

13

The future of the market

Andrew Bearpark and Sabrina Schulz

As previous chapters have shown, the privatization of military and security services in the past decade encompasses a vast range of activities that defy any single explanation. Armed private actors, especially in Western states, now fulfil tasks ranging from military activities that used to be the prerogative of national armed forces to the support of humanitarian aid, disaster relief operations, and state-building.¹ At the same time the developing world, in particular Sub-Saharan Africa, has seen increasing privatization of predominantly domestic security services, such as policing. Although the two phenomena need to be distinguished analytically in that they are caused by different circumstances,² both trends are linked to structural changes in the social, economic, political, and strategic spheres that are truly global in nature. In other words, social forces penetrate national borders more easily, and models of controlling violence are therefore emulated across borders without major difficulties. At the same time, both the demand and the supply of private security services are becoming increasingly globalized. Private companies offer security personnel, risk management, and training services on a trans-national basis. States as well as private actors—in theory—get value-for-money through a choice that is not limited by national boundaries.

Against this background, this chapter argues that only a multi-dimensional approach can achieve a reasonable degree of regulation of the private security industry. In other words, regulation has to be introduced at different levels simultaneously; it will have to consist of both national and international components and involve the industry through a degree of self-regulation. These different levels of regulation have to be complementary and must not arbitrarily diffuse control

¹ In the humanitarian community the term state-building is usually preferred to the term nation-building. In a recent publication James Dobbins defines nation-building as the use of 'military force to underpin a process of democratization.' This definition is endorsed here because it comprises phenomena like occupation, peacekeeping, peace-enforcement, stabilization, and reconstruction. See James Dobbins et al, *America's Role in Nation-Building: From Germany to Iraq* (Washington, DC: RAND, 2005) 1.

² Elke Krahmhann, 'Security Governance and the Private Military Industry in Europe and North America,' *Conflict, Security & Development*, vol 5, 2 (2005) 247–68.

to multiple actors. They are necessary because there is no 'one size fits all' template to regulate the industries of several countries in exactly the same way.

The chapter will focus on the regulatory debate in Britain, one of the main suppliers of private security services worldwide. The British private security market is distinct in many respects. In contrast to many US firms, for instance, most British as well as other European private security providers refrain from services at the frontline of hostilities in conflict-zones. The British government therefore refers to them as private security companies (PSCs) rather than private military companies (PMCs), and this chapter will use the label PSCs for the same reason. The term PSC better expresses the wide range of services companies are offering, but its use also has to do with cultural reservations as to the term PMC. This is not least due to the fact that British companies rely heavily on contracts from the private sector rather than the British (or any other) government. Therefore, in Britain, reputation is a central factor in the acquisition of new business and distinguishes a company in a market that is growing and diversifying.³

Because of the increase of both supply and demand in the private security market regulation has become an issue in Britain. While PSCs are preparing themselves for a 'post-Iraq bubble' world they are exploring a wide range of new market opportunities. Anticipating that the market for private security may have reached a temporary peak and may undergo a process of consolidation in the near future, PSCs expect the number of major players in the industry to decrease, not least through buy-outs and mergers.

The British market is currently characterized by diversification or expansion in roughly four areas. Some companies try to cover all of them; others seek to find a niche market. These areas have emerged from a rather unique combination of factors that would not necessarily be found to the same extent in other countries. Such factors include a growing trend to introduce aspects of privatization in the public sector, a significant supply of expertise (including from retiring members of the armed forces), the reliance of the British industrial base on services and the export thereof, as well as internationalist business traditions. There might be similar market evolutions worldwide, but the dynamics differ significantly in every country.

The first area comprises more traditional security and risk management services for other private businesses. These include mainly strategic and operational risk management for companies operating in conflict, post-conflict, or risk-prone environments. Examples of services provided by PSCs include risk analysis, crisis management, consultancy, training, and security reviews, but also—on the operational side—protective security services such as close protection and asset protection by indigenous and expatriate professionals, convoy security, event security, evacuation planning, and travel security for individuals. Furthermore, PSCs offer

³ For a critical view on reputation as a means of establishing standards of good behaviour in the industry see chapter ten in this volume by Deborah Avant.

business intelligence and investigation such as due diligence, asset tracing and recovery, brand protection, pre-employment screening, counter-surveillance and anti-surveillance, kidnap and ransom, and information security consultancy. More generally, they provide research, intelligence, advice on insurance, and international project security planning. In summary, this sphere of activities concerns the integrity of their clients' systems and the achievement of competitive advantage in new markets.

Secondly, PSCs support post-conflict reconstruction efforts, such as in Iraq and Afghanistan, and offer security services to non-military actors in regions characterized by instability. Humanitarian aid agencies, international organizations, and non-governmental organizations (NGOs) that are operating in these areas are increasingly seeking the advice and the services of PSCs for personal and site security. This is usually done with extreme caution, however, because the humanitarian actors sometimes fear that the use of PSCs may undermine their impartiality. There are also tendencies to privatize several tasks in peacekeeping operations. Although this field implies hardly any incentive for 'secrecy', only minimal data is available on the emergence of this challenging new set of actor-relations in conflict zones so far.

Related to the previous area is a third one: PSCs are trying to open up business opportunities by moving into new fields such as state-building, supporting and providing humanitarian and disaster relief, and development tasks. In particular, they are involved in infrastructure redevelopment, which includes logistics, communications and energy services. These operations purportedly have an impact on capacity-building, governance, the promotion of democracy and the rule of law, as well as the empowerment of civil society. In order to succeed in these areas, PSCs recruit former expert staff from government departments, NGOs, and humanitarian organizations. Once a company has acquired a certain degree of expertise in one of these areas, such as security sector reform in the Balkans, it may want to use its expertise and apply similar principles to health sector reform in other post-conflict environments.

The fourth area of diversification concerns activities that were previously performed by national militaries and which are now being outsourced to private contractors. These tasks include the provision of personal security for senior civilian officials in post-conflict environments, military and non-military site and convoy security, and security sector reform including the training of police and military personnel. The range of training offered by PSCs—not only to foreign regimes but also to their home state's armed forces—comprises fields as diverse as conventional military training, special forces training, counter-terrorism training, surveillance and intelligence gathering training, specialist police training, aviation security, and public security. PSCs also provide technical support, maintenance, and the operation of complex weapons systems as well as mine clearance service.

The sphere where most concerns regarding the activities of private security and military companies are raised falls into the same category. It involves the provision

of full military employment and procurement, as well as military advice. This area of activities is extremely difficult to monitor and proves a likely field of criminal and unlawful behaviour. Moreover, it is virtually inviting accusations of war-profiteering and unethical behaviour in that it supposedly capitalizes on human suffering and uncontrolled violence. This point is stressed in a great deal of the academic literature on private security as well as more journalistic accounts of PSC or PMC activity.

In a similar vein, the privatization of security services that used to be the prerogative of the national armed forces is giving rise to fears that this will increasingly undermine the nation-state's monopoly of violence. Yet privatization is not necessarily the enemy of the state. The privatization of certain services supposedly ensures that 'the job gets done' despite the downsizing of the armed forces. In other words, the state itself has, in most cases, created a demand for private force, and private companies have been all too ready to respond to this demand. Lamenting the state's imminent loss of its monopoly of violence is thus to ignore that outsourcing and privatization are conscious political strategies. In many instances, the state seems to benefit from privatized security services.

This is particularly the case in the United States and to some extent in Britain where privatization is most developed. The reasons for this are manifold. First, the ideological climate in these two countries is clearly more favourable towards the privatization of public services than in many continental European countries and elsewhere in the world. A liberal economic order, in combination with cultural preferences for a slim state, generally facilitates efforts towards liberalization and privatization. Secondly, both the United States and Britain are likely to remain involved in operations requiring the projection of military force, particularly in the context of the 'Global War on Terror'. Since both countries are committed to the transformation of their armed forces, especially in military-technological terms, significant resources are committed to high-tech military hardware.⁴ The United States and, although to a lesser extent, Britain will therefore continue to rely on private actors to support war-fighting proper, but also peacekeeping, state-building, and post-conflict reconstruction efforts. And thirdly, the professional armed forces in both countries offer a pool of highly trained personnel for the private sector. In Britain, members of the armed forces only serve for a limited period of time; sometimes they retire after ten to fifteen years of service when they are in

⁴ At the core of military transformation lies the idea that advances in information technology lead to far-reaching changes in the organization, equipment, and training of military forces, the result of which will be an entirely new way of warfare for the participating nations. Transformation is therefore not the same as modernization which refers to the replacement of obsolete capabilities and equipment (Rob de Wijk, 'The Implications for Force Transformation: The Small Country Perspective,' in Daniel S Hamilton (ed), *Transatlantic Transformations: Equipping NATO for the 21st Century* (Washington DC: Center for Transatlantic Relations, Johns Hopkins University, 2004) 116. Transformation further implies a decisive focus on more high-tech in the armed forces, implying increased reliance on network centric warfare (NCW), C4ISR (ie command, control, communications, computers, intelligence, surveillance, and reconnaissance), and Precision-Guided Munitions (PGMs).

their early thirties. The qualifications they acquire during their military careers are sought after by PSCs, including the growing sector of risk management services.

Since military transformation and accompanying trends towards outsourcing bring about long-lasting changes in the armed forces we will possibly witness more rather than less of these activities in the near future. It seems, therefore, reasonable to assume that the private security industry in both the United States and Britain is not only here to stay, but is likely to grow, diversify, and become a 'mature' industry. The British government has clearly recognized this. The 1998 report on the Sierra Leone arms affair already stated that '[t]hese companies are on the scene and look likely to stay on it'.⁵ The industry's current unregulated nature is therefore unsustainable. Regulation is indispensable for at least three reasons. First, the use of firearms by civilian PSC personnel in war zones and post-conflict environments raises concerns regarding the arbitrary or unlawful use of lethal force. Several incidents, notably in Iraq, have demonstrated this and tarnished the image of the entire industry. Respectable firms therefore have to pay the price for the misconduct of few individuals. Secondly, the relationship between PSCs and the armed forces has to be formalized and requires a firm legal basis. Effective co-operation is frequently obstructed because of inadequate rules and procedures regarding issues such as the sharing of information or intelligence.

Furthermore, in the absence of regulation, the seemingly secretive nature of the industry and its lack of transparency prevent PSCs from becoming recognized and legitimate actors in conflict environments. This makes their co-operation with established actors, such as the military, international organizations, and NGOs, difficult and sometimes unproductive. Yet since the involvement of private companies in peacekeeping and post-conflict reconstruction is likely to grow rather than decrease, inter-agency relations are of immense importance. This means that regulation is also essential because of rising concerns that the outsourcing of tasks that used to be the prerogative of national armed forces has diminished the scrutiny, democratic accountability, and transparency of a wide range of security-related services.

Guidelines for regulation

The present moment is therefore a critical one to establish regulation or more accurately 'control' for the industry, not only on a national, but also—ideally—on an international level. Yet it is unrealistic to consider a large and expensive international regime, comparable perhaps to the International Civil Aviation Organization (ICAO) in 1944, for the private security industry. No grouping of global

⁵ UK Foreign and Commonwealth Office, Report of the Sierra Leone Arms Investigation, 1998, available at <<http://www.fco.gov.uk/Files/kfile/report.pdf>>.

powers will be willing to invest large amounts of money and manpower in the creation and maintenance of a major regulatory body.

The introduction of regulation must therefore primarily be the task of national governments. They are the most credible actors to ensure that regulation is comprehensive, compatible with regulatory frameworks in other countries, and, most importantly, that it is enforceable. At present, very few countries have any regulatory schemes at all, and the existing ones—such as in South Africa and the United States—may need further amendment as the international environment changes and the industry develops. Thus, there is hardly any best practice to follow, not least because the industry, both nationally and internationally, is still in the process of diversifying and consolidating itself. This also implies significant uncertainties as to which issues should be covered by regulation and how it could best be enforced.

As to the first problem, what regulation should entail, it has to be kept in mind that we are dealing with an extremely broad range of activities and contracts. PSCs and PMCs do business with their home governments, foreign governments, international organizations, and NGOs, with other businesses, and with individuals. Depending on the nature of the service provided, individual contracts may be regulated by the applicable national and international business and contract law, by the respective rules for the use of force (RUF) and standard operating procedures (SOPs) in conflict environments, or by arms export licensing schemes. At the same time, however, the 'exceptional' nature of the industry—in the sense that it is both operating abroad and relying on the potential use of armed force—frequently makes it difficult to apply and enforce existing legal frameworks.

The regulatory debate usually focuses on the services that imply the use of armed force, and this is also the way it is understood here. Although individual RUF may give precise guidelines for the actual use of firearms in environments such as Afghanistan and Iraq they do not have the same quality as law. Thus, a wide range of issues needs to be regulated on a broader basis. Standards pertaining to the qualification of PSC and PMC personnel are fundamental. Not only do individual contractors need to receive appropriate weapons training, they also have to be given thorough instruction regarding their rights and duties under international humanitarian law (IHL) as well as human rights law. Moreover, it has to be ensured that they are accountable for their acts as soldiers who are subject to the chain of command and the military jurisdiction of their armed forces. Thus, although they are entitled to the use of lethal force in the context of battle, combatants are bound to respect the Geneva Conventions and their respective rules of engagement (ROE).

It seems to be reasonable to assume that the training as well as the working conditions for PSC and PMC employees and contractors are key factors when trying to rid the private security industry of irresponsible companies. It is therefore equally important to drive up standards covering health and safety provisions for PSC and PMC staff, their training, protection, and insurance policies. Improvements in these

areas will, in the long term, benefit the level of professionalism in the industry as a whole.

A comprehensive regulatory framework will have to address a number of further issues through mechanisms that are covered in more depth in other chapters of this volume.⁶ Their respective value will, however, differ significantly according to the specific situation in any country where they are applied. Generally speaking, these mechanisms concern the conformity of contracts in terms of national and international law as well as their legitimacy in terms of the foreign policy goals of the country where a company is registered. Licensing schemes for individual contracts or services, issued by a governmental agency, may be one way of realizing these goals. The effectiveness of licensing schemes depends, of course, on oversight and enforcement mechanisms requiring resources that governments may not want to commit readily. Regulation without a credible monitoring and enforcement mechanism would, however, forfeit the credibility of any regulatory scheme.⁷

A further pitfall that needs to be avoided in any regulatory scheme concerns the nature of contract acquisitions in the industry. Most tenders and bidding processes on the private market happen under severe time constraints. It will not be in any firm's interest to submit to any regulation that puts it into a disadvantageous position compared to its competitors who are not committed to similar restrictions. Regulation, therefore, has to take legitimate business interests into account if the majority of firms are expected to submit to it.

Thus, the regulatory process must strike a delicate balance. If voluntary regulation puts some firms at a disadvantage the regulatory framework is very likely to be circumvented and therefore to become meaningless. Business interests have to be taken into account so that firms will not be driven underground in an effort to escape regulation and control. The direct participation of the industry in the development of a regulatory framework seems to be a suitable way of ensuring compliance with international and national laws and standards. At the same time, however, there are legitimate concerns, in particular among the humanitarian community, about the introduction of regulation that would be too lax. It will, therefore, be difficult to accommodate these highly diverging interests among the stakeholders in the regulatory debate and to encapsulate them into unambiguous legal terms.

Enforcement

Regulation will not only have to deal with different interests: it will also have to embrace highly diverse activities meaning loopholes are to be expected in any

⁶ See in particular the contributions by Deborah Avant, James Cockayne, Laura Dickinson, and Kevin O'Brien.

⁷ Foreign and Commonwealth Office (2002), 'Private Military Companies: Options for Regulation,' 12 February 2002, London: The Stationery Office, 73 f. See also Christopher Kinsey, 'Regulation and

regulatory scheme. Further difficulties are to be expected from the international nature of most of the services provided by the industry. This allows individual companies to relocate their business at any time to avoid constraints on their operations and to select the least arduous national regulatory regime. What is more, firms are able to avoid the legal system of their owners' countries of origin by setting up their bases offshore. The companies may also operate their offshore subsidiaries under different names in different parts of the world. The global market that brought about the emergence of the private security industry in the first place may therefore also be the biggest obstacle to effective regulation.⁸

Further problems regarding the enforcement of regulation stem from the difficulties involved in the investigation of human rights violations or crimes according to IHL. It may simply not be realistic to assume that British or US officials would travel to Iraq or Afghanistan in order to investigate an incident, question witnesses, and conduct any forensic examinations.

The challenges pertaining to the enforcement of regulation suggest the need for more comprehensive regulatory schemes which go beyond national legislation. At the moment there are no adequate legal frameworks that fully address the activities of PSCs or PMCs on either a national or an international level. The only way of securing control of the private security industry in the long term consists of a matrix of international codes of conduct, national regulation, and industry self-regulation. Regulation is likely to become a very long and arduous process that needs to be co-ordinated across national borders in order to be effective. This will take a lot of political will and commitment on the part of national governments.

Self-regulation

The British government responded to the potential challenges posed by PSCs/PMCs as early as 2002 with the publication of its Green Paper entitled *Private Military Companies: Options for Regulation*.⁹ The Paper outlined several options for the regulation of the industry comprising: (a) a ban on military activity abroad; (b) a ban on recruitment for military activity abroad; (c) a licensing regime for military services; (d) registration and notification; (e) general licences; and (f) self-regulation.¹⁰ But the initiative lost its momentum relatively quickly. This is a

Control of Private Military Companies: The Legislative Dimension,' *Contemporary Security Policy*, vol 26, 1 (2005), 84–102.

⁸ Kim Richard Nossal, 'Global Governance and National Interests: Regulating Transnational Security Corporations in the Post-Cold War Era,' *Melbourne Journal of International Law*, vol 2 (2001) 459–76.

⁹ Foreign and Commonwealth Office, *Options for Regulation* (n 7 above).

¹⁰ Self-regulation has become a central feature of Britain's economic and industrial policies. The majority of Western state bureaucracies have realized that the regulatory overload, in particular of the 1960s, and 1970s, has not only become problematic, but has also had counterproductive effects. Further developments such as a shrinking tax base and an ideological move away from interventionist policies suggest a broad consensus in favour of self-regulation.

matter of concern insofar as, from 2003 onwards, the British government itself started to draw upon private companies to sustain its post-conflict reconstruction efforts in Iraq.

Yet, for the industry, regulation is a vital issue for several reasons. Most importantly, it can enhance its respectability and legitimacy by putting its operations on a firm legal basis. In order to create new markets and in order to increase their individual market shares the companies depend heavily on their public image. This is particularly true for British PSCs who, unlike their US counterparts, cannot rely on public contracts to remain in business. The relevant and respectable players in Britain's private security industry—comprising no more than 25 companies—are therefore keen to introduce regulation which may, in the long term, outlaw most of the disreputable competitors that mar the image of the entire industry.¹¹

Against this background, self-regulation has become a viable and feasible option for the British industry, at least for the time being. It can be argued that the industry understands itself better than the government and can therefore apply sanctions that are better targeted. At the same time, the government does not have to expose itself to any reputation risks. If, however, the government was responsible for regulation and a company that it is supposed to be monitoring gets involved in illegal contracts, the government itself could be seen as condoning these actions. A further challenge for the government would be to commit the resources—both in terms of manpower and money—for regulation, monitoring, and sanctioning.

First steps towards self-regulation in the British industry have been taken through the creation of a trade association, the British Association of Private Security Companies (BAPSC), in February 2006. BAPSC, of which the authors of this chapter are Director General and Director of Policy, represents companies that are based in Britain and provide armed security services overseas. Its goal is to influence the political process of establishing a firm legal basis for the activities of British PSCs abroad. (The International Peace Operations Association (IPOA), a trade association in the United States where the private security industry is regulated through government legislation, has been in existence since 2001.) The BAPSC Charter commits the members of the association to transparency, implying that they have to disclose their corporate structures and their relations with their offshore bases, partners, and sub-contractors. Before being admitted as members companies have to undergo a thorough vetting process, performed by external reviewers, to ensure their transparency and integrity. The members of BAPSC commit themselves to follow all relevant rules of international, humanitarian and human rights law, as well as a number of standards of good behaviour that are formulated in a code of practice.

¹¹ This central argument about the significance of reputation as a factor in the acquisition of contracts cannot easily be applied to any other national private security market. Where companies operate more on the mercenary end of private security and offer offensive services, such as hitherto in South Africa and the countries of the former Soviet bloc, effectiveness and efficiency may be more important factors than companies' adherence to standards.

Furthermore, they pledge to avoid any armed exchange in their operations, except in self-defence; to take all reasonable precautions to protect staff in high-risk operations; as well as decline to accept contracts that might conflict with international human rights legislation or potentially involve criminal activity.

Although it should be natural for companies to behave in a legal and lawful way individual contractors are not always familiar with their legal status and obligations, in particular under IHL. Moreover, former members of the armed forces will know their rights and responsibilities as combatants, but may be unaware of their changed legal position as civilians. BAPSC members, therefore, commit themselves to the provision of appropriate and sufficient training, including in legal matters. In addition, BAPSC is aiming to introduce standards for legal training for its members' employees.

This is not to deny that the implementation of standards and the imposition of sanctions are challenging tasks for a trade association. If a member is accused of misconduct during an operation in countries such as Afghanistan or Iraq any investigation of the incident will be difficult to perform. Yet a trade association can exercise pressure on its members, impose financial sanctions, and suspend or withdraw membership rights. Moreover, it can lobby for the introduction of an effective complaint system by the government. This could for instance, take the form of an independent ombudsman within a government department. The ombudsman, as an independent actor, would collect complaints against companies, investigate, and process them.

The institution of an ombudsman is an example of what the BAPSC terms 'aggressive self-regulation'. At its core lies a commitment to drive up standards in the industry. This not only implies compulsory training courses for the members of BAPSC, but also random inspections on the site of members' operations. If a company fails in an inspection, or even in a scheduled audit, the association will apply sanctions and impose fines on the company in question. The fines could then be used for additional training courses for staff to ensure future compliance with standards.

Because of these mechanisms companies who have signed up to self-regulation will ideally, in the long-term, be perceived as offering reliable, professional, and high-quality services. In contrast to prevailing prejudices, self-regulation is considered here as a normative institution that may 'bring the behaviour of industry members within a normative ordering responsive to broader social values'.¹² It involves the companies themselves in the regulatory process. Through an industry-level organization the firms voluntarily surrender a degree of flexibility and potential business advantage by submitting to a range of rules and standards relating to their business dealings. Crucially, they will be considered as legitimate actors in the provision of security services on an international scale, and a firm's reputation

¹² Neil Gunningham and Joseph Rees, 'Industry Self-Regulation: An Institutional Perspective,' *Law & Policy*, vol 19, no 4 (1997) 370.

may increasingly become a decisive factor in the acquisition of contracts. Thus, the ultimate incentive for self-regulation lies in the increase of competitiveness in the race for lucrative contracts with major clients, such as Western governments.

A further mechanism that may help to convince most players in the industry to comply with a self-regulatory framework is the potential impact on insurance premiums. Once certain standards have become accepted, insurers may set their premiums significantly higher for companies that are not prepared to commit themselves to an acknowledged code of conduct or who have a record of bypassing it, not least because these companies may expose their own personnel to higher risks.

Establishing self-regulation as a preliminary mechanism until it is complemented by national or international regulatory schemes is in the interest of the industry, the government, and other stakeholders. In other words, voluntary self-regulation can function as a stepping stone to comprehensive regulation through legislation which all companies in the industry of the respective state will have to submit to. The companies that have actively shaped the standard-setting process in a self-regulatory scheme will therefore have a real market advantage in that they comply with standards earlier than their competitors.

In the meantime—that is, in the absence of any enforceable laws and regulations—self-regulation has the potential to be an efficient and effective means of social control. But this is not to say that the market is the answer to all problems. First of all, as Deborah Avant rightly argues in chapter ten of this volume, market forces are not least determined by the purchasing power—and hence the interests—of the major consumers. Norms of proper behaviour may well interfere with consumers' demands for effectiveness and efficiency in the delivery of a service. Critics further argue—to some extent legitimately—that self-regulation will ultimately favour the industry rather than the public interest. The public image of self-regulation is very much one of self-serving, profit-maximizing actors trying 'to give the appearance of regulation (thereby warding off more direct and effective government intervention) while serving private interest at the expense of the public'.¹³ In other words, self-regulation is frequently perceived as 'an attempt to deceive the public into believing in the responsibility of an irresponsible industry. Sometimes it is a strategy to give the government an excuse for not doing its job.'¹⁴

These concerns cannot be ignored. In order for self-regulation to succeed, it is desirable that it be matched by complementary national action that allows the effective sanctioning of companies which are circumventing voluntary codes of conduct. In the case of Britain, this could take the form of an intervention by the abovementioned ombudsman or the refusal of the government to consider a company that is in breach of an existing code of conduct for a public tender. In

¹³ Ibid, 364.

¹⁴ John Braithwaite, 'Responsive Regulation in Australia,' in P Grabosky and J Braithwaite (eds), *Regulation and Australia's Future* (Canberra: Australian Institute of Criminology, 1993).

connection with such a built-in safeguard in the British regulatory framework, control of the industry will be enhanced significantly. Yet, ultimately, the only way of securing control of the private security industry consists of a matrix of international codes of conduct, national regulation, and industry self-regulation that complement each other in a meaningful way.

In other words, the broader trends in the transformation of the contemporary security landscape towards multi-national and multi-agency approaches need to be reflected by a multi-dimensional regulatory framework for the activities of PSCs and PMCs. In order to reach a stage where international, national, and private agencies can co-operate seamlessly in the enforcement of such a framework the political will to co-operate is fundamental. National governments remain key actors in this process, for the nation-state continues to be the sole actor capable of sanctioning violations of any regulatory framework by judicial means. Self-regulation may be a cornerstone of any regulatory framework, but it is no silver bullet.

At the end of the day, it is also up to consumers to favour companies that have established themselves as good corporate citizens. Codes of conduct can have a significant impact on the development of the industry if major consumers such as governments use their purchasing power to reward or sanction companies according to their compliance with standards of good behaviour. Thus, at least on a national level, self-regulation may be a first step towards the establishment of norms and standards in the industry. Yet the globalized market offers real chances for the emulation of standards by actors in other countries if good behaviour translates into business advantages.