

Report on Swiss-Based Military and Security Service Providers Operating in Crisis and Conflict Regions

Phase I: The Swiss Market

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INTRODUCTION

The study was undertaken by DCAF¹ in accordance with the mandate given by the Swiss Federal Office of Justice² which followed the report of the Federal Council on private security and military companies.³ The scope of this first phase of the study was to collect information on private military and security companies operating in zones of crisis or conflict and having a link with Switzerland, and to determine how evolutions in the market might affect Switzerland.

In this respect, a company ‘having a link with Switzerland’ was defined as a company either based in Switzerland, working for Swiss-based clients, recruiting or training personnel in Switzerland, or operating as an intermediary for such a contract. A ‘zone of crisis or conflict’ was taken to mean a zone where the authority of the state is weak or where conditions of war or civil war reign. Soon after work commenced on the project it became clear that there are few security companies with links to Switzerland working in zones of crisis or conflict as defined and that the use of the phrase ‘zones of crisis or conflict’ has negative connotations that may have inclined some firms to deny that the research applied to them. It was felt that limiting the study to the definition provided would restrict the number of respondents to such an extent that reliable conclusions could not be drawn. Accordingly, the definition of information to be collected was broadened to encompass companies operating beyond Western Europe and North America.

The contract for the study was signed on 28 December 2006 and work started at DCAF in January 2007. An interim progress report was submitted on 2 May and this report was submitted on 6 June 2007, with subsequent revisions in response to feedback and reviews received from the Interdepartmental Working Group

The research team decided to interview as many of the following actors as possible:

Those Swiss private security companies that have conducted operations overseas or that have attempted to offer their services for overseas work. These firms were interviewed with a view to learning how they operate, the extent of the current market and how they expect it to evolve. Also interviewed were firms offering security training for individuals looking to operate as private contractors overseas and in high-risk zones.

Large Swiss-based companies that operate overseas and might be expected to use private security companies. It was felt that these companies could represent a powerful force driving the market and that a close understanding of how they make decisions about security provision would provide a good understanding of current and possible future markets.

¹ The DCAF team was headed by Marina Caparini, Senior Fellow, Research Division, supported with research assistance by George Franklin and Suying Lai. Additional assistance was provided by Stefan Imobergsteig and Annelise Lecompte.

² The governing documents being the contract signed between FOJ and DCAF, signed 28 December 2006 and the *Plan directeur* of 14 December 2006.

³ Rapport du 2 décembre 2005, FF 2006, 631 ss.

Non-governmental organisations (NGOs) operating in conflict zones and other high risk areas. While a very diverse group in terms of activities, resources and approaches to private security, the increasing incidence of attacks on NGOs in their fields of operations has fuelled belief that they constitute a growing pool of clients for private security firms.

Intergovernmental organisations (IOs) with bases in Switzerland and operating in conflict zones. Although IOs typically maintain their own security divisions headed by professional security managers, it was felt that they might constitute a potential growth area in the Swiss market due to the increasing tendency to outsource certain functions. We sought to understand their policies with respect to security provision, more specifically whether and how they outsource security in field missions.

Non-Swiss-based multinational private security companies. These organisations, the bulk of which are based in the US or the UK, represent a large part of the market in international security provision and it was thought that they would be able to give insights into the desirability of Switzerland as an operating base. One such company was interviewed because it is already well established in the Swiss market and was cited by several interview subjects as having been used by them in the past.

Swiss-based insurance companies. The *plan directeur* specified the role of the insurance industry in the security market as an area of study and two insurers were interviewed. Additional views were solicited from potential clients of insurers and from private security providers.

Fiduciary agents. One fiduciary agent was interviewed in order to determine the ways in which an international security provider might establish a presence in Switzerland.

Cantonal police services. A questionnaire was sent to all cantonal police services to determine the current regulations with respect to private security companies as well as to determine the extent to which cantonal police forces believe that they have a remit to interest themselves in the overseas activities of private security companies that are based in their cantons.

Comprehensive lists were drawn up of potential interview subjects from all of the above categories, and the research team sought to acquire as high a response rate as possible. It should be noted that a number of the commercial clients, without actually refusing to be interviewed, so consistently refused to answer calls or return messages that they can be considered to have declined an interview. In the interest of maintaining the confidentiality of those who participated in the interviews, this report does not identify any subject by name or affiliation.

The first section of this report will discuss characteristics of the private security companies which were interviewed, explaining the extent of their overseas operations and how these operations may evolve in the future. The second will discuss the policies of Swiss-based

corporations, NGOs and IOs with respect to security provision. In the third section the views of the various cantonal police forces will be laid out, and in the following section the results of the only interview with a non-Swiss-based security company will be discussed. In the conclusion we will sum up the current state of the Swiss market for commercial security provision abroad, particularly in conflict zones, and how we expect it to evolve.

All interviews were conducted with the assurance of respecting the confidentiality of respondents and the organisations on whose behalf they spoke. Sometimes detailed information was provided in the course of interviews, including commercially sensitive information or information concerning security arrangements or procedures. Accordingly, much care has been taken in this report to not include information that might inadvertently reveal the identity of respondents or their organisations, or otherwise compromise their confidentiality.

SWISS-BASED PRIVATE SECURITY COMPANIES LIKELY TO OPERATE IN ZONES OF CRISIS OR CONFLICT

The first part of this section will discuss the specific experiences of those companies that have worked, or seek to work, beyond Western Europe and North America. The second part will form a thematic analysis on the views of the companies interviewed concerning such subjects as regulation and insurance. Twenty-three private security firms based in Switzerland or having a link with Switzerland were contacted for interviews, of which twelve agreed to be interviewed by telephone or in-person.

Specific Case Studies

Company A

Company A employs several hundred people and offers protection of fixed installations, patrolling services and event security as well as some armed close protection work. They do not currently operate beyond Switzerland.

Company B

Company B is a small firm that provides personal protection services mainly to high net worth individuals, corporations and other prominent actors. Company B uses a wide network of partners and associates hired on a freelance basis to fulfil its contracts, more than half of which are reported to be overseas, including work in zones of crisis or conflict. The respondent from Company B made it clear that ability to perform was the principal criterion when deciding whether to engage a particular individual and that past misconduct is not a factor that he takes into account unless it indicates some level of instability in the individual. Company B is interesting in that it represents a model of a Swiss company operating overseas, beyond Swiss regulation, that is not fussy either about whom it employs or for whom it works, that could potentially do harm to Switzerland's reputation.

Company C

This company is Swiss-based with a branch in a neighbouring country, and counts some 30 employees, the majority of whom work in Switzerland. Employees will go abroad for missions as required by the client. The nature of its work appears to be largely close protection, mostly for high net worth individuals and occasional corporate clients. Company C does not have any NGO clients. When operating overseas (which appears to be required infrequently, for example in Africa and South America), Company C may engage local firms or individuals, but only to provide local knowledge and contacts; the actual protection role is always carried out by Company C employees. The firm also offers some training courses in close protection. In contrast to Company H below, the representative of Company C commented that there was no police or government oversight of students who enrolled in its courses. Essentially, if the foreigner can obtain a Swiss visa he can apply to be trained, and the decision whether or not to provide training is left to the company.

Company D

Company D employs around 50 people to offer installation, protection, patrol and personal protection services in Switzerland. Company D has put some effort into developing an overseas business but have been forced to abandon these efforts.

In 2005 Company D engaged a former military officer from a Western state who had extensive experience in the security and close protection field and who had a number of overseas contacts who would, it was hoped, enable Company D to expand into overseas markets. There were no geographical limitations, though they were looking in the first instance at the Middle East, Africa and South America. They did not intend to undertake any work in countries that were considered to be at high risk, such as Iraq or, possibly, Afghanistan. They targeted NGOs, diplomatic missions and major corporations as potential clients and proposed services including close protection, convoy protection and installation security. Mindful of the fact that many NGOs, in particular, wish to promote capacity in the host country, Company D's business model was based around inserting security managers in the country to train local operatives and, eventually, to hand over a running local security infrastructure to the client. The project was not a success and by mid-2006 was abandoned.

The company derived several insights from the experience. First, the majority of NGOs and large corporations see security as a local function and prefer to leave their in-country representatives to hire local companies. In some circumstances local representatives might be authorised to contract with international providers. Generally, commercial approaches to headquarters in Switzerland will not succeed.

The interviewee was sceptical about the real brand value provided by Swiss nationality. He was unable to provide concrete evidence, but his feeling was that the fact of being Swiss was not as helpful as he had hoped.

Company D had also attempted to establish a training academy aimed mainly at private security personnel in a state in the Middle East. This appeared to be a viable proposition but collapsed because of commercial differences with their in-country partner. The company is not at this stage big enough to consider buying out an overseas security company, but the interviewee thought that this might in due course be an avenue that would be worth pursuing. The model that they would pursue would be a partnership with local security companies, whose capacities they would hope to enhance through provision of Swiss/European expertise in management and security operations.

Company E

Company E is registered in the EU but has an office in Switzerland, working principally to provide financial services and business development advice to an extractive resource industry. During the course of a project in the Middle East the manager of Company E became acquainted with a U.S.-based, foreign-owned security company that is well embedded in the Iraqi market, and Company E now acts as its agent in Switzerland. The relationship between Company E and the partner security firm is based on mutual interests in cooperation. The Swiss-based manager of Company E provides financial and other advice to the partner firm on ventures in the resource sector, an important component of which is security. Company E maintains a 'presence' in Iraq by operating from within the partner firm's compound there. The partner firm seeks to diversify its business and seek opportunities in the NGO/IO community through its link with Company E in Switzerland.

Company F

Company F is a young Swiss based company. They offer guarding, close protection and patrol services and regard dog work as being one of their areas of expertise.

They have an ongoing contract in an Eastern European country for training of government agencies in security work, particularly in dog handling. They report that the cantonal police have been kept informed of the progress of this contract, but have not provided any particular support.

Company F is currently negotiating a contract to train security trainers in the government service of a central African state. The areas covered will be basic guarding and defensive security, including dog work. The contract is in the early stages of negotiation, so the Swiss authorities have not yet been informed, but the interviewees were very clear that they would not undertake such a contract without first informing the federal authorities.

This company is of interest to the study in that they have clear overseas ambitions but only in training, rather than security operations, and they have a clear policy of keeping the Swiss authorities informed of their activities.

Company G

The core business of Company G is consulting and provision of security services, but they have also recently opened a training academy, which will include a mobile team to provide in-service training for clients who may be located abroad. The company currently has more than a hundred people under contract, and maintains an additional pool of freelancers for specific types of activities. They claim to offer a multilingual capacity (8 languages) and a diverse employee pool. However the company claims not to keep figures on how many Swiss citizens they employ, but admit that some 40 percent of their staff is 'German-speaking' while 60 percent are different nationalities. Having foreign nationals on staff was also cited as a means of expanding their business abroad. For example, they described how a Kosovar employee based in Switzerland has been used to develop their business opportunities in Kosovo and the Balkans.

Company G has regional 'offices' in South America, Eastern Europe and the Far East. They often use local personnel, who are recruited locally by people on the ground, and sometimes work in cooperation with local security companies on contracts. Some of the local companies are incorporated under the company logo, others are not. They admit that vetting personnel in some countries is problematic, as there are serious problems of corruption and official documents concerning a person's background may not be reliable. In foreign countries where they must use armed personnel, they use nationals with the relevant permits to be armed. However, for very 'sensitive' work, they will only use their own Swiss-based employees (for example, for a contract in northern Africa they only used individuals with that ethnic northern African background from Switzerland).

Although they have worked in conflict zones the company stated that it is not interested in high risk operations where they may lose personnel and they will not work in areas where there is no governing authority. They do not have current operations in Iraq or Afghanistan, nor do they plan to operate in Iraq because of the lawless environment and possible risk to their image and reputation.

Company H

This recently established company does not offer any operational work but only provides security instruction and training courses. (NB. Another Swiss PSC representative declined to be interviewed for this project on the grounds that we had already interviewed its 'partner', Company H.) The company is an offshoot of a company located in the Middle East, which has claimed to have trained more than 14,000 individuals, many of whom are presently working in Iraq. The firm was established in Switzerland in part because of the liberal arms law, as well as the modern shooting ranges in sport clubs, which are used for training its students. However, according to the interviewee the company has been less successful than expected because the local market is very small and those who are looking for such training tend to prefer to go to its Middle East company location rather than remain in Switzerland. Some of the company's training activities in Switzerland in 2007 were cancelled as a result of lack of demand.

Company H stated that it asks Swiss local police to check those who are enrolled on their courses, in particular third country nationals. When asked whether training in international humanitarian law formed part of the training programme, the company emphatically replied that IHL is not the purpose of the training; rather, the aim of training is to learn how to protect the client.

An interesting feature is that the parent company runs a 'networking organisation' that enables all graduates of the company's training courses worldwide to call on each other for advice, information about work opportunities, local requirements and provide professional assistance if required. The example given was of a graduate of the Swiss company's training course who had clients in Nigeria, but did not have a Nigerian license to carry arms. Through the network, the Swiss graduate would be able to call on a Nigerian colleague who had been trained by the same company (or parent company) and request his assistance.

Company I

This company was established several years ago. Despite media reports to the contrary, the respondent from Company I claimed during the interview in March 2007 that the company was not operational as they had no contracts and no employees aside from himself and the founder of the company. At that time the founder was said to be in Iraq seeking business contracts.

Company J

This large Swiss-based company, and operates extensively throughout Switzerland, as well as its neighbouring states. It also sells security systems (e.g. alarm and fire systems) throughout the world, but it does not provide security services in conflict zones, nor does it provide recommendations of companies for clients looking for such services. Nevertheless, the company admitted that it does provide body guards to high net worth individuals, some who have, on occasion, accompanied their clients abroad to places such as South Africa. The company emphasised that its employees are never sent to war zones.

Company K

The large parent company of this firm provides a wide range of services including risk assessments, crisis management, security consultancy, security training, and (unarmed) management of site security and logistics security in high risk environments. The Swiss office, however, does not provide security services to any Swiss clients, and has no security-related employees in Switzerland. The Swiss office reportedly acts only as a 'client agent'. Nevertheless, the global nature of the parent company's operations, the fact that the majority of their clients subscribe to both medical and security services, and the familiarity of several Swiss-based NGOs and IOs with the parent company suggests potential relevance for the Swiss market.

Company L

Company L, a Swiss domestic security company, is in the early stages of a possible buyout of a substantial non-European security company. The foreign company is commercially viable and currently operational. It is not experiencing financial difficulties, but is looking to be bought by a Swiss concern because they perceive that dealings with the authorities where it is based, specifically the regulatory authorities, would be eased if they were owned by a Swiss holding company, rather than being independent. Interestingly, the choice of Switzerland is deliberate; the interviewee reported that the authorities in the foreign firm's state take a dim view of domestic security concerns that are held by holding companies from certain European states. The foreign company in question only operates in its home state. This is interesting both because it is another possible avenue for a Swiss commercial concern to operate in zones of crisis or conflict and because it is concrete evidence of someone making a commercial decision based on the brand value offered by Swiss status. It is also an example of a PSC that is seeking to deflect regulatory scrutiny from authorities in one of the few countries that seeks to control such activities. .

General Views of the Market

Background Checking of Personnel

All companies providing security services reported that it is standard procedure to require an applicant to provide some evidence of the state of their criminal record. This checking can not be undertaken by the firm without the authorisation of the applicant, and the general rule seems to be for applicants to obtain the record themselves and to present it to the firm on application.

Most firms reported that they carry out further background checking through informal networks and using private detectives, possibly in-house. Most firms expressed satisfaction at the means available for carrying out background checks in Switzerland. One firm which has operations throughout Switzerland requires criminal record checks of all prospective employees even though this is not required in all cantons. The firm's representative expressed a wish to see greater harmonisation across the country both in terms of criminal record checks and checks of the financial background/soundness of potential employees. Several firms acknowledged it was difficult to check on the backgrounds of prospective employees in Switzerland who had immigrated from elsewhere, for example, the Balkans.

Of the companies that have attempted to work overseas, one firm said that they would tend to use Swiss employees for such operations, so would use the same background checking methods as they use for their Swiss operations. Another firm felt that they had sufficient contacts overseas to be able to check up on local job applicants. Another firm uses local contacts and firms only for intelligence in overseas assignments, not for operational work, which is only conducted by their Swiss- or Europe-based staff. Yet another firm leaves recruitment and vetting of local employees to a local recruiter.

Overseas Operations Involving Bodyguards

From the interviews it emerged that there is a practice of bodyguards hired in Switzerland travelling overseas with clients, doing so armed but without the proper authorisations from the destination country. It was reported that this presents little difficulty for a client providing their own means of transportation, for example a private jet which can land at an unregulated airfield, or who is otherwise able to circumvent customs in the country of destination. It was not clear how such armed personnel manage to leave Switzerland or return with their weapons. One company stated that whether and how they armed their employees engaged on overseas missions depended on the situation. Although none of the interviewees admitted to being involved in such operations, a number indicated that they knew of other operators who were. The general feeling was that this practice would be difficult and dangerous in Europe or North America, but not in Africa, Asia or South America.

Typically, foreign states may regulate the operations of foreign armed body guards through three specific sets of legislation, the first being their arms import regulations, the second the regulations covering the ownership and carrying of a firearm, and the third being the regulations covering the operation of security companies generally. An individual who enters a country with a weapon and then carries it in his capacity as a bodyguard may thus find himself in breach of three sets of regulations.

This activity may be of particular concern because it holds out the prospect of Swiss nationals, working for Swiss firms, carrying arms illegally in countries where they may have occasion to use them.

Although it is unlikely that this practice is restricted to Swiss operatives, it is possible that the harm to Switzerland's reputation that might result from a related incident may suggest a need for specific regulation, for instance making it a criminal act for a Swiss national or resident to carry weapons in a foreign country without obtaining the proper authorisation.

Regulation

Clearly it is very difficult to give specific replies to questions about a regulatory system when details of a prospective system are lacking, and thus there were few strong views voiced by operators about regulation. The following general conclusions can, however, be drawn:

The more reputable companies seem to favour some sort of regulatory system.

Some view a regulatory system as involving extra costs that would not be welcome.

With some exceptions the majority of security companies, and particularly the smaller ones, felt that the fact of being regulated would not alter the way their clients perceive them.

There was near unanimity in agreeing that any regulation should be federal rather than cantonal, as there is a perceived need to standardise regulation across the cantons.

There was a view among certain of the smaller companies that regulation would be (according to one point of view) too difficult to enforce or too easy to circumvent. Several interviewees stated that excessive regulation in Switzerland would simply force them to set up business elsewhere.

There was a general consensus that regulation should move towards bringing the industry out of the shadows and giving it greater respectability.

Some companies voiced support for a system whereby PSCs could notify the Swiss government of their intention to operate overseas (two firms claim they already do this). A notification system would not only provide the government with a clearer picture of what operations are being undertaken overseas and by whom, but could perhaps enable those firms to call on the Swiss government for support or assistance if needed.

Membership of Trade Associations

There were very mixed feelings about the trade association, the Association of Swiss Security Service Companies (Verband Schweizerischer Sicherheitsdienstleistungs-Unternehmen or VSSU), with certain respondents seeing it as benefiting mainly the larger, well-established private security firms.

The majority of interviewees felt that membership of a trade association was not an issue of great concern for their clients, and would make no impact on a client's choice of security provider. The exception that was noted was Swiss governmental departments or agencies which contracted with PSCs, and for whom membership in such an association was perceived as essential.

Insurance

Interviewees (actual and potential users of private security company services) were asked to what extent they believed that the insurance industry took into account factors relevant to the security market. Specifically they were asked whether it appeared to them that clients' insurance premiums might depend on the quality of security provider, and whether the insurance companies had sufficient knowledge to differentiate between providers and possibly influence choice of security provider by clients. The unanimous answer was that insurance providers are not generally able to differentiate between providers, that premiums might depend on the level of technical and physical measures that were in place, and that the fact of having or not having 'men on the door' or a patrol service might influence premiums, but that the insurance industry in their experience was definitely not able to make finer distinctions than that.

Nationality of Employees

The majority of private security companies who work with their own employees said that they only employed Swiss nationals or those possessing a C permit. Those who work through subcontractors, associations or partnerships, however, tended to be less discriminating as to the nationality of their personnel.

Influx From Other European States

There was divided opinion among the interviewees as to the influence of the perceived influx of European private security companies into Switzerland. At one end of the range of opinion was a Geneva-based company specialising in close protection who felt that because of the influx of foreign firms, especially German ones that could underbid Swiss firms, the Swiss market was becoming over-saturated and that Swiss private security personnel were being forced to seek work further afield than Switzerland and even overseas in such theatres as Iraq, Africa and South America. At the other end of the spectrum was a Zurich-based general security company who stated that the influx was relatively modest and was raising standards because of the number of newly available skilled personnel. Another representative of a large general security company agreed that the competition arising from the influx of foreign firms was manageable and did not pose a serious challenge to domestic-based firms because of the standardisation of salaries, holidays and other conditions that firms are required to provide for their employees. Interviewees did not feel that there has been an appreciable influx from other Central or Eastern European countries, although one firm appeared to view employing individuals originating from such countries as a marketing advantage and a means of expanding their business in those regions.

SWISS CORPORATIONS

Security Structure

In order to determine whether these organisations are likely to hire Swiss-based PSCs it was felt necessary to develop an understanding of their corporate security structures and specifically for the levels at which decisions about security provision were made.

Broadly, these businesses can be divided into two categories based on the degree to which they have an identifiable corporate security structure and policy. Those companies that do not have such a structure will generally regard security as being a subsidiary function of the legal department, the risk management/health and safety department, or as falling within the purview of the company secretary. Those companies that do have such a structure usually have a security professional embedded at the corporate headquarters with a title such as group security manager and with access to the board. Typically, they will also have security managers who will cover domains defined either by business activity or geography and who report to the group security manager. At the country level these organisations will have a nominated individual, not necessarily a security professional, who has the security function and who reports to the country manager but has an advisory link to the relevant regional or divisional security manager.

Those companies that have a less developed structure will typically have nominated individuals in each country of operation who have responsibility for security and report to the country manager, who then reports to the divisional or regional manager for all aspects of the business. These organisations lack the regional and group security functions typically found in the more developed organisations.

A critical point is that the country security functions under both systems almost invariably come under the functional authority of the country manager, so that the roles of the regional and group security managers, where they exist, are in fact largely advisory, acting to support the country teams but not taking decisions on their behalf. The consequence of this that is significant to this report is that security decisions for overseas operations are almost invariably taken in the country of operation, and not in the country where the headquarters is located.

Risk Assessment Procedures

The procedures for carrying out risk assessments for new ventures or risk audits of ongoing ventures may involve headquarters or regional teams visiting the country of operation or may involve the in-country teams carrying out assessments using a corporate guideline. In any event, the recommendations contained in these assessments are almost invariably submitted to the country managers, in their capacity as business managers, who will take the decisions about implementation of recommendations. The vision of senior management is likely to be limited to an assessment of the extent to which the country manager has decided to adopt the

recommendations contained in the assessment, and the reasons for any deviation from it. Again, this implies that decisions about security provision are taken at the local level, with advice possibly being provided by security professionals within the corporate structure.

Selection of Security Providers

There is an almost unvarying preference for local security providers over international ones. Reasons cited for this are listed below:

Local knowledge. It was repeatedly stated by interviewees that security is a local affair, much more than such related issues as health and safety, environmental standards or quality management, and for that reason the local knowledge provided by local contractors provides them with an overwhelming advantage. It was suggested to interviewees that some of the larger international firms have such wide presence that they are able to claim detailed knowledge of local conditions in a number of operating theatres. The general retort to this was that interviewees had little faith in such claims and that where such companies did have local knowledge it was gained through engaging local subcontractors to carry out security functions. In that instance it was felt that the client company may as well go straight to the locals without paying a middleman.

Leverage. A number of interviewees stated that they felt that they could obtain greater leverage over small, enthusiastic local companies that were eager to find work than over large international providers.

Quality of Service. It was often suggested that the differentiation between large international providers and small local ones was evident not in terms of the people working on the ground, who might well be the same individuals whoever the contracting company was, but in their management structures. While it was conceded that larger companies with European management styles might in some ways be more reliable and easier to deal with, it was felt that the larger companies often have too few management and other staff responsible for dealing with clients who are too thinly spread over too great a variety of areas, with the result that the clients do not receive what they consider proper levels of service.

Two of the corporations interviewed said that they would in principle prefer to engage large international security providers over local ones. Both stated that the main advantage lay in the administrative and price benefits to be had from adopting regional solutions with a single provider rather than large numbers of contracts with different providers for each country or even different sites. In both cases, however, they did say that such regional solutions had been elusive outside of Europe and North America because of the difficulty of finding single providers who could demonstrate sufficient local knowledge, say, throughout Africa. Both did say, however, that if they could find such a provider they would be willing to engage them.

Interviewees were also asked how they would differentiate between the existing international security providers, who are mainly UK/US based, and a hypothetical Swiss provider. They made the following observations:

Professional Competence. In the words of one security professional, ‘Switzerland is simply not somewhere you would go looking for security providers’. There is a widespread feeling that although there is a core of highly professional security practitioners in the Swiss state security apparatus, the general level of competence and the lack of operational experience abroad would not put Swiss private security providers among their top choices.

Swiss ‘brand value’ of neutrality and reliability. Most interviewees did feel that a company with a Swiss management structure and operatives who were either recruited in the country of operation or in other countries with more operational security experience might enjoy some advantages because of their Swiss ‘brand value’. The general conclusion, however, was that this edge would not weigh as heavily as a track record in the business and reasonable pricing. Given these considerations they thought it unlikely that a newly set up Swiss business, which would be likely to carry a heavy cost burden by nature of being Swiss-based, would be able to compete on the international market.

The advantage of not being UK/US. It was suggested to interviewees that there are certain parts of the world where being British or American can be a disadvantage for a business, particularly in the security industry. In this context some interviewees did feel that, in certain parts of the world, a Swiss company might enjoy a commercial advantage, but as above it was not felt that such an advantage would outweigh factors such as capacity and price.

Insurance

Interviewees were asked whether they believed that insurance companies were able to adjust their premiums according to the quality of their security providers. The general consensus was that the insurance companies could not hope to keep a track of the number of security providers that there are on the market and that they are thus unable to differentiate between different providers. Some replied that premiums do depend on the level of technical and physical security measures that are taken and others said that the insurers want to know that a company has put a reasonable amount of care into its internal risk assessment process but do not look deeper. One company said that their insurers play an integral role in the risk assessment process, sending a risk engineer to act as a part of the security assessment team, but even this company felt that the insurers were looking for due diligence in the assessment process rather than looking in detail at the security measures undertaken. Another interviewee, who has been a regional security manager for a major international corporation for five years, said that he has never had a conversation either with his insurers or with anyone from the insurance department of his company and that he did not even know who the insurers were.

Of the two insurance company representatives that were interviewed one agreed with the conclusions above, stating that he did not feel that insurance companies generally, and his in particular, looked deeply enough into the details of their clients' security provision. The other assured the interviewer that his company looks in great detail at all aspects of their clients' security provision and felt confident that his company was able to determine which security companies, worldwide, could be relied on.

Body Guards

Mindful of the findings highlighted above about armed body guards travelling illegally, interviewees were asked whether their senior executives are accompanied by Swiss body guards when they travel abroad. All replied in the negative. Some said that they preferred to maintain a low profile, some said that they would rather not travel than travel with armed guards and others said that if there was a need to use armed guards in a foreign country then they would be locally engaged in the country of operation.

Kidnap and Ransom

The one area where the corporations were not inclined to use local providers is in the area of Kidnap and Ransom provision. One of the larger corporations, which has a very robust security structure, said that they had used a contractor in the past but had taken a decision to handle K and R incidents with their own team, and virtually all the others stated either that they had contingency arrangements with international contractors or that they would go to an international contractor if they had an incident. The London-based company Control Risks Group appears to dominate the market.

Background Checking of Providers

Interviewees were asked how they conducted background checks on potential local providers for overseas operations. Most replied that they had sufficient faith in their networks to be able to select reliable local companies. Most stressed that this was one of the reasons why they preferred to keep provision decisions at the local level, and there was a general indication that while country managers might be expatriate or locally recruited, the personnel fulfilling the security function were usually locally recruited because they arrived with better local knowledge and tended to stay longer with the company. Similarly, among those companies that have regional security managers, these people are not necessarily locals to the region in question but are recruited for their local knowledge, examples being an ex-GIGN (French special forces) operative with wide African experience hired by one company to cover West Africa and an ex-U.S. Secret Service employee with experience in South America hired by another company to cover that area.

Most of the companies interviewed had a representative membership of the International Security Management Association (ISMA).⁴ Each company may put forward one candidate to be a member of this network, provided that, among other criteria, the company has assets/sales in excess of five hundred million dollars (\$500,000,000) per annum and the candidate is the senior security executive of the company. All those interviewees who are members of ISMA said that the network was an extremely useful tool for checking up on unknown security providers or generally getting advice about a market.

Membership of a Trade Association

Interviewees were asked whether membership of a trade association was a factor when deciding on security providers. The general feeling was that this was not a major factor, principally because most use local overseas companies who do not have such trade associations. When discussing the merits of various international providers the interviewees were asked their views about the trade association for British private security companies operating abroad, the British Association of Private Security Companies (BAPSC).⁵ A majority of interviewees said that they had never heard of it.

Influence of a Regulatory Regime

Opinion on this subject was divided. Given that interviewees had almost all already specified that they preferred to use local providers rather than international ones and that if they did use an international provider they would not look for it in Switzerland, the question of whether the existence of a regulatory regime in Switzerland would influence their choice became slightly academic. Faced with this hypothetical question, however, the interviewees made the following observations:

Administrative burden of regulation. There was a general feeling that regulation would inevitably lead to security providers carrying an extra administrative burden which would result in higher prices and which would, thus, undermine their commercial viability.

Regulation as a stamp of approval. Some felt that the fact of being regulated by the Swiss government would act as a stamp of approval that would give Swiss providers a commercial advantage. Others felt that this was not the case, that it was unlikely that approval from the Swiss government would be any guarantee of effectiveness as a security provider, and that the Swiss government was probably less well equipped to verify a provider's performance than were its potential clients. A number of interviewees cited VSSU membership as being comparable, in that it looked good but that the requirements were a relatively low hurdle and that anybody who knew anything about the industry knew that VSSU membership meant little in practice. Others,

⁴ See <http://isma.com/index.htm>

⁵ <http://www.bapsc.org.uk/>

however, stated that they had great confidence in VSSU as ‘a certain guarantee of the seriousness of (a provider’s) business’.

Recommendations for Regulation. Most interviewees were in principle not opposed to regulation. Although there were few specific suggestions about the nature of putative regulation, it was generally agreed that the objective should be to increase standards among providers, to force the less reputable providers out of business, and to provide a greater degree of transparency.

SWISS-BASED NGOs AND IOs WORKING IN ZONES OF CRISIS OR CONFLICT

Use of private security by NGOs

According to the interview data collected from 14 non-governmental organisations (NGOs) that are based in Switzerland or that have an office here, it is quite common for NGOs to hire private guards in their field missions. These are almost always locally-based individuals. Some NGOs also use private security companies (PSCs), and in almost all cases NGOs would opt for a local firm over an international private security company (PSC). One NGO stated that using a local PSC would help to serve the aim of local capacity building and would result in fewer integration problems.

Most decisions to hire commercial security in the field appear to be taken by the field missions rather than at headquarters, although a few large NGOs establish minimum security standards at HQ for implementation in the field offices. In any event, even when the decision to use a PSC resides at headquarters level, the local offices appear to have substantial autonomy in the selection of the PSC. For most NGOs, the process of selecting local commercial security providers tends to be done mostly in an *ad hoc* and decentralised manner, based on word-of-mouth recommendations, such as from trusted local staff members. The interviews with NGOs indicated there is an absence of clear vetting standards or procedures when local security providers are engaged. One NGO avoids dealing with the security question and related challenges of vetting etc by subcontracting out its food distribution to local actors, thus leaving the issue of security up to those local actors. Local PSCs are commonly hired to provide unarmed security. Only rarely did an NGO admit to having to resort to armed security on occasion, an action generally avoided as it is seen as running the risk of damaging the NGO's claim of neutrality and goal of acceptance by the local community. Some NGOs also view PSCs as a barrier between the NGO and the beneficiary, and armed PSCs in particular risk being perceived by recipients as, in the words of one NGO respondent, 'armed aggression'. Several humanitarian NGOs stated that since they work according to the principle of acceptance, they would withdraw from a region rather than acquire armed security if that were deemed necessary to carrying out their operations in a certain environment.

Most of the NGOs were very sceptical of international PSCs and averse to using them. International PSCs are considered too expensive, and although they may be acknowledged to be more highly trained and professional than local firms, and probably more likely to stay if conditions became difficult, the local firms are believed to have better local knowledge and contacts. Most NGOs stated that they have never used international PSCs and they are not considered a valid option in most instances. Most of the interviewed NGOs also tend to avoid using international PSCs to provide security assessments in their zones of operation and seek to rely on their own in-house capacity and local partners, whose local knowledge is considered superior. One prominent humanitarian NGO commented that international PSCs would only be considered as a last resort and it would be more likely in those circumstances that they would decide against running the operation rather than hiring an international PSC for protection. Nevertheless, three NGOs of the 14 interviewed claimed that they have in the past contracted

with international PSCs (for weapons collection, security information and risk assessments, and kidnap and ransom incidents), and two other NGOs admitted they had considered using an international PSC at some point. One NGO admitted that should a well-managed high profile international PSC sensitive to the specificities of NGO operations exist and having a positive reputation in the operating country, such a firm would possibly be considered. Generally, however, there was considerable scepticism voiced by almost all of the NGOs we interviewed regarding the prospect of PSCs being widely accepted by the majority of humanitarian actors.

The general reluctance of NGOs to engage international PSCs was attributed in part to the latter's perceived tendency to misunderstand NGOs' mandates and ways of working, creating problems in their relations with local communities and beneficiaries. It was also due to NGO perceptions of poor practices of international PSCs. Several NGOs that have operated in Afghanistan, for example, perceived that only a few international PSCs they had encountered there had good practices, while most were unprofessional and acted inappropriately for the local context. In particular, certain firms based in a dominant Western state had negative reputations and were perceived as acting in a lawless manner in Afghanistan. Another NGO observed that international PSCs often hired personnel who were inappropriate for the tasks they were hired to perform (example, hiring former military to perform police training and other policing duties).

Paramilitaries and PSCs

Several NGOs stated a preference for relying on public authorities (state military or police or multinational forces in the context of UN peace operations) over hiring PSCs for security. However in certain environments, where local police and military are viewed as too corrupt or ineffective, commercial alternatives may be sought. The value placed by some humanitarian NGOs on retaining independence also might, in some circumstances, lead to consideration of contracting a PSC. Some organisations have declined becoming part of the UN security system because of concerns over the impact it could have on their operational flexibility, for example, if as a result of a deteriorating security environment the UN decided to pull out of a country.

There is also an unclear distinction between local PSCs and militias or state forces in some countries, and paramilitaries that often present themselves as PSCs in order to earn extra money. One NGO noted that several international aid agencies had cooperated with local 'gangs' in Somalia, which provided information on the security situation in north Somalia. The 'gang' members consisted of former soldiers and members of militias. Another NGO noted the blurred lines between some state forces and PSCs, and that in Zimbabwe it had been unclear whether a security officer was working for the state or private sector. One NGO recounted that in Chechnya security was provided by local authorities in the form of PSCs with close links to the authorities. Another noted that some NGOs and foreign interests hire militia members in Afghanistan for security, but this raised the possibility that the security provided was a means of maintaining surveillance over the client.

Vetting

For most NGOs operating in the field, vetting of local security staff is very difficult and most NGOs appear to lack a specific vetting procedure. One large NGO which uses local PSCs for lower level security positions in the field leaves the vetting of security personnel up to the firm it has hired. Another NGO relied on its local partners at the grassroots level to conduct risk assessments and arrange protection if necessary, and maintained that it would be aware of which people had been involved in past conflicts or had committed abuses.

One NGO (represented in the interview by a retired general who sits on the ethics board of a non-Swiss PSC) observed that since the international PSC industry is still a relatively small one, the 'old boys' network' suffices as a form of informal vetting.

Perceptions of neutrality of Swiss PSCs

Some NGOs were sceptical regarding the idea of Swiss PSCs trading on the neutral image of Switzerland. One NGO believed that with the proliferation of armed non-state groups and the erosion of the unified control of command, the time when having a Swiss flag and image of neutrality bringing added protection has passed. One representative doubted whether local populations would be able to distinguish between the different nationalities of PSCs, negating any advantage that Swiss nationality might suggest for such firms. One large NGO noted that while Swiss neutrality would be an advantage in some circumstances, neutrality is certainly not the only criterion that it takes into account when choosing a security provider; the reputation of the firm is equally important. Similarly, one NGO noted that neutrality of the security provider is not a main concern of those actors who are the main clients of international PSCs. Indeed, according to one NGO respondent, PSCs from one large Western state are especially viewed as instruments of that government's foreign policy but without the public oversight.

However one NGO believed that the image of Swiss neutrality still works at times, and another maintained that a Swiss PSC would probably be at less of a disadvantage in the NGO market than a PSC from one of the dominant supply states of international PSCs. In that vein, one large NGO clearly stated it would not hire a PSC or nationals from a belligerent state – thus in Lebanon in 2006 it would not use security staff from the U.S. Another NGO agreed that employing PSCs with a clear national identity, such as Blackwater U.S.A., could pose problems for NGOs seeking to be perceived as independent.

None of the NGO representatives interviewed had been approached by Swiss PSCs offering services in conflict zones, or were aware of their organisations having been approached. Again, most stated that they would work only with local PSCs.

NGOs on Swiss Regulation of PSCs

Several NGOs stated that regulation should only be undertaken by the Swiss authorities if it would constrain the PSC industry, not promote it. One NGO felt that any efforts that resulted in standardising the PSC industry would be welcome. Another stated it would like to see more than simply a registration system, and that licensing requirements should in particular concern weapons, training standards and vetting procedures. Some wanted restrictions on the functions or activities that PSCs can undertake. Another NGO felt it important to enhance the transparency of PSCs, in particular making public how many of their staff are injured and how many people their staff has injured in the course of performing their duties. One NGO wished to see gender sensitivity and awareness addressed by PSCs. Most NGOs said that they would like to see strong measures for training personnel in relevant aspects of IHL, HR and anti-corruption, and ensuring accountability of Swiss PSCs to the norms of the Geneva Conventions.

It was noted by one NGO however that in order to be effective, regulation would entail heavy monitoring and enforcement commitments on the part of Switzerland. Effective regulation would have to be highly intrusive and would likely be costly for PSCs. This was expected to deter international PSCs from establishing themselves in Switzerland. Another large NGO warned that a unilateral effort to ‘compel by example’ could result in Swiss firms becoming less competitive internationally, and could result in their relocation to another, less regulated jurisdiction.

One NGO representative doubted that Swiss regulation would impact the broader environment because there are so few Swiss firms operating in conflict zones and high risk areas. However, Swiss regulation would have value in setting a good example. In contrast, another NGO representative believed Switzerland must be clear about the purpose of regulation and should regulate only what is relevant for Switzerland. For example, while no state would wish to impede its citizens from earning money and its firms from generating revenue, no state wants to be responsible for potential misconduct of a PSC’s employees. Swiss interests in regulation, then, might focus on ensuring that the state is not held responsible for misconduct and ensuring that citizens employed by PSCs are properly vetted, adequately trained, etc.

One NGO supported regulation but said it would not have any impact on their decision to not use PSCs. However several others said that the existence of a Swiss regulatory system for PSCs might well influence their decision about whether to employ one. A large NGO which appeared to be the most frequent of those interviewed to employ the services of international PSCs, stated that it would certainly favour a firm that is regulated over one that is not.

Use of PSCs by Intergovernmental Organisations

Intergovernmental organisations (IOs) appear to constitute part of the higher-end of the potential client base of international PSCs. Those interviewed generally displayed more systematic approaches to security management at HQ and in the field than the NGOs, reflecting the greater resources at their disposal and larger professional staffs dedicated to security duties. Most of the IO representatives who were interviewed were professional senior-

level security managers who at some point had been responsible for security of missions in conflict zones.

Although most of the IOs have professional security staffs, they acknowledged that there are sometimes advantages to hiring private guards and outsourcing certain elements of security. Normally it is cheaper to outsource, and several have hired PSCs for field missions. However, these were usually local PSCs who provide unarmed perimeter guards. Outsourcing security in the field may also be done when host country military or police forces are considered too corrupt or lax to rely on. Hiring PSCs in such situations provides more assurance of security and more independence. In such situations, the IOs tend to go with well known PSCs. For example, local offices of a very large private security company having a worldwide presence are apparently commonly used by NGOs, embassies and IOs in the field because of the general reliability and standardised level of services (one interviewee drew an analogy between the PSC in question and a certain ubiquitous fast food chain).

The security managers agreed that outsourcing may carry a risk to the quality of security provided unless the client can stipulate its requirements and conditions very clearly. The security managers noted the potential for IOs and other clients of PSCs to raise the standards of PSCs if they are willing to pay more for better services (which is not always the case). One IO noted that donors have the most leverage to raise the bar on security arrangements in the field. If those who fund IOs can be convinced that the organisations require higher standards of security from commercial providers -- and provide the funds for the higher quality service -- PSCs would have incentive to improve the quality of their services. One IO security manager commented that if there were more lawsuits by injured staff and their families on the basis of lax security arrangements, it might result in better security in field missions. In a similar fashion, several security managers noted that clients who can be precise in stipulating the quality of security personnel (training, prior experience in military or police etc) in the statement of work for PSCs can ensure a higher quality of service.

Specific IO approaches to PSCs

Several IOs regularly engage local unarmed guards and hire local PSCs (unarmed) in field missions. One IO security manager who was interviewed has a major role in training the local PSC personnel who are hired, writes their post orders, and has them sign a code of conduct. The IO takes a particularly careful approach to its field security personnel because of the special problems faced by refugee populations, a fact that is often not even recognized by UN DSS. For armed security it will only rely on multinational military forces in the field, and only when the lives of their staff are at risk. One IO takes a very strong position regarding armed personnel because of the potential impact on its perceived neutrality and the fact it is essential that it be avoid being perceived as tied to any party to the conflict. Echoing the sentiment of several humanitarian NGOs interviewed (see above), being armed is perceived as offensive by potential recipients of assistance and could undermine local views of them being a humanitarian actor, and in the view of the individual interviewed, could only be justified in conditions such as those presently seen in Iraq or Afghanistan.

Another IO that was interviewed has no field operations but staff do travel to the field to carry out technical support missions, including in medium and high-risk countries. If the security risk is such that armed escort is necessary, staff will not go on the mission. The IO may also consider engaging a local PSC to supplement its own security personnel during medium-level conferences. When a host country does not think security provision is necessary, the IO might hire a PSC for security coordination to escort the delegation. It would not hire the PSC for close protection, however. Currently the IO is reviewing the question of the involvement of PSCs in their security.

A third IO sometimes hires and trains its own guards, and has sometimes resorted to PSCs, both local and international firms (note that local firms are often wholly or partly owned by international PSCs). Sometimes international PSCs also provide risk analysis. Local delegations are responsible for the outsourcing of security, and wherever possible when outsourcing, the IO tries to go local. There was hope that the headquarters could move beyond its current general guidelines for outsourcing and provide more specific guidance on hiring local PSCs. Hiring of PSCs often is done on the basis of word of mouth recommendations. This IO notably does not resort to PSCs for hostage and ransom situations, since it believes it has better contacts with the different parties on the ground than any of the PSCs.

When a fourth IO employs PSCs, most of its agencies hire local firms, often relying on national authorities and other members of the IO security community to give advice on the reliability of companies. Another IO, on the other hand, stated that it preferred to work with well known international PSCs because of their reliability and references and stated that the use of PSCs is highly encouraged. Not only are local police and military are often unable to provide for the security needs on the ground, but using PSCs also allows international organisations and NGOs to distance themselves from, in some instances, corrupt governments. The IO also stated that during crisis situations there is often a mass influx of international PSCs to fill the security vacuum. These PSCs often train local ex-police and ex-military officers up to international standards, allowing them to pass on their knowledge. Another IO representative also supported the use of high quality PSCs by international organisations when absolutely necessary, namely when the militaries of warring states are unable to provide for the safety of civilians. It felt that a Swiss PSC could have an important added value because of Switzerland's neutrality.

One IO recently drafted a discussion paper on the use of PSCs in humanitarian operations and has attempted to spur debate on the topic within the humanitarian community and put the issue 'on the table'. This was done in recognition that in high-risk areas, other humanitarian organisations and large NGOs are already using private security contractors. However one interview subject admits that PSCs remain a taboo subject among humanitarian actors, and certain IOs are quite resistant to even discussing the subject. For that reason, the various IO security managers interviewed in Geneva were generally sceptical that the initiative would gain the support of the humanitarian community.

IO views of the Swiss PSC industry

The UN security community is relatively small and there is good sharing of information and advice among security managers, both at HQ level and in the field. With more resources, a higher level of professionalism, practical experience in handling security, and a close-knit community to provide information and advice, the IO security managers appeared informed on Swiss PSCs and well equipped to evaluate their services at home and in the field. Most of the IO representatives were familiar with the domestic Swiss commercial security industry, many of them having engaged Swiss PSCs for elements of HQ security.

Switzerland was described as having a wide range of security providers, from high-level professionals to security guards who fail to live up to the minimum standards required by international organisations. All of the professional security managers expressed a desire to see improved standards in Swiss PSCs.

It was also noted by the IOs that Swiss PSCs are not typically engaged in working overseas and in conflict zones, so they tend to lack relevant experience. One IO stated it would not look at the country of origin of the PSC, but at who could best fulfil the contract, with the key criteria for evaluation being cost, quality of service, and reputation of the firm.

None of the IO representatives had heard of their organisations being approached by Swiss-based PSCs offering their services overseas. However, some of them knew of a few smaller Swiss PSCs which operated transnationally (often escorting wealthy clients on travel), and also knew of a few Swiss PSCs that wish to work abroad for NGO/humanitarian clients.

Perceived Neutrality of Swiss PSCs

The intergovernmental organisations interviewed had very different opinions concerning the question of neutrality. One IO representative believed that Swiss neutrality was a definite commercial advantage for Swiss PSCs. According to another, for many recipients of assistance, the fact that someone wears a uniform or carries a gun automatically disqualifies him from being a 'humanitarian', and that a Swiss-based PSC with a borrowed 'image' of neutrality would not change the minds of the humanitarian community. Another security manager with considerable field experience also noted that in terms of neutrality, Norway may be seen as more effectively neutral in many contexts. He suggested that instead of neutrality, Switzerland's geographical position is more interesting for PSCs looking to operate transnationally in terms of logistics, the presence of many banks, and the presence of humanitarian organisations (for lobbying). Additionally, Swiss expertise in emergency/disaster response is an advantage for natural crisis situations. One representative noted that hiring a Swiss-based PSC for the IO's field missions would be perceived as very strange in the context of the UN system for security.

Vetting

The representatives of the international organisations who were interviewed all spoke of the difficulties of vetting personnel in/from crisis zones, and is a challenge, if not impossible, since documentation and information are often unavailable. Background checks and the interview process were said to be more effective ways to vet in such situations. In the field one IO recruits mostly by word of mouth among UN agencies, the advice of local authorities regarding which private security companies are reliable, and networking among the international security community present in the field. Former military and police are the traditional pool of recruits for the local guards, and respondents said that it is very difficult to tell if they have committed human rights abuses in the past. One IO also examines references to check for multiple credible references with consistent views. The references may also be an indication of who the individual's local patrons are. For one IO, the local vetting process must be cleared by UN DSS (New York), and HR, management and FSA sit in on interviews of local security staff. Ultimately, the IO felt that local communities would inform it if it had accidentally hired as a guard someone who had been implicated in genocide or human rights abuses.

Regulation of PSCs

All of the IO security managers welcomed more regulation that would improve the overall level of standards of PSCs. Federal-level regulation, a licensing system and a body ensuring that minimum standards are respected were recommended. One further suggestion was that licensing at the national level could possibly be supplemented by a system of accreditation at the international/regional level.

One issue that was raised was whether a Swiss regulatory initiative would only be targeted and affect firms, or whether it would also attempt to constrain the behaviour of Swiss clients of PSCs.

According to one respondent, the main problem with regulation by the Swiss government would be the limited impact that this would have on non-Swiss PSCs outside Switzerland, which is where both the main sources of supply and demand are.

Several of the Geneva-based IO representatives tended to agree with the idea that firms regulated by Switzerland (and whose employees have been trained in human rights, the Geneva Conventions and international humanitarian law, international law and anti-corruption) could make them more palatable to the NGO and humanitarian communities, and that this could indeed constitute a brand advantage for Swiss PSCs. This was refuted by one IO security manager, however, who stated that while they would be in favour of regulation, humanitarian organisations would continue to prefer relying on official assistance (i.e. multinational forces) for protection rather than PSCs.

One IO representative noted that Switzerland currently has very low minimum standards for training of PSCs. These standards should be increased. He suggested making the BPF (*Brevet*

professionnel fédéral) mandatory for all Swiss private security personnel; at present only a few guards from high-end firms pass the BPF. He thought that PSCs should be required to know more about the legal context in which they operate – e.g. how much force they are legally allowed to use in performance of their duties. By improving basic standards for Swiss PSCs through mandatory training and certification, regulation could help to prevent large foreign firms from taking over the Swiss market.

One large international organisation involved in humanitarian affairs welcomed regulation but acknowledged the difficulties it would entail. The representative found the 'Swiss Initiative' of the Swiss Department of Foreign Affairs and the ICRC very much needed. He also thought a one-stop website would be very useful for the humanitarian community. More specifically, he recommended inclusion of a section on guidelines and best practices (a practical checklist) for working with PSCs. Such guidelines and best practices would also be applicable for NGOs working in conflict and post-conflict environments. He further maintained it would be very useful for NGOs to know what their security guards are allowed and not allowed to do in specific environments.

CANTONAL POLICE FORCES

A questionnaire was sent out to all cantonal police forces to establish their position with respect to domestic Swiss private security companies and how they regarded their role with respect to security companies that are based in their respective cantons and working in zones of crisis or conflict. Responses have, to date, been received from the Cantons of Appenzell, Basel Stadt, Bern, Fribourg, Geneva, Glarus, Jura, Neuchatel, Schwyz, Solothurn, St. Gallen, Ticino, Uri, Valais, Vaud and Zurich.

The cantons of Fribourg, Geneva, Jura, Neuchatel, Vaud and Valais are signatories to a *concordat* governing private security companies. The conference of cantonal police chiefs decided on 10 November 2006 that all cantons, should either accede to the *concordat* or should introduce legislation to align themselves with it.

The responses to the questionnaire are summarised below:

Formation of a Private Security Company

In the *concordat* cantons the requirement is for an individual wishing to set up a private security company to be of good character, liquid, a Swiss, EU or Schengen national or have a permis d'établissement and to have public liability insurance. Similar regulations apply in Basel Stadt and Solothurn, but in Uri, Zurich and Bern there are no specific regulations.

Forced Dissolution of a Private Security Company

Those cantons that have regulations covering the establishment of a PSC also have provision to dissolve that company or revoke its licence if the conditions are no longer met. There have been four reported cases of companies having their licences withdrawn, two for administrative infringements, one for insolvency and one for breach of the Swiss Penal Code.

Background Checking of Security Personnel

In the *concordat* cantons the police will check the criminal and, possibly, the medical and judicial records of all personnel wishing to be employed by a security company. In Schwyz, Uri, Bern and Zurich there is no requirement to carry out background checks of personnel before they are engaged by a security company.

The police are able to check French criminal records by applying to Bern who then apply to the French authorities. There exist no such agreements with other countries. In the case of the *concordat* cantons, if a prospective employee comes from another country than France or Switzerland he must bring evidence with him that he has no criminal record.

PCS Operations Overseas

Jura, Uri, Bern and Basel Stadt state that there are no PSCs based in their cantons operating overseas. Solothurn states that a PSC operating outside of Solothurn, even if based there, does not fall under the responsibility of the cantonal police as far as its overseas operations are concerned. All respondents reported that they do not have a mandate to monitor the overseas operations of PSCs based in their cantons and nor do they have any arrangements with overseas police forces that would facilitate the monitoring of such activities.

Respect of Humanitarian Law Overseas

Geneva stated that a PSC suspected of violating IHL overseas could be held to be in breach of article 15 of the *concordat*, which requires them not to break the law, and so could have its licence revoked. Neuchatel, Uri, Bern and Vaud made it clear that such violations would be seen in the light of the existing criminal law and that the fact of the act involving a security company would not play a role.

INTERNATIONAL SECURITY COMPANIES

Only one international security company was interviewed for this study, a large, well-established multinational one. This company was chosen because it already has a substantial volume of work in Switzerland in crisis response, investigative work and other areas including risk assessment. It has also made the biggest expansion into continental Europe, having opened offices in several continental European capitals. This international PSC was also mentioned by several interview subjects as having provided services for them in the past. The following issues were discussed:

Basing in Switzerland.

The interviewee stated that his company will generally 'go where the clients are' but that it must be worthwhile to open an office. He could see some value in opening an office in Switzerland in order to serve clients wanting investigative type work, but he felt that the market for overseas security provision is not sufficiently strong in Switzerland to justify the expense involved in opening an office.

An interesting possibility here, though, is the parallel with the perceived situation in the Nordic countries. Scandinavian business generally is more expeditionary in nature than are their armed forces and this is seen as resulting in a 'security gap'. Other nations with more expeditionary military traditions, such as the UK and France, are better placed to develop private security companies that can sell their services overseas so are filling the security gap in the Nordic countries. Although this disconnect between business and the armed forces can also be seen in

Switzerland it is probable that the Swiss tradition of neutrality and non involvement even in European wars means that Swiss companies operating overseas are more likely to seek low profile security solutions.

NGO and IO and NGO Market

The interviewee felt that this is a growth market but that it will only ever offer a limited revenue stream. The main work that the company does for this type of client deals with risk analysis workshops, security concept consultancy and a training of security officers. He is aware that his company's services are expensive, so he accepts that their provision to NGOs is unlikely to go beyond occasional consulting and training contracts. Again, he could see that there would be some benefit in setting up in Switzerland in order to service this type of client, but he had doubts about the profitability of such an operation.

Insurance

The interviewee felt that insurance companies do not generally find it worthwhile to get involved in assessing the capabilities of providers in such basic areas as guarding services. He does, however, feel that they take a close interest in kidnap and ransom response, and he believes that it is for that reason that the kidnap and ransom market is divided between so few providers, with his company being a clear market leader.

Regulation

The interviewee described his company as being keen to be regulated because they are convinced that regulation would generally be beneficial to the business and so to clients. He feels that regulation must have teeth, be genuinely enforceable, and applicable over as wide an international arena as possible.

When asked whether the existence of regulation in Switzerland would make any specific difference to his company he said that that depended on the nature of the regulation, but that if it involved companies getting some form of stamp of approval from the Swiss government then he thought that this in itself might be a good reason to locate in Switzerland. He also said that he would be very surprised if other reputable international companies did not feel likewise.

EVOLUTION OF THE WIDER EUROPEAN MARKET

The international private security industry that offers services in zones of crisis or conflict is currently dominated by firms based in the US and UK, with a few exceptions of firms based in other countries. It was suggested in the *plan directeur* that the introduction of more rigorous legislation in France might have driven companies from France to Switzerland. We found little evidence for that. The legislation introduced in France⁶ appears to do little to alter the status or operating environment of private security companies, being restricted to an attempt to align French law with France's position with respect to mercenaries as manifested in France's ratification of the first additional protocol to the Geneva Conventions, including article 47, which deals with mercenaries. The discussions leading up to the passing of the French law made it clear that regulation of private security companies was regarded as a subject to be dealt with at a later stage, if at all.

There is a general consensus among informed observers that private security work in Iraq is beginning to slowly dry up, as a result of the continuing insurgency that has derailed many reconstruction projects, controversy surrounding the behaviour of foreign PSC personnel, and the expected eventual withdrawal of US and allied troops. As private security work in Iraq has become more dangerous, moreover, it has also become less lucrative as contracts with the main client for private security services there, the US Government, have declined since the 2004 'boom' in demand. Increased competition among firms providing commercial security in Iraq has led many firms to shrink their margins by lowering personnel costs, recruiting more host country nationals (Iraqis) and third country nationals, often those from former war zones (e.g. Serbia, Colombia), for much lower salaries than their Western counterparts. Further, the international private security industry is undergoing continuing consolidation, with larger firms buying up smaller ones. There are also a growing number of cooperative transatlantic ventures, as UK-based firms seek access to US markets, including the highly lucrative homeland security market, and as US-based firms seek to diversify beyond their traditional reliance on US Government contracts and develop more private sector clients. International PSCs are also seeking to diversify, both on geographical and functional terms, seeking new markets in the former Soviet Union, Africa and Asia, and developing new lines of services in areas such as security sector reform (SSR), private intelligence and risk management.

Presence of international contractors in continental Europe.

There are various private security firms based in other European countries offering services in crisis zones. A PSC based in France is probably the biggest continental European provider of overseas security services. Founded in 1997 as a continental European alternative to the UK/US domination of the market, they at first worked mainly for French commercial concerns in traditionally French dominated areas of North and West Africa. This was a success and aided by a capital injection from a French financier, the firm has now expanded into South America and opened an office in London. Interestingly, the firm has regional offices in South America, the Middle East, Africa and Moscow but its subsidiary, which deals with physical

⁶ Code pénal article 436, inséré par Loi n° 2003-340 du 14 avril 2003 art. 1 *Journal Officiel* du 15 avril 2003

protection, is housed in London. The relationship between London and the regional offices is unclear, but this structure would seem to imply that, notwithstanding the local competition, London is the best place for a company offering international physical security services to base. Similarly, another French firm, formed in the late 1990s by former French army officers to operate in zones of crisis or conflict for commercial clients has chosen to have its main offices in Delaware, London and West Africa, again implying that there is little to be gained from offering physical protection services from a base in continental Europe. A third French firm is smaller than first one, but similar in mindset, objectives and structure.

One German based company has close links to a better known British private security firm. It is unclear whether the German firm is in shared ownership with the British one or is independent but it is clear that the German firm sees its market as being among German speaking organizations operating in zones of crisis or conflict. The firm offers physical protection services and is active in Iraq. This might imply that there is a market for companies deliberately targeting the German speaking international business community.

It has been overtly stated by players within the French industry that they see the possibility of offering a counterweight to so-called 'Anglo Saxon' market domination as being an important part of their brands.⁷ This general French tendency to see their role as being to offer the 'alternative' to UK/US domination, together with the restructuring that followed the recent professionalisation of the French armed forces probably explains the apparently more rapid development of the French market than others in continental Europe.

⁷ See for example interview with David Hounus, Commercial Manager of SECOPEX, 23 July 2003, available at <http://www.afrik.com/article6393.html>

CONCLUSIONS

The Current State of the Market

Based on our interview data, it appears there is very little activity at present by Swiss-based private security companies in zones of crisis or conflict. Among the companies we interviewed, only four could claim to have such activities.

As far as security companies based elsewhere but receiving their mandates from Switzerland are concerned there do seem to be a large number, most of whom are working for Swiss-based international corporations. The large majority of these security companies appear to be local to the areas of operation of their clients, and as such any attempt to regulate them is likely to be fraught with difficulty. It may be possible to impose some sort of regulation by binding their Swiss clients to certain governance engagements when engaging overseas security companies but policing of such a regulation would be problematic. For the most part, the large international security companies retained by Swiss corporations and a few large IOs and NGOs are those providing Kidnap and Ransom crisis response services. Regulation of these companies also promises to be difficult, and is unlikely to entail substantial benefit.

We have not come across any Swiss-based companies acting as intermediaries for security contracts in zones of crisis or conflict.

It is not impossible that there are some security companies based elsewhere, operating in zones of crisis or conflict, that are owned by Swiss commercial or private concerns. The task of identifying such firms is daunting, however, and in our view is unlikely to offer high returns for the amount of work involved.

Possible Evolution of the Market

The main engines that would drive any evolution in the market are discussed in turn.

Large Swiss Corporations

One of the potential primary drivers for any evolution in the market is likely to be the large Swiss corporations that work overseas and require their facilities, property and personnel to be protected. These companies have been nearly unanimous in stating a preference for use of local security providers in the countries of operation. Even in those rare cases where they might consider use of international providers they are unanimous in saying that they think that it would be very difficult, if not impossible, for a Swiss-based company to penetrate such a mature market.

NGOs and IOs

There is a growing concern among the NGO and IO communities about security issues in their countries of operation, driven by the increasing numbers of documented attacks on humanitarian aid workers. This trend has some potential to impact on the evolution of the market for Swiss-based private security companies offering services in conflict zones. However, if the findings of our interviews are indicative of perceptions in the broader NGO and IO community, any impact would likely be limited because the prevailing sentiment in these organisations is to prefer to use local commercial security providers, whether individual guards or private security companies. This is due to several factors, including the need of many NGOs and humanitarian actors to be perceived as neutral actors, the common principle of operating on the basis of acceptance from the local community, the desire to build capacity in the country of operation by using local individuals and firms whenever possible, and continuing deep suspicion within the NGO community especially of international private security companies. Furthermore, even if certain large NGOs and IOs with field missions in high risk areas are using international private security companies more than they did a few years ago, they still do so very much as a last resort. Given the continuing resistance in this sector to using international PSCs, we expect that the value of the market is not likely to be sufficient to attract major investment in Swiss security companies.

The above conclusions are reflected in the very low number of Swiss based PSCs that have attempted to penetrate this area. The experience of one Swiss PSC that has attempted to gain a foothold in this market is that NGOs hire locally and thus any provider needs to approach field staff in the area of operation. No Swiss provider has a sufficient international presence to make convincing approaches to NGO field staff. Furthermore, there is an awareness of the tension inherent in the NGO community's attitude to security and the fact that this will never be a market that compares in profitability and scale with that offered by commercial and governmental organisations. The overall view, therefore, of existing Swiss providers is that the NGO market, while being interesting, is not sufficiently lucrative to constitute a main revenue stream and is better approached by a provider that already has a strong international brand.

Swiss-Based PSCs

We have found some Swiss-based PSCs who have tried to break into the international market but which, for reasons that have been confirmed independently by their potential client sectors, have found it very difficult. We can see no reason why this situation should change significantly over the next few years. It is, however, possible that Swiss based companies will extend their overseas presence through acquisition of foreign companies and it is worth reflecting on the implications of such moves.

As far as regulation is concerned, any foreign security company would be subject to the regulations in force in its host nation but would not, as things currently stand, be subject to any specific Swiss legislation. The negative consequences of such an arrangement would arise if the foreign subsidiary violated local or international law and this reflected poorly on the Swiss owners and Switzerland in general. Taking an extreme view, it is not hard to imagine the

distress that would be caused by headlines describing a Swiss-owned private military company (mercenaries, in press parlance) engaging in human rights abuses, a coup d'état or support of an unpleasant regime. There thus might be a will to enact suitable legislation.

Legislation covering the activities of a foreign subsidiary of a Swiss company would be problematic, not least because in the case of a private Swiss company there would be no requirement, under current company law, to disclose the nature of the overseas owned business. While this may seem attractive in as much as that it will be harder for the press to make the link between the Swiss company and its misbehaving subsidiary, once the link is established the damage would have been done. In the case of a public company, however, there would be a requirement for the Swiss company to declare its ownership of the overseas concern as well as the nature of the overseas company's business. This might open the way for regulation but given that public companies represent a very small proportion of Swiss security market this is unlikely to offer a satisfactory route to a solution. In any event, even if the link between the parent and its subsidiary can be established, legislation allowing the state to act against the subsidiary through the parent would be unusual.

Even in the absence of legislation regulating a subsidiary of a Swiss security firm it is possible that issues such as corporate culture and maintenance of brand value may incline the holding company to keep its subsidiary under tight control. Any holding company, particularly one that is active in the security market in Switzerland, is likely to identify reliability, neutrality and respect for human rights and international law as being among the defining elements of its brand. It is unlikely to allow a security company that is a known subsidiary to undermine this brand value and for this reason we can hope that behaviour involving mercenary/human rights abuses would be unlikely. Similarly, standards that apply to the Swiss company, including codes of conduct and undertakings to respect international law and human rights, are likely to be applied to subsidiaries as much as to the holding company. This of course is not a firm solution, but may serve to reassure in the absence of a legislative regulation.

Established International PSCs Basing in Switzerland

It was speculated early in the study that the existing large international security companies might wish to establish themselves in Switzerland either to provide proximity to large clients, to develop specialised NGO/IO-orientated divisions, or to benefit from the brand value inherent in being a Swiss company. These three hypotheses are dealt with in turn:

Client Proximity. As discussed above, the vast majority of the large corporate organisations that hire security for their overseas operations do so at the local level. Even disregarding the fact that they tend to hire local companies, this means that the purchasing power is not located in Switzerland but in the countries of operation, so that in terms of client proximity an international security provider would gain little from setting up in Switzerland. Even those companies that have established security structures whose heads are based in Switzerland are unlikely to draw providers to set up subsidiaries because these are precisely the companies that have the most developed networks and so are most likely to be comfortable hiring overseas.

NGO/IO Proximity. As discussed above, this is a sector of the industry that is growing, but it is growing slowly from a very low base and against much resistance. Furthermore, as with the large corporate clients, NGOs and IOs have a strong preference for local providers of commercial security, and tend to devolve their purchasing power to the countries of operation, so private security firms' efforts to make sales approaches to headquarters are unlikely to be productive.

Swiss Brand Value. The potential clients who were interviewed, both on the commercial and NGO/IO side, generally agreed that while Swiss brand value might be worth something, it was far outweighed by considerations of track record, ability to deliver services and price, so it is not considered likely that brand value alone will incite large international providers to set up in Switzerland. Paradoxically, however, the one international private security company that was interviewed did say that this brand value would be greatly enhanced, in their eyes, by the fact of being regulated by the Swiss government and so enjoying some sort of Swiss stamp of approval, and that regulation might induce them to set up a Swiss office.

It is worth discussing briefly the implications, in general, of foreign ownership of Swiss security companies. The situation, as seen from the point of view of the Swiss government, is simpler than that of Swiss ownership of a foreign company, described above. Any Swiss company, irrespective of ownership, would be subject to whatever regulatory and other legislation the Swiss government chooses to put in place and would, in this respect, be indistinguishable from any other Swiss security company. The only real possibility of negative impact might be by association with an overseas parent company that engages in some sort of misconduct. Adverse press comment of this type would, however, be relatively easy to rebut by stressing that it was the parent company and not the Swiss subsidiary that was implicated. It might also be possible to strengthen this rebuttal by making reference to the Swiss legislation that would have criminalised the conduct in question.