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CONFLICTING MOTIVATIONS
THE PRIVATE SECTOR
AND INTERNATIONAL CONFLICT

AN ANNOTATED BIBLIOGRAPHY

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Contents

Introduction

Since the end of the Cold War, the world has been witness to a drastic increase in the number and magnitude of inter- and intra-state wars. These conflicts have predominately taken place within developing and underdeveloped countries and have led to substantial human, economic, and political costs at both local and international levels. The United Nations, along with international financial institutions and the global civil society, has recognized the need for curbing the violence and preventing further outbreaks. However, the political breadth and financial capacities of these organizations cannot ensure sufficient socio-economic recovery through peace-building operations alone. A more progressive approach is required. Responsible and committed engagement from private sector actors can provide a thrust towards reducing poverty in war-torn societies. Over the long term, the private sector in conjunction with international and non-governmental organizations can accelerate the process of post-conflict reconstruction and encourage lasting peace through economic prosperity.

The private sector, comprised of transnational corporations (TNCs) and smaller-sized domestic firms, has taken on an increased role in the international community (Section I). The failure of central planning economics and the consequent promotion of privatization and liberalization have brought corporations very much into the forefront of international relations. Moreover, the technological realities of a globalized world have led to the proliferation of TNCs and the development of elaborate international supply chains. TNCs continue to expand their presence in competition and alliance with one another and are increasingly operating in emerging markets. However, these frontier countries have not presented the market stability and transparency that is expected in the developed world.

Often intra-state conflicts are associated with economics and financial viability (Section II). Consequently, as a primary agent of economic development, the private sector is inherently linked to contemporary conflict. Situations where oppressive states require TNCs to harness needed resources are particularly precarious. When corporations become involved with a government that deviates from its customary role of maximizing constituent welfare, they often fan the flames of violence through their investment. Therefore, state failure provides explanation for the scrutiny aimed at corporations as exploiters of violent conflict rather than promoters of peace and development (Section III).

There has been mounting criticism over the practices of TNCs in the Third World. The NGO community and UN institutions in particular have encouraged the business community to play a more active role in conflict prevention and resolution. However, the private sector has not typically been viewed upon as a welfare-enhancing institution. Rather its fundamental rationale is to increase its own value. But as global consciousness of injustices committed in the developing world develops, corporations are finding that reputation loss has an adverse effect on profits. As a result, recognition of the potential constructive influence the private sector can have in conflict management is progressing.

The private sector is no stranger to conducting operations in hostile environments. In particular, the extractive industry has had considerable experience in and around violent conflict. Nonetheless, such experience provides no clear indication that corporations can immediately be interwoven into peace-building operations. The diversity of the private sector must be examined before taking into consideration methods of business involvement in conflict management. The private sector is made up by a diverse group of actors. Each respective industry will possess its own propensity to disinvest when violence persists. A conflict's effect on potential profits will determine a company's reaction. This reality makes the private sector both a potential partner in peace-building operations and a threat to exacerbating violence.

The profit-seeking rationale of corporations has led to the circumvention of social responsible practices rather than active participation in conflict resolution. The private sector has formed dubious agreements with governments, rebels, and hired private security to ensure market predictability. Such arrangements have led to corporations being indirectly linked to violations of human rights. Other firms have found profit in war, arms trade and narcotics in the shadow economy and private military companies being the most notorious.

Whether a corporation uses unconventional measures to ensure profitability or is itself dependent on war, these processes are reliant on the global marketplace. Consumer and financial products in the North have been associated with the funding of ongoing violence in the South. This unveiling interconnectedness has awakened the international community, prompting the private sector into joining multi-stakeholder partnerships and voluntary codes of conduct. Corporate involvement in these innovative partnerships and practices are still the exception rather than the rule, but are gaining in momentum. Thus, the private sector has shifted further into becoming a responsible actor in countries under the stress of violent conflict.

The aim of this bibliography is to present existing literature on the current involvement and potential proactive roles that the private sector can undertake in, during and after conflict. The positive and negative impacts of corporate engagement in conflict zones are outlined in the literature provided, along with various recommendations on how the private sector can contribute to conflict prevention and resolution. It is hoped that this bibliography will provide foundation and direction for further research, supporting the creation of new avenues in this facet of development thought.

Section I:

The Private Sector in the International Community

Butler, Nick. "Companies in International Relations." *Survival*, vol. 42, no. 1 (Spring 2000): 149-64.

Butler describes the evolving role of the private sector in the international system and argues that the influence of multi-national business on international relations has grown and continues to do so. Moreover, the positive role these enterprises can play as integral parts of society is linked by their own rational self-interest. Butler's contention is that a well-functioning society is the best climate for business. Companies are not seeking to replace the nation-state but rather protect their own positions by becoming engaged in progressive change. As multinational corporations expand into emerging markets, it is becoming increasingly apparent that proper systems of law and enforcement, as well as functioning government and civil society, are necessities for business to operate effectively. Specific corporate engagements that exhibit companies' self-interest in well functioning, liberal markets are outlined.

A transfer of power from national governments to multinational corporations has not taken place. Butler argues that companies' assets are not as mobile as alleged and that collusion between multinationals does not agree with price realities. Companies' interests in international relations will continue due to long payback periods in investments, direct commercial interest in bilateral relationships, and the strategic interest in certain products produced by companies. Individual companies' decision-making must be made within the context of the international environment. Today, companies are more international in ownership and in staffing than ever before. Companies are no longer attached to a single national identity. Furthermore, Butler discusses how companies are increasingly affected by economic and political jousting between nations through sanctions.

Kapstein, Ethan B. “The Corporate Ethics Crusade.” *Foreign Affairs*, vol. 80, issue 5 (Sept./Oct. 2001): 105

A symbolic relationship has formed between NGOs and multinational corporations due to successful consumer boycott campaigns led by NGOs promoting normative values on multinational corporations operating in developing countries. However, this relationship has harmful implications for the world’s poor, the very people the ethics crusade means to protect. Investment and job creation in developing countries could decline due to the imposition of international labour standards and procedures. Countries that rely heavily on foreign direct investment to act as the engine for economic growth may be worse off. The advantages and disadvantages of proposed policy solutions must be weighed before these Western values are pushed on developing countries’ economies. Logical rather than passionate solutions must be established.

These social activists have created a market for analyzing the triple bottom line of multinational corporations, putting into question the incentive structures on which NGOs are operating. Continual ethical efforts by NGOs have the tendency to impose costs on those corporations that are least capable of bearing them, such as SMEs in developing countries. Objective research is required to uncover the possible impacts consumer boycott campaigns and the establishment of international standards have on the countries in which NGOs aim to assist.

Mathews, Jessica T. “Power Shift.” *Foreign Affairs*, vol. 76, no. 1 (Jan./Feb. 1997): 50-66

The role of national governments in international relations is changing drastically in light of globalization and the emergence of a strong global civil society. The rise of non-state actors such as businesses, international organizations, and NGOs has been fuelled by revolutions in computer and telecommunication technologies. These advancements allow for a deepening of interconnectedness around the world. Instantaneous access to information and the ability to use it has increased the number of players who matter on the world stage. Matthews argues that information technologies have disrupted hierarchies, distributing power among more people and groups. She discusses the increased influence of NGOs on international relations as well as the changing face of business. The importance of private capital flows has surpassed that of trade between countries. Power now lies in the market rather than within the state.

Furthermore, the international community has increased its capacity to override national sovereignty. International organizations are forging new alliances with business, NGOs, and civil society depicting the greater transparency these institutions are now implementing. Compared to national governments, these institutions have a longer rein to further global security and human rights. States may set the rules that other actors operate in, but since business, NGOs, and international organizations are more capable to address global problems they will be increasingly eroding the states' decision-making power.

Ottaway, Marina. "Reluctant Missionaries." Carnegie Endowment for International Peace. July-August 2001. http://www.foreignpolicy.com/issue_julyaug_2001/ottawayprint.html [Accessed Oct. 9, 2003]

Private corporations, oil companies in particular, are unsuited for the job of turning around corrupt governments. Human rights and environmental NGOs are targeting corporations to become agents of change by advocating host governments to improve their practices of human rights and democracy. Oil companies have been ripe targets for NGOs and their subsequent promotion of consumer boycotts. In many cases NGOs have failed to listen to the people they intend to assist, finding little local support in halting oil activities in developing countries. Thus, NGOs have put their attention on the oil companies themselves. As a result, guidelines for companies operating in troubled areas are quickly being produced. These voluntary guidelines require companies to conduct a study of democratic and human rights conditions as part of their risk assessment, ensure that the security measures they take to protect installations comply with international law and do not violate human rights, and that they monitor human rights violations by state security forces protecting their installations. In response to this ethical onslaught, corporations are learning to pass the buck, putting organizations such as the World Bank in between them and NGOs.

Private corporations are not the right organizations to further moral causes. Executives have no place in lecturing developing-country officials on human rights and democratic governance. Not everyone shares similar values of civil society. Corporations should not be considered moral entities. NGOs have set unreachable standards that promote circumvention of their guidelines rather than positive reform. The World Bank and bilateral donors have imposed policies that have hurt rather than helped. For lasting change to take place, it must come from within corporations, NGOs, and donors to help implement reform of developing country governments.

Section II:

The Political Economy of Intra-state War

Collier, Paul. "Economic Causes of Civil Conflict and Their Implications for Policy." In: *Turbulent Peace: The Challenges of Managing International Conflict*, edited by Chester A. Crocker et al. Washington D.C.: The United States Institute of Peace, 2001.

Collier challenges mainstream reasoning of causes for civil wars by analyzing data from over three decades of war. Collier finds that the risk of civil war is highest when rebellion is financially viable. Typical social grievances, such as inequality, a lack of democracy, and ethnic and religious divisions, prove to have no systematic effect no risk. Rather, economic conditions - such as dependence upon primary commodity exports and low national income - provide better proof for the outbreak of civil wars.

A comparison is made between perceptions of conflict as motivated by "grievances" or by "greed". Findings show that in order to attract recruits, rebel organizations must develop a discourse of grievance. The cause of conflict is related to the feasibility of predation. In a set of forty-four civil conflicts, Collier finds that dependency on primary commodity exports, a geographical dispersed population, and a history of civil war are the most outstanding indicators of civil conflict. Ethnic and religious diversity improves chances of peace. Income inequality has no discernible effect on the risk of conflict. The one exception is where a case of ethnic dominance exists. Where a majority has reason and means to exploit a minority.

Collier continues to argue why rebellion is different than protest along with the conditions that make predation rebellions profitable. More details concern why ethnic diversity makes a society safer and why ethnic dominance is so dangerous. The existance of diaspora is also noted as an important factor in the prolongation of civil conflict.

Finally, Collier presents policy recommendations for both conflict prevention and post-conflict peace building. For conflict prevention measures, a decomposition of the components of overall risk must be made. Governments should work towards diversifying the economy away from primary commodity exports. Second, aid should be targeted by the international community to these societies. Third, the government should use primary commodity revenues for social means and concurrently make potential looting rebels unpopular. Further, the international community should work towards making it difficult for rebel organizations to sell the commodities they loot. In post-conflict peace building the risk for conflict is substantially higher as political and social structures have been created from conflict, developing actual grievance. Collier suggests bringing the diaspora into the conflict to help relieve tensions and to publicize the self-interest of conflict starters for what it was. Collier's work suggests that rebel organizations should be viewed as rational economic agents rather than groups with legitimate social grievance.

Collier, Paul and Anke Hoeffler. "Greed and Grievance in Civil War." The World Bank. Oct. 21, 2001. http://econ.worldbank.org/docs/1109.pdf [Accessed Oct. 28, 2003]

Through the use of an econometric model, Collier and Hoeffler argue that rebellion is determined by financial opportunity rather than grievances. In particular, rebellion is fuelled by extortion of natural resources and donations from a diaspora population. The ability to form rebellion is explained by access to finance. Opportunity to rebel outweighs motivation.

First, the proxies for opportunity are discussed. Three indicators of opportunity are considered: extortion of natural resources, donations from diasporas, and subventions from hostile governments. The costs of funding a rebellion are analyzed by contrasting the costs foregone by recruits joining rebellion forces. The diversity of the recruitment pool is also taken into consideration and it is shown that social cohesion is not supported by statistical findings. Second, the objectives measuring grievance are considered. Ethnic or religious hatred, political repression, political exclusion, and economic inequality are all examined. It is shown by comparing societies in peace and those in conflict that ethnic polarization is not necessarily a cause of violent outbreaks.

Influential factors causing violent conflict in societies are when primary commodity exports make a high percentage of a country's GDP and when there exists large diasporas. Diasporas preserve hatred and finance rebellion. Thus, the authors conclude that the opportunity model explains conflict better than the grievance model. However, the grievance model can assist in explaining factors causing conflict. For instance, ethnic dominance in society has adverse effects, whereas ethnic and religious diversity do not fuel conflict motives.

FitzGerald, Valpy. "Paying for the War: Economic Policy in Poor Countries Under Conflict Conditions." In: *War and Underdevelopment: The Economic and Social Consequences of Conflict, Volume 1*, edited by F. Stewart and V. FitzGerald. Oxford: Oxford University Press. 2001.

Hunger, forced migration, and collapse of public services are the most deadly consequences of conflict. The poor of low-income countries are particularly vulnerable to state failure during conflict, as they cannot replace typically public-serviced goods with equivalent private purchases. Furthermore, increased government military expenditure will both enlarge the fiscal deficit and reduce social expenditure.

The private sector's response to wartime conditions varies according to the overall level of violence. As firms are heterogeneous, those located in the modern sector will be adversely affected by the extent imports are still available and the disruption of required infrastructure services. Import substitution through the informal sector may be the only alternative to ensure continued operations. Those firms with access to state and foreign resources can take advantage of quasi-rents caused by wartime shortages, however. Overall, companies are unlikely to increase capacity due to the uncertainty behind the expenditure of funds during wartimes. Consumption will rise or fall depending on the extent of war damage and import capacity, claims on national resources made by government expenditure and firms' investment decisions, and the supply of essential consumer goods and social services.

FitzGerald goes on further to analyze the role of macroeconomic policy of national governments, and the influence of aid agencies and international financial institutions on poor economies under conflict. A stabilization programme is suggested for poor wartime economies on the basis of a previously developed Keynes model.

FitzGerald, Valpy. "The International Political Economy of Conflict in Poor Countries." In: *War and Underdevelopment: The Economic and Social Consequences of Conflict, Volume 1*, edited by F. Stewart and V. FitzGerald. Oxford: Oxford University Press. 2001.

FitzGerald analyzes the effects global economies have on war-torn countries. In particular, how the intensity and duration of conflict relates to trade, finance, and aid. Both positive and negative linkages between civil conflict and globalization can be found. The three main economic factors that contribute to an outbreak of conflict are: the widening of disparities in income or wealth within a society, an increase in uncertainty as to the economic prospects of dominant or subordinate groups in terms of real incomes and asset ownership, and the weakening of the economic capacity of the state to provide public goods, which undermines the legitimacy of the existing administrative system.

Where the international private sector is concerned, companies operating in conflict have received little protection from their 'home' countries and have had to create such security arrangements themselves. This involved engaging the local government in contracts for security or outsourcing to private security firms. FitzGerald contrasts firms operating in industry and those in services and presents the informal sector as a major factor in financing violence.

The impact of the global economy on the process of conflict is viewed from an export and an import perspective. Moreover, foreign investment is significantly effected by war, with most firms ceasing further investment in the country. The effects of foreign aid and debt are then discussed. FitzGerald examines the international response to conflict and the resulting burdens on vulnerable groups. Economic sanctions in particular have not exhibited the desired effect. FitzGerald recommends that sanctions be amended to pinpoint international regulation of arms trade in conflict countries. In conclusion policy implications are presented with practical methods of reform in the international community to strengthen conflict prevention in the world's least developed countries.

Moran, Theodore H. "Trade and Investment Dimensions of International Conflict." In: *Global Chaos: Sources of and Responses to International Conflict*, edited by Chester A. Crocker et al. Washington, DC.: United States Institute of Peace, 1996.

The article examines how trade and investment issues can lead to conflict between nations. Political and economic policy trends towards globalization can act as positive or adverse sources of conflict. Trade and peace are not mutually exclusive. Foreign direct investment (FDI) has grown increasingly faster than trade with multinational enterprises acting as the force behind this phenomenon. There are six areas in which trade and investment issues may lead to conflict among nations. An assessment of these issues is given along with policy implications.

First, the presence of a trade deficit between nations can generate increased tension, especially concerning market access. Countries must focus on their own savings/consumption ratio in order to ensure balance in the resulting levels of their trade flows. Second, the importance on developing and maintaining high-tech/strategic industries in a country can push nations towards conflict. Government intervention in these industries must be carefully scrutinized in order to ensure that support measures granted to firms are minimal or non-existent in all countries. Third, the creation of exclusive trade blocs between nations increases instability within the international political system. Persistent efforts should be made to resist trade discrimination in investment and technology flows. Fourth, the importance of firm nationality in foreign direct investment prompts national security worries in countries that are increasingly becoming dependent on foreign suppliers. The global concentration of critical industries must be measured objectively for nations to implement national security measures into their trade policies. Fifth, outward investment that leads to the hollowing out of industries can lead to tensions at home primarily due to job loss. However, the benefit of export performance and the magnet outward investment creates for economic growth in the domestic market must be taken into consideration.

Finally, the uneven distribution of income due to increased internationalization has led to a decrease in the wage level of the majority. However, such decreases are due to a drop in productivity. Countries need to have high rates of investment in plant and equipment, research and development, and human resources. Altogether, exploitive trade policies must not be used to support a nation's consumption level. National macroeconomic relationships between savings and investment must be put into balance at home to ensure that tensions are not created aboard.

Paris, Roland. "Wilson's Ghost: The Faulty Assumptions of Post-conflict Peacebuilding." In: *Turbulent Peace: The Challenges of Managing International Conflict*, edited by Chester A. Crocker et al. Washington D.C.: The United States Institute of Peace, 2001.

A practice posited by American President Woodrow Wilson advocated the rapid liberalization and marketization of states recovering from oppression and violent conflict. However, in most cases, this liberalization process led to the resurgence of violence. Rapid liberalization in the immediate aftermath of civil conflicts will in fact not have a pacifying effect. Paris argues that the peace-building mechanism should be reformed and he uses a rich variety of evidence to support his contention that current liberalization practices are detrimental to peace-building operations. Peacebuilders should delay such measures until the appropriate political and economic institutions have been established. Institutions which are capable of handling societal tensions that exits after violent conflict. Political stability should outweigh democracy.

Paris lists examples of how elections and economic adjustment in post-conflict countries has reignited conflict rather than built the foundation for long-lasting peace. Immediate elections have re-established power structures that existed during war time and structural adjustments have a track record of hurting the poor of a nation, increasing tensions and violence. The logic of capitalism encourages individuals and firms to pursue their own economic interests and compete for profits. A society, however, must also have the appropriate political and economic institutions to manage this form of capitalist conflict. Without such institutions, violent conflict is likely to renew. Paris provides a political and economic strategy which promotes the growth of moderate cross-factional political parties and the gradual implementation of economic liberalization, respectively. Furthermore, Paris suggests an explicit division of labour among international agencies in dealing with post-conflict circumstances. A new international agency should be given authority over peace-building missions in order to centralize efforts and alleviate present organizational problems.

Section III:

Exploitation and Engagement

Anderson, Mary B. and Luc Zandvliet. "Corporate Options for Breaking Cycles of Conflict." Collaborative for Development Action. May 2001. http://www.cdainc.com/cep/publications/articles/CorporateOptions.php [Accessed Oct. 28, 2003]

By entering a foreign context that involves warfare, companies become inadvertently embroiled in existing inter-group struggles. These inter-group or inter-communal conflicts can be exacerbated by a company's operations. These divisions must be understood in a broader context in order for corporations to ensure that their efforts to establish good relations with their local environment are indeed fruitful and lead to a lessening of tensions.

The authors break down corporate activities in conflict areas into eight recurring patterns effecting inter-group conflict: resources importation, recruitment patterns, security measures, location decisions, definition of community and of leadership, provision of services, differences in incentive structures between staff, and internal accountability structures. By analyzing these patterns and their negative impacts on communities it is forwarded that business engagement can be directed towards conflict prevention and have a positive influence on fostering resolution between parties.

Banfield, Jessica, Virginia Haufler and Damian Lilly. "Transnational Corporations in Conflict Prone Zones: Public Policy Responses and a Framework for Action." International Alert. (September 2003). http://www.international-alert.org/pdf/pubbus/TNCs_in_conflict_prone_zones.pdf [Accessed Dec. 22, 2003]

A resourceful report that explores current public policy trends towards conflict-sensitive business. Measures taken by business to minimize the negative impacts of companies operating in conflict-prone zones and maximize companies' contribution to peace-building are found to need enhancement. Public institutions should promote such thinking and extend it through policy. Conflict prevention and Corporate Social Responsibility have potential to converge through: 1) regulating TNC activity in conflict-prone zones; 2) engaging TNCs as partners in delivering conflict-prevention targets as part of development policy; 3) influencing TNC behaviour in conflict-prone zones through project finance and other forms of support to foreign direct investment in developing countries; 4) converging and facilitating multi-stakeholder dialogue to address TNCs and conflict issues; 5) creating enabling environments for conflict-sensitive TNC activity abroad through development assistance; and 6) supporting and disseminating research into TNCs and conflict.

These recommendations are broad but provide substantial insight into the contributions the private sector can make to conflict prevention. A framework for action is drawn up for promoting conflict-sensitivity among TNCs, with the objective being collective action among the international community and business. The report outlines the impacts of corporate-conflict dynamics and provides research surveys. Moreover, it details the initiatives of various governments towards conflict prevention. It concludes by offering recommendations to international institutions to instil TNC involvement in conflict prevention into their practices.

Bennett, Juliette. "Business in Zones of Conflict – The Role of the Multinationals in Promoting Regional Stability." International Peace Forum – Prepared for the UN Global Compact Policy Dialogues. (Jan. 2001).
http://www.unglobalcompact.org/content/Dialogue/PolicyDialogues2002/ZonesOfConflict/Reg_Stability.htm [Accessed Sept. 27, 2003]

The report gives a number of succinct overviews of well-known cases in which the business sector has been criticized by the media and NGOs for its activities in zones of conflict. These examples are found primarily in the extractive and energy sectors. In addition to the negative impact of business in zones of conflict, a review of initiatives that companies have established in cooperation with governments, civil society, and the UN in promotion of human rights and peace are detailed. These partnerships help to demonstrate that in cooperation with governments and NGOs the business sector can develop practical solutions to human rights problems emanating from private sector investment in zones of conflict. With the increasing interconnectedness of globalization, the international business community will be confronted with the challenge of peace building in zones of conflict or faced with reticule at home and abroad for contributing to the conditions that lead to violence.

Berman, Jonathan. "Boardrooms and Bombs." *Harvard International Review*, vol. 22, issue 3 (Fall 2000): 28-33

The international community must fully understand the reasoning behind operational decisions of the private sector in conflict areas in order to facilitate its participation as an actor in conflict resolution and prevention. As multinational corporations (MNCs) hold tremendous capacities to transform the societies of developing economics, it is particularly important to ensure that their influence does not exacerbate violent conflict.

Berman presents five variables that routinely affect whether a MNC will operate in a country affected by conflict: 1) The geographic impact of conflict is the most important factor determining whether a MNC will operate in a conflict-affected country. The ability of the government to contain the conflict in a fixed area, the forecast of whether the impact of the conflict will spread, and the capability of the government to defend investment intensive areas are all factors which effect the decision-making of an MNC. 2) The severity of the conflict, whether the conflict is territorial, incursional, or terroristic determines a firm's toleration of violence and entry and exit strategies. 3) Government and opposition play critical roles in effecting a business's decision-making in conflict countries. The degree to which the government keeps MNC informed of conflict development, the nature of oppositional motives to foreign firms, and the security of personnel and capital are all concerns of MNCs. 4) The character of a MNC's industry influences its willingness to enter or remain in a country affected by conflict. The importance of the goods and services or the uniqueness of the technology offered to the economy all reduce the risk of the government or opposition infringing on a MNC's operations. As well, risk is often outweighed by the supply potential of the host country, especially in the extractive industry. 5) Finally, the investment level of an MNC in a conflict-affected country plays a critical role in firms' operations. A typical strategy of MNCs is to gradually invest into countries affected by conflict, initially with exports and finally with joint ventures and wholly-owned investments. Furthermore, the accessibility of political risk insurance can leverage a company's ongoing investment decisions. All these variables help break down the thinking processes of MNCs operating in conflict-affected countries. These motivations must be understood by the international community to direct corporate motivations toward nurturing peace and alleviating tensions, both during and after conflict.

Bomann-Larsen, Lene. "Corporate Actors in Zones of Conflicts: Responsible Engagement." Confederation of Norwegian Business and Industry (NHO) and Peace Research Institute of Oslo (PRIO). Project Report. Oslo: International Peace Research Institute. February 2003.

The booklet focuses on business responsibility in developing countries, with an emphasis on operations in conflict zones. Responsible engagement takes into account both the direct effects of investment and the indirect consequences of business activity. In its investment a company must take into account what it aims to achieve as well as whether it is willing to take responsibility for the effects of that accomplishment. Engagement must be taken from the constructive to the responsible level, reducing the harmful side-effects of corporate activity, especially in regards to disinvestment decisions brought on by kleptocratic/suppressive governments.

A checklist of items for corporations to consider is given. A company must decipher the goals of its business operation, typically very straightforward: economic profitability. Second, a company entering a conflict situation with a constructive engagement mindset must examine the reality of this goal. Next, the double effect of direct and indirect responsibility must be uncovered. Foreseen harmful side-effects must be minimized. Intended ends and means need to be scrutinized. Fourth, is the legitimate authority making decisions which have social consequences? Fifth, elements of public disclosure are discussed. Finally, issues of identity and integrity of a company's name in the long term are examined. The just war tradition is taken into context in the above discussion.

Brück, Tilman, Valpy FitzGerald and Arturo Grigsby. "Enhancing the Private Sector Contribution to Post-War Recovery in Poor Countries." Queen Elizabeth House Working Paper Series 45(1) July 2000. http://www2.qeh.ox.ac.uk/pdf/qehwp/qehwps45_3.pdf [Accessed Sept. 24, 2003]

In an investigation of post-war reconstruction in aid-dependent developing countries factors inhibiting private sector investment are uncovered. Recommendations are made from the economic policies implemented by international and national actors through a comparative analysis of the post-war periods in Mozambique and Nicaragua. The disarticulation of commercial networks, loss of trust and weakening of market institutions are important economic catalysts lost during conflict, catalysts that stunt the speed and sustainability of private sector investment, the key ingredient for economic recovery.

The economic consequences of war along with the challenges of post-conflict recovery are summarized. The impact of macro-economic policies and international aid mechanisms are analyzed for the countries under investigation. The peace dividend, the reduction of military expenditure and redirection of funds into civilian production, has been regarded as the primary impetus behind rapid recovery of post-war economies. The debt burden facing post-war countries have proven to significantly limit the effect of the peace dividend, making reconstruction more difficult.

The reduction of uncertainty is the key factor limiting the flow of private sector investment into post-war countries. Clarity of political stability in the long term creates a willingness to invest, raising production and creating employment. As well, reconstruction supporting small farmers, who are able to rapidly respond to access to land and labour in combination with government support of small business, will generate positive redistributive effects and thus reduce poverty. The paper concludes with policy recommendations for actors involved in post-war reconstruction.

Campbell, Ashley and David Carmet. "The Private Sector and Conflict Prevention Mainstreaming: Risk Analysis and Conflict Impact Assessment Tools for Multinational Corporations." Country Indicators for Foreign Policy. May 2002. http://www.carleton.ca/cifp/docs/mncsriskassessmentreportupdated.pdf [Accessed Sept. 24, 2003]

As a result of a number of incidents in which Multinational National Corporations (MNCs) were responsible for the exacerbation of violence in conflict-ridden nations, a greater need for MNCs to better assess their potential impact on entry into a conflict region is duly required. The private sector has ample measures for risk analysis and impact assessment in identifying business opportunities in different countries and regions, even those under the economic and social strain of violent conflict. However, there exist very few tools for measuring the reverse flow of risk, that of a business aggravating a conflict situation. The report examines the relationship between corporate activities and conflict, how risk assessment can contribute to conflict prevention, and the type of information and method of data provision that would best suit the needs of the private sector. MNCs take five factors into consideration in decision-making in conflict-prone countries: geographic impact of conflict, severity of conflict, attitude and policies of the government and opposition, sector of industry, and investment structure. The existence of natural resource-based assets for extractive purposes is the primary incentive for an MNC to invest or continue to do so in conflict-prone regions. MNCs both affect and are affected by violent conflicts.

Governments and NGOs must begin to understand how MNCs assess risk, if they wish the private sector to become an effective partner in conflict prevention. Various tables are given listing risk factors that the private sector take into account when entering a conflict-prone region. A Peace and Conflict Assessment Impact framework also outlines the positive and negative effects that the private sector has in potentially creating in a conflict region. The assumption is made that any project entering such an area will inevitably have an impact on the conflict. Concrete guidelines, policies, and regulations regarding the role and responsibility of the private sector in conflict-prone countries need to be established. The development of risk analysis and conflict impact assessment tools serves as the first step in establishing responsible action.

Collaborative for Development Action. "Working in a Changing World: A New Approach to Risk Mitigation in Zones of Conflict." The Corporate Engagement Project, Summer 2003. http://www.cdainc.com/cep/publications/articles/WorldofChange.php [Accessed Oct. 28, 2003]

A new business environment has changed the context of business operation in zones of conflict. The depletion of natural resource deposits in stable contexts, increased global expectations of corporate behaviour, company activities now existing in a very public domain, increased involvement with local communities, the need to establish a positive legacy, and the emergence of multi-stakeholder approaches shape this new environment.

Conventional strategies of conflict mitigation through political risk assessments and community relations are limited. Political risk assessments have too much of a macroeconomic focus, are only valid in the short term, and are predictions rather than solutions. Community relation projects focus too narrowly on conflict, do not address root causes of conflict, are not viewed as a company-wide initiative, are poorly timed, and give off a poor first impression. The article concludes by presenting three examples that can help ensure a positive result to company operations in zones of conflict. Recommendations are made in regard to relations with local authorities, hiring practices, and open communication with communities.

Dare, Sunday. "A Continent in Crisis: Africa and Globalization." *Dollars and Sense*, issue 236 (Jul./Aug. 2001): 12-16

Africa is a continent blessed with the resources to foster a vibrant economy. However, its resources have been exploited throughout history and its countries are constantly embroiled in political struggles impeding organized growth. TNCs and their profit-seeking behaviour have added to the deplorable conditions by taking advantage of governments competing for their investment. The continent's raw materials are being depleted without generating development, and dependence on imported capital and consumer goods and services has severely constrained the growth of many sectors of the domestic economy. Much of the conflict on the continent can also be traced to the expansion and domination of TNCs and their relationships with authoritarian governments. African states seeking to generate revenue from their natural resources must deal with TNCs and the technology they possess, a relationship that in many instances does not enhance the welfare of the local population. TNCs' profit maximizing behaviour has led to the growth of private security forces to protect economic interests. As well, TNCs have connived with governments and rebels to further ensure that their investments are safeguarded, frequently aggravating the conflict. Africa needs to renegotiate its terms of trade in the international marketplace and promote internal cohesiveness to end the circle of violence and economic exploitation.

Davies, Robert. "Managing in a World of Fear and Conflict: An IBLF Briefing Paper." The Prince of Wales International Business Leaders Forum. (Oct. 12, 2001) http://www.pwblf.org/csr/csrwebassist.nsf/content/a1a2a3a4f5.html#3 [Accessed Dec. 22, 2003]

Davies reviews the heightened fear and conflict created around the world by the events of September 11th and presents a range of responses business leaders can undertake in this environment. He suggests that international business, which invests, has affiliates, trades and has supply chains in other countries, can assist in managing the risks and effects of terrorism and conflict. TNCs are involved in international violence due to the increasing reality that typical business practices can be used for ends of terrorism and that conflicts can spillover from far-off to safe countries.

Business leaders can approach these public affairs issues in various ways. Davies presents a ten point agenda for business leadership in a world of risk and conflict. He argues that international business can make a positive difference by: managing for security, dealing with fear and uncertainty at the workplace, learning to live with mutual dependency on public services, improving community relations and cross-cultural understanding, building business reputation in international operations, taking a business role in conflict prevention, advocating a business approach to 'Equitable Globalisation', setting standards for responsible business in business practices and transparency, building networks for collective business action and leadership, and engaging with corporate affiliates and supply chains.

Duffield, Mark. "Non-Liberal Political Complexes and the New Wars." In M. Duffield: *Global Governance and the New Wars: The Merging of Development and Security*. London: Zed Books Ltd., 2001.

Duffield presents the emergence of new political complexes and the unconventional forms of governance at international and sub-national levels in development. He portrays how nation states have developed into multiple authorities within and between national boundaries, blurring the centres of authority. The private sector plays a large role in these processes of authority. With mass privatization, firms are no longer able to call on state powers for protection, but rather must explore other forms of security provided by non-state actors. The shadow market in particular has shown its influence in conflict through the proliferation of small arms trade between nations in the South and the North. Duffield argues that development actors should address actual situations rather that their own preferred visions.

The ambiguous existence of warlord and strongman entities is then discussed. Modern warlords' links with foreign companies and the global marketplace is evident when examining Charles Taylor's National Patriotic Front of Liberia. As global markets expand into the fringes of society, foreign firms are acting increasingly with these new forms of state and non-state actors. Warlords, such as Taylor, have used foreign firms to further their own position of control. There is an intricate connection between the global marketplace and countries in internal conflict or oppression.

Moreover, many states were ill prepared for the spread of liberalization and marketization leaving a power vacuum filled by non-state actors. The Russian mafia and private military protection are two examples of entities created as a result of the failure for legitimate governance to respond in time to the establishment of liberal political constructs. Private military companies have found substantial demand from corporations in the absence of state protection and rule of law. International order is now determined by control of markets and processes rather than by control of political territory. In regard to international regulation, these processes have exhibited a tremendous capacity to alter their patterns and consequently continue their operations.

Duffield concludes the chapter by positing the convergence of war and peace in the world's periphery countries. In many nations in the South both war and peace are characterized by high levels of unemployment and underdevelopment. Development agencies must acknowledge that violence and conflict is an ongoing element in many of the societies in which they operate. There has been an emergence of network wars, where competition exists between non-state and state systems of regulatory authority, often connected with the global marketplace. Everyone in these societies is involved in the process of network wars. These complexes even extend to the North, increasing the commercialization of politics.

Duffield, Mark. "Strategic Complexes and Global Governance." In M. Duffield: *Global Governance and the New Wars: The Merging of Development and Security*. London: Zed Books Ltd., 2001.

The emerging global governance system is defined by the networks and linkages that bring together the different organizations, interest groups, and forms of authority and the tasks they perform. Private companies are having a growing influence on government policy in this paradigm, as privatization, marketisation, and internationalization continue to become key components of the global economic environment.

Duffield examines these new liberal strategic complexes and the actors involved in relation to the evolving nature of security intrinsically linked to development. He outlines the roles of NGOs, military establishments, the commercial sector, multilateral and regional organizations, and donor governments as influential actors in this environment. The commercial sector itself within the complexes of liberal peace has a very broad relation to Duffield's new wars. Companies involved in legitimate and regulatory activities have taken a more direct role in development and security. Multinational companies that find themselves within war zones respond by pressuring the government concerned to exert great control over internal security, by investing in private security, by paying expensive and unethical war taxes, by paying off rebels, or by disinvesting.

Multinational companies have exhibited governance through social responsibility by increasing their collaboration with more legitimate actors in development such as donor agencies, the World Bank, UN institutions, and NGOs. These international organizations are themselves recognizing the potential benefit of a more comprehensive use of the skills and resources of the private sector in conflict prevention and reconstruction. Companies can contribute by ensuring adequate risk assessment of their operations to identify any social issues to be addressed, avoiding precarious relationships with local actors, such as bribery, and engaging business partners at home and abroad to foster an increased understanding of sensitive issues that may arise in relation to human rights. Specific examples of private sector social responsibility include Shell in the Camesia area of Peru, the Confederation of British Industry and its Business Initiative for Peace in Northern Ireland, and British Petroleum's involvement in Columbia.

The private sector has also become further engrossed in the security and development paradigm through the establishment of private security companies (PSCs). These organizations provide security activities primarily for Northern governments or military establishments. They also offer security services to multinational companies operating in potentially hazardous environments. Furthermore, PSCs can have significant influence on supporting weak state structures and tipping the balance on civil conflict. These companies are appealing to UN organizations to provide security for aid projects which are increasingly taking place in conflict situations. Duffield further examines the growing legitimacy of these actors as security agents in international development.

Duffield argues that voluntary codes of conduct and common policy are legitimizing the new paradigm of networks and linkages between international actors. Common policy allows for increased dialogue and convergence within the international community.

The Economist. "Business in Difficult Places: Risky Returns." *The Economist*, vol. 355, issue 8171 (May 20, 2000): 85-88

Many investment opportunities in poor countries have tremendous growth potential. However, the perceived risk of investing in poor countries has led many firms to invest only in projects that promise immediate profits. There exist immense obstacles and risks in operating in poor countries, where fragile economies and unpleasant governments can deplete profits. In addition, risks are present at home as brand names can be tarnished by the scrutiny of NGOs.

Fraud is the biggest risk of operation in emerging markets. As well, in chaotic and undemocratic countries the absence of the rule of law makes contracts hard to enforce and property rights precarious. The safety of staff is a company's foremost priority and has led to the procurement of private security firms. It is critical that companies train their personnel to deal with the possible dangerous situations that they may encounter. Firms should make sure to keep all transactions scrupulously transparent and follow strict environmental and humanright standards to avoid being taken advantage of in the local economy, but as well to avoid public image threats from NGOs. To reduce risk, firms can also insure or subcontract its operations. Firms will have to be resourceful to avoid the hazards of doing business in difficult countries.

Frynas, George Jedrzej and Geoffrey Wood. "Oil & War in Angola." *Review of African Political Economy*, no. 90, (2001): 587-606.

Civil strife in Angola is shaped by revenues earned from oil and diamonds by warring sides. The country suffers from the 'resource curse' in that natural resources play a direct role in the intensity and prolongation of civil conflict. Foreign companies with the means to harvest such resources and the desire to profit from such extraction have played a distinct role in the country's civil conflict by dealing with the Angolan state elite in dubious charitable donations, weapons deals, and other forms of assistance.

The authors begin by outlining theories which promote the interdependence of trade producing world peace, and the TNCs' specific role in this arrangement. However, specific interest groups in national contexts can gain revenues above the cost of war. These groups are especially involved in commodity markets, such as oil and diamonds, as these resources are the easiest taxed and thus the easiest looted. A historical account of the oil industry in Angola is then given.

Angola remains attractive to foreign investors for geological reasons, despite continued conflict within the country. In fact, the oil industry is forecasted to grow. Examples of problems that oil companies have experienced while operating within zones of armed conflict are provided along with the relationship between MNCs and the funding of war. Oil resources are seen to undermine good governance and political accountability to society. Incentives to find a peaceful solution to conflict are small due to the economic opportunity coming from natural resources during war times.

The lack of transparency that exists in dealings between foreign oil companies and the Angolan government is particularly problematic. Specific amounts given to the Angolan government are undisclosed, discouraging government accountability to its constituents. Foreign companies have been tied to war in Angola in a variety of ways from direct compensation, arms sales, credit extension, and other related war contracts such as food rations for military forces. Smaller firms have a greater incentive to arrange litigious deals with government vis-à-vis multinational corporations. Such arrangements demonstrate that specific firms can broker deals with governments, giving these firms a competitive advantage over their counterparts. Generally, companies may be eager to improve their ethical image worldwide by not being associated with war and corruption. Specific firms may, however, take advantage of conflict situations by being associated with private security interests, by supporting government officials with clandestine links, and by mediating financial deals for arms purchases.

Prospects for peace are highly dependent on the importance of 'peace dividends' offered by the international community. Peace-dependent business opportunities will provide incentive for warring parties to come to resolution. Therefore, oil companies in Angola play a central role in supporting peace or ignoring the social consequences of war in Angola.

Frynas, George Jedrzej. "Political Instability and Business: Focus on Shell in Nigeria." *Third World Quarterly*, vol. 19, no. 3 (1998): 457-78.

Shell's growing presence in Nigeria demonstrates that political instability can be conducive with business, contradicting a large body of literature that argues otherwise. Despite the political risk in operating in Nigeria, Shell has maintained its position in the African country and appears to have used the existence of instability to its own advantage. Frynas analyzes the situation from three different perspectives: international, structural, and strategic. It is proposed that the framework of these perspectives will provide a better understanding of the motives behind the involvement of a multinational company in a given country.

First, political risk is conceptualized to foster a better understanding of why a multinational company would invest into a politically instable country. Background information of political instability in Nigeria is detailed. Detrimental effects on Shell's operations revolve around government funding problems, local community conflicts, and delays in contract signings. However, even with these aspects of instability, Shell continues to operate in Nigeria.

The financial incentives to operating in Nigeria are too big to ignore for Shell. From an international perspective it is quite rational for Shell to operate in Nigeria, given that though the country may have a history of politically instability, policy stability in regards to the oil industry continues to maintain status quo. In fact, it can be argued that instability ensures the continual disorganization of government creating benefits for multi-national companies offering rents to exploit oil reserves. From the structural perspective there is strong evidence that since Shell established a first-mover advantage in Nigeria after WWII, it has produced close ties with country officials. These relations with government agents have helped to ensure that Shell maintains a competitive advantage over its international peers also operating in the Nigerian oil industry. Finally, the strategic perspective suggests that Shell's own assessment of the political economy of oil in Nigeria uncovered a financial viable option to exploit natural resources in the absence of much regulation. Political instability is of little hindrance to Shell in Nigeria, as the country continues to offer a profitable environment for the company.

Gerson, Allan. "Peace Building: The Private Sector's Role." *The American Journal of International Law*, vol. 95, issue 1 (Jan. 2001): 102-19

Gerson advocates the requirement for innovative thinking to stem the escalation of intra-state wars in the world's poorest countries. The private sector must be brought into the fold with the United Nations, the World Bank, and the NGO community to ensure that post-conflict economic and social reconstruction is successfully implemented. Over the long term only the private sector has the capacity to ensure the growth of new enterprises, the opening of new investment opportunities, and the provision of employment. These are critical stabilizing elements in post-conflict situations. The inclusion of the private sector from the beginning of the peace-building process will provide a strong impetus for resolution built on increasing economic security.

To further attract the involvement of private sector actors, the UN and the World Bank will need to push for an increase in the provision of political-risk insurance. Concurrently, the private sector must increase its willingness to take on short-term investment risks in conflict regions. Along with enhancing the economic and social capabilities of conflict regions, these short-term risks will result in long-term gains for private sector actors due to the benefits of early-entry. The business sector can also provide non-financial support by offering its managerial expertise, contribute to converging institutional cultures among other actors, as well as participate in negotiation processes.

Gerson suggests the establishment of a Peace Transitions Council (PTC). Such a body would be made up of UN, the World Bank, NGOs, and private sector actors. The PTC would encourage foreign investment while providing advice and recommendations regarding regional peace and stability. The guidelines of the PTC are laid out in the article. A few suggested undertakings of the PTC are to emphasize early-entry to private sector actors, promote the establishment of comprehensive and affordable political-risk insurance, and bridge gaps between the business and NGO communities.

Harding, Jeremy. "The Mercenary Business: Executive Outcomes" *Review of African Political Economy*, no. 71, (1997): 87-97

Harding provides a candid description of the operations of Executive Outcomes, a private security firm meeting the high demand for security in Africa. Private security firms have made defence and security a market issue. An account of Executive Outcomes' origins and the individuals involved in the organization is given along with their questionable relationships with "democratic" African governments in need of security assistance. The company's involvement in a conflict situation can either resolve or prolong conflict. A country's particular dependency on valuable natural resources affects not only its ability to hire such security firms but also its ability to use specific stakes in resource sites as bargaining chips. As a result, Executive Outcomes has branched out into the commodities industry through gains made from its primary service, security.

In conclusion Harding argues that there is a high dependency on firms such as Executive Outcomes for their logistical and security expertise in insecure environments. If there were strong governmental institutions in such places as Angola and Sierra Leone, Executive Outomes would find much less demand. The actual conditions in these countries present a different story. However, firms such as Executive Outcomes can play a positive role in development, assisting aid projects and legitimate business investment. Greater transparency is required for such an environment to exist. Current trends see a proliferation of private security firms and further involvement with ruthless governments exacerbating conflict rather than resolving it.

Haufler, Virginia. "Is There a Role for Business in Conflict Management?" In: *Turbulent Peace: The Challenges of Managing International Conflict,* edited by Chester A. Crocker et al. Washington D.C.: The United States Institute of Peace, 2001.

In a comprehensive article, Haufler examines the reasoning and plausibility of private sector engagement in conflict management. The linkage between domestic resources and international markets has intensified the direct and indirect involvement of foreign firms in violent conflict. The private sector has been chastised for influencing the outbreak and prolongation of conflict. As a consequence, public and private actors alike are examining the contribution the private sector can play in conflict management. Three factors that may persuade managers to consider engaging in conflict prevention and management are: the level of political and economic risk in a country, how reliant the company is on access to resources and markets in the unstable area, and how important reputation is as a corporate asset.

The majority of firms leave a country once violence breaks out. However, in some industries the return on investment outweighs the cost of operating in areas of violent conflict. Furthermore, the importance of a company's brand name and the potential tainting of its name weighs in on a company's decision to exit. A new option is to remain invested in a country while working to prevent further violence. Since leaving a country contributes to the downward slide of the country's economy, and staying in the country, but doing nothing, may actually worsen violence, a third option is recommended: to remain invested but operate to reduce conflict.

The plausibility of corporate engagement depends on the stage of the conflict, the type of intervention a business might consider undertaking, and the character of the industry. A conflict has three stages: pre-conflict, outbreaks of significant violence, and post-conflict reconstruction. The private sector has tremendous potential in promoting conflict resolution by adopting policies that promote equal distribution of wealth and resources. Private sector investment in post-conflict situations can jump-start economic growth and establish conditions for social progress.

In terms of the types of intervention policies available to companies, a company can ensure that its own business decisions do not produce any negative social side effects. Second, a firm can do business with international actors promoting peace through the donation of services and products. Third, companies can participate as partners in collective efforts to resolve conflict. Fourth, companies can engage in social investment and philanthropic ventures. The specifics of these interventions are discussed further and include elements such as informational activities, diplomatic intervention, positive inducements, negative sanctions, and direct intervention. Lastly, the character of the industry, the organization, and management are examined to determine what the private sector can do in conflict management. In particular, local companies linked directly with the political system of the country can be influential players in conflict management.

Finally, Haufler poses the question of whether or not the private sector is well suited for taking part in conflict management activities. The interests of the private sector do not match-up with those of public actors. However, hesitant foreign governments and limits of the United Nations to react to violent conflict are pushing the business community into forefront. The interests of the business community are becoming increasingly intertwined with conflict, as companies continue to expand globally. The private sector should strive to not act alone when confronted with resolving violent conflict. Companies should work in concert with one another along with legitimate international actors such as the UN and the World Bank.

Killick, N. "Case Study 4: Oil and Gas Development, Azerbaijan." Natural Resources Cluster, Business Partners for Development. 2002.
http://www.international-alert.org/policy/business/docs/AZ.PDF [Accessed Jan. 5, 2004]

A practical example of a multi-stakeholder initiative to ensure the influx of private investment in a conflict-prone region stimulates conflict prevention rather than exacerbating violence. Oil and gas development in Azerbaijan has potential to provide significant economic and social development to the volatile region. To prevent foreign investment from triggering conflict, a body has been formed to generate dialogue and build partnerships within and between sectors in society. The rationale for corporate involvement comes from the perspective that reputations and profits suffer when violent conflict breaks out. The report outlines the initiative's principles and goals in regard to building strong relationships within the region and promoting peace.

Mack, Andrew. "The Private Sector and Conflict." Harvard Program on Humanitarian Policy and Conflict Research. March 2001.
http://www.unglobalcompact.org/content/Dialogue/PolicyDialogues2002/ZonesOfConflict/privateSector.htm [Accessed Sept. 27, 2003]

Mack investigates the impact of MNC investment into zones of conflict. The developing world has seen a decrease in overall levels of violence in recent years, but there is mounting criticism of MNCs operating in conflict regions. Countries with high levels of foreign direct investment have experienced the lowest levels of violence and repression, whereas the poorest countries of the world, especially those with weak governments and high economic dependency on extractive industries, have been plagued by violent conflict. A lack of oversight and accountability leads to corruption within government, exacerbating inequality and repression, leading to counter action in the form of violence. These violent outbreaks usually result in the death and suffering of the poor of the country.

The Dutch Disease thesis is prolific in poor nations reliant on extractive industries. MNCs operating in these regions become involved or intertwined in conflict through their involvement with the national government. These MNCs should have a strong interest in reducing violent conflict, as their investments tend to be large and their time horizons long. MNCs wishing to act with a social conscience are faced with the reality that their counterparts may not be so willing to also exhibit social responsible behaviour. Companies do not act in concert. Numerous examples of the difficulties faced by companies enacting or seeking to enact corporate social responsibility in zones of conflict are listed.

Disinvestment has been initiated by some firms feeling pressure from NGO groups; however such economic sanctions have a poor track-record for acting as instruments of suasion. Creative partnerships of business, NGOs, and governmental actors which promote human rights, support civil society, and address corporate needs have proven to be constructive. The Chad-Cameroon Pipeline Agreement is an example of revenues from extractive operations being designed to benefit economic and social development. Violent conflict pose challenges that neither corporations, nor governments or NGOs can resolve alone. Multi-stakeholder partnerships must be established and governance capability of poor nations must be built to alleviate the corruption that ignites violent conflict.

Meyer, William H. "Multinational Corporations and Human Rights in Chile." In W.H. Meyer: Human Rights and International Political Economy in Third World Nations: Multinational Corporations, Foreign Aid, and Repression. Westport, CT: Praeger Publishers. 1998.

In a case study on identifying possible links between multinational corporations in Chile and violations of human rights committed by the country's militant government, little evidence could be produced proving that MNCs were in fact involved in any human rights abuses. There was clear reason for the existence of controversy due to the Chilean government's strong pro-MNC stance. Meyer presents theories which would connect MNCs to human rights abuses, given that, in Latin America, an increased integration of states into the international division of labour is accompanied by an increase in repression.

Companies have most certainly been in significant crisis in Chile, ITT's conspiracy with the CIA being the most notorious situation. Meyer continues to outline the changes in the Chilean government and the multitude of human rights atrocities committed in the country. The country's promotion of open markets and liberalization of the labour sector made it an attractive destination for MNCs. However, the MNCs had little direct responsibility for the lack of human rights in the country and were not in fact attracted by such repression. MNCs can be seen as morally culpable for such violations and the international community and other foreign governments should have enforced stricter restrictions on their companies operating in Chile.

Nelson, Jane. *The Business of Peace: Business as a Partner of Conflict Prevention*. International Alert, Council on Economic Priorities, The Prince of Wales Business Leaders Forum. September 2000.

The Business of Peace is perhaps the most progressive report on examining the private sector's role in conflict. It presents a framework for both understanding the private sector's actual and potential, positive and negative impacts on situations of violent conflict. Furthermore, it uses actual examples to portray the growing rationale for private sector involvement in conflict situations in today's global economy. The report is divided into two sections: the role of business in conflict and potential contributions to conflict prevention and resolution that the private sector can undertake. Business involvement is categorized by industry sector to show: 1) the varying degrees respective industries have for acting as a source of conflict; 2) costs as a result of conflict, and 3) their individual flexibility of withdrawal from a conflict situation.

The factors provided that determine the role of business in conflict are: causes of conflict, stages of conflict, location of conflict, role of other actors, and company's key characteristics. These factors play a role in determining - and are influenced by - each individual firm's corporate strategy. What business can do in regard to prevention strategies, crisis management and post-conflict reconstruction and reconciliation are investigated. Companies can play a role through their core business activities, social investment, and collectively though policy dialogue. The report also provides key challenges that companies face when operating in conflict prone or war-ridden societies. Finally, principles of corporate engagement in conflict prevention and resolution are suggested. Overall the report provides practical methods for corporations to take an active role in positively engaging in conflict prevention through partnership with the international community.

Nelson, Jane and Jonas Moberg. "Rebuilding Bridges: Opportunities and challenges for responsible private sector engagement in Iraq's reconstruction." IBLF Policy Paper 2003, Number 3. May 2003
http://www.iblf.org/csr/csrwebassist.nsf/550d4b46b29f68a6852568660081f938/80256adc002b820480256d4a003e310b/$FILE/Iraq.pdf [Accessed Nov. 24, 2003]

The Prince of Wales International Business Leaders Forum examines the key business risks and opportunities the private sector will face when operating in post-conflict Iraq. Furthermore, the authors present eight critical points that the private sector must be conscient of in managing the risks of operating in Iraq and contributing to the peace and prosperity of the war-torn country.

Post-conflict reconstruction in Iraq will involve tremendous economic, social, and religious challenges. The vast wealth of the Iraqi oil reserves present the international community with an unprecedented case of nation-building. The stages of investment in Iraq will involve: immediate humanitarian relief and restoration of basic services, macroeconomic stabilization, restructuring the oil industry, and broader economic reconstruction. In regard to individual companies, the manner in which each company manages its core business operations, its social investment and philanthropic activities, and its engagement in public policy and institution building will help determine not only the company's profitability but whether its impact on the Iraqi people is positive or negative.

The recommended points for companies to manage risks and rebuild trust as well as profits in post-war Iraq are: to involve Iraqis from the outset, to carry out integrated risk and impact assessments, to manage expectations, to adhere to international social and environmental standards, to be accountable and transparent, to implement guidelines for security management, to support humanitarian and social development programmes, and to help build legal, judicial and economic institutions.

Organisation for Economic Co-operation and Development – Directorate for Financial, Fiscal and Enterprise Affairs. "Multinational Enterprises in Situations of Violent Conflict and Widespread Human Rights Abuses." Working Papers on International Investment Number 2002/1. May 2002. http://www.oecd.org/dataoecd/46/31/2757771.pdf [Accessed Oct. 16, 2003]

The paper explores the challenges of conducting business responsibly in countries of conflict and extensive human rights abuses. The specific situation in Myanmar is highlighted throughout the paper. Violence and human rights abuses in the immediate vicinity of a company's activities as well as the underpinning dynamics of these occurrences are discussed. The focus is on companies operating in the extractive industry.

Foreign direct investment made by TNCs has been proven to be both large and small relative to the countries' GDP. Multinational enterprises do have their influence in developing countries and in many instances companies have been unable to insulate their operations from conflict. In the immediate vicinity of a conflict, a company can become involved by protecting its employees and assets, resettling populations to extract natural resources, and gaining local support through revenue-sharing methods. The diffusion of conflict lowers security costs and allows companies to avoid costs related to the destruction of infrastructure and facilities. In a broader sense, company involvement can feed conflict and human rights abuses through tax revenue to corrupt governments. Either directly or indirectly companies can provide both the means and the motive for violence if there is a lack of strong institutions for public governance in a country, which is a common feature in countries dependent on the extractive industry. The implications for misuse of wealth by host governments are further discussed.

The final section of the paper examines positive initiatives that OECD-based MNEs can undertake to find solutions to conflict. The fiscal transparency of a government's budgetary process may not be a prominent concern of MNEs, but is an issue that drastically effects political conflict and therefore the operations of companies in these countries. Various initiatives for companies to consider are listed; such engagement should be made by an industry-wide initiative rather than the actions of an individual company. Furthermore, the use of security forces by MNEs to protect resources is an extremely contentious issue in regard to human rights abuses. The migration of local populations prompted by the extractive industry can create tumultuous results. MNEs must better recognize the consequences of their actions in developing countries embroiled in violent conflict.

Rienstra, Dianna. "What Can Business Bring to Balkan Reconstruction?" Humanitarian Affairs Review – Conference Report. October 3, 2000. http://www.bhforum.org/ftp/20001003_business_in_balkans.pdf [Accessed Sept. 27, 2003]

Private sector investment into the Balkans has been cautious and slow. The international community has been unable to kick-start economic growth in the region. Investors have been detracted from the region due to perceptions of corruption and many levels of bureaucracy. A lack of private sector involvement has limited the ability of local firms to grow from spillovers effects of skill and know-how that foreign direct investment has the potential to create. In addition, the resulting Diasporas of the conflict must be addressed, if the economic situation in the Balkans is to improve. The millions who fled the region due to economic and political reasons must be encouraged to return, as their expertise and market experience have great financial potential to contribute to the growth of the scattered countries. The rule of law must be strengthened and business ethics instilled throughout the economy to encourage private sector development.

The conference report details discussions concerning the framework conditions required that would allow local economies to benefit while providing outside investors with an adequate return. The South Eastern European markets have growth potential and provide a closer link to Asia. Political and administrative issues are the largest worries of foreign companies. The private sector seeks transparency and predictability in operating in foreign countries, which means that a strong judicial system must be established along with balanced tax structures. The government and international community must also put more support towards building the competitiveness of local SMEs. As well, the protection of property, industrial and intellectual rights must be ensured by local governments. These types of protection are prerequisites for the success of private sector development.

Sherman, Jake. "Options for Promoting Corporate Responsibility in Conflict Zones: Perspectives from the Private Sector." International Peace Academy – Meeting Report. April 5, 2002. http://www.ipacademy.org/PDF_Reports/Corporate_Responsibility.pdf [Accessed Sept. 27, 2003]

The report examines the various perspectives, perceptions, and experiences of private sector actors with a selection of existing and prospective measures, both voluntary and regulatory, intended to promote responsible behaviour in conflict zones. In many instances, especially in long supply chains, firms are unaware of their influence in violent conflict. However, regardless of their intent, the business sector may contribute to the outbreak and duration of violent conflict. The report - generated from a discussion of private sector actors - weighs the costs and benefits of corporate responsibility initiatives in zones of conflict.

The primary concern lies with MNCs in the extractive industry. The revenues given to host governments of countries in conflict situations can greatly exacerbate conflict. Corporations are becoming increasingly concerned with their political and security environments abroad, and their reputation at home. The US-UK Voluntary Principles on Security and Human Rights has established codes of conduct for firms operating in zones of conflict. Adherence to these voluntary codes has been uneven, as the competition and host governments may not always be inclined to follow along. Social revenue-sharing agreements between host governments, the private sector, and international financial institutions is another method used to allocate and distribute the benefits of private sector activity away from fuelling war. Transparency of funds being transferred to national governments from MNCs is also an important issue that revenue-sharing agreements aim to achieve. MNCs are strongly against regulatory approaches to corporate social responsibility, as such methods of rewarding compliance to codes may even the field between firms following codes of conduct and those not.

Sherman, Jake. "Private Sector Actors in Zones of Conflict: Research Challenges and Policy Responses." International Peace Academy. April 19, 2001
http://www.ciaonet.org/wps/shj03/ [Accessed Oct. 10, 2003]

Private sector actors have become more influential in regard to isues of peace, security and prosperity of developing countries. Accusations against the private sector for misconduct in the developing world are widespread; however, there is little consensus as to what designates complicity of business operations. The broadening vagueness of the term has been unconstructive and unfair to private sector actors. Complicity can be broken down as either direct: private sector actors who deliberately seek financial profit from instability and conflict, or indirect: unintended side-effects of routine business operations. First and foremost, the former issues must be addressed, then the destabilizing repercussions of standard business practices can be examined.

The private sector itself contains a very diverse group of actors. Their differences are in the nature of their ground operations and their governance and investment structures. In relation to the variety of conflict, the geographic proximity and severity of the violence and the nature of the firm-government relationship influence the private sector's involvement. Generally, service firms, manufacturers, and other sectors will leave the country when violence erupts. These firms have comparatively light investments and mobile assets, giving them flexibility in relocation. For certain sectors, with long production cycles, the expected returns may outweigh the economic risks of continuing to operate in areas of conflict. Companies in the extractive industry largely fall into this category. Small and medium corporations operating in these regions hold no international profile and have sidestepped much of the NGO critique, MNCs being better targets.

Engaging the private sector in changing practices which exacerbate conflict first involves understanding the incentives and self-interest of these organizations. Corporations do hold economic clout with developing countries but may not be the best diplomats in advocating universal human rights or international standards of peace and security. Corporations are profit-driven; conflict prevention is difficult to value in terms of money, whereas the costs of undertaking prevention are not. If business is to increase its role in conflict prevention, trans-sectoral agreements like that in the Chad/Cameroon pipeline between governments, international organizations and business must be established to reduce the costs and perceived risks. Individual businesses engaging in responsible operations risk their competitors acting not as scrupulous and gaining a competitive advantage. To avoid the problem of defection, business engagement must be collective. The barriers to collective action lie in establishing an even playing field. More guarantees on company investments by international banks is a suggested solution. Furthermore, on the business side, in order for these practices to be implemented successfully multiple levels of corporate hierarchy must be engaged.

International actors can promote conflict-reducing behaviour in corporate actors through normative principled conduct such as advocacy campaigns, instrumental through positive inducements that reward constructive practices, and coercive through multilateral legal and regulatory regimes that sanction prohibited behaviour. However, such regulation can backfire and have the perverse effect of increasing the incentives for evasion to gain competitive advantage. Normative appeals, on the other hand, may not be enough to ensure sustained improvement, and may only last as long as the public remains aware and concerned with such ill conduct. A combined approach is needed involving both carrots and sticks. Furthermore, better coordination of national and international regulatory bodies is still required to constrain unethical actors.

Singer, P.W. "Corporate Warriors: The Rise of the Privatized Military Industry and Its Ramifications for International Security." *International Security*. vol. 26, no. 3 (Winter 2001/02): 186-220.

Singer provides a detailed analysis of the privatized military firm (PMF) and the climate it operates in. These profit-driven organizations specialize in professional services linked to warfare. The privatized military industry has surged since the end of the Cold War. PMFs have had considerable influence on the outcomes of numerous conflicts, especially those in the Third World. Military services are no longer under the sole provision of public institutions. Links to PMFs exist in the international market and MNCs rely on such organizations for security issues in political instable countries. The PMFs themselves resemble MNCs, being profit-oriented enterprises and maintaining corporate hierarchies across national boundaries.

The growth of the industry stems from the gap in the market of security at the end of the Cold War, the transformation in the nature of warfare, and the emergence of privatization throughout global society.

A detailed description of the characteristics of the private military industry is given, dividing firm-types into military providers, military consulting, and military support firms. Military provider firms respond to immediate and high-threat dangers faced by clients, these relationships present highly contentious situations when supporting weak governments against rebellions in the Third World. Consulting firms generally provide advisory and training services, while support firms supplement military operations for nation-states.

The existence of privatized military services introduces issues of business contractual dilemmas into the security environment. In particular, the monitoring difficulties attached to the extraterritorial operations of PMFs can produce performance at less than peak efficiency or a prolongation of conflict. The principal faces the risk of the PMF not fulfilling the required mission or gaining dominance of the situation. Singer presents various other difficulties arising from the use of PMFs in comparison to that of national militaries. PMFs have tremendous potential to empower non-state actors and jeopardize human rights. Moreover, these organizations diffuse the responsibility of nation-states by providing alternative sources of military force not under legislature or public opinion. Thus, there is a need to include these organizations within the monitoring systems of governments and international organizations.

Wenger, Andreas and Daniel Möckli, "Corporate Conflict Prevention: Paths to Engagement."In A. Wenger and D. Möckli: *Conflict Prevention: The Untapped Potential of the Business Sector.* Boulder: Lynne Rienner Publishers, Inc., 2003.

The authors argue that there exist six proactive ways that the business sector can support conflict prevention. These recommendations are presented in a capstone chapter of a comprehensive book endorsing the need for greater business sector involvement in conflict prevention. The business sector must work closely with civil and public actors who have experience and know-how with conflict resolution and state-building. However, there are numerous ways the business sector can contribute to socioeconomic development in conflict regions. The business sector can enhance the capabilities of other actors by acting as an enabler. Companies can choose to donate funds to recipients in order to help alleviate the chronic shortage of financial support that international organizations face in preventive work. In-kind support is another tool that the business sector can use to enable other actors, by offering their products or developing products specifically needed for peace-building activities. Finally, the business sector can become even more committed by offering managerial and technological expertise while investing in the organizational capacity of other actors, allowing them to solely concentrate on peace-building activities.