

---

# The Private Sector and Peace

---

ALLAN GERSON

Attorney and Independent Scholar

⊕ To some, it may seem strange to talk of peace and the private sector in the same breath. Those of this persuasion view the companies that form corporate America and the world of multinationals as interested only in profit. To them, business has little to no interest in the environment, unless federal and international regulators make it a point of interest, and even less concern about the advancement of peace. Business is simply in it for the buck. Too often that means coming in on the wrong side—shipping “guns to the Arabs and dynamite to the Jews,” whoever pays the top dollar.

This view, which may have had more merit a decade ago, is today increasingly seen as an oversimplification. There is growing appreciation that big business is not motivated by profit alone. Indeed, it may have a social conscience. As Harvard Business School professor Rosabeth Moss Kanter has documented, doing the right thing has begun to permeate the corporate boardroom. True, social justice and advancement of peace remain side issues, but business is no longer averse to the idea—providing it doesn't hurt profits too badly. Corporate shareholders are not prepared for anything more, and corporate managers are not prepared to risk their jobs.

But what if promoting social justice and advancement of peace could be made profitable? What if entry into war-torn areas with uncertain futures could be made less risky? Under these circumstances, there appears a proclivity today to venture forth where a decade ago business would have feared to tread.

Moreover, there is a new urgency. Inducing business entry into war-torn areas has become essential to peace. The Marshall Plan for Europe in the aftermath of World War II was essentially a business-to-business proposition for reconstruction. If that task had taken longer to accomplish, economic recovery would have suffered. But it would not have affected peace. Germany was vanquished. Peace did not hang in the balance. By contrast, in today's wars—two-thirds of which are intrastate in nature and occur in the most poverty stricken nations of the globe—there is an urgent need for economic prosperity, or at least movement away from abject poverty and economic hopelessness. Otherwise, the

---

**Enlisting the private sector requires building a commitment on its part to thinking of investment abroad as also an investment in meaningful change.**

---

spirit of peace, fragile as it is, will falter and be extinguished. A critical divide must quickly be bridged. Proponents of war will win out

unless those who would make peace can show tangible gains for their efforts. Nearly invariably they offer an imperfect peace. Not all grievances are addressed. In these circumstances, reversion to war as a means for redress seem an attractive alternative. Unless jobs and economic opportunities can make up for relinquishment of national claims and ambitions and the urge for revenge to avenge past injustices, regression to war will likely prove the superior force.

For this reason, the private sector has a critical role. Only it can, over the long-run, provide the sought-for jobs and economic growth. This realization surfaced for the United Nations as early as 1992 when then-UN Secretary General Boutros Boutros-Ghali saw halting internal wars in poverty-stricken countries as the next challenge for the United Nations. In his ambitious plan for UN engagement in nation-building, *An Agenda for Peace*, the private sector was not yet singled out for courting. But it has since become common wisdom at the United Nations and certainly a mainstay of the policies of his successor, UN Secretary General Kofi Annan, to seek out the private sector along with the non-governmental organization community referred to as "civil society."

In the last five years the World Bank, under the leadership of its President James Wolfensohn, has joined in that courtship. Both institutions realize that only the private sector can create jobs and economic opportunity. The common problem that remains is how to induce their entry, especially at the early stages of termination of armed conflict.

### Inducing Business Entry

Enlisting the private sector requires building a commitment on its part, however

faint, to thinking of investment abroad as also an investment in meaningful change. Given a positive attitude toward public service, governments and international institutions can then work to channel that energy into activities that promote peace-building on a global scale.

In “From Spare Change to Real Change,” Rosabeth Moss Kanter points out that although “traditionally, business viewed the social sector as a dumping ground for spare cash, obsolete equipment, and tired executives, today smart companies are approaching it as a learning laboratory.”<sup>1</sup> Herein lies the context for the emergence of “a partnership between private enterprise and public interest that produces profitable and sustainable change for both sides.”

But what can business “learn” from entry into troubled areas? First, there is meeting the challenge of establishing one’s business under adverse conditions, but conditions that nevertheless enable a shaping of the market for decades to come by securing preferential rights for early entrants and shaping the legal and regulatory framework in which they will have to operate. Second, there is the opportunity to learn the following skills applicable to other areas of business operations:

- development of a clear business agenda relating to specific social needs, where the company involved has something to gain by improving or augmenting its image;
- development of strong partners in the societal sector, who are committed to change and perhaps already working on change;
- development of a capacity to sustain and replicate the progress through test-site work that can be replicated elsewhere.

Although a growing number of companies throughout the world are involved at the early stage of war-to-peace transitions, few will be able to sustain their involvement, absent extraordinary profits, unless initiation of the rule of law and institutions practicing good governance soon follow. For this reason there is a business interest in promotion of the rule of law and the development of open markets as a means for creating an environment conducive to doing business. However, with good opportunities elsewhere in the world, the private sector is loathe to take on the risk of investment in areas with uncertain security and an unpredictable economic future. Before considering engagement, they tend to wait until things sort themselves out on the ground and the facts of peace are fully established. Seen in this light, partnering with business needs to be seen as a way of sharing the burdens, not just reaping the benefits.

Although engagement of the business community has been acknowledged as essential for peace-building by both the World Bank and the United Nations, a system of rewards to lure early private sector entry has yet to be devised.<sup>2</sup>

---

Allan Gerson

The challenge lies in finding new means to make such engagement attractive by establishing appropriate economic and non-economic incentives for investment. Beyond that, there is also the challenge of tapping the managerial know-how of the business community to enable the World Bank and the United Nations to cooperate more effectively with each other, and with the private sector and civil society.

Peace-building builds on investment. Investment constitutes a vote of confidence in a region's future. It has immediate ripple effects that bolster stability. Encouraging private investment can, however, require the reconciling divergent needs of the business community with those of the World Bank and the United Nations. Insofar as the World Bank tends to pay less attention to microeconomics and the development of labor and capital markets than does the private sector, a shift in attention may be required. Jointly, they could develop country action plans that pay greater attention to labor market institutions, including necessary education and training; capital market institutions, including banking and development funds; and development of legal institutions conducive to private sector entry.

#### Towards a More Synergistic Approach

Formation of a Council with representation of business interests alongside those of the the United Nations, the World Bank, and interested civil society, could go a long way in encouraging foreign investment in post-conflict situations. Such a Council could promote foreign investment through advocating legislation that would further reduce the risk of entry, such as enhanced political risk insurance to reward early entrants.

In so doing, it could mobilize the private sector as a constituency in support of peace-building efforts. While the precise form in which private sector involvement in such a Council is beyond the scope of this paper, it can be said that its main aspect would be regular and systematic interaction in peace-building on a global scale. Some of the functions of such a Council could include centralized and targeted data collection; improvement of "atmospherics" among the business community, the World Bank, and the United Nations to make each more responsive to the other's needs; support for more favorable tax treatments and forms of political risk insurance for early entrants; and more generally the creation of a structure for active involvement of the business community in all aspects, economic and political, affecting international efforts at bolstering the efforts of countries to accomplish successful war-to-peace transitions.

The UN Charter was the embodiment of the purposes and goals of the world community as conceived more than fifty years ago. Aimed at preventing a recurrence of the unchecked aggression that led to World War II, it placed its

faith in the capacity of the victorious Allies to maintain a semblance of international order. But today, with the end of the Cold War, the nature of the challenge has changed. Intrastate wars—not wars of aggression across state frontiers—are the chief problem. Here conditions of abject poverty often foment tension with one's neighbors. Hopelessness leads to placing hope in war, or to the nihilism born of an attitude that there is nothing left to lose. To break the vicious cycle, hope in economic betterment is a necessary, though perhaps not sufficient condition. The business community can play an essential role in sustaining that hope, and thus convert war-torn nations into countries that can focus their energies on development and prosperity, rather than endlessly seeking to redress through military means old grievances or enlargement of nationalist or tribal claims. It is not a panacea, but in becoming part of a new blueprint for concerted action it can give hope where none exists today. What better alternative is there? ❧

### Notes

This article draws on work completed by the author while Senior Fellow for International Law and Organizations at the Council on Foreign Relations, 1998–2000. This work will be the subject of a forthcoming book with Nat Colletta, *Privatizing Peace* (Transnational Books, 2001).

1. Harvard Business Review, May–June 1999.

2. See, for example, President James Wolfensohn in the World Bank's Comprehensive Development Plan of 21 January 1999: "It is absolutely clear that domestic and foreign private investment is the key to economic growth and employment."