

SAs RCO Discussion Paper-5

Is Peace the Business of Business?

An Exploration of Corporate Role in Conflict Transformation



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Discussion Paper

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Authors' words

The assessment of corporate role in conflict transformation has been sought since long. The authors in this discussion paper will only tackle parts of it. Yet, this paper has not come out with just a sole effort of the authors. Many seen and unseen hands have contributed to this document. It is difficult to single out individuals, but we would like to express special thanks to the following people and institutions:

First thanks goes to the NCCR North-South itself for the publication of this paper. This paper is a part of the NCCR North-South Research Project (RP6) which deals with conflict and economy. NCCR North-South and swisspeace are jointly carrying out Master's, PhD and institutional researches under the title 'The Role of Private Sector in Peace Promotion'. This paper is an effort to supplement these overall studies, which will be collectively finalised in 2013.

We share gratitude to those people who kindly agreed to be interviewed and to share their valuable information and opinion. Many of them have willingly given time, commitment and support, without which this would not have been possible. Hard to forget, the corporate houses in Kathmandu and Pokhara, whose names are many to mention, have assisted profoundly during the consultation meetings. We are indebted to these companies and our respondents.

In this paper, we have tried to conceptually link business and peace. In doing so, the relevance of business actors in conflict transformation is highlighted at the best. Several questions still remain under-researched, so that further studies are needed. An exchange among peer institutions working on this topic would enhance our approach and we are looking forward to getting your suggestions and comments to make our future studies better.

The authors

July 2012

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Executive summary

With liberal economies growing around the globe, there is a hot debate on whether the role of corporate sector can be boon or bane in conflict contexts. Yet, economic actors have been and remain key players in transformation of societies. They are engaged both negatively and positively during conflict times. In this context, this paper talks about potential, motivation, challenges and determinants of corporate engagement for conflict transformation. It also comes up with a conceptual framework that interprets how corporate engagement can be oriented to the goal of peace and stability.

It is a part of the NCCR North-South three-year Research Project (RP) 'The Role of Private Sector in Peace Promotion'. So, by objectives, it explores the conceptual and operational interrelation between corporate sector and conflict transformation. Looking at the trend and magnitude of corporate contribution, this paper unveils the economic dimension of conflict transformation. The empirical discussion of corporate engagement is based on the cases in Nepal.

During the preparation of this paper, several focus group discussions were conducted with businesspeople, union leaders and victims of conflict. Besides, 21 interviews were carried out with business owners in the areas of production and manufacturing, hotel and hospitality, and banking and finance. Along with discussing the Nepal case of corporate engagement for conflict transformation, this paper looks at business actors' relevance and implications in conflict transformation on the basis of the works by three major peace and conflict theorists (Johan Galtung, John Paul Lederach and Raimo Väyrynen). These three scholars are the founders of modern peace and conflict studies and it is therefore of main interest how already in the early work of peace and conflict studies, the relevance of economy and economic actors is tackled.

In the context of Nepal, addressing socio-economic problems is more demanding because socio-economic structure was one of the core issues during the armed conflict (1996-2006). The rebels were strongly advocating for a change in the socio-economic set up of the country. Thus, the role of economic actors is specifically interesting in terms of transformation of these socio-economic structures.

What can be seen in the case studies is that the Nepalese corporate sector was supporting this transformation mainly by supporting the peace talks between the two conflicting parties, through bringing different people to one place to discuss and negotiate the matter, and through reconciliation efforts. It seems to be clear, however, that business initiatives of a sector or a group have been more fruitful rather than activities by one company.

Political negotiations may not possibly solve all socio-economic problems that had caused Nepal to face the decade-long armed conflict. The fear that the country may relapse into armed conflict has been motivation for the private sector to engage in peace. Further motives behind an engagement of business actors were a moral obligation to the society where they operate and also the need to make the overall context peaceful to prosper their own businesses. There are several other reasons for which corporate sector engages/can engage in conflict transformation (Kanagaretnam and Brown 2005; Mills and Fan 2006). First, this sector is very much vulnerable to frequent shocks leading to immediate downturns. Second, conflict generally leads to huge income gaps, massive youth unemployment, unending social exclusion and continuous political instability that force corporate actors to engage in transforming the conflict context. In Nepal, it was made sure through a quota system that business actors are represented in the Constituent Assembly (CA) that was responsible for the shaping of a new constitution. The inclusion of business people might have advantages for both sides. On the one hand, the view of business people on a new socio-economic vision of the country is crucial. On the other, businesspeople might be able to influence the constitution in a way that is favourable for them.

In Nepal, inclusion of business actors has advantages and disadvantages both. On the one hand, their closeness to the elite enables them to directly influence decision-makers at the top level. On the other, the relationship of business people with their own workers through unions is at the core of some of the uprisings in Nepal and that are also derailing the pro-peace engagement of corporate sector.

In this paper, engagements of business actors in Nepal are analysed from five different angles: political, economic, philanthropic, humanitarian and social engagement. Most of the non-commercial engagement of corporations is either in forms of religious donations or philanthropy. Hence, such investments have not been sector-specific. The corporations give donations mostly according to where they think appropriate. By this, on one hand, priorities are misplaced. On the other, the impacts of such activities are not profound because of being unplanned, disconnected and scattered on different issues. Hence, enriching peace-sensitive engagement of corporate sector seems a must.

The experience in Nepal shows that in a conflict environment, a focus on philanthropic activities is not enough. Rather, activities are needed that take

into account the political aim of personal, relational, structural and cultural shifts. So, the social, political, economic, philanthropic and humanitarian engagements of the corporate sector need to aim at transforming the actors of the conflict. Such actors include business personnel, union leaders, political actors and business associations.

Corporate engagement for conflict transformation in Nepal is still insufficient to address socio-economic causes of conflicts. Still, many businesspeople think that massive production and economic burgeoning alone help transform the existing conflicts. But only economic growth and increase in production does not lead to peace and prosperity. It requires judicious distribution of benefits and resources as well the positive shift in the mode of production. For this to happen, corporate sector should go beyond its gate to join hands with the society in conflict matters. There is a need for proper identification of the conflicting issues where corporate sector can engage as a transformer. More to it, taking into mind the root causes of conflict while working for transformation is a must in conflict contexts.

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1. Introduction

Economic issues have been a root cause in most of the conflicts around the globe. In this context, there are different advantages to include the business sector in peace building: it is influential in terms of financial strength, grass-root touch with community, national networks as chambers of commerce and connection to the political authorities. Furthermore, local business often has an own interest in peace as conflicts cost this sector much in form of security costs, risk management costs, material losses, opportunity costs, capital losses and personnel costs (Köppinger 2007). Transformation of conflict opens business avenues for better investment opportunities, wider supply coverage and reduced operational costs (Nelson 2000). At the same time, some businesses may thrive in conflict situations too. However, the most part of the businesses that thrive in peace and in a peaceful economy always outnumber the ones that thrive in conflicts or in a war economy. Hence, conflict transformation can be a noble job for corporate sector to gain equitable economic growth and steady recovery.

The world has seen different economic systems such as Laissez Faire, Capitalist, Democratic Socialist and Communist economic systems in the history. Whichever the systems are, corporations and corporate actors have played a decisive role, sometimes triggering conflicts and other times transforming it. As the corporate sector is the one that can probably mostly influence the socio-economic underpinnings of a country, its activities immediately affect social relations. Therefore, it may be both the boon and the bane for a society and thus for the transformation of conflict (Lederach 1998, Miall 2004). Therefore, the aim of this paper is to tackle the question how corporate actors can engage in conflict transformation. It discusses not only the economic implication of conflict transformation, but also the transformational implication of economic activities. In a nut-shell, this paper interlinks business and peace so as to argue that the corporate sector can be one of the vital forces in transforming conflicts peacefully.

1.1 Operational definitions

Even though the concepts such as 'business sector', 'private sector' and 'corporate sector' are used interchangeably in most of the literatures, their definitions vary conceptually. Disregarding the semantic debates, as it is not the objective of this paper to shed light on them, this section basically sets operational definition for certain terms.

For the purpose of this paper, the private sector is characterised as a group of business houses, corporations, enterprises or companies, owned and run by private groups or individuals, which has a profit-making motive with the supply of goods and services. It is mostly bound with monetary relations with the people who use its goods and services.

The corporate sector is conceptually broader than the private sector. It is characterised as an invisible cluster of private as well as state-run-enterprises [also known as Public Enterprises (PEs) or State-owned Enterprises (SoEs)]. Business houses, corporations, enterprises or companies in this category can, but do not necessarily need to, be owned by private groups or individuals. Apart from privately invested businesses, it also comprises community-owned or state-run economic enterprises. However, they overlap with the private sector in so far as they are monetarily driven structures.

Conflict transformation, as this paper presumes, has to be gradually realised with personal, relational, structural and cultural changes. In economic sense, the actors and issues of conflicts are transformed when there is favourable economic space for recovery. Such spaces can be represented by peaceful investment environment and equitable distribution of economic benefits. Conflict transformation also connotes a positive shift in individuals and social institutions so as to offer solutions to the causes of conflict.

1.2 The business-peace interface

There is a grave debate on whether the involvement of corporate sector becomes pro-peace or pro-conflict in fragile situations. Positively or negatively, corporate power is vital for political influence and social transformation.

In many cases, involvement of corporate sector in conflict transformation has been found fruitful. There are success stories of corporate engagement in establishing new economic institutions (Mariano 2005), promoting economic cooperation between conflicting parties (Tanaka 2008), negotiating peace-talks (Dhakal and Subedi 2006) and creating sustainable income opportunities for conflict-affected families (Ciarli et al. 2009). As discussed above, the motive for an engagement is mainly to ensure the safety for persons and assets in the conflict areas. But the corporations need also to take the causes of conflict into account while planning and implementing activities (Jyoti et al. 2006). From a more normative perspective, one could argue that as a responsible section of

the society, they have moral as well as humanitarian obligations to address the problems that people commonly face.

Critical voices say that corporate actors, especially the multinationals, primarily look at access resources and relations to maximise their commercial interests. Vernon (1999) as cited in Kanagaretnam and Brown (2005) writes that nation-states and corporations are two distinct regimes that operate in one economy. This role gives safe space for corporations to arbitrarily advance their interest in instable economies. Active involvement of renowned multinational companies (MNCs) in trade in 'conflict diamonds' in Central Africa is an instance to this. Even though they had fully known that their activities were encouraging a fatal war, the MNCs were involved in illicit trade of diamonds (Kanagaretnam and Brown 2005). This shows how corporate greed to maximise profit could impact on conflicts.

Here a question arises, 'What is the economic implication of conflict transformation then?' To assess this, we have taken Väyrynen (1984 and 1991), Lederach (2003, 1998, 1995a and 1995b) and Galtung (1995 and 1996) to analyse the role of economic actors in their theories.

Not always destructive, conflict can be constructive at many times. Seconding Galtung (1996), Lederach (2003) approves that conflict helps us stop, assess and pay attention to the shortcomings we have in our system. From his views, one can conclude that conflict can sometimes be an opportunity to correct past mistakes, thus also economic mistakes. He opines that conflict keeps social relations and structures dynamically responsive to human needs. Thus, applicable to economic actors, conflicts show where socio-economic systems are not shaped in a way that is to the liking of all of the society. Miall (2004), Botes (2003) and Lederach (2003) have agreed that the process of conflict transformation has to engage with the causes and consequences of violent conflict. This is also a task that has to be undertaken from a business perspective. Re-orientation of economic relations, knowledge transfer and infrastructure development are the ways by which business could lead the way for sustainable peace (Köppinger 2007).

Big multinational corporations have in the last decade been forced to be more accountable in their actions in conflict-prone societies. Difficult experiences of multinationals such as Shell and British Petroleum in countries such as Nigeria, Angola, Sudan and Columbia have also taught the international business community important lessons about the high price of unethical business practices (Rienstra 2001 as cited in Kanagaretnam and Brown 2005, p 3). With growing public inquiry and attention, corporations are now reviewing their conventional approach to tackle with conflict. Kanagaretnam and Brown (2005) therefore stress on the corporate sector's need to revise its traditional risk assessment tools which focus mainly on political and managerial risks and ignore the socio-political conflict around their working areas. Equitable

sharing of economic benefits and bridging the rift between diverse economic classes can wipe out the possibility of future conflicts. So, it is important to redefine business goals according to new situations.

As discussed, business and peace are two sides of a same coin. They reciprocate one another's success. But we lack an interface in the study between these two concepts. Engaging corporate community for conflict transformation is one of the interdisciplinary approaches of peace building. Botes (2003) also pays concern on the lack of attention to interdisciplinary perspectives by most transformationalists. There is a substantial body of literature on the role of economic systems in social change; but the discussion on the space for economic actors in change-making is still in shade.

2. Methodology

2.1 Objectives and data collection

The primary objective of this paper is to conceptualise the business and peace relation by assessing corporate sector's possible contribution to conflict transformation. This objective is hoped to be achieved through three sub-objectives:

First, this paper analyses the conceptual linkages between the corporate sector and conflict transformation. It has attempted to develop a theory-based conceptualisation on business and peace. By doing so, it establishes a foundation for the inquiry of corporate engagement to conflict transformation. It discusses the economic sphere of peace literature drawing on conflict resolution/transformation and corporate social responsibility theories/debates.

Second, these conceptual linkages are empirically verified with different examples from Nepal. Supplemented with some international references and a pin focus to Nepal, the paper assesses the potentials, limits and determinants of corporate engagement for conflict transformation.

Third, these examples will be mirrored vis-à-vis the existing literature on the topic. The discussion in this paper includes information from general social contributions to the specific contributions realised by the corporate sector.

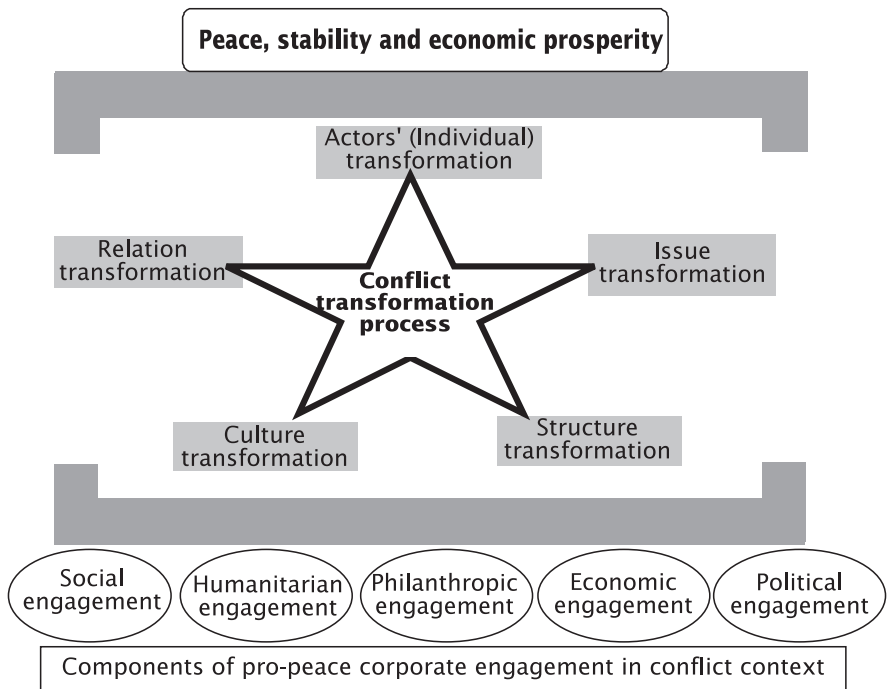
Data required for this study are gathered from secondary sources such as books, journals, magazines, newsletters and seminar presentations. Studies performed and operational frameworks devised by International Alert, chambers, federations and confederations of businesses and industries, National Business Initiative, labour unions, academic research institutions and the government agencies are consulted for analysis. As mentioned in the introductory section, 21 in-depth interviews were also conducted with business houses in the areas of production and manufacturing, hotel and hospitality,

and banking and finance. Hence, the study draws its main findings based on the case study of Nepal. To put the Nepalese perspective into place, there are references to other cases that help make understand specific environment in Nepal.

2.2 Conceptual framework

Business and conflict transformation have rarely been interconnected in the theories of conflict and conflict transformation. Though several theorists such as Azar (1990) and Rupesinghe (1995 and 1998) have presented economic actors as characters in conflict transformation (no matter even if they present it as just an adjunct characters), this paper focuses especially on the works by Lederach (1995a, 1995b), Galtung (1996) and Väyrynen (1991) as the basis of the study. The theorists-trio have not elaborated on the role of economic actors but have amply talked about economic transformation. In the light of this academic under-realisation, Figure 1 highlights the progressive interrelation between corporate actors and conflict transformation. The figure underlines a variety of conflict sensitive-engagements and their implications in conflict transformation.

Figure 1: Conceptual framework on business-peace interface



Source: Designed by the authors on the basis of Lederach (1995a, 1995b) and Väyrynen (1991)

Figure 1 focuses on the need for peace-sensitive engagement of corporate

actors in conflict contexts. Such engagements are categorised into five broad types, i.e. social, humanitarian, philanthropic, economic and political. The five types of engagement collectively result into five different aspects of transformation (see Section 3.1.2 for detailed discussion); but it does not necessarily mean that each of these engagement contributes to merely one aspect of transformation.

Conflict-sensitive business engagement results into corporate actors' (individual and collective) transformation. It is related with the actors' internalisation that they have responsibilities beyond profit-making. This helps speed up providing of reliefs to the conflict-affected people. UNGC (2005) writes that corporate sector's social engagement can make businesses a potential partner in post-conflict reconstruction efforts undertaken by governments and international organisations. It puts forth that such engagements help them obtain a 'social license to operate' from local stakeholders.

Humanitarian engagement raises the sense of responsibility on one side and that of thankfulness on the other. So, it has to do with the transformation of relations and culture of humanism. Humanitarian aid can also mean that businesses profit from this. Corporate sector delivers food or other emergency supplies to the governments and the government agencies provide this for free to conflict-affected places, still the business gets paid by the government. Thus, humanitarian engagement of corporate actors has dual benefits to the corporate actors themselves.

Similarly, philanthropy can help transform culture. Religious values and social norms can be strengthened by philanthropic engagement. It helps build new relations thereby contributing to transformation. People begin to think positively and tend to support more to the business organisations when the corporate actors engage with local people in philanthropic activities. This brings positive changes in the giver as well as the takers. So, it is relevant for the actors and context transformation.

Economic engagement transforms structures and issues. The opportunities such as inclusive employment (reintegration of former combatants and inclusion of marginalised social groups in job opportunities) and investment generation give economic space to all parties. It is about transforming social structures and relations. Since economic engagement have the potential to address the core problems such as unequal economic distribution and troubled production opportunities, old issues of contradictions will fade away gradually. Thus, economic engagement over the root causes of conflict can impact on structure and issue transformation.

Political engagement of corporate sector has direct impact in conflict transformation as this sector, by the virtue of being politically and socially in advanced position, can act as a mediator, facilitator and even initiator of negotiation in many conflicts. The experiences of South Africa are concrete

evidence to this (Nelson 2000). Since conflict is a never-ending characteristic of any society, newer issues arise and they require newer actors to mediate or initiate the transformation. So, corporate actors have perennial role in acting to settle conflicts in the society where they operate. Besides, because of the nexus with both government agencies and rebels, corporate sector's engagement is considered most powerful to transform conflicts. Hence, structural transformation can be possible with the corporate role in transformation.

Engagement of corporate actors will be conflict-sensitive only if it ensures that the actors' activities do not fuel conflict intentionally or unintentionally. Conflict-sensitivity takes into account the required space for disadvantaged, marginalised and conflict-affected people. Thus, issue, culture, structure, relation and actors transformation through corporate engagement help realise conflict transformation.

3. Relevance of business actors in conflict transformation theories

As Miall (2004, p 17) states, conflict transformation "seeks to engage with conflict at the pre-violence and post-violence phases, and with the causes and consequences of violent conflict, which usually extend beyond the site of fighting". Thus, transformation aims at not only political settlement, but also socioeconomic problems. Yarn's definition in the *Dictionary of Conflict Resolution* (1999, p 121 as cited in Botes 2003) perceives conflict transformation as a method of "inducing change in the parties' relation through improving mutual understanding". Comparing Yarn's argument with Miall (2004) and Burton (1990) is relevant here. At one side, Miall (2004) states that inducing of such changes have to do with transforming the relations, interests, discourses and, if necessary, the very constitution of society that supports the continuation of violent conflict; at the other, Burton (1990, pp 2-3) puts forth that transformation is "the solution of the relational problems which led to the conflictual behaviour". Burgess and Burgess' *Encyclopaedia of Conflict Resolution* (1997 as cited in Botes 2003) also elaborates such a transformation in three ways: fundamental change in the relationship, correction of the inequities and injustice and finally changes in individuals. These all arguments re-orient to the concept of smooth social relations for transformation. Summing up this in the line of Lederach (2003), transformation casts light on the horizon towards which we journey. This horizon is to build locally and globally healthy relations. Of course, social relations are 'healthy' when the growth is equitable and opportunities are wider to the common people.

The transformationists in the nineties such as Väyrynen (1991), Galtung (1995), Rupesinghe (1995) and Schwerin (1995) have seconded the Lederachian idea of re-building and redefining relations. Duke (1999) elaborates the idea of Lederach in terms of transformation of individuals, transformation of relations, and transformation of social systems large and small. Again, it goes back to the inter-cooperation and reciprocity between social classes. Nonetheless, the

thought of transforming conflict so as to mitigate social conflicts has now become a central theme in peace literature (Botes 2003). In the coming section, the economic implication of conflict transformation is discussed in the light of works by Raimo Väyrynen, John Paul Lederach and Johan Galtung.

3.1 Väyrynen on micro to macro transformation

While discussing the economic implication of Väyrynen's works on conflict, it is relevant to start from his idea that conflict formations are naturally shaped by the impact of the capitalist world economy and by the economic and strategic penetration by major powers (Väyrynen 1984). If we localise this statement in a country specific case, we can get that 'capitalist world economy' as 'capitalist national economy'. The characters and their activities in such economies affect formation or deformation of local conflicts. Uneven distribution of economic resources, overexploitation of market, unfair accumulation of income opportunities as well as (to their contrast) corporate social responsibility, responsible investment practice and pro-peace business practice happen within a single economic system. Thus, generalising Väyrynen's argument, we can say that business has much to do with the formation or transformation of conflicts in a specific context.

Väyrynen (1991, p 163) classifies transformation into micro and macro aspects and specifies four ways for transformation to take place. First, Actor Transformation has to do with the internal changes in the major conflictants or the appearance of new actors. It is somehow what Burgess and Burgess (1997 as cited in Botes 2003) say 'changes in individuals'. Hence, transformation of corporate actors helps transform the issues in conflict and address the causes behind this.

The second is Issue Transformation. It alters the agenda of the conflict. But there needs significant improvement in the previous status of causes of conflict so as to transform issues. Massive employment opportunities have to be generated, regional balance in growth needs to be assured and just distribution of economic benefits has to be guaranteed to be so.

The third is Rule Transformation. Väyrynen postulates that the norms that the actors follow in their interactions with each other have meaning in transforming conflicts. Redefining such norms to demarcate the boundaries of their relation is essential for Rule Transformation. Business associations and the state itself can play vital role in setting the norms and orienting corporate world to a more responsible business.

The fourth is Structure Transformation. More than just the limited changes among actors, issues and roles, Structural Transformation requires shifts in the primary elements of an economic system, including the increased role of the corporate sector and enhanced socio-economic balance.

Väyrynen argues that it is vital to understand how conflicts are transformed with the help of different actors. He writes that "... the bulk of conflict theory regards issues, actors and interests as given and on that basis makes efforts to find a solution to mitigate or eliminate contradictions between them. Yet the issues, actors and interests change over time as a consequence of the social, economic and political dynamics of societies" (Väyrynen 1991, p 4). It also clarifies that corporate sector can be the transformer even if it were not a conflictant or trigger. If it were, then this is more possible that the sector can be one of the effective transformers. Hence, Väyrynen brings corporate sector as one of the central actors for conflict transformation.

3.2 Lederach on dimension of transformation

For Lederach (2003), transformational approach begins with two pro-active foundations: i) a positive orientation toward conflict, and ii) a willingness to engage in the constructive change or growth. Such willingness is expected to come from not only the conflictants, but also the triggers and transformers of conflicts. Positive orientation to transformation is always antecedent to the willingness to engage. Engagement results in action; action shifts situations. Thus, positive actions from economic actors help recover previously wrecked economy, build new relations and give safe space for business operations.

There needs shift in the orientation of the corporate actors for economic transformation in conflicts. Such shifts should be in the ways to perceive conflict in their lives, relations and communities. Lederach (2003) classifies them in four dimensions albeit they "echo some of the points" (Botes 2003) of Väyrynen's classification. The four dimensions of transformation are:

Personal: In personal dimension of transformation, corporate sector helps reduce the negative effects of their actions to the conflict context. This action decreases the possibility of conflict escalation thereby increasing the potential for safe and fair market opportunities.

Relational: As economy is almost always a major part of political conflict, corporate sector can help enhance efficient communication for mediation, negotiation and mutual understanding.

Structural: Realising the underlying causes of conflict as well as its proxy reasons, offering the possible solutions through corporate interventions and helping restructure the social relations fall under this category of shift.

Cultural: Corporate sector can promote respect to the local cultures, can enhance understanding of the social values, adapt with them while working in the community and remain aware of the culturally sensitive issues which can generate conflict. It can also identify and promote indigenous methods of conflict settlements.

All in one, Lederach foretells that transformation seeks to promote constructive processes within each of these dimensions. There are always challenges for business sector on how to support and sustain such changes constructively. This job indeed becomes a litmus test for the actors' ability on how they handle transformation. Thus, corporate sector has not only vital but also a challenging role for conflict transformation.

3.3 Galtung for actor analysis

Galtung (1996), on the formation/transformation/deformation dialectics of conflict, talks more about the transformation of the conflicting parties than about the secondary actors. He lionises the role of the conflictants themselves in addressing the root causes of conflict. If we bring Nepal (1996-2006 armed conflict) as an instance, though the conflicting parties were the state and the Maoists, the causes behind the armed conflict were socio-economic and political. Thus, non-conflictants can be the actors of conflict transformation in reducing the chances of future conflicts. Galtung talks about the 'transformative capacity' that we can relate with economic actors. For him, such a 'transformative capacity' is the ability to handle transformation in an 'acceptable' and 'sustainable' way (Galtung 1996, p 90). Economic transformation of conflicts can be acceptable when the distribution of benefits is just and social structure is equitable. Similarly, sustainability of transformation can be realised when there is no old seeds left for new conflicts. Such a transformation has to do with reducing the possibility of regression.

Galtung portrays conflict transformation as a continuous process. Issues change; environment alters; so do the conflicting parties and their relations. Hence, conflict is continuous in nature, so is transformation. Transformation demands continuous corporate engagement in making the situations better. Corporate engagement should not be stopped at a certain point because "old or new contradictions open up" (Galtung 1996, p 90) that demand newer role from corporate actors.

Even if the conflict is settled politically, it does not mean that all the underlying causes of conflict are pacified. In the words of Galtung (1996), such 'seeds under the asphalt' may rise again as post-conflict nuisances. He writes, "First, the signatories may be dishonest. Second, even if they are honest, where are the other actors, the people all over? Third, even if they also accept, where are the sustaining forces, producing the less conflictuous formation, not just reproducing the old?" (ibid, p 89). Emphasis on all-party inclusive approach confirms that none is left off the map and 'a bad rebirth' of conflict is escaped.

The sustainability of conflict transformation relies on the availability and continuity of the watchdogs. Galtung says that outside parties can "... use carrots and sticks, paying the parties for accepting and punishing them if they

do not". There is no real acceptability or sustainability unless assuming civil society and other sectors as the parts of conflict. But Galtung (1996) focuses their goals to be clearly stated so as to accelerate 'conflict deformation'.

Additionally, Miall (2004) discusses the previous literatures and the potential ways that the debate of transformation may/should take. He categorises current developments in conflict transformation practice as they have occurred in the four principal types. The first is with the help of governmental and intergovernmental representatives, the second of development agencies, the third of non-governmental organisations (NGOs) and the fourth of local parties and groups within the conflict setting (Miall 2004, p 2). The ability of business sector as an institutional actor for conflict transformation falls under the third category: non-governmental organisations. But he puts a caustic remark on the prevailing theories that "the complexity of the situations contrasts starkly with the relative simplicity of the core theories we can find in conflict resolution, especially those advocating win-win outcomes in two-party contests" (Miall 2004, p 3). Processes rarely go with the rules preset in previous theories. So, the need for new actors and the need to explore new angles to intervene are never obsolete in conflict transformation.

4. Empirical evidences from Nepal

4.1 Overall socio-economic conditions

Nepal has undergone ten years (1996-2006) of insurgency the reason for which, among many others, are unemployment and frustration (Mishra 2004; Upreti 2004), gender discrimination (Mishra 2004) and social exclusion (Pfaff-Czarnecka 2004; Upreti et al. 2009; Aahuti 2005). This country, with small economic figures in gain, has a novice economy in comparison to its Asian friends. The average per capita income as per 2009 is US \$ 1597 (UNDP 2009) with an economic growth in fiscal year 2010 expected to be less than 4 per cent (World Bank 2009). Even though some urban areas grew rapidly because of dense habitation and resource centralisation during the conflict, most of the places suffered wide economic gap. Nepal Living Standard Survey-2003/04 had depicted that the average per capita income of the poorest 20 per cent of population was NRs 4,003 (approx. US \$ 60) and that of the richest 20 per cent was NRs 40,486 (approx. US \$ 600), ten times larger amount. Even after the peace agreement is reached, Nepalis face strikes and closures almost every month, up to 16 hours of daily power-cut for up to six months a year¹ and never-ending labour disputes in leading business houses.²

Alarmingly, the ratio of the resource holding between the haves and the have-nots is ever widening in Nepal. The poorest 20 per cent of people consumes

¹ For additional information, visit www.nea.org.np.

² For more details on labour disputes, see *Nepali Times*, 28 November, 2008.

8 per cent and the richest 20 per cent consumes 45 per cent of the national income (GEFONT 2006). If one looks at the statistics of Kathmandu only, the richest 20 per cent of people are consuming 90 per cent of national income (ibid).

Youth disaffection to the country and unemployment is also at its height (Alexander et al. 2009). According to the Nepal Labour Force Survey (NLFS)-II, the current labour force participation rate (LFPR) (the proportion of population aged 15 years and above who are currently active) decreased marginally from 85.8 per cent in 1998/99 to 83.4 per cent in 2008 (CBS 2009a). The decline in the current LFPR is more visible in urban areas (from 73.3% to 67.3%) than in the rural areas. This also portrays a grim picture of the country's economy.

Though rich in resources, Nepal is considered a financially underdeveloped country (ADB 2009). Populated with around 28,584,975 people [as projected by CBS (2009b) for the year 2011], with per capita income of US \$ 1597 (UNDP 2009), it falls in one of the least developed economies in South Asia. The economy in Nepal is growing at the rate of 5.5 per cent (NRB 2009) and the population is doing so at the rate of around 2.3 from 1990-2007 (UNICEF 2009). NLFS-II estimates a total of 252.8 thousand persons aged 15 years and above as currently unemployed in Nepal which is an increase of 42 per cent over the decade (CBS 2009a). These all have therefore constituted per capita income to develop only in snail's pace.

Human Poverty Index (HPI) in Nepal fell slowly from 39.6 in 2001 to 35.4 in 2006 (UNDP 2009). This took place because infrastructure development had always been a secondary issue during the time of armed conflict. Pradhan (2010, p 119) writes "In 1996, when the insurgency began, security spending was about 0.9 percent of GDP. In 2006, it was 2.5 percent. Security expenses grew by over 300 percent between 2000 and 2006, mostly due to the purchase of arms and ammunition." This pouring of the financial resources of the state into security expenses ultimately handicapped the economy.

Although the decline in poverty was found across all geographic divisions, its magnitude varied in different ecological belts and regions. The distribution of income and wealth has become uneven where 10 per cent of the households enjoys 53 per cent of the national income and 6 per cent of the households occupies one third of the agricultural land (GEFONT 2006). This situation constituted income disparity and economic imbalance among various regions. The insurgents raised these all economic agenda as one of their rationales to wage the war.³

³ See Bhattarai (2007) for more details on the politico-economic rationale of Maoist insurgency in Nepal.

4.2 Impact of conflict on corporate sector

It is an incomplete discussion on business and economic disparity in Nepal without discussing the effects of the ten-year-long Maoist insurgency. On the one hand, the country suffered from income disparity. On the other, corporate sector suffered from frequent strikes and targeted attacks. Thus, insurgency wracked economy and constrained business opportunities. Business houses hardly got rid of labour disputes. Political ideologies guided labour-owner disputes. Moreover, the armed conflict was started to end the 'existing socio-economic structure' and was based on Marxist 'class hostility' (Bhattarai 2007).

New hopes emerged as the conflicting parties signed in the Comprehensive Peace Agreement (CPA) in 2006. In the post-conflict transition, corporate sector has got a grave role to responsibly act for conflict transformation. Even though addressing the causes of conflicts was conventionally considered to be within the domain of the state, corporate sector and the society had win-win benefit if peace could be realised. Coincidentally, Nepalese private sector had their representatives in the Constituent Assembly (CA). The corporate representatives had demanded the constitutional needs to set a new economic environment. Such an economic environment would have been facilitator of economic growth if the constitution-writing were not aborted. But with the new political change and challenges after the failure of the CA to draft a new constitution even after four years, new economic challenges are sure to appear. Hence, corporate actors now have more responsibility to engage in transformative activities for the benefits of themselves and for the society.

For the corporate sector, there are many problems to work on. IDMC and NRC (2010) and Jha (2008) show that there are up to 200,000 internally displaced people eking a living in miserable situation. Most of them are bereft of physical property, even not with a dwelling. Further, rural villages do not have strong economic institutions such as banking and financing organisations. Employment is centred more in urban places and potentials of rural resources is yet to be exploited. When there are many things to do and many those are doable, initiations have not been started, or if started, have not taken momentum.

Nepal had experienced economic momentum after the people's movement of 1990. To its misfortune, it faced the armed insurgency soon after the half decade of such a historic change. As the conflict escalated, business environment became adverse. Business activities were contracted into handful city areas. This generated fiscal centralisation and imbalanced economic growth (Panday 1999). Even if some businesses flourished in urban areas, most of them could not. Labour disputes were also on their height. Very few efforts were made to narrow the widening rift between the rich and the poor. Consequently, it fuelled the fire of conflict and polarised the society into different classes. Various business sectors such as tour/travel, trekking,

hotel and airlines suffered (Upadhaya and Sharma 2010). Business community also did not pay that much attention to address the problem at its first stage. It could have aroused the sense of growing together by involving with the society and working closely for common causes. As the existing political instability and economic disparity subsided the already subsided people, polarisation between the corporate sector (as the rich part of the society) and the conflict-torn general people and non-elites (as the poor part of the society) became clearly visible. There were no efforts to bridge these two sections of society. Hence, extortions, shooting at businesspersons and vandalising the workplaces and offices of corporations continued to irk corporate community.

4.3 Need for corporate engagement in conflict transformation

Engaging in conflict transformation was previously supposed to be beyond the gate of the corporations. So, there are still a number of reasons why corporate sector should engage and should not engage in social transformation. Though some businesses such as arms and ammunitions may flourish even during the insurgencies, adverse political situation critically affects many business opportunities in general. During conflicts, most of the corporations suffer loss in income on one hand; on the other, situations may go worse if the corporate community does not initiate something for transformation. It could be an answer to the both questions; "why corporate sector cannot afford for social engagement during conflicts?" and "why this sector should be involved in conflict transformation?"

Corporate sector is highly vulnerable and prone to frequent shocks that lead to immediate downturns. Even though the real threat does or does not exist, political upheavals of the country affect business performance. Conflict-sensitive corporate engagement in social affairs leads to win-win situation for both the society and the business sector.⁴ Thus, it makes a perfect business sense when private sector works goes beyond merely 'company think' and work with 'community think' (Pant 2007, p 5) in mind.

Corporate practices in Nepal have been inattentive to the role of business in conflict sensitive development. Also, we seriously lack interdisciplinary studies to look at the relations between business and peace. Some studies have been carried out so far. But mostly they are performed for a defined purpose, generally to meet specific needs of special organisations or sponsors. Some of them are performed by political institutions layered with vested interests. So, a proper intervention of corporate sector in addressing causes of conflict seems necessary. This will multiply the potentials of this sector in conflict transformation and also enrich the intensity of the linkage between business and peaceful economic recovery.

⁴ *Based on the personal communication with Catrin Froehlich, the CSR expert in then GTZ-Nepal, on 19 November 2009.*

Nepal is marked not only by the fluctuations in its economy, but also by the ongoing peace process. Business sector in Nepal has several times been splendid example as many corporate people have voluntarily contributed millions of rupees as corporate philanthropy (Yogi 2010).⁵ Even though the monetary magnitude of business contribution to social activities is least possible to calculate, some instances are discussed in Table 1.

<i>Table 1: Major social activities by some BBHs in Nepal</i>	
Who?	What?
Khetan Group	has established campuses and scholarship schemes, and mainly contributed to education sector.
Golchha Organisation	has set up a free-service hospital in Biratnagar.
Chaudhary Group	is involved in founding educational institutions, charity hospitals and academy of arts and literature.
Kedia Organisation	has established some service trusts and girls schools.
Vaidya Organisation of Industries and Trading Houses (VOITH)	has worked on environment protection with a focused contribution to tree plantation.
Mittal Group	is involved in the sector of eye health.
Marwari Family	has been supporting mainly the religious activities.
Bhatbhateni Chain Store	has constructed emergency ward building at Tribhuvan University Teaching Hospital
Tara Management Pvt Ltd (Siddhartha Rana)	has contributed worth US \$ 130,000 (NPR 10 million) to Help Nepal Network

Source: GEFONT (2006) and other documents

The trend of involvement as shown in Table 1 illustrates that corporate contribution in Nepal so far has very less to do with conflict transformation. Since they are merely philanthropic engagement, it will be safe to say that such dispersed activities will not transform conflict immediately. They are performed as per the wish of the corporations. A German CSR specialist, who has been working in Nepal, also confirms during an interview that CSR in Nepal exists more in the form of philanthropy and religious donations only.⁶

In most of the cases, corporations are found to engage in infrastructure building such as drinking water supply, contribution to the construction of roads, water tanks, schools, hospitals, police beats, public halls and houses etc. Some business houses are involved in raising funds for the victims of natural

⁵ Also visit www.helpnepal.net for more details.

⁶ Based on personal communication with Ms. Catrine Froehlich, CSR expert from then GTZ-Nepal, on 19 November, 2009.

disasters at different times and some are assisting environment protection programs.⁷ They can be termed as social engagement and can make relational transformation between the corporate sector and the society.

When one talks about structural transformation, the works by Three Sisters' Trekking Agency (TSTA) is worthy to mention here. Gender discrimination was one of the worst characteristics of Nepal during high times of conflict. The TSTA remained politically neutral and went on working for women's empowerment and social justice. It gave training and employment to indigenous and other socially excluded women in the field of trekking and tour operating. As a result, the Maoists also refrained from asking for donations, and made no demands from this corporation (Dhakal and Subedi 2006). TSTA is trying to address the issues such as women's empowerment and the abolition of caste-based discriminations.⁸ This agenda is also a part of the rebel group's political manifesto. This is one best example of how corporate sector can offer economic solutions to the conflict-affected people by social and economic engagement.

National Business Initiative (NBI) is one of the leading organisations advocating for constructive engagement of corporate sector in conflict transformation. The formation of NBI in 2004 was as an alliance of business community (NBI 2005). It now concerns in immediate solutions to corporate problems related to conflict. Hence, NBI is assisting the process of conflict transformation in Nepal by its economic and political engagement. This is also marked as an institutional commencement of corporate sector for conflict transformation in Nepal.

NBI comprises 14 national business organisations. It is encouraging CSR, increased responsiveness to stakeholders' requirements and alternative communication strategies so as to promote peace and productive relationships in individual companies. Investing upon social capital, infrastructure, and the creation of safe spaces for peace talks and genuine peacebuilding efforts are its major aims. There has been possibility of providing jobs to the victims of conflict and taking businesses to underserved areas due to the works of NBI.⁹

Federation of Nepalese Chambers of Commerce and Industries (FNCCI) had initiated negotiation with the underground Maoists during the time of conflict. It had set up a task force to discuss with them with the assistance of some mediators. After the talk, the Communist Party of Nepal (Maoists) withdrew their threat to force the closure of the 47 factories (Dhakal and Subedi 2006). This can also be termed as one of the successful political negotiation of Nepalese private sector.

⁷ *The information discussed here are found during the field survey of the authors in the cities such as Pokhara, Birgunj and Kathmandu in Nepal.*

⁸ *Based on personal communication with Ms Lucky Chhetri, CEO of TSTA.*

⁹ *Visit <http://www.nbinepal.org.np/rbusiness.php?type=nepal%20cases> for more details.*

There are varieties of interests among the other Nepalese business organisations. Within an umbrella body, they have different institutional sets up. Their presence in districts across Nepal is also in varying degrees. FNCCI, the Nepalese Chamber of Commerce (NCC) and the Confederation of Nepalese Industries (CNI) are some of such bodies. However, these organisations do suffer from competition and internal as well as intra-organisational conflict (Alexander et al. 2009). They display political characteristics and are unable to play non-partisan role in public sphere. However, during this transition of the country, corporate actors should endeavour to bridge political divides and rejoin common platforms for mutual benefit.

4.4 Motive of engagement

The issue that corporate sector should be engaged in conflict transformation has triggered debates from different schools of thought. The first school believes that institutionalising the role of corporate sector strengthens capitalism and its values. The second says that contributing to the roles and responsibilities of the state by the corporate sector is the same as imposing socialism from the backdoor (Hopkins 2007). Amidst these sharply contradictory schools of thought, Bomann-Larsen (2003) states that the subsequent impact of corporate activities are numerous. They may be benevolent and malevolent, visible and invisible, foreseeable and unforeseeable too. But the corporate actors are responsible for any effects that their decisions and activities have on the society (Hohnen and Potts 2007). Business sector cannot go unconcerned of social problems. Furthermore, addressing social problems and mitigating the roots of conflict may be good motives as doing so builds better business environment too.

Corporate engagement in social affairs has to do with the expectations of stakeholders. It should always be compliant with applicable law and norms of behaviour. Thus, such activities are referred to as a process of 'corporate citizenship' (Hohnen and Potts 2007) or 'responsible entrepreneurship' (European Commission 2008). Business is such a sensitive sector that its impact percolates down to every corners of society. So, it can both trigger and transform conflicts. For instance, the case of Timor Leste had unintended side effect on the peace process because of the private sector's engagement in security provisions (Lilly 2000). But the case of Afghanistan presents intended and positive effects of successful corporate intervention over conflict issues (Ciarli et al. 2009).

As investors, business community has a duty to act in the best long-term interests of their beneficiaries. In this trustful role, it has to believe that environmental, social and corporate governance issues can affect the performance of investment portfolios to various degrees across companies, sectors, regions and time (Thompson 2009).

Economies in conflict need gradual recovery. Moreover, corporate sector sometimes has the capacity to fulfil some state responsibilities. For instance in Nepal, peace talks between government and the rebels failed three times but that between businesspeople and the rebels succeeded when the former came up with a successful taskforce and willingness to address the problem (Dhakal and Subedi 2006). Hence, corporate actors can take leading role for negotiations in conflicts.

This discussion shows that, while engaging in conflict transformation, the motive of the corporate sector may be contextually different. The motive of multinational companies may be different based on their country of origination too. Improving the situation of the country may be one reason, but primarily they need to improve the conditions to accelerate production for returnable investment. Yet, not all the corporate engagement can be termed as selfish acts as it is proved that altruist corporate intervention has resulted into better societies.

4.5 Prevailing challenges

Since business sector is the key driver of economy, it can assist the state in terms of economic recovery and policy formulation. But it is the same sector that faces first mal-effects of political instabilities and social conflicts. So far as we talk about the implication of conflict on economy and that of economic actors on conflict transformation of Nepal, there are ample challenges and opportunities.

All conflicts are not always destructive; so is the case of conflict in Nepal. Armed conflict in Nepal severely affected business environment. Risk management became essential in businesses. However, Pant (2007) states that the corporations which have sound administration and control systems have apparently suffered less than those without. This means the capacity of adjustment counts much in conflict contexts.

One case of complexity is there within the corporate sector. There is still a deep mistrust and regular nuisance between business-owners and workers. The industrialists have the opinion that sustaining all the employees is impossible when the companies go in loss sometimes. They say they can not ensure job security; they demand national labour policies to be flexible.¹⁰ It shows that the trend of the relationship between workers and owners is getting complex. The two groups are slightly becoming polarised but the demand from both sides seem judicious (see Box 1 and Box 2 for instances). One cannot negate the fact that this complexity may bring any unwelcome events in the future days.

¹⁰ Based on the interview with Mankaji Makaju, President, Pokhara Chamber of Commerce and Industries, on 9th March 2010.

Box 1: Make business apolitical

For me, hoteliers always work optimistically, but the workers always seek guarantee in everything. Doing business is about hoping things to be conducive with investment and the market. But even when the market is not favourable, we cannot guarantee to fulfil their every demand. We even cannot cut off workers due to the pressures from unions. On one side, we have no profits in adverse times. On the other, we are compelled to pay the workers for the whole year. Then who is responsible to provide us investment security? Moreover, they join and leave their job whenever they wish. If they say we can not fire them as we wish, then we demand that they should not leave us as per their wish too. So, I focus on the three major things: a) Hiring and firing policies should be liberal, b) Staffs should not assume corporations as training centres where they can join and leave as per their wish, and c) The government should allocate limits of tax according to the category of the hotel and the quality of the guests it gets. If so, we are ready to invest in new areas too. Last but not the least, businesspeople never aggravate the problems, the politics does. So, it is essential for business sector to be apolitical in functioning. Being apolitical is the way to accelerate employment generation and address the demands of needy people.

Rajkumari Pun¹¹
General Manager
Hotel Stupa

Box 2: Why is the issue political?

May the corporations flourish; may they be successful; we always wish so. But our employment security should also be ensured. We also want the company to prosper with more employment generation. Our demand is that the companies should not be uncontrolled in hiring and firing the personnel. If they need environment conducive with business operations, why do not we, the labourer, need that for our survival? Managers are never ready to give full rights to the workers. But the unions coordinate it and manage to solve the dispute as calmly as possible. We know the instances of some corporations who do not submit regular audit reports and are not transparent in financial matters with the workers. Instead, they show that they are in loss and they begin to fire the workers. We want the state also to be prosperous alongside the corporations. After all, if anything benefits the state and the corporations, it must benefit the workers too.

Kamal Sapkota¹²
President
Pokhara Tourism, Hotel, Casino, and Restaurant Service Association

Alexander et al. (2009) show that businesses, both small and large, suffered immensely during the ten-year armed conflict in Nepal. They, thus, needed different ways to cope up with the harsh effects. Such ways range from direct negotiations with armed actors to avoid being under attack or extorted to paying extortion to remain operative and contracting operations or lay-offs.

Situational reports from Office of the Commissioner of Humanitarian Affairs (OCHA 2009) and Informal Sector Service Centre (INSEC) also portray the

¹¹ As interviewed on 8th March 2010.

¹² As interviewed on 8th March 2010 at Ratopaihre, Pokhara.

frequent insecurities and political industrial conflict in Nepal. Further, strikes in hotels have been frequent, labour disputes in manufacturing industries are recurrent and vehicular obstructions due to political causes happen time and again. Citing the conflict and its challenging impact on economy, a study by Dhakal and Subedi (2006, p 416) writes:

"When the Maoists announced on 17 August 2004 the closure of 12 enterprises, the business community reached its limit. These firms included locally owned and joint ventures. A week later, the Maoists announced the closure of a further 35 companies, threatening the collapse of the entire industrial sector. The Maoists switched their focus to local industries, rather than foreign subsidiaries, in order to force a sense of urgency on the business community. A list of demands on working conditions was issued, but it also included political demands, leaving businesses in the uncomfortable position of having to mediate between the government and the Maoists."

Labour disputes, extortion, regular demands, and frequent strikes in industries have made the economy worst even after the peace agreement. Many big hotels were shut down (Upreti and Upadhyaya 2009); mills and factories went into loss during the active armed conflict times. The dispute between owners and workers in the case of Manakamana Cable Car Private Limited¹³ and that of Himal Media Private Limited¹⁴ are instances to this. In its issue of 28 November 2008, Nepali Times writes:

"Biratnagar Jute Mill has been closed since 24 November. Hulas Steel Company employees are on strike from this week. Asia Distillery shut down this week. Manakamana Cable Car has been closed down for two weeks and is losing NRs 1 million¹⁵ a day. Even in remote Mugu, the Gamgadhi hydro-project has been closed since two months. The list goes on."¹⁶

The residual effects of the armed conflict are still affecting free and fair market systems. Gündüz et al. (2009) state that the loss of markets and customers are the most important impact of conflict on business. The former rebels, in a rush

¹³ *The cable car operator company in Kurintar, Manakamana Darshan Pvt. Ltd. was shut down citing the threats by the Maoist affiliated labourers to raise the salaries of the staffs. This company was closed by the trade union affiliated to the CPN (M) for more than three weeks demanding wage rise and other several benefits where the Company Management said that the demands are not within the capacity of the Company.*

¹⁴ *In December 2008, twelve staffs of Himal Media, including the editor, the publisher, and Chief Executive Officer, were injured in an attack by pro-Maoist workers at the organisation's office in Lalitpur. Prior to it, the agitated labourers had vandalised an office vehicle, set fire to copies of Himal Khabarpatrika and threatened the staffers. The trade union close to the CPN (M) entered to the Company and manhandled injuring several journalists on the dispute about the termination of the temporary staff by the company.*

¹⁵ *Rate of conversion according to Nepal Rastra Bank: USD 1 = NRs 73 (approximately) as of May 2012.*

¹⁶ *Retrieved from <http://www.nepalitimes.com.np/issue/2008/11/28/Headline/15411> on 1st September 2009.*

to appear revolutionary and pro-poor in the post-conflict phase, often behave irrationally, raise issues rhetorically and more heatedly than others. However, "...poverty of their rhetoric is, quite often, their ignorance of facts and failure to understand what works and how it works in business environment" (Pant 2007, p 5). To radicalise one section of society for the benefit of the other may not be a conciliatory practice.

Some business associations have made attempts to practically address causes and dynamics of conflict through lobbying and networking for peace and employment generation. Not only in state systems but also in business sector, inclusion has been a common concern in Nepal. Dhakal and Subedi (2006) reassert that, however, the business community's potential to cope up with challenges and tap the opportunities varies widely given their differing needs, capacities and willingness to engage.

There is also a wide-spread impression that corporations involve in social contribution to whiten their inequitably and illegally earned property and fame. But whatever the debates are, one must admit that any corporation cannot be an island of excellence. The society has also to be developed along with the prosperity of businesses. Inarguably, it makes good business sense when we work with society in mind.

5. Potential for corporate engagement for peace

Economy has intertwined relationship with conflict transformation because the latter is assumed to be not realised until and unless economic problems are addressed. The causes of conflicts in Nepal are mainly related to economic distribution, resource generation and actors around it. So, based on the discussion above, the paper discusses the potential for corporate engagement for peace in five types of engagement: political, economic, philanthropic, humanitarian and social.

5.1 Political engagement

Conflict transformation does not necessarily find quick solutions to immediate problems. It has to do with engendering creative platforms to address surface issues and amend underlying social structures and relationship patterns (Lederach 2003). There needs a fundamental shift between actors and conflictants and a change in recognising each others' aspirations (Kriesberg et al. 1989). This is possible through political engagement of corporate sector. Bush and Folger (1994) call it 'transformative mediation' by the economic actors which changes 'consciousness and character' of the conflictants.

Political engagement in conflict transformation, as Rubin et al. (1994) argue, has two-fold faces: micro transformation and macro transformation. The former deals with the shift in parties' behaviour and gestures and the nature

of the conflict; the latter does so with the change in the socio-political system within which the conflict is embedded. Business sector's political engagement as transformers of conflict can aim at these two levels.

Not always the powerful actors can have better performance in politically transforming conflicts. With instances of some conflict-laden African countries, Miall (2004) argues that the intervention by skilled third-parties working unofficially with the conflicting parties can foster new political thinking and relationships. For third party interveners, transforming violent conflict towards sustainable peace needs the creation of a number of negotiation forums (Botes 2003). Such forums realise transformation at nearly every level of society. There are various ways of such political engagement: non-official facilitation, mediation, problem-solving workshops, civilian peace monitoring, non-violent campaigns and cultural exchanges (Lund 2001).

Corporate sector and its role in the prosperity of the society is related with political economy. So, taking no care of political events and conflicts costs corporate sector much. Economic sector have to continue their operation even amidst conflict. So, quoting Jyoti et al. (2006), even if the business community cannot play the role of a principal actor, it can act as a facilitator, interlocutor or a conciliator for political settlement.

5.2 Economic engagement

Economy plays principal role in conflicts but theorists have not yet apparently connected conflict transformation with the part and parcel of economy (Botes 2003). For Lederach (2003), the ability to transform economic relationship between the parties is indeed to transform the very creators of the conflict. But there are multiple ways to reach the single destination of economic transformation.

Provision of peace dividend is one good way to provide economic relief to the society. Peace dividend is an arrangement of providing people with economic and social benefits. Immediately after the termination of conflict, people hope for sudden changes and benefits. Hence, the government reallocates expenses to social sectors reducing defence expenditure (Upreti 2011). This kind of economic engagement provides psycho-social benefits to the conflict-affected people. Thus, business sector can jointly take such some responsibilities of the state instead of sporadically contributing to trifle matters.

South African example in this regard is very inspiring. Economic initiatives for post-conflict recovery by corporate sector there has been successful to mobilise about one billion Rand from over 100 South African multinational companies to address job creation, specifically in tourism, education and the school system (Nelson 2000).

Employment generation is central when one talks about corporate sector's role in addressing the economic needs of the people. It plays a crucial role in developing and newly-industrialised economies. Köppinger (2007) opines that business can contribute to development in conflicting environment. For instance, enterprises generated by corporate sector can provide opportunities for knowledge transfer, job creation, human resources and infrastructure development and support for the integration of the economy into regional or global trade and investment flows. Thus, they can be vital for conflict transformation too.

Smooth operation of business activities and early economic recovery after conflict are vital for post-conflict prosperity. But insurgency and political instability deteriorate economic activities, dislocate people, create displacement, mass migration and unemployment thereby increasing the cost of peace. Under the economic fault-line of conflict, Galtung (2003) states two major issues: misery and inequality. The possible remedies are massive uplift from below, land reform, strong cooperatives and public as well as corporate initiatives. It is because the pursuit of peace and equity is essential to reconstruct the economy (Jyoti et al. 2006). Harnessing collective resources and networks of corporate actors is a must in this undertaking.

In nut-shell, while 'constructive engagement' focuses merely on the desirable and direct effects of corporate engagement, 'responsible engagement' involves assessment of harmful effects of conflict along with active measures to prevent or minimise them (Bomann-Larsen 2003, p 7). We can find Bomann-Larsen (2003)'s 'responsible engagement' analogous with Hopkins (2007)'s 'responsible investment'. Responsible engagement of the corporate sector thus requires a general assessment of possible or actual contribution by the corporations to the society they operate in. And, this is more important in conflict contexts.

5.3 Philanthropic engagement

Philanthropy heals the wound in the times of need. This ranges from cultural to social, educational and community-based engagement of business sector. There are some helpful social investments actions carried out by responsible corporations. Hopkins (2007, p 115) writes that "the Rockefeller Foundation found a cure for yellow fever, the Gates Foundations has donated billions to tackle the health problems of the world's poor and Carnegie build thousands of public libraries".

Even if the purpose is philanthropic, transformation of conflict can be assisted by corporate actors through construction and reconstruction of mid-level and small scale development infrastructures. Though business houses, as philanthropists, engage in promoting social welfare, contributing to conflict transformation is not possible without following peace-sensitive approaches.

For instance, American economist Robert Reich opines that we should stop kidding ourselves that charity and philanthropy do much to help needy ones.¹⁷ This is because even the merits of philanthropy benefit the people, such merits are more supply-oriented than being need-based. Philanthropic corporate works in the conflict context must consider this fact also to avoid harming local community. For this, corporate policy and programmes should incorporate not only Do-No-Harm principles (Anderson 1999) but also Do-Good principles (Upreti 2007).

Business people engage in social welfare only after gaining certain degree of profits. Converse to it, embedding socially responsible principles in corporate management should always be a 'before-profit' obligation (Hopkins 2007). Philanthropy is unpredictable as it depends upon the mood and inclination of the corporate people. These may be the cause of why scholars incline to present philanthropy as an advertent way of advertising the company profile. However, it will be unwitting remark to state that corporations should avoid philanthropy. But Hopkins (2007) caustically insists that the philanthropy that does not lead to sustainable peace should be abandoned.

5.4 Humanitarian engagement

Humanitarian engagement in times of political conflicts and natural catastrophe demonstrates compassion for other humans either with goods or services. Often, armed conflict results into high number of displacement and dispute over limitedly available resources. Many people are prone to be in scarcity of basic supplies and daily needs. In such contexts, corporate sector's humanitarian engagement strengthens interrelation between the givers and takers. Such activities tighten the sense of social nearness between the common people and the corporations. Harrington and Merry (1988) and Burton (1990) also posit that societies are transformed first by providing all groups with their fundamental human needs.

According to Wassenhove et al. (2008), the major driver for current humanitarian engagements for the corporate sectors is to improve the quality of human life. Responding to humanitarian needs and focusing on health and education programs support underserved people. This can be realised through enabling people to do more, feel better and live longer.

Lederach (2003) writes that relationship context in conflicts has the ability to either make issues volatile or resolve them. To resolve the issues, the underlying causes of conflict always require a creative response. Since bonding human relationships is the heart of conflict transformation, the web of connections among the corporate actors as well as victims should be expansive. Humanitarian engagement is one of the best ways to do so.

¹⁷ *The Economist*, 25 February 2006 as cited in Hopkins (2007).

5.5 Social engagement

Social engagement of corporate sector includes giving money: from one-off donations to leveraged funding mechanisms; giving in-kind support (both people and products), operating in consultation and partnership and supporting long-term community capacity-building (Nelson 2000). It is about building relationship with the society but is not as time-specific and event-specific as humanitarian and philanthropic engagements are.

Businesses can partner in the creation of positive social values in conflict-affected regions (UNGC 2010). In the context of most of the developing countries, corporate sector commands the most of the country's capital. Hence, it can afford social investment. Such an investment includes capabilities to provide funds to address deep-rooted social problems. For instance, NBI, an umbrella initiative by the business community in Nepal, was promoting social entrepreneurship, supporting youth, engaging in social and charity works, promoting reconciliation and creating positive social environment for peace (NBI 2005).

Conflict transformation requires massive reconstruction of destroyed social structures and relations in addition to economic and political remake. Social engagement of corporate sector can facilitate this process. Mills and Fan (2006) suggest that developing a culture of peace through awareness and outreach is vital. Corporate sector such as big media houses and production units can participate in such activities.

Being conflict-sensitive in operations and understanding local reality of where they work, corporations can leave culture of social harmony, co-existence and tolerance untouched and even can promote them. Formation of networks and alliances for peace and promoting and preserving ethical values and community building are vital things in social engagement. Thus, social role of the corporate sector can be seminal in offering transformative solutions to local and national conflicts.

6. Conclusions

6.1 Need to focus on specific causes for transformation

There are many ways that companies can engage in transformation. Joras (2008) describes that the role of corporate sector in violent conflict is typically seen to have two dimensions: first, a conflict-enabling and exacerbating role and second, a supportive role in conflict prevention and transformation. Companies can refrain from participating in violent conflicts such as by applying conflict-sensitive business practices. They can actively engage in mediating and negotiating conflicts and helping reduce the causes of conflicts. Summing it up, Jyoti et al. (2006, p 36) state that there can be "no successful business

in an unsuccessful society and there can be no successful society without successful business". Thus, the relationship among conflict, business and the society must be realised to make corporations work well for transformation.

According to the survey results of this study, most of the corporations are found to have engaged in socially responsible activities as a coping strategy. This engagement seems to have benefited both party, but the contributor and the beneficiaries have not yet institutionalised the give and take of the charities or the performance of social responsibility. There were no systematic disbursements of charity funds and no specified sector for contributions. Thus, no direct implications to conflict transformation could be seen. Corporate associations had mediated in several conflicts and conducted pressure-campaigns. Even though the corporate activities in Nepal have slightly contributed to personal, relational and cultural transformation, they have not yet been the catalyst for structural transformation. Sad but true, structural transformation is the very foundation of overall conflict transformation.

The arguments by Hopkins (2007) seems convincing here that corporate contributions depend upon the whims of the directors, for whatever they feel suitable and affordable, not what the situations demand. Had they had focused on specific issues collectively, their contributions could have resulted concretely in conflict transformation. Hence, if the engagements are sensitive to the causes of conflict, they are bound to impact better on transformation. If not, the involvement in only the name just in face value will not provide substantive impact.

6.2 Interlinking engagements with transformation

Indeed, stimulating transformation is all about empowerment. Schwerin (1995) affirms that empowerment is vital to the theoretical and ideological sphere of most transformations. He adds that major structural transformations are eminent for social justice, participatory democracy, sustainable economic development, peace and prosperity. Yet, transformation takes time. Economic and social transformation take months to plan, years to implement and requires a level of resources that most organisations can not complete solely (Crocker and Hampson 1996). So, there must be a coordinated and holistic approach to transcend the contradictions. Such transcendence is possible by compromise and by associating (or dissociating) the actors (Galtung 1996). Conflicts are transformed gradually, through a series of smaller or larger changes as well as specific steps by means of which a variety of actors may play important roles (Lederach 1995a). For sure, corporate world is the vital among such variety of actors.

There are a number of areas for corporate sector to provide opportunities for knowledge transfer and infrastructure development to the society. Sorting out such areas and starting from them is a must. As actors, the sister wings of

political parties in corporate sector must not always radicalise the workers against the investors. The unions may raise judicious demands, but better in a judicious way. It can give a pacific way for the operation of the industries thereby contributing to a better economic future. Moreover, this will help in actors' transformation in the times of conflicts. Miall (2004, p 3) also argues that it is possible to transcend conflicts "if parties can be helped to explore, analyse, question and reframe their positions and interests". While the state is not yet able to properly address the issues in conflict, there is ample space for corporate sectors to act for the society for mutual benefits. It may also help them gain trust from the people in a situation where profit-making is most of the times perceived as a 'crime'.

Corporate engagement exists mostly in the forms of philanthropic engagement without prior socio-economic plans. Of course, philanthropy can enrich public relations, but cannot fruit of development judiciously to the needy sector. When corporate sector becomes responsible to address socio-economic problems generated by the overall system, perhaps this can be the best part of their philanthropy (Ghimire, 2010). So, the Nepalese business sector is yet to learn lessons in this regard.

Social contribution funds in big corporations are seen to be mixed up with advertisement funds in many corporations. This lens of looking at social welfare as advertisement policies does not let corporations act concretely for transformation. Still, many corporations are adopting social contribution as one of the effective ideas of coping up with the local society. Such trends are good, but social engagement should not be an easy escape to avoid conflicts, it should be the measure to prevent possible conflicts too.

The role of the government bodies is crucial in supporting the formation of alliances for peace and development among different ministries, business sector and other relevant actors. Such coordination is required also within and between corporate associations and actors. The corporate actors have to build bridges within and between business communities. Doing so supports development of national forums for business to engage with each other. It can also act as a platform to support corporate sector to expand its commitment and capacity to initiate socially transformative and conflict-sensitive business practices.

Increased role of the corporate representatives in the CA and their space in governmental decision-making process signify corporate involvement in structural transformation. Further, socio-economic balance is being realised through inclusion in employment opportunities and participation of workers' unions in corporate forums.

In Nepal, corporate sector had began actively participating in promoting peace once conflict cost high on business. Making the environment investment-friendly was one reason, improving the productivity and sustaining the profit

was another. Such engagement gave corporate sector a chance to stand up as an actor of social growth. Hence, their willingness to engage in the constructive change shifted the situation and positively affected the actors too.

In nut-shell, it is safe to say that the socio-economic engagement of corporate sector in Nepal so far is insufficient for conflict transformation. Social engagements of corporate sector have been most of the times unplanned and unspecified making them let merely sparse effects. There are many causes of conflicts that are unaddressed; many roles of corporate sector are still unrealised. While the state is not able to address them all at once, corporate sector is also yet to realise what it can do and why it should do. Making the corporate sector transformative rewards society, the state and the corporate world itself. But while saying that it is doing many things for the country, it will be irrational for corporate sector to forget the causes of conflict and work on separate issues. Finally, it is wise to quote Galtung (1996) here who says that there should be no old seeds left for new conflicts. In Nepal's conflict, there are still many old seeds under the asphalt. Merely unplanned contributions to unspecified sectors does not sterilise such poisonous seeds.

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About the research project

The Research Project 6 (RP6) 'Private Sector in Peace Promotion', being conducted by NCCR North-South and swisspeace, aims to contribute to a better understanding of the advantages, disadvantages and determinants of corporate engagement in peace promotion. Private business actors have in recent policy debates been identified as a (potentially) important player in conflict prevention, conflict settlement and peacebuilding. There are numerous examples of peace support projects that have been realised by or in partnership with the private sector. Yet, there is still little academic research in this field and knowledge on the positive and negative impacts as well as factors that influence corporate support to peace is scant. The project has aimed to add to the existing research in this area through both theoretical and empirical inquiries. During its stay, this research project will provide an overview of different forms of corporate engagement in peace promotion and develop an evidence-based typology. It will prepare a theory-based conceptualisation and develop an analytical framework on business and peace. An empirical assessment of the potentials, limitations and determinants of corporate engagement in peace promotion based on a case-study comparison will also be realised.

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About the Publisher

The National Centre of Competence in Research (NCCR) North-South is one of the 20 long-term research programmes implemented by the Swiss National Science Foundation (SNSF) in areas of vital strategic importance for the advancement of science. The NCCR North-South focuses on international research cooperation and promotes high-quality disciplinary, interdisciplinary and transdisciplinary research with the aim of contributing to an improved understanding of the global change and challenges. It enables Swiss research institutions to enhance partnerships with institutions in developing countries, thereby building the competence and capacity of research on both sides to develop socially robust knowledge for addressing the challenges of global change. The research programme in the South is coordinated by Regional Coordination Offices (RCOs) through partnerships with researchers and research institutions.

South Asia Regional Coordination Office is one of the RCOs, which is located in Kathmandu, Nepal. Research focuses in this region are: a) governance and conflict transformation, b) livelihood options and globalisation including institutional changes livelihood insecurities, and c) natural resources and sustainable development. The major concentration of this region's research is in Nepal, India, Pakistan, Sri Lanka and Bangladesh.

