THE ROLE OF THE PRIVATE SECTOR IN SECURITY POLICY

Private security and military companies are increasingly offering services that were previously provided by states. At the same time, the business sector has been progressively integrated through public-private partnerships into the collective management of security policy challenges, such as critical infrastructure protection or conflict prevention. While the trend towards dissolving the state monopoly on force raises some sensitive questions, stronger integration of the private sector in security policy is a promising approach worth developing further.

First UN summit with business leaders (Global Compact, 24 June 2004)   www.unglobalcompact.org

Two factors have significantly contributed to the rapidly increasing importance of the private sector for security policy over the past few years. First, the phenomenon of globalization has complemented the Westphalian state system with a closely woven mesh of non-state actors. The increase of transnational flows of capital, goods, services, and people, which has been favored by economic liberalization and privatization as well as new information technology, has diminished the importance of the state's regulative powers.

Secondly, the conflict and threat picture has changed since the end of the Cold War in a way that confronts the entrepreneurial sector more directly and immediately with security policy challenges. Most violent conflicts today are located outside of the OECD

area. Since a growing number of the more than 60,000 transnational corporations also operates in transition and developing countries, the private sector is increasingly affected by political-military crises. In most cases, these conflicts take place within states, and civilians and private installations are frequently and consciously selected as targets, exposing companies to high risks. Conversely, these companies can also cause or exacerbate conflict through their own behavior in instable states.

Many enterprises are also affected by the so-called new risks that have dominated Western threat perceptions for several years now. Dangers emanating from terrorism, the proliferation of weapons of mass destruction, or organized crime underscore the fact that companies today can no long-

er simply pursue their core business and ignore developments relevant to security policy. At the same time, these threats indicate that both public and private actors have at least partially analogous interests in promoting peace and security.

Private security and military companies

An analysis of the private sector as a security policy actor allows us to distinguish between two kinds of companies: Private security and military firms that are specialized on providing security services that were previously in the domain of the nation-state, and the much larger group of companies that are increasingly affected by security policy challenges and engage in alleviating them.

The notion of privatized security services is not new. Before the age of the nation-state, mercenaries were part of the ordinary recruitment potential of the European royal courts. It is noticeable, however, that private security companies have grown significantly in terms of both numbers and importance in recent years. There are more than 100 internationally active security and military firms today. The global market volume of this sector is estimated at over US$100 billion a year. Such companies offer a broad array of services that increasingly encroach on the core responsibilities of state security policy. Services include guarding property and installations such as embassies and airports, bodyguard services and convoy duties, as well as military

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A Swiss initiative concerning security and military companies

▮ Joint initiative of the Swiss Foreign Ministry and the International Committee of the Red Cross

▮ Initiate inter-state dialog on challenges associated with security and military firms

▮ Goals: Affirmation and specification of obligations under international law; study of models for regulation

▮ The first two workshops took place in Switzerland in 2006

▮ Source: http://www.eda.admin.ch/eda/en/home/topics/intla/humlaw/pse.html

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services in the area of logistics, consulting and training, operating complex weapons systems, intelligence operations, or even actual combat missions. Their customers include states as well as international organizations, companies, and NGOs. It is in the US that private companies have made the broadest inroads into state tasks, especially in the US armed forces, but the same trend has also generally established itself in Europe.

The idea of subcontracting guard and enforcement duties in the area of domestic security is relatively uncontroversial in Western states. Neither has there been a great deal of criticism in cases where weak states such as Sierra Leone have taken recourse to military contractors to fight rebel groups. However, there is heated debate over the rapidly increasing delegation of state duties during security operations of Western states in conflict areas. This discussion has been triggered by the development in Iraq, where more than 20,000 employees of private security and military firms are engaged today, providing more troops than the collective personnel strength of the US's coalition partners. While the 1990-1 Gulf War featured a ratio of one contractor per 50 US soldiers, that proportion had already risen to 1:10 in the case of operation Iraqi Freedom in 2003. Shocking televised images contributed to a growing public awareness of the existence of private security companies. In March 2004, for example, four employees of a US military firm were murdered in the town of Fallujah and their bodies desecrated and dragged through the streets. The fact that private security staff hired for translation and interrogation services were involved in the torture of prisoners at Abu Ghraib prison also resonated strongly among the public.

Tight defense budgets and low public tolerance for military casualties, accompanied by an increasing requirement for military operations, are three main reasons for the massive increase in the importance of private security services in crisis areas. This development, however, raises some serious

questions. Even if the majority of states have so far retained ultimate responsibility for fulfilling their core tasks, their monopoly on force and therefore their legitimacy is in danger of being hollowed out. This is all the more disquieting when the near-total absence of oversight of private security and military firms is taken into account. Only few Western states have regulated the use in crisis regions of such contractors that operate from their territory. Nor are such companies generally subject to supervision by the countries that are parties to the conflict. While there are applicable norms at the level of international law, enforcing them has proven extremely difficult. The legal status of private-sector contractors performing state functions is generally vague.

The enlistment of private security companies by states should certainly not entirely be regarded as a negative phenomenon, as outsourcing can result in the provision of more economical and efficient services. Genuine privatization, however, can only be considered in areas that are subsidiary to the core capabilities of a military force. Legal and administrative regulations for security and military firms are also required. This goal may not be easy to attain, however, since some states are not interested in tightening control over aspects of their foreign policy that they have outsourced.

Involving the private sector in domestic security

Beyond the actual security firms themselves, a broad range of other corporate actors are involved in security policy today. Among these we should first mention the various business sectors that have a key role in managing new risks. The financial sector, for example, is an indispensable participant in measures against terrorism financing. Another area that cannot be secured without the involvement of companies is the protection of critical infrastructure elements such as transport, telecommunication, or water supply.

In this area of domestic security, the problem-solving capabilities of states have

been particularly degraded by privatization and the changing threat picture. Security, therefore, is increasingly produced by way of public-private partnerships. States and non-state actors strive for cooperation in order to find solutions for challenges that affect both sides and that can no longer be handled by one side alone.

Public-private partnerships, which have been established in other policy areas such as health or development for some time now, have also gained a large deal of importance for the field of security policy in the past few years. Although such cooperative partnerships in the field of domestic security may occasionally be marked by mutual distrust (e.g. in the context of sharing sensitive information, or because of differing priorities), the common interest in protection and stability does usually provide a sustainable basis for the elaboration of information, prevention, and crisis management systems.

International security: Corporations and conflict prevention

The field with the biggest number of companies involved in security policy today concerns conflict prevention. The focus here is on efforts to avoid a situation where corporate activities effectively promote conflicts. Companies operating in developing countries may engage in a broad range of potentially destabilizing activities. These may include support for dictatorial regimes, indirect financing of conflict parties via "blood diamonds" and oil deals, and involvement in local corruption schemes. Negative examples exposed by NGOs in publicity campaigns (naming and shaming), combined with the impression that globalization has hitherto been unilaterally geared towards the requirements of business, have brought significant pressure to bear on the private sector.

Accordingly, the idea of Corporate Social Responsibility (CSR) is increasingly establishing itself as a central aspect of corporate governance. The number of companies that support codes of conduct as well as social and ecological minimum standards, as developed in recent years by trade associations, NGOs, and international organizations such as the EU and the OECD, is rapidly increasing. This approach of damage avoidance (do no harm) implies an important security policy commitment by the private sector. Critics point out that this is a voluntary measure and that companies can not be penalized for non-compliance. Then again, it could be argued that the CSR behavior of companies

The UN Global Compact

▐ Network-based initiative, since 1999

▐ More than 3,000 participants overall

  ▐ Six UN agencies
  ▐ More than 2,500 companies from over 90 countries
  ▐ Business councils
  ▐ Employers' federations
  ▐ Employees' associations and trade unions
  ▐ International and local NGOs and foundations
  ▐ Universities and research centers
  ▐ Cities

▐ Instruments

  ▐ Across-the-board dialog on topics including conflict prevention, development, human rights, etc.
  ▐ Partnership projects
  ▐ Institutional learning: Database and progress reports on best practices
  ▐ Creation of regional and national networks

▐ www.unglobalcompact.org

is closely monitored today, especially by NGOs, and that corporate activities promoting conflict may result in consumer backlash and loss of reputation and revenue.

In addition to self-regulatory measures, public-private partnerships are also gaining ground in this area, where the role of state and corporate actors is complemented by the involvement of NGOs. The most prominent example of such a multi-stakeholder process is the UN Global Compact. Its aim is across-the-board promotion of ten principles in the area of human rights, labor norms, environmental protection, and anti-corruption measures. Participating companies can showcase responsible entrepreneurship while supporting the UN in the management of global challenges.

Peacebuilding and the private sector

The private sector's contribution to international conflict prevention has so far focused on damage-avoidance. Efforts are currently under way, however, to win corporate actors for pro-active engagement in the area of peacebuilding. The experience of recent years has shown that lack of economic development can be a decisive factor in the violent escalation of conflicts. According to a World Bank study, the poorest one-sixth of the world's population is confronted with 80 per cent of the existing conflicts. Doubling the average income in a given state, statistically speaking, reduces the risk of war by 50 per cent. Therefore, eco-

nomic peacebuilding must be an essential component of conflict prevention, which suggests a key role for business. Only the private sector can generate the jobs and social-economic prospects that allow the local population to have faith in the possibility of peace.

Since companies are profit-oriented, they do not, as a rule, invest in the midst of conflict zones. Nevertheless, they can make important contributions to economic peacebuilding, especially by supporting the development of the local private sector. Corporate expertise concerning the necessary institutional and regulative conditions for a competitive economic environment may be just as relevant as the empowerment of local entrepreneurs through know-how transfer on the business-to-business level. Such non-commercial engagement not only supports international efforts for sustainable conflict prevention, but also corresponds to the private sector's interest in stable, prospering markets.

When corporate actors play a pro-active role in such a politically sensitive area as peacebuilding, the question of the legitimacy of private-sector involvement arises. Here, as in the context of security services subcontracted to private companies, it should be noted that the main responsibility for maintaining peace and stability must remain with the state. Consequently, it is essential that companies cooperate with democratically elected governments, international organizations, and civil-society actors in their promotion of peacebuilding.

Twofold need for action

Although companies have been incorporated into security policy concepts before, that tendency has dramatically accelerated in recent times. The distinction between the political and economic world is rapidly becoming untenable. While business depends on a secure environment, the state can no longer provide external and domestic security without the cooperation of the private sector. The importance of companies as security policy actors can thus be expected to increase. Governments tend to regard this trend with an open mind – not least because of fiscal constraints – while some non-state actors maintain a more skeptical stance.

If the private sector is to be entrenched as a strategic security policy actor, there is a twofold need for action. First of all, com-

panies should bundle their resources and expertise in joint private-sector platforms. This should be done predominantly in areas where they are not engaged as security policy actors on the basis of their core business, but where the private sector as a whole can make a security contribution, i.e., in the area of peacebuilding. Such platforms, which already exist in the context of development policy, not only help to assuage concerns about self-seeking profiteers with no concern for the common good. They are also indispensable as a way of transcending the characteristic fragmentation of the private sector and strategically integrating companies into peacebuilding efforts.

Secondly, the public sector is also required to engage in promoting the concept and the necessity of governance beyond the nation-state, and to create the conditions for structured integration of business actors in responding to security policy challenges. In recent years, a growing number of Western states have established close partnerships with NGOs to tackle the challenges of globalization. The time has now come to engage in similarly systematic cooperation with the private sector.

Read more on corporate peacebuilding

Andreas Wenger and Daniel Möckli, *Conflict Prevention: The Untapped Potential of the Business Sector* (Boulder: Lynne Rienner, 2003), 233 p.
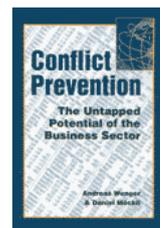
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