was reinforced during the 2003 Iraq War and reconstruction. The developments in Iraq demonstrate the extent of military privatization in our time. The Iraq case also underlines the connecting risks and insecurities that follow from contractor reliance under inadequate national and international regulatory frameworks and inefficient contract management and enforcement procedures and structures – i.e. fraud and corruption, unaccountability, misconduct and abuse, and incoordination between regular military forces and private contractors. Due to the US military privatization path – foremost after the Vietnam War – the US depends on contractors to operate, maintain and advance its military. Military technological advances and the political and economic costs that would follow from reinstituting the draft hinder the US-military from diminishing its reliance on contractors. To overcome the aforementioned risks and insecurities that follow from enhanced military privatization and contractor dependence the US-military in response is developing and expanding its contract management procedures and structures to improve the planning, integration and execution of contract support across the range of military operations.

States condition the legitimate control, sanctioning, and use of violence. The military service industry is foremost comprised by firms that depend on government expenditure, and by small firms that rely on databases to subcontract their staff. Combat PMCs have only served to substitute public security and military force in the short-run, and the contracting of such firms is not supported by the UN or the largest employer of PMCs – the USA. Private firms cannot substitute national defense provision because private security is an excludable and a rivalled good. Private firms thereby provide short-run contractual protection, supportive, consulting and training services rather than long-term and sustained prevention. The requests and recommendations by reputable PMCs for comprehensive regulation and the commitment of states to sign the “Montreux Document” indicates that the “market for force” will be constrained under robust legal frameworks to advance the state control over private military companies.

8 REFERENCES

8.1 Research Articles, Books, Official Documents & Reports

- Anheier, Helmut. 2004. *Civil society: measurement, evaluation, policy*. London: Earthscan Publications Ltd.
- Agrell, Wilhelm. 2000. *Morgondagens krig. Tekniken, politiken och människan*. Stockholm: Ordfront.
- Appelquist, Joakim. 2001. Ett institutionellt perspektiv på den svenska modellen. Effektivitet och institutionell förändring på den svenska arbetsmarknaden från Saltsjöbadsavtalet till Åmanlagarna. *Lund Papers in Economic History*. No.70. Department of Economic History, Lund University.
- Avant, Deborah D. 2005. *The market for force: the consequences of privatizing security*. Cambridge: Cambridge University Press.
- Avant, Deborah D. 2006. The Privatization of Security: Lessons from Iraq. *Orbis*. Vol.50, No.2, pp.327-342.
- Avant, Deborah D. 2007. "Selling Security: Trade-Offs in State Regulation of the Private Security Industry". In Jäger, Thomas – Kümmel, Gerhard. (Eds.). *Private military and security companies: chances, problems, pitfalls and prospects*. Wiesbaden: VS Verlag für Sozialwissenschaften.
- Ballard, Kyle M. 2007. "The Privatization of Military Affairs: A Historical Look into the Evolution of the Private Military Industry". In Jäger, Thomas – Kümmel, Gerhard. (Eds.). *Private military and security companies: chances, problems, pitfalls and prospects*. Wiesbaden: VS Verlag für Sozialwissenschaften.
- Cancian, Mark. 2008. Contractors: The New Element of Military Force Structure. *Parameters*. US Army War College Quarterly. Vol.38, No.3, pp.61-77. Retrieved 2009-04-28 from:
<http://www.carlisle.army.mil/usawc/Parameters/08autumn/cancian.pdf>
- CBO. 2008. Contractors' Support of U.S. Operations in Iraq. *Congressional Budget Office*. The Congress of the United States. August 2008. Retrieved 2009-04-12 from:
<http://www.cbo.gov/ftpdocs/96xx/doc9688/08-12-IraqContractors.pdf>
- Coase, Ronald. 1937. The nature of the firm. *Economica*. Vol.4: 386–405.

- Coase, Ronald. 1992. The Institutional Structure of Production. *The American Economic Review*. Vol. 82, No. 4, pp. 713-719.
- Commons. John R. 1931. Institutional Economics. *The American Economic Review*. Vol.21, pp.648-657.
- Cullen, Patrick. 2008. "The transformation of private military training". In Stoker, Donald. (Ed.). *Military advising and assistance: from mercenaries to privatization, 1815-2007*. New York: Routledge.
- DOD. 2009. Contractor support of U.S. operations in USCENTCOM AOR, Iraq, and Afghanistan. The Assistant Deputy Under Secretary of Defense for Program Support, DOD. 2009-05-05. Retrieved 2009-05-12 from: http://www.acq.osd.mil/log/PS/p_vault/5A_May_2009_3.doc
- Drutshmann, Sebastian. 2007. "Informal Regulation: An Economic Perspective on the Private Security Industry". In Jäger, Thomas – Kümmel, Gerhard. (Eds.). *Private military and security companies: chances, problems, pitfalls and prospects*. Wiesbaden: VS Verlag für Sozialwissenschaften.
- Duffield, Mark. 2001. *Global governance and the new wars: the merging of development and security*. London: Zed Books.
- Fuchs, Alice E. 2007. "Searching for Resources, Offering Security – Private Military Companies in Sierra Leone". In Jäger, Thomas – Kümmel, Gerhard. (Eds.). *Private military and security companies: chances, problems, pitfalls and prospects*. Wiesbaden: VS Verlag für Sozialwissenschaften.
- Gansler Commision. 2007. Urgent Reform Required: Army Expeditionary Contracting. Report of the Commission on Army Acquisition and Program Management in Expeditionary Operations. Gansler Commission Report. Retrieved 2009-05-12 from: http://www.army.mil/docs/Gansler_Commission_Report_Final_071031.pdf
- Glete, Jan. 2002. *War and the State in early Modern Europe. Spain, the Dutch Republic and Sweden as Fiscal-Military States, 1500-1660*. New York: Routledge.
- Greif, Avner. 2005. "Commitment, Coercion, and Markets: The Nature and Dynamics of Institutions Supporting Exchange". In Ménard, Claude, Shirley, Mary M. (Eds.). *Handbook of New Institutional Economics*. Dordrecht: Springer.
- Haldon, John F. 1999. *Warfare, state and society in the Byzantine world, 565-1204*. London: UCL Press.

Harbom, Lotta – Peter Wallensteen, 2007. Armed Conflict, 1989-2006. *Journal of Peace Research*. Vol.44, No.5, pp.623-644.

Hartman, Anja V. 2001a. "Identity in the Thirty Years' War". In Hartmann, Anja V. – Heuser, Beatrice. (Eds.). *War, peace, and world orders in European history*. London: Routledge.

Hartman, Anja V. 2001b. "War and Peace in Early Modern Europe". In Hartmann, Anja V. – Heuser, Beatrice. (Eds.). *War, peace, and world orders in European history*. London: Routledge.

Hedlund, Stefan. 2007. *Institutionell teori. Ekonomiska aktörer, spelregler och samhällsnormer*. Lund: Studentlitteratur.

Held, David – McGrew, Anthony – Goldblatt, David – Perraton, Jonathan. 1999. *Global Transformations. Politics, Economics and Culture*. London: Polity.

Hoffman, Peter – Thomas G. Weiss. *Sword & Salve: Confronting New Wars and Humanitarian Crises*. Lanham: Rowman & Littlefield.

Holme, Idar Magne – Solvang, Bernt Krohn. 1997. *Forskningsmetodik. Om kvalitativa och kvantitativa metoder*. Lund: Studentlitteratur.

Holmqvist, Caroline. 2005. Private Security Companies. The Case for Regulation. *SIPRI Policy Paper*. No. 9. Stockholm International Peace Research Institute.

Honig, Jan Willem. 2001. "Warfare in the Middle Ages". In Hartmann, Anja V. – Heuser, Beatrice. (Eds.). *War, peace, and world orders in European history*. London: Routledge.

Howard, Michael. 2001. *War in European History*. Oxford : Oxford University Press.

Isenberg, David. 2007. "A Government in Search of Cover. Private Military Companies in Iraq". In Chesterman, Simon – Lehnardt, Chia. (Eds.). *From Mercenaries to Market. The rise and regulation of private military companies*. New York: Oxford University Press.

IRIN. 2008. South Africa: The downside of banning mercenaries. *Integrated Regional Information Networks*. 2008-05-27. Retrieved 2009-05-12 from: <http://www.unhcr.org/refworld/docid/4843fff9c.html>

Kaldor, Mary. 2000. *Nya och gamla krig – organiserat våld under globaliseringens era*. Göteborg: Daidalos.

Kaufman, Bruce E. 2007. The institutional economics of John R. Commons: complement and substitute for neoclassical economic theory. *Socio-Economic Review*. Vol.5, No.1, pp.3–45.

Keane, John, 2003. *Global Civil Society?* London: Cambridge University Press.

Kramer, Daniel. 2007. “Does History Repeat Itself? A Comparative Analysis of Private Military Entities”. In Jäger, Thomas – Kümmel, Gerhard. (Eds.). *Private military and security companies: chances, problems, pitfalls and prospects*. Wiesbaden: VS Verlag für Sozialwissenschaften.

Kwok, James. 2006. Armed Entrepreneurs. *Harvard International Review*. Vol.28, No.1, pp.34-37.

Laiou, Angeliki E. – Morrison, Cécile. 2007. *The Byzantine economy*. Cambridge: Cambridge University Press.

Lendon, Jon. E. 2005. *Soldiers and ghosts: a history of battle in classical antiquity*. New Haven: Yale University Press.

Le Roux, Len. 2008. South African Mercenary Legislation Enacted. *The Institute for Security Studies*. 2008-01-21. Retrieved 2009-05-12 from:
http://www.iss.co.za/static/templates/tmpl_html.php?node_id=2923&slink_id=5421&slink_type=12&link_id=30

Machiavelli, Niccolo. 1999. *The Prince*. Translated with notes by George Bull; with an introduction by Anthony Grafton. London: Penguin.

Mallett, Michael. 2003. “Condottieri and Captains in Renaissance Italy”. In Trim, David J.B. *The chivalric ethos and the development of military professionalism*. Leiden: Brill.

Makinson, Larry. 2004. Outsourcing the Pentagon. Who benefits from the Politics and Economics of National Security? The Center for Public Integrity. 2004-09-24. Retrieved 2009-05-02 from:
<http://projects.publicintegrity.org/pns/report.aspx?aid=385>

Markusen, Ann. 2003. The Case Against Privatizing National Security. *Governance*. Vol.16, No.4, pp. 471-501.

McIntyre, Angela, Weiss, Taya. 2007. “Weak Governments in Search of Strength: Africa’s Experience of Mercenaries and Private Military Companies”. In Chesterman, Simon – Lehnardt, Chia. (Eds.). *From Mercenaries to Market. The rise and regulation of private military companies*. New York: Oxford University Press.

- Milanovic, Branko. 2005. Why did the poorest countries fail to catch up? *Carnegie Endowment for International Peace*. Carnegie Paper. No. 62
- North, Douglass C. 1981. *Structure and Change in Economic History*. New York: Norton, cop.
- North, Douglass C. 1991. "Institutions, transaction costs, and the rise of merchant empires". In James, Tracy D. (Ed.). *The political economy of merchant empires*. Cambridge: Cambridge University Press.
- North, Douglass C. 1993. *Institutionerna, tillväxten och välvärde*. Stockholm: SNS Förlag.
- North, Douglass C. 1994. Economic Performance Through Time. *The American Economic Review*. Vol.84, No.3, pp.359-368.
- North, Douglass C. 2005a. *Understanding the Process of Economic Change*. Princeton: Princeton University Press.
- North, Douglass C. 2005b. "Institutions and the Performance of Economies Over Time". In Ménard, Claude – Shirley, Mary M. (Eds.). *Handbook of New Institutional Economics*. Dordrecht: Springer.
- Nye, Joseph S., Jr. 2003. *Understanding International Conflict*. New York: Longman.
- O'Brien, Kevin A. 2000. PMCs, Myths and Mercenaries: The Debate on Private Military Companies. *Royal United Service Institute Journal*. February, 2000. Retrieved 2009-04-12 from:
<http://globalpolicy.org/component/content/article/173-sovereign/30555.pdf>
- Ortiz, Carlos. 2007a. "The Private Military Company: An Entity at the Center of Overlapping Spheres of Commercial Activity and Responsibility". In Jäger, Thomas – Kümmel, Gerhard. (Eds.). *Private military and security companies: chances, problems, pitfalls and prospects*. Wiesbaden: VS Verlag für Sozialwissenschaften.
- Ortiz, Carlos. 2007b. "Overseas Trade in Early Modernity and the Emergence of Embryonic Private Military Companies". In Jäger, Thomas – Kümmel, Gerhard. (Eds.). *Private military and security companies: chances, problems, pitfalls and prospects*. Wiesbaden: VS Verlag für Sozialwissenschaften.
- Ortiz, Carlos. 2008. Private military contracting in weak states: Permeation or transgression of the new public management of security? *African Security Review*. Vol.17, No.2, pp.2-14.

Paris, Roland. 2002. International peacebuilding and the ‘mission civilisatrice’.

Review of International Studies. Vol. 28, pp. 637–656.

Pearson, Michael N. 1991. “Merchants and States”. In James, Tracy D. (Ed.). *The political economy of merchant empires*. Cambridge: Cambridge University Press.

Pelton, Robert Young. 2006. *Licensed to kill. Hired guns in the war on terror*. New York: Three Rivers Press.

Percy, Sarah. 2007. ”Morality and regulation”. In Chesterman, Simon – Lehnardt, Chia. (Eds.). *From Mercenaries to Market. The rise and regulation of private military companies*. New York: Oxford University Press.

Perlo-Freeman, Sam – Sköns, Elisabeth. 2008. The private military services industry. *SIPRI Insights on Peace and Security*. No.1. Retrieved 2009-02-01 from: <http://books.sipri.org/files/insight/SIPRIInsight0801.pdf>

Ravenhill, John. 2008. “The Study of Global Political Economy”. In Ravenhill, John (Ed.). *Global Political Economy*. Oxford; New York: Oxford University Press.

Rich, John. 2001. “Warfare and external relations in the middle Roman Republic”. In Hartmann, Anja V. – Heuser, Beatrice. (Eds.). *War, peace, and world orders in European history*. London: Routledge.

Rosén, Frederik. 2008. Commercial Security: Conditions of Growth. *Security Dialogue*. Vol.39, No.1, pp.77-97.

Rosen, Harvey S. – Gayer, Ted. 2008. *Public Finance*. New York: McGraw-Hill Higher Education.

Sage, Michael, M. 1996. *Warfare in Ancient Greece: A Sourcebook*. London: Routledge.

Shearer, David. 1998. *Private armies and military intervention*. Adelphi papers: 316. London: Oxford University Press & International Institute for Strategic Studies.

Singer, Peter Warren. 2003. *Corporate warriors. The rise of the privatized military industry*. Ithaca, NY: Cornell University Press.

Singer, Peter Warren. 2004. “The Private Military Industry and Iraq: What have we learned and where to next?” Geneva Centre for the Democratic Control of Armed Forces. Policy Paper.

Singer, Peter Warren. 2007. Can't Win With 'Em, Can't Go To War Without 'Em: Private Military Contractors and Counterinsurgency. *Foreign Policy at Brookings*. Policy Paper No.4.

Singer, Peter Warren. 2009. Wired for War? Robots and Military Doctrine. *Joint Force Quarterly*. Issue 52, 1st Quarter 2009, pp. 104-110. Retrieved 2009-05-20 from: http://www.ndu.edu/inss/Press/jfq_pages/editions/i52/21.pdf

Stiglitz, Joseph E. 1999. Whither Reform? Ten Years of the Transition. Paper prepared for the *Annual Bank Conference on Development Economics*, Washington, D.C., April, 28-30, 1999. Retrieved 2009-04-02 from: <http://siteresources.worldbank.org/INTABCDEWASHINGTON1999/Resources/stiglitz.pdf>

Stiglitz, Joseph E. 2000. *Economics of the public sector*. New York/London: W.W. Norton & Company.

Stiglitz, Joseph. E. – Bilmes, Linda. 2008. *The Three Trillion War. The true cost of the Iraq conflict*. New York: W.W. Norton.

Stilwell, Frank. 2002. *Political Economy. The Contest of Economic Ideas*. South Melbourne, Victoria: Oxford University Press.

Stöber, Jan. 2007. "Contracting in the Fog of War. Private Security Providers in Iraq: A Principle-Agent Analysis". In Jäger, Thomas – Kümmel, Gerhard. (Eds.). *Private military and security companies: chances, problems, pitfalls and prospects*. Wiesbaden: VS Verlag für Sozialwissenschaften.

Thomson, Janice E. 1996. *Mercenaries, Pirates and Sovereigns: State-Building and Extraterritorial Violence in Early Modern Europe*. Ewing, New Jersey: Princeton University Press

Tschirgi, Necla. 2003. Peacebuilding as the Link between Security and Development: Is the Window of Opportunity Closing? International Peace Academy Studies in Security and Development.

UN. 1998. Secretary-General Reflects on 'Intervention' in the thirty-fifth annual Ditchley Foundation Lecture. *UN Press Release*: SG/SM/6613. Retrieved 2008-12-20 from: <http://www.un.org/News/Press/docs/1998/19980626.sgsm6613.html>

UN. 2007. Outsourcing military functions to private contractors leads to privatization of war, third committee warned. Sixty-second *General Assembly*, Third Committee, 37th & 38th Meetings (AM & PM). GA/SHC/3902. 2007-11-07. Retrieved 2009-05-02 from: <http://www.un.org/News/Press/docs/2007/gashc3902.doc.htm>

UN. 2008. "The Montreux Document". United Nations, General Assembly, Sixty-third session. Agenda item 76. Status of the Protocols Additional to the Geneva Conventions of 1949 and relating to the protection of victims of armed conflicts. 2008-10-06. Retrieved 2009-05-12 from:
[http://www.eda.admin.ch/etc/medialib/downloads/edazen/topics/intla/humlaw.Par.0057.File.tmp/Montreux%20Document%20\(e\).pdf](http://www.eda.admin.ch/etc/medialib/downloads/edazen/topics/intla/humlaw.Par.0057.File.tmp/Montreux%20Document%20(e).pdf)

Volckart, Oliver. 2000. The open constitution and its enemies: competition, rent seeking, and the rise of the modern state. *Journal of Economic Behavior & Organization*. Vol.42, No.1, pp.1–17.

Weber, Max. 1964. *Theory of Social and Economic Organization*. New York: Free Press.

Wulf, Herbert. 2005. *Internationalizing and Privatizing War and Peace*. New York: Palgrave Macmillan.

Zarate, Juan Carlos. 1998. The Emergence of a New Dog of War: Private International Security Companies, International Law, and the New World Disorder. *Stanford Journal of International Law*. Vol.34, pp.75-156.

8.2 Newspaper Articles & Digital Media Sources

- Glanz, Jamez – Rubin, Alissa J. 2007. From Errand to Fatal Shot to Hail of Fire to 17 Deaths. *The New York Times*. Published 2007-10-03. Retrieved 2008-11-22 from: <http://www.nytimes.com/2007/10/03/world/middleeast/03firefight.html>
- Krugman, Paul. 2007. Hired Gun Fetish. *The New York Times*. Published: 2007-09-28. Retrieved 2008-10-12 from: http://www.nytimes.com/2007/09/28/opinion/28krugman.html?_r=3
- Lardner, Richard. 2008. Army overhauls wartime purchasing. *USA Today*. Published 2008-02-28. Retrieved 2009-05-12 from: http://www.usatoday.com/news/washington/2008-02-28-2650652096_x.htm
- Mathiason, Nick. 2003. The first privatised war. *The Observer*. Published: 2003-03-02. Retrieved 2008-10-01 from: <http://www.guardian.co.uk/business/2003/mar/02/politics.iraq>
- NPR. 2005. " Private Contractors in Iraq". *National Public Radio*. Aired: 2005-05-21. Retrieved 2009-04-12 from: <http://www.npr.org/templates/story/story.php?storyId=4712776>
- PBS. 2005. Private Warriors. *Public Broadcasting Service – Frontline*. Retrieved 2009-04-12 from: <http://www.pbs.org/wgbh/pages/frontline/shows/warriors/view/>
- Reuters. 2008. Five Blackwater Employees Indicted on Manslaughter and Weapons Charges for Fatal Nisur Square Shooting in Iraq. Thomson Reuters. 2008-12-08. Retrieved 2009-05-12 from: <http://www.reuters.com/article/pressRelease/idUS152350+08-Dec-2008+PRN20081208>
- Townsend, Mark. 2005. Fury at 'shoot for fun' memo. *The Observer*. Published: 2005-04-03. Retrieved 2008-10-01 from: <http://www.guardian.co.uk/world/2005/apr/03/iraq.usa>
- Traynor, Ian. 2003. The privatisation of war. *The Guardian*. Published: 2003-12-10. Retrieved 2009-04-08: <http://www.guardian.co.uk/world/2003/dec/10/politics.iraq>
- Witte, Griff. 2005. Private Security Contractors Head to Gulf. *The Washington Post*. Published: 2005-09-08. Retrieved 2008-10-12 from: <http://www.washingtonpost.com/wpdyn/content/article/2005/09/07/AR2005090702214.html>