I History and Development

Overseas Trade in Early Modernity and the Emergence of Embryonic Private Military Companies

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1 Introduction

Companies chartered for overseas exploration and trade proliferated in Europe during the 17th and 18th centuries. A chief motivation for their creation was the profitable trade in spices, silk, valuable metals, and other goods from the Indies.[1] Europeans had long been exposed to these exotic products, but for centuries they had no direct control over the mercantile networks across the Orient supplying them. In a commercial expansion largely implemented by chartered companies, as Europeans started to penetrate these networks, the "world's centre of trading gravity began to shift from Asia to Europe" (Walvin 1997: 2). Yet gaining control of these commercial routes was not easy. The travel to the Indies could take up to a few years between departure and return, and the risks involved were necessarily high. This persuaded merchants to share risks and organize themselves in large groups, which adopted the form of joint-stock enterprises. These were chartered ventures. During early modern times private trade required governmental consent, which was often granted in the form of a 'charter'. The charters of overseas trading enterprises allowed companies to raise their own forces to accompany them on the risky voyages abroad. The demands that overseas service imposed resulted in these forces developing into sophisticated instruments of warfare capable of operating both at land and sea, thus requiring the maintenance of armies and navies. More than any of the early modern forms of military organization with a private element, I argue in this chapter that the forces maintained by the overseas trading companies constitute the closest historical antecedent to private military companies (PMCs) and can be regarded as PMCs in an embryonic form.[2]

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1 The Indies was a term used to designate the nations east of the Mediterranean Sea. A distinction subsequently emerged between the East Indies (Asia) and the West Indies (South America and the Caribbean). In this chapter, I use the term Indies to refer to the East Indies.

2 I define the PMC as a legally-established multinational commercial enterprise offering services that involve the potential to exercise force in a systematic way and by military means and/or the transfer or enhancement of that potential to clients.

A wide-ranging account of early modern overseas history and political economy is beyond my aims here.[3] This chapter focuses on the following historical aspects: firstly, the logic of the charter system is outlined; secondly, I draw attention to the close links between the expansion of trade and the private use of force; thirdly, I argue that the multinational character of the overseas charter business resulted in the evolution of the private forces maintained by the trading companies into the antecedent to PMCs. In the conclusions, I contrast this argument with other perspectives in the literature. The historical period covered in this chapter corresponds to the time when the modern world system was gestating. While the points raised here do not intend to conform strictly to world system theory, authors that belong to this tradition are cited.[4] Although the expansion of the charter system to locations all over the world is acknowledged, the chief focus is on the ventures in the Indies, where trade remained a strong imperative for nearly two centuries and the forces maintained by the trading companies were active agents in facilitating it.

2 Long-Distance Trade in Early Modernity

During early modern times, private trade in Europe found a new form of expression in collective capitalism, which materialized in part by the formation of joint-stock trading companies. Governments sanctioned these new entities through charters. A charter stipulated the rules for the constitution and governance of a company and granted a trade monopoly over particular goods and geographical areas of trade. European countries saw it necessary "to adopt the principle of the charter in one form or other" (Griffiths 1974: xi). This new form of enterprising introduced the idea of incorporation, with stockholders supplying the capital needed for companies to operate. Companies assumed a unified identity, which was managed by courts of directors and sanctioned by public charter. Whereas joint-stock limited the responsibilities of investors and separated investment and management functions, it also "made possible the mobilization of large amounts of capital for specific

3 I use the term 'world system' to denote the consolidating international order that developed out of the establishment of permanent patters of interactions between Europe and the rest of the world, and 'world economy' to refer to the emergent capitalist economic system created by the global expansion of merchant capital.

4 The temporal focus of the chapter is the 17th and 18th centuries, a period for analytical purposes referred to here as early modernity. From the 19th century onwards, entering the colonization period, companies were increasingly chartered for the administration of territories and other non-commercial endeavors. As companies became extensions of state power, their commercial drive subsided and PMC agency in its embryonic form declined.

ventures" (Stavrianos 1966: 21f.). In the 16th century, "the commercial application of incorporated entrepreneurship had been firmly implanted in North-West Europe" (Klein 1981: 23). Northwestern European nations, notably England and the United Provinces (the Dutch Netherlands), positioned themselves at the forefront of the charter system. The principle of the charter was emulated by other European nations and used to sanction mercantile operations in every continent. The proliferation of this type of enterprises resulted in the creation of a European charter system of global reach.

While in some cases overseas trading companies were created with a terminable stock, used for single or seasonal trips overseas, in some other instances the duration of the stock allowed companies to exist for substantially longer periods of time. Still, charters were continuously modified, resulting in companies gaining or losing privileges, modifying their stock composition, and being governed and organized in alternative ways. For example, the Danish East Indies Company (Danske Ostindiske Kompagni) in the period between 1616 and 1800 underwent several reorganizations to the point where it can be argued that "there were several distinct" companies (Furber 1976: 211). The company was reorganized in 1732, becoming the Danish Asiatic Company (Danske Asiatiske Kompagni); its charter was renewed again in 1772, throwing open the India trade but keeping the monopoly on China trade; finally, the company was broken up in 1844 (Gøbel 1993: 99-101). Steensgaard (1981: 247) highlights the remarkable nature of a relatively few overseas trading companies that "became permanent, anonymous associations of capital, comparable to modern business corporations". The Dutch East Indies Company (Verenigde Oostindische Compagnie or VOC) transformed into this type of entity "apparently by 1612", whereas the English East India Company (EIC) "had certainly made the transition by 1659" (Neal 1990: 195).

Linked to the rise of the charter system was the gradual emergence of modern financial institutions. The establishment of companies such as the VOC demanded the creation of "a financial market in which its stock units could be bought and sold easily", and the development of techniques "for trading and speculating in these stocks" (Davis 1973: 185). In the United Provinces the stock exchange was a novelty, with the prestigious shares in the VOC becoming "the objects of speculation in a totally modern fashion" (Braudel 1985: 100). Furber (1976: 188) comments that "from the mid seventeenth century onwards, shares were being traded (...) at prices which fell or rose according to the company's reports of profits and the declaration of dividends". London, which had "looked long and enviously at Amsterdam", by 1695 was "already seeing the first transactions in public stocks and shares in the Indies" traded in the Royal Exchange (Braudel 1985: 106).

In assessing the success of the charter system, it seems prudent to acknowledge that "the European system of collective capitalism did not develop as a simple, undifferentiated category" (Klein 1981: 28). There were variations in the constitution, operation, and governance of joint-stock companies reflecting differences in the organization of national economies and governmental attitudes towards private trade. For instance, in contrast to the United Provinces, "England was not a republic dominated by merchants and rentiers, but a kingdom ruled by sovereigns with whom nobility and gentry had great influence" (Furber 1976: 39). In the case of the Danish and the French East Indies companies, while the former "never succeeded in raising capital large enough to draw full advantage of the company form of organization", the latter "only worked as a fully integrated organization for a short period" in the 17th century, and "not until the time the ages of companies was drawing towards its end had it reached" an organizational level sophisticated enough to rival the Dutch and the English (Steensgaard 1981: 255). The many early attempts of the French at establishing East Indies ventures suffered from their tendencies to "appeal to the king's navy, management by bankers and officials rather than merchants, concern for colonization, and (...) putting French activities in *both* Indies under unified command" (Furber 1976: 202). The Scottish attempts at overseas trade with the so-called Darien Company, chartered in 1695 as the Company of Scotland trading to Africa and the Indies, met with ruin. The Act of Union with England has something to do with the misfortunes of the Darien Company, as London merchants "were anxious to stop the loophole whereby rivals and competitors could circumvent English laws by incorporating in Scotland" (Furber 1976: 217). In the 1640s, the Portuguese established the Companhia Geral para o Estado do Brazil with the purpose of providing military assistance to the Portuguese fighting the Dutch West Indies Company in Brazil in return for trade privileges (Winius 1981). Although the Company as a commercial venture was unsuccessful, the military assistance offered contributed to save Brazil for the Portuguese. The trading companies "were the result of dynamic improvisation and experiments, not of the experience of generations" (Steensgaard 1981: 247). Moreover, "nothing approaching the definite principles of modern company law" had been yet achieved (Griffiths 1974: xiii).

Notwithstanding that overseas trade opened up many opportunities for chartered companies to exploit, without the introduction of collective capitalism it is unlikely the activity would have flourished. Klein (1981: 24) highlights some of the aspects that made the "new system particularly adapted" to meet the demands imposed by long distance trade: "The establishment of an overseas administration and military and naval services, the organization of regular and large transports, the construction of warehouses, depots, shipyards and strongholds were all essential but expensive requirements, that had to be subjected to long term management and control. It is evident that no single, arbitrary group of individuals would have been able or willing to engage in this comprehensive, hazardous and difficult business, without guarantee of security and profitability." The monopoly rights over specific commodities and trading destinations granted by charter to the trading companies and the use of force that they exercised to protect them were essential to ensure security and profitability of investment. Ultimately, the survival of the overseas charter system was dependent upon the use of force, which was exercised extensively by the armies and navies the companies commanded. It was a business, but it was a violent one that required systematic use of lethal force to keep it running.

3 Monopoly Rights and the Private Use of Force

The public sanctioning of trade monopoly and the private use of force are two defining features of the overseas charter system. An important justification given for monopoly rights deals with the cost that the companies had to incur in developing the infrastructure needed for distant trade, since it involved "high and indivisible fixed costs and sizable economies of scale" (Anderson/Tollison 1983: 550). While a monopoly could not be maintained without the use of force, the expenditure in the maintenance of private armies and navies and the development of overseas military infrastructure served also as a justification for the granting of monopoly rights. For example, the costs involved in maintaining forts and garrisons "figure prominently in discussions of infrastructure during this period" (Anderson/Tollison 1983: 551). Forts and garrisons were necessary for the protection not only of companies' agents, but also against interlopers (unlicensed competitors). In the case of England, France, and the United Provinces, "it was company policy (...) to forbid interlopers to trade within the boundaries of company operations" (Anderson/Tollison 1983: 558). Companies from other countries engaged in similar practices.

Force was used to protect monopoly rights from rival companies and interlopers, as well as to protect the companies' maritime holdings from pirates and privateers. Similarly, in the Indies (East and West), the use of force was necessary to gain control over established merchant networks. Steensgaard (1981: 251) directs us to consider the two criteria that fostered the "survival of companies" when many failed: their "ability to defend their privileges" and "their ability to protect and enlarge their capital". Israel (1989: 180) points out that the Dutch trading in the Indies, or "in the world more generally, relied on a mixture of force and trade advantage". They were "little concerned with public relations, and its servants admitted as a matter of course that military force was necessary in order to maintain and enforce cartel rights" (Anderson/Tollison 1983: 558).

The more vulnerable monopoly rights were, the more force had to be exercised by the companies to protect them. In parallel, the more resistance the indigenous population offered to the companies' advances, the more coercion the companies had to exert on them. Using Wesseling's terms, the equation was one of "expansion and reaction" (Wesseling 1978: 1–14). In some instances, the trading companies met with a strong coercive reaction, which forced them simply to adapt to the trade conditions rulers offered them. The English Muscovy Company, for example, "was not allowed by the Russian Czar to maintain any forts or military forces in Russia" (Anderson/Tollison 1983: 559). From around the 1650s, most East Indies companies ran operations in China, mostly confined to Canton. However, "Chinese authorities did not allow any European military forces in the area", on many occasions confiscating the offending military equipment when Europeans ignored the ban (Anderson/Tollison 1983: 559). In Bengal in 1729, the EIC forged an alliance with the VOC and "decided to attack the ships of the Ostend Company" (Chaudhuri 1978: 128). When the Nawab of Bengal, concerned about the violation of the "neutrality of his port", issued orders "to prepare military action against the European factories", the matter was settled only after the companies agreed to pay compensation (Chaudhuri 1978: 128). In the Indonesian archipelago, it took the VOC forces three years of "intense attacks", before they could subjugate the trading port of Macassar (Marshall 1998: 127). In India, companies were not able to challenge local rule until their armies developed into large and well-organized forces. The forces maintained by the overseas trading companies had therefore to fine-tune the means of coercion at their disposal in order to defend and impose monopoly rights.

In exercising force in a private capacity, it is clear that the overseas trading companies enjoyed a good degree of autonomy from their respective governments, which allowed them to ascribe themselves functions more closely associated with the institution of the modern state, prominently the right to maintain armed forces. Hence, authors draw attention to the peculiar characteristic of some of the larger companies in acting as quasi-states. Smith (1991: 105), for example, in qualifying the drive of the VOC in displacing the Portuguese from Asia, refers to the company as a "staat buiten die staat" (a state independent of the state). Chaudhuri (1978: 20), likewise, regards the EIC as a "state within a state". Winius and Vink (1991: 9f.) argue that the companies "acted as independent institutions and in fact did not pay more attention than suited their convenience to what their government were saying and doing at home". This is an important issue in the assessment of the dual role of the companies as public and private entities. As the companies were allowed to maintain private forces and had the right to conclude treaties with foreign powers, "the distinction between the company as a private body of enterprise and as a public authority enjoying more or less sovereign power was actually somewhat lost" (Klein 1981: 23). The dual nature of the overseas trading companies "partaking in both public and private rights, is their historical characteristic" (Steensgaard 1981: 247).

This is a distinctive feature of PMCs, which like their early modern precursor partake in both public and private roles. As private enterprises, they seek to maximize profits and market share. However, PMCs deliver services that enter the arena of the monopoly of violence of the state, thereby assuming a public role as well. In establishing this parallel, it is important both to bring to light the multinational character of the overseas charter business and to point out the private forces from the enterprises as a whole. The characterization of the trading companies as multinational enterprises allows establishing parallels between their forces and PMCs, as PMCs are multinational firms.

4 The Trading Companies as Early Multinationals and Their Forces as Embryonic PMCs

The charter system was vast, and companies were licensed to trade on every continent. Yet, in terms of scale, innovation, and sophistication, the overseas enterprising of the English and the Dutch in the Indies stands out from the attempts undertaken by other countries in the Indies, and their national counterparts elsewhere. For the English and the Dutch, joint-stock trade resulted in, first, the consolidation of the VOC and then, with its decline, the EIC rose to prominence.[5] These two companies traded in the Indies for over two centuries. The company model adopted by the English and the Dutch set a standard for European merchants in general, and in the process, their companies defined the basic features of the overseas trading company. Even if in its early days the overseas trading company was an unremarkable institution, the relevant issue is "not where it stood in the evolutionary chain of commercial institutions but the extent to which this organization itself evolved" (Keay

5 Historians commonly characterize the first half of the 17th century as the golden age of the VOC. As for the EIC, give or take a decade, its golden age spanned from 1680 to 1760. In 1698, a rival company to the EIC was established; into the 18th century, the old and new EIC merged operations.

1993: 27).[6] In this evolution, the overseas trading companies came to resemble multinational corporations (MNCs), and their forces, PMCs.

The VOC was perhaps the first commercial enterprise "with a decentralized 'global' organization" (Nijman 1994: 218). The VOC's Governor-General, the company's equivalent of a CEO, had his headquarters in Batavia (present day Jakarta). From there, he "planned and coordinated" trade activities in Asia, maintaining a high degree of independence from the directors in the United Provinces (Nijman 1994: 216–19). The figure of Governor General (or Gouverneur-Generaal) was created by the Heeren XVII (the directors) in 1609 (Winius/Vink 1991: 12). The Gouverneur-Generaal took permanent residence in Batavia only after 1619; between 1612 and 1619, he "came on to reside in and around the Malay Archipelago" (Winius/Vink 1991: 10). The Heeren XVII (or Gentleman XVII) comprised the company's governing body who "established the general policy and decided upon the size of the yearly shipments to Asia, the number of ships that had to be built, the amount of the dividend payments", and the conditions for the auction sales (Gaastra 1981: 52). As trade grew in scope and complexity, committees were established to deal with matters such as "financial control, to assist the auction sales and to read and answer letters and reports" from Asia; the latter committee, the *Haags Besogne*, "was very influential" (Gaastra 1981: 53). In 1602, the VOC had only four committees, "for the signing on of the crews, for victualling, for procuring ships, and for merchandise"; in 1606, a committee was created "to process data on receipts and accounts"; and in 1649, the Haags Besogne was constituted (Carlos/Nicholas 1996: 127). The EIC evolved into a similar organization, with presidencies in the Indian subcontinent in Bombay, Madras, and Calcutta, each with a governor in charge, a governing body of 24 directors, and various specialized committees. Similarly to the VOC, as the company grew, so did the number of committees and the specialization of their functions. One of them was the important Committee of Correspondence, constituted by five or six directors dealing with the "important day-to-day functions" and the maintenance of "records of all letters and instructions sent to the factories and Presidencies" (Wild 1999: 63). From East India House in London, the EIC came to manage its global operations.

The organizational ingenuity of the VOC and the EIC is persuasive enough to compare them to MNCs. Blussé and Gaastra (1981: 8), for instance, praise the corporate model of the EIC, noting that it "was a most impressively organized structure, which, through the combination of good information, policy and execution of affairs, was indeed very similar to today's

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6 While Keay specifically refers to the EIC, the argument can be applied to overseas trading companies in general.

multinationals". However, the issue has not been free from debate. Chandler (1977: 388), for example, locates the emergence of the "multiunit enterprise", i.e. that "administered by a set of salaried middle and top managers" that "can properly be termed modern", in the United States, after 1840.

Although there is not a standard definition for an MNC, Jenkins (2001: 1057) observes that regardless of size, a multinational needs to operate "in at least one foreign country". In dealing with issues of ownership and control of foreign operations, he further notes that some authors have broadened the definition to "include firms that do not necessarily own overseas operations, but are the centres of control of a network of international production". Based on the points raised by Jenkins and conventional perceptions of MNCs, there should not be any objection in regarding companies such as the VOC and the EIC as precursors to MNCs, i.e. embryonic multinationals. If the VOC and the EIC can be regarded as precursors to MNCs, there is no reason not to regard their smaller counterparts in the same way. If size is the criterion, MNCs come in all shapes and sizes. The Austrian, the Danish, and the Swedish East Indies companies (and some other companies trading in Africa and the Americas) were all minor players. In that scale, they replicated some of the defining features of the VOC and the EIC. If continuity of capital is the key factor, it is true that some companies existed for a relatively short period of time, or were even constituted for single voyages only. However, today, mergers, acquisitions, and stock market speculations result in the rapid transformation of the capital and corporate constitution of many MNCs.

Divergence between competing overseas trading ventures is partly a reflection of variations in the constitution and organization of trade through joint-stock, which anticipated and "contributed to the eventual creation of modern business corporations and the abstract concept of the 'firm' as the main regulator through which the whole complex of economic production and exchange could take place" (Chaudhuri 1978: 19). Within this emergent business paradigm, the gradual institutionalization of committee systems and directorships demonstrates the division of labor that was established in the charter system, in which military functions, inter alia, can be identified. In the case of the EIC, for example, amongst the directorships there was a Military Secretary (Buchan 1995: 4). The compartmentalization of military functions denotes the specialization that a corporate division of labor introduced. The private use of force entailed a more specific direction and management from other aspects of the charter system that, to different extents, can be seen in all companies. For instance, the maintenance of private armies and navies required the introduction of recruitment procedures. In the early stages of the overseas charter system, evidence suggests that companies partly relied on forms of entrepreneurship for the recruitment of troops. However, the higher degree of professionalism that sea service demanded caused military entrepreneurship to play a smaller role at sea than at land (Black 1999: 7). At least in the case of the EIC, the role of the 'recruiter' waned towards the end of the 18th century, when the company established its own recruitment service. The military functions of the companies can be more pragmatically identified in their day-to-day overseas operations.

Overseas trading companies were "vertically integrated firms", with factories at the bottom end of the structure (Carlos/Nicholas 1996: 124). Carlos and Nicolas (1996: 128) note that the "administrative organisation created at home by the charter companies was mirrored in the system of local head and subordinated factories" not only in the Indies, but in North America, Russia, and Africa as well. Factories were "permanent trading houses" (Buchan 1995: 3). They "acted as both a symbolic and a physical bond, representing the companies' long-term commitment to a new market as well as providing a building for holding inventories of trade goods to supply the foreign market" (Carlos/Nicholas 1996: 131). Factories were also military outposts. They "fulfilled military and diplomatic functions, providing protection for the companies' men and goods" (Carlos/Nicholas 1996: 131). Therefore, the military branch of a company was represented wherever it established trade outposts.

The forces of the overseas trading companies rendered services not only to their masters. Following company prerogatives, in some instances armies offered their services to foreign sovereigns. They also engaged in the transferring of military skills and the sale of protection. The French, for example, raised, armed, and trained "small units of sepoys (units made up largely of natives) which were then offered to the Moguls to assists them in enforcing their territorial sovereignty" (Buchan 1995: 3). Thus, like PMCs, they on occasions became force multipliers. This is particularly the case when we consider that by the late 17th century "the soldier's career was no longer so ephemeral, as the size of the European complement in garrisons expanded (...) Asian princes employed Europeans in larger numbers" (Furber 1976: 337). The intense competition between trading companies for the Indian markets motivated a change in attitude amongst local rulers, who "were not interested in doing business with any company which could not safeguard their local economies" (Buchan 1995: 3). For the Europeans in the Indies, "force, according to Chaudhuri, was profitable when the sale of protection became an economic transaction" (cited in Watson 1980: 70). Protection was not only for sale in Asia, as similar instances occurred on other continents. In the case of the Royal African Company, for example, after 1698 private traders were required to pay a fee, purportedly to cover the services of the company's forts (Anderson/Tollison 1983: 555). As these instances confirm, the forces of the chartered companies generated profits from the delivery of military services, of which, protection and the transferring of military skills were not the only ones.

The companies and their forces also extracted an economic benefit from the export of weaponry. The practice, at least in the case of the English, can be traced as far back as the middle of the 16th century, when the Muscovy Company apparently engaged in such practices. The Russian Tsar did not grant permission to the Muscovy Company to establish a military presence alongside its factories, but he was hoping to secure arms, artificers, and professional men from England (Griffiths 1974: 28). It appears that Elizabeth I, to some extent, complied with his request; "and this was apparently one of the reasons for the confirmation and extension by the Tsar in 1567 of the Company's privileges" (Griffiths 1974: 28). The EIC convoys took to the Indies with "guns for their own protection, guns for trade, guns to be used as gifts, and old guns being used as ballast" (Brown 1990: 17). Guns "were among the first items carried by the Company to obtain trading privileges"; yet some of them became "free samples", given to rulers who could "buy more from the local representative" if the items were found to be satisfactory (Brown 1990: 17). Cannons, in particular, were a "highly coveted commodity", "a much sought-after and well rewarded object of trade"; "there was nothing that cannon[s] could not buy – in fact as well as in fancy" (Cipolla 1965: 109f.).

The forces were part of chartered enterprises, but their military function set them apart, functionally and operationally, from other aspects of the charter business.[7] However, as integral parts of commercial enterprises trading internationally they possessed the multinational attributes of the business. The forces operated all across the charter system. Where there was a strategic interest to protect, they maintained a presence. They made systematic use of force while assisting the companies to protect monopoly rights, factories, settlements, entrepôts, and trading fleets across the world. The armies and navies of the overseas trading companies can be regarded as multinational commercial ventures themselves, as the protection services they rendered to their masters represented an economic transaction, just like any other aspects of the overseas charter business. Hence, I refer to these forces as embryonic PMCs. Further, the provision of private military services was also rendered profitable through the offering of protection to foreign rulers, the transfer of military skills, and the procurement of weaponry. By and large, the Europeans in their expansion overseas "formed alliances with local rulers, supplying

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7 Although not discussed in this chapter, in terms of their constitution and evolution, there are important distinctions to be made between the armies and the navies of the trading companies.

them with arms and know-how" (Creveld 1991: 27). Now, PMCs equally profit from the offering of protection services, the transferring of military skills, and expert military procurement. Clearly, PMCs play a broader role in the contemporary dynamic and offer many more services than their early modern precursors. In addition, the political economy of early modernity and post-modernity substantially differ. Yet, the case has been argued here for a pre-history of PMC activity and not a perfect organizational and operational parallel. In this pre-history, the security cover provided by these private forces in particular accompanied the expansion by an early form of private corporation of overseas business and, more generally, Western expansion.

5 Conclusion

Private Military Companies tend to be contextualized as part of the evolution of mercenary practices. Historical links are established particularly with the 'free companies' of the Middle Ages and the condottieri of the Italian Renaissance. For example, Zarate (1998: 91) contends that the more permanent constitution of mercenary bands during late medieval Europe and the contractual relationships established between them and their employers (two aspects further refined with the emergence of the condottieri system) justify categorizing PMCs as a "recycled form of past mercenary organizations". However, the condottieri system (and the free companies) lacked a multinational business character that I argue is necessary to establish a link with PMCs. The condottieri system was a phenomenon largely confined to the Italian peninsula that did not significantly transcend its geographical origins. Indeed, parallels between PMCs and overseas trading companies have been suggested in the literature. Nevertheless, authors tend to approach the trading companies as military actors as a whole (e.g., Singer 2003a: 34–38; Smith 2002: 106) whereas I establish the need to distinguish their military forces from the overall commercial enterprises. O'Brien (2000b), on the other hand, proposes that the condottieri evolved into "the security elements of the great colonial exploration companies". While he emphasizes the great colonial exploration companies, I noted that the private use of force was characteristic of the overseas charter system and not only the larger companies. All the companies chartered for overseas trade commanded forces. These forces were not independent commercial entities themselves, but they can be distinguished operationally and analytically from the chartered enterprises on the grounds of their specialized military function. Like PMCs, they were private multinational entities that rendered services that involved the potential to exercise force in a systematic way and by military means, and whose function was institutionalized into the workings of the world economy.

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Private Military and Security Companies

Chances, Problems, Pitfalls and Prospects

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