
THE ROLE OF THE PRIVATE SECTOR IN ZONES OF CONFLICT

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Introduction

Private enterprise today is a significant factor that affects the stability or instability of a country or region. It is now being recognized that the actions of corporations and investors can contribute to peace, or push people toward war. By considering the causes of conflict and its own potential role in the conflict continuum, the private sector can participate in the movement toward a more peaceful society with the various sectors of business playing diverse roles through different stages of conflict. This paper will explore the linkages between the private sector and intra-national conflict through:

- reviewing the concepts and various stages of conflict;
- reviewing the actors involved in these situations;
- considering the implications for business and its role in conflictive or potentially conflictive societies;
- assessing the need to address business and conflict at this time.

Why Address Private Enterprise and Peace Now?

The juncture between private enterprise and peace or conflict is becoming a central issue in civil society debate. Civil society and governments are increasingly demanding transparency in the policy-making of corporations, many of them being targeted by civil society for their contribution to physically violent conflict. There is also an increased sensitivity towards the rights and needs of indigenous peoples and minorities. The United Nations Security Council has, in the past year, greatly expanded its definition of security to include the role of Women as Peacemakers and the role of HIV/AIDS in the destabilization of societies. While private enterprise has so far been seen to be reactive in the social and environmental arenas, this may be their opportunity to lead the way toward a more peaceful, equitable world, both for itself and for the global community.

Actors and Context

The past decade has been a period of significant change. Dualities that were accepted over time, e.g., communist/democratic, public/private, have now shifted toward the democratic/capitalist model. The map of the world has been redrawn and national borders enclose new states. Within some of those states, the legacy of superpower rivalry and cooption often manifests itself in ethnic, racial, religious and/or tribal conflict over power, resources, lack of participation and injustice. Most major conflicts of the past 30 years have occurred intrastate, rather than the more "traditional" cross-border conflicts of the Cold War. This is particularly true of poorer countries in the process of political and socio-economic transition. Specific factors which may induce conflict include, but are not limited to: a weakened government; economic crisis; the existence and dependence on sub-soil commodities; lack of educational opportunity and living-wage jobs; tax codes which favor the wealthy and lack of national reinvestment of tax revenues; homogeneity or heterogeneity of a society.

National governments are more likely to be engaged in bilateral and multilateral agreements that may supersede national authority. "Failed states," countries where governments have, due to corruption, conflict, lack of external support and inability to provide security and human capacity development to their peoples, are emerging without a central governing authority.

There have been changes, too, in civil society organizations (e.g., non-governmental organizations and community-based organizations excluding the private sector). These have grown substantially in number, with an exponential increase in the areas they cover and the depth of their expertise. Their influence, both through individual campaigns and access to the media, have influenced local, national and international policy and institutions.

Another group of actors, not necessarily new, but in expanded roles, has also contributed to intrastate conflict. This group includes private security forces, expatriate communities funding armed groups or governments and the private business and financial sector. This paper will focus on the role of these new contribu-

tors to conflict, particularly the private business and financial sectors.

Changes in the Private Sector

Foreign direct investment, through business and lending, is currently the main source of capital in developing countries, far exceeding contributions in Official Development Assistance. Investors and manufacturers in many sectors can move capital, commodities, components and finished goods in ways previously impossible, due to the infrastructure provided by information technology. This “web” of business impacts the world today in ways both similar, yet vastly different, to the past. It reaches into and anchors itself at many points, running through many spheres, including the political, cultural, environmental, social and ethical. In each case, the presence of the web inevitably influences the spheres it touches. In *The Business of Peace*, Jane Nelson writes:

No company that aims to be world-class can afford to ignore the growing and increasingly sophisticated demands for evaluation and accountability—be it in region of conflict or else - where; this process must now cover social, ethical and environmental impacts, as well as financial ones, but the devil is in the detail of what specifically can and should be measured; accountability must be to a wider set of stakeholders than the company's shareholders, but again the challenge is who and how; the manner in which the process of evaluation is undertaken is equally as important as the type of information gathered.

The private sector has been under pressure to change. Business, the financial sector, local, national, international and multilateral lenders are under pressure to perform both commercially as in the past, and now socially by governments and civil society organizations. Established economic frameworks and procedures for loan-making and investment are being questioned; privatization, liberalization, stabilization and institutional reforms are no longer the sole benchmarks for decision-making; the “softer” criteria of social, governance and environmental variables must now be considered in the drawing up of a business plan.

Because business intersects with so many spheres, and because those spheres directly influence the development of conflict, it is critical for the private sector, both in its own interest and in the interest of local, national and global stability, to consider its role in the

prevention of conflict and in its cessation. Physically violent conflict is costly to private enterprise in terms of human, material, capital and reputation loss. Much attention has been given to the instability caused by the environmental/human rights violations of multilateral institutions and transnational corporations. Incidents of litigation in the home countries of transnational corporations are increasing.

It is the hope of the Quaker United Nations Office that the business community will see its role with enlightened self-interest. It is hoped that for-profit institutions will move from simply reacting to conflict, towards a pro-active response to help prevent it and from prevention of conflict towards a transformation, where stability and peace undergird all decisions, moving in tandem with the accumulation of wealth.

Definition of Terms

Transformation often begins with, and/or includes, changes in language. Terms that define the various facets of conflict, like war, violence, security and stability, have long-standing conventional definitions. Recurring global situations force us to question these definitions and reshape our understanding of conflict.

The definition of war is changing; war has traditionally been characterized as a fight between two armies, with a clear demarcation of sides. In contemporary intrastate conflict, this is no longer the case. Governments fight rebel groups by day and sell them supplies during the night. Soldiers don uniforms to fight for governments without compensation during the day, fighting for their “opponents” at night when the opportunity for garnering profits is greatest. Civilians battle armed bands, making women and children currently the largest casualty group. Fighting is often a cover for illegal gain, providing illegal revenue through which more arms can be purchased and used. This sets precedents and creates new norms of owning and using weapons, breaking down the trust previously contained within a group, region or country.

Violence is often interpreted as the causing of physical injury or damage. In a transformative strategy, the definition of violence needs expansion. Is it limited solely to overt acts of physical, environmental or infrastructure destruction? Can it be the lack of a living wage that would provide sustenance to a family or region? Is it implicit in the nuances of trade policy? Can it include the environmental degradation that threatens the survival of communities or the threat of plant closure to workers discussing unionization? In a strategy that seeks

to transform society, violence needs to be seen on a continuum from covert or overt disenfranchisement through to full-scale military engagement.

Security has been defined as military defense or deterrence. The need for military expenditure may be significantly reduced if the definition of security is broadened to “human security” and then “world security.” What is necessary to create a situation where humans and the environment are secure? Capital, traditionally defined as money or infrastructure, could be broadened to include “human capital” and then directly related to “human security” through policies that contribute to “human development” — the broader development of people, both within and outside of the workforce.

Stability, mainly relegated to macroeconomic balance in the private sector, can be analogous to the human, environmental, economic and political constancy necessary for peace. Stability defined in this manner would allow the private sector to operate with a significantly reduced threat of conflict. This is not a one-way street; government, civil society and business would need to join hands in contributing to the prevention and transformation of conflict.

Redefining terms through such questioning leads to a view of conflict as a continuum, from inequity in economic and social relationships, to full-scale war. Each step along the continuum calls for distinct and different interventions, and it is critical to know the stage the conflict is at, to be able to develop effective strategies for conflict prevention, resolution or post-conflict reconstruction.

Stages of Conflict and Conflict-based Responses

For the private sector to lessen its potential negative impact on the political, economic, environmental and social stability of a country, business and the financial sector need to be aware of and take into account the various stages of conflict.

Although conflict is a continuum, it is possible to delineate three stages for ease of discussion. These are:

- the pre-conflict or conflict-free stage
- situations of ongoing conflict
- post-conflict situations/conditions

The private sector has choices of intervention at each of these stages, both internal and external (within, and outside of, the enterprise). Such interventions include: social investment and philanthropy; advocacy and civil institution building; and engagement in public policy dialogue. These can be conducted by the private

enterprise alone, or in conjunction with others, including intra-sector enterprises/organizations or cross-sector enterprises/organizations. Intervention choices that affect decisions about locating in a particular geographic area are often guided by internal, as well as external, insurer-based, risk assessment. This takes into account the mandate of the organization; its scope (international, regional, national, local); the type of enterprise (mining, oil, manufacturing, banking, investing, lending); nature of the investment (solely capital, “big footprint”—large-scale infrastructure needs such as mining, flexibility of withdrawal); profit-making potential; whether the enterprise itself may be the cause of the violence; external negative/positive media and civil society attention; history of the corporation within a region; ownership of the project, including the location of the central office of the owner; safety of staff; spheres of influence and relationships developed.

Other variables for assessment include: the role of the government; the rule of law; involvement of the Diaspora in a country’s affairs; neighboring governments; criminality; corruption. Based on this assessment, private enterprise will need to ask itself whether it should enter a region where conflict is rife and, once established, whether it should stay or withdraw from a region if conflict escalates into war.

There is need to create a framework which will allow companies to merge social, environmental and political risk analysis so that the linkages might be better understood. It is often the “areas in between” which most affect whether business is likely to create conflict, exacerbate it or prevent/resolve it.

Intervention Choices in the Pre-Conflict Stage

Intra-national progression toward violent conflict may be less likely if the assessment of a situation results in an overall business strategy grounded in the following: long-term regional and human commitment; willingness to engage in transparent and culturally relevant partnerships; a strong foundation in the values of human rights and human resource and sustainable development, both within and outside of the private enterprise. Willingness to build business in pre-conflict regions with conflict reduction in mind can be time consuming and costly, even if the groundwork for preventive strategies has already been developed. Factors predicting violence are known, but the problem lies in the lack of political will in the international community to ensure early intervention. Addressing a conflictive situation before it becomes violent, e.g., access to water,

might well be within the purview of an overall investment strategy or business plan. Studies have indicated that investment in education, rural property rights and social safety nets can play a crucial role in dampening ethnic tensions arising from economic change.

Building capacity, whether human, governmental, legal, administrative, economic or environmental, is critical to stability and therefore beneficial to the success of private enterprise. This role can be undertaken by private enterprise at all levels including multilateral institutions (Bretton Woods, WTO, etc.), multinational corporations, banking and the financial sector and national and local enterprises. One approach to capacity building is for private enterprise and multilaterals to consider the aforementioned factors in structural adjustment programs. The IMF in its Poverty Reduction Strategy Papers, the World Bank utilizing the Comprehensive Development Framework and the United Nations Development Programme employing the UN Development Assistance Framework, are looking toward the participation of multiple stakeholders in planning conditions for lending. Private sector and multilateral support for diversification of single commodity economies, the development of a strong and diversified manufacturing base and development of physical infrastructure can help provide foundations for economic and political growth and stability. The development of social safety nets, institutions that provide education and health services and the collection and reinvestment of tax moneys to fund these services, is critical to the development of human capital and to the provision of stability during times of crisis.

Pre-conflict intervention may take private enterprise to places it has not gone before, using techniques that are “soft” and process oriented. *The Business of Peace* states:

One of the most important lessons to have emerged is recognition that process is often as important as information.

Engaging in dialogue with all relevant stakeholders (both horizontally and vertically), developing transparent partnerships and building relationships of trust by honoring commitments, are critical in the formation of stable, equitable societies in which business can best function. For this type of effort to be successful, the same processes would need to be followed within the private enterprise as well as externally. Private mission statements, policy codes and standards which include concrete, measurable peace promotion and freedom of expression, must be top-down, based on international

treaties, resolutions and agreements (Universal Declaration of Human Rights, the UN’s Global Compact, the Declaration to End All Forms of Racial Discrimination, agreements of the International Labor Organization, etc.), the establishment of “Corporate Forums on Corruption” or “Corporate Integrity Pacts” and provide an environment in which civil society can grow.

Intervention Choices in the Conflict Stage

There is a potential mediation role for private enterprise in conflict situations, but this can prove to be extremely complex and delicate/difficult for multilaterals and corporate representatives. A mediator must search, with the parties involved, for mutually beneficial solutions that may not be apparent to the owners of the private enterprise due to cultural or linguistic differences. In addition, if the corporation is seen as favoring one party, it will not be seen as a credible mediator from the very outset.

Advocacy could be another role for private enterprise, although this, too, may be a very precarious role for a company to play. Corporate leaders can have dialogue and influence each other with the possibility of taking collective action and/or intervention on the part of a particular sector or cross-sectorally.

Humanitarian intervention may be the most familiar and obvious role for private enterprise during conflict. However, while the provision of tarps, medicines and foodstuff can be lifesavers, the parties in conflict can also barter them for weapons. Humanitarian intervention can also undermine the economy of a region by causing commodity prices to plummet if the market is glutted with donated commodities. This is not to state that humanitarian intervention is not worthwhile, but as in all endeavors, knowledge and assessment of a situation is critical before intervention takes place.

Corporate security arrangements during times of conflict can be some of the most difficult variables for private enterprise. However, while robbery, carjacking, kidnapping, sabotage and corruption are all threats to business and investment, the use of armed private security companies has created and exacerbated violent situations. Again, international standards such as the “UN Basic Principles on the Use of Firearms by Law Enforcement Officials” and the “UN Code of Conduct for Law Enforcement Officials” must be utilized as an internationally agreed-upon foundation on which individual enterprises or sectors can create concrete, measurable guidelines for security forces.

Intervention in the Post-Conflict Stage

Civil wars, which are less likely to end in negotiated settlements than the interstate wars of the past, result in severe dilemmas of settlement. Lines between civilians and combatants are often blurred. Governments can be corrupt and rebel groups will want to guard their resource bases. While the international community may pressure the parties involved to sign a peace agreement, it is likely to crumble rapidly if the settlement does not equally address the interests of all parties, or if the share of power and/or resources offered to either party is likely to be more limited after the agreement. In addition, lack of international attention or coordination among implementing agencies may undermine a settlement.

It is at this juncture that the private business and financial sector can make a most significant contribution. During post-conflict reconstruction, the private sector has the opportunity to provide a foundation for lasting peace through its policies, initiatives and vision. Non-intervention can be more important than intervention in cases where a business plan or investment is likely to undermine fragile democratic processes and rule of law, in the name of financial reward. Rushing in, post-conflict, to purchase land or mineral rights, or to privatize utilities or industry which will enrich a few, has proven to undermine peace settlements and cause a renewal of conflict in the short and/or long term. Working within the framework of an overall development strategy, in conjunction with democratically oriented governance structures and rule of law, would provide a foundation for human development, environmental sustenance and security that would benefit all.

Participation in rehabilitation and reconstruction efforts in post-conflict situations can include training or retraining persons directly involved in combat, equitable hiring, the removal of landmines and assistance in the rebuilding of towns and villages. Any or all of these activities must be preceded by an assessment of the conflict, the parties involved, the needs of the community and subsequently a plan for equity in all undertakings.

Corporate Standards, Voluntary Codes and Regulation

In an ideal world, the private sector would seek to create wealth for itself by benefiting the wider world through enlightened self-interest. This would include, as stated in the previous section, supporting democratic governance structures, contributing to a national tax base, paying a living wage and providing health and retirement benefits. Deficits in any or all of these areas

can contribute towards political, social and/or economic instability, leading to violent conflict. In the context of globalization, too often the private sector is only interested in the accumulation of wealth, making governmental regulations on corporate enterprises necessary.

Regulation can take the form of industries regulating and auditing one another, governmental regulation and auditing, or auditing through private organizations (however, given the recent spate of corporate failures using private accounting firms that also do consulting, this looks like a less than promising avenue). Multilateral corporations are coming under ever-greater scrutiny of civil society organizations, these organizations at times create standards for corporations without corporate input and audit them based on those standards. Dissemination of the outcomes of those audits can be grist for the media mill; the results can provide political and public pressure for change and/or can severely damage the reputation of a corporation. Participation in mutual, transparent standard setting between the private sector, government and civil society, would be a way to broaden the discussion and build trust and transparency.

It is not necessary for corporations to “reinvent the wheel” in this regard. Existing standards such as the Red Cross's Principles of Conduct for Disaster Response Programs can be utilized as a basis for the development of new voluntary codes and standards. Private enterprise can also utilize existing environmental, labor and human rights treaties, codes and regulations as standards to prevent conflict. Codes and standards must be concrete and measurable and the information from audits disseminated to all relevant stakeholders for continued dialogue.

Looking Toward the Future

Business cannot build a more equitable, peaceful world in a vacuum. There is a need for good governance and a vibrant civil society to provide both support and checks and balances to one another. A foundation in human rights, strengthening economies, building human capital, promoting good governance, protecting the environment and assisting social cohesion are the purview of business, government and citizens.

It is clear that there are many important roles the private sector can play in all stages of conflict. These demand transparency and the long-term view of a world without war, a world in which business flourishes in conjunction with political, human and environmental stability. The private sector must work in support of

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(and sometimes in tension with) democratic governance structures, not the other way around. It is the role of governments to make sure that the needs of their people are met through regulation of the private sector, the creation of a working tax base and social safety nets and the provision of education and health services. Governments must be responsible to their people, not to self-interest.

Much work has yet to be undertaken. Questions arising from this Briefing Paper include:

- What is the best role for business/government/civil society in conflict prevention?
- What roles should business not play because they may contribute to conflict?
- How can systems be developed to maximize the benefit of individual sectors in all the stages of conflict?
- How would private enterprise benefit from using conflict sensitive mechanisms/strategies?
- What should the benefits be (financial/honorary)

for private enterprises that develop, follow and assess in an ongoing manner, voluntary standards/codes which contribute to peace?

- What are the alternatives/possibilities for setting standards for banks and investment firms, especially hedge funds, and who would monitor these standards?

It is hoped that this paper will raise many more questions and will provide grist for the mill in the assessment of the role of the private sector in peacemaking.

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The Quaker United Nations Office (QUNO), located in Geneva and New York, represents Quakers through Friends World Committee for Consultation (FWCC), an international non-governmental organisation with consultative status at the UN. QUNO works to promote the peace and justice concerns of the Religious Society of Friends (Quakers) from around the world at the United Nations and other global institutions. It is supported by the American Friends Service Committee, Britain Yearly Meeting, the worldwide community of Friends, other groups and individuals.