

# **Making Business Count for Peace:**

## **Reflections from Tourism Sector in Nepal**



Bishnu Raj Upreti  
Sagar Raj Sharma  
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### **Authored by**

Bishnu Raj Upreti

Sagar Raj Sharma

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Andrea Iff

### **Published by**

South Asia Office of the Swiss National Centre of Competence in  
Research (NCCR) North-South

Department of Development Studies, Kathmandu University  
Nepal Center for Contemporary Research

**Citation:**

**Upreti BR, Sharma SR, Upadhyaya PK, Ghimire S, Iff A.** 2013. *Making Business Count for Peace: Reflections from Tourism Sector in Nepal*. Kathmandu: South Asia Regional Coordination Office of the Swiss National Centre of Competence in Research (NCCR) North-South, Department of Development Studies-Kathmandu University and Nepal Center for Contemporary Research.

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**Published by:** South Asia Regional Coordination Office of the Swiss National Centre of Competence in Research (NCCR) North-South, Department of Development Studies-Kathmandu University and Nepal Center for Contemporary Research

**ISBN:** 978-9337-8683-1-0 (Hardback)  
978-9337-8683-0-3 (Paperback)

**Subsidised price:** NPR 300/- (Hardback)  
NPR 250/- (Paperback)

**Cover photos:** Authors

**Layout/cover design:** Jyoti Khatiwada

**Printed at:** Heidel Press Pvt. Ltd., Dillibazar, Kathmandu

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The authors of the book *Making Business Count for Peace: Reflections from Tourism Sector in Nepal* acknowledge support from the Swiss National Centre of Competence in Research (NCCR) North-South, co-funded by the Swiss National Science Foundation (SNSF), the Swiss Agency for Development and Cooperation (SDC) and the participating institutions.



## Acknowledgement

At the very beginning, we would like to remember and appreciate some of the special helping hands who have, since the beginning, continuously contributed to making of this book. Mentioning all those names here may not be possible, but we feel that we should at least name a few whose support was crucial in bringing this volume into this shape. Administrative staff and researchers at South Asia Office of NCCR North-South, Department of Development Studies at Kathmandu University and Nepal Center for Contemporary Research (NCCR) have always been supportive to us. They helped us complete this task within a tight deadline. We are especially indebted to the following people and organisations for their respective supports:

- Dr Mahesh Banskota, Dean at School of Arts, Kathmandu University, for agreeing to write a constructive foreword for this book,
- Rina Alluri, Researcher at swisspeace, for her special engagement in drafting Chapter 2 of this book,
- Suman Poudel, Research Associate at NCCR, for his enthusiastic assistance in finalising the publication,
- Siddhi Manandhar, Regional Support Officer, South Asia Office of NCCR North-South, for his logistic helps and coordination in publication process,
- Prof Dr Laurent Goetschel, Dr Thomas Breu, Prof Dr Ulrike Müller-Böker and for their regular encouragement in the Research Project (RP) 6 'Role of Private Sector in Peace Promotion', under which project this book has been published,
- Pokhara Tourism Council (PTC) for its praise-worthy coordination of the partnership action project in Pokhara on 'Corporate Social Responsibility and Ethical Business Operation Code of Conducts in Tourism Sector', which has been a vital base to write this book, and

- our cordial respondents and known/unknown informants, who formed valuable foundation for the database of our research.

Last but not the least, we are looking forward to receiving valuable comments and suggestions from our readers. Indeed, such suggestions would be critical in helping us improve what we are doing.

**The Authors**  
**January 2013**

## About the book

Peace is a state which is defined as a sustained process of overcoming all forms of violence — direct and indirect as well as personal, structural and cultural — and actualising the fullest potential of individuals and groups in society (Arai 2010). When we relate peace with business, it means not only the freedom of doing business, but also the judicious distribution of benefits out of it. It can be a strong tool to minimise economic gaps, promote regional equity, harness social success and ultimately achieve peace and stability.

In this context, this book specifically talks about tourism, a sub-sector of business, with reference to conflicts within this sector in Nepal and the prospects that tourism carries to gear up national prosperity and stability. At the very beginning, Chapter 1, 'The Interface between Conflict, Peace and Business', for which Safal Ghimire has taken the lead, lays the foundations of relationship between conflict, peace and business. Andrea Iff and Rina Alluri have contributed in portraying a conceptual framework for linking tourism with conflict and peace in Chapter 2. Pranil Kumar Upadhyaya has led the drafting of chapters 3, 4, 5 and 8, which link tourism with security, labour disputes, the media and social responsibility respectively as some of the critical issues for materialising peace potential of the tourism sector. Sagar Raj Sharma has taken the lead role in preparing Chapter 7 which looks at tourism in Nepal from the lens of Foreign Direct Investment (FDI). Finally, Chapter 9, drafted by Bishnu Raj Upreti, summarises the essence of all chapters and focuses on rethinking the role of tourism for a prosperous Nepal.

This book features the work by thematic researchers on this field. Researchers on business and peace from NCCR North-South, swisspeace and Kathmandu University have documented their years of knowledge, experiences and expertise in the chapters. A research project (Role of Private Sector in Peace Promotion) jointly conducted by NCCR North-South and swisspeace, along with an NCCR North-South partnership action project with Pokhara Tourism Council (PTC) form the basis of this book. In addition, two doctorate and several Master's level studies were also included in the research process.



The main argument of this book, in nut-shell, is that business in general and tourism in specific has both negative and positive potentials for peace. Unregulated, irresponsible and conflict-insensitive business can exacerbate conflict and consequently deteriorate social and economic health of the nation on one hand; while on the other, participatory, inclusive, and conflict-sensitive tourism can help promote peace building. Therefore, along with overcoming the external and internal challenges within tourism sector, Nepal needs to create favourable environment and play a facilitating role in promoting environmentally sensitive, socially responsive and economically viable tourism to lay the foundation of a peaceful, stable and prosperous nation.

\* \* \* \* \*

## Foreword

*Making Business Count for Peace: Reflections from Tourism Sector in Nepal*, a book coming from the collaboration between Kathmandu University and South Asia Office of the Swiss National Centre of Competence in Research (NCCR) North-South, is on the relationship of business, conflict and peace, with a special focus on tourism. This is another important milestone in the academic collaboration between KU and NCCR which has been going on for the past six years or so. Another important aspect of this collaboration has been the development of the Master in Human and Natural Resources Studies and the PhD programmes at the KU School of Arts in the Department of Development Studies. All the Nepali authors contributing to this publication are either full time or visiting faculty, continuing PhD student or past Master's level student. Kathmandu University, School of Arts is indeed very thankful to NCCR for this intellectual, academic, institutional and financial collaboration. For a fledgling Department of Development Studies, this collaboration has been an enormous source of professional guidance and support, particularly to the PhD students and the publications.

Recently, the World Bank has also published a very interesting analysis on Nepal's Investment Climate where there is a chapter on tourism business. Peace does not refer to just political peace. Business must be able to work peacefully with labour, with the government, and with other institutions in the country. No one can say when the remittance bubble will bust; but before it does, it makes much sense to ensure that tourism growth becomes enduring.

The present volume will add to the increasing discussion of tourism and its linkages with Nepali economy, society and the environment. In this context, I must also mention that the Department of Development Studies has published the electronic version of the second issue of the Journal - Nepal Tourism and Development, which is on the web page of Kathmandu University. This growing interest and contribution to the discourses and analysis of tourism in Nepal is a very positive sign. So far tourism had

been of interest mainly to the government and the business sector but slowly we can see that this interest is also growing among the academics in Nepal. I congratulate the authors for this publication and wish for its academic success.

**- Dr Mahesh Banskota**

*Dean, School of Arts, Kathmandu University*

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## Abbreviations and acronyms

ANDFTU	All Nepal Democratic Free Trade Union
ANHRWU	All Nepal Hotel and Restaurant Workers Union
ANTUC	All Nepal Trade Union Congress
ANTUF (R)	All Nepal Trade Union Federation (Revolutionary)
ANTWU	All Nepal Tourism Workers Union
BBC	British Broadcasting Corporation
BBHs	Big Business Houses
BIPPA	Bilateral Investment Promotion and Protection Agreement
CA	Constituent Assembly
CDA	Collaborative for Development Action
CNI	Confederation of Nepalese Industries
CNN	Cable News Network
CPN- UML	Communist Party of Nepal (Unified Marxist-Leninist)
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CVICT	Centre for Victims of Torture-Nepal
CWIN	Child Workers in Nepal
EWN	Empowering Women of Nepal
FDI	Foreign Direct Investment
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
GDP	Gross Domestic Product
GFONT	General Federation of Nepalese Trade Union
HAN	Hotel Association of Nepal
ILO	International Labour Organisation
INCECONT	Independent Democratic Confederation of Nepalese Trade Union
JCAC	Joint Central Action committee
JVP	Janatha Vimukthi Peramuna
LTTE	Liberation Tigers of Tamil Eelam
NATO	Nepal Association of Tour Operators

NATTA	Nepal Association of Tour and Travel Agents
NBI	National Business Initiative
NC	Nepali Congress
NCC	Nepal Chamber of Commerce
NFWU	Nepal Free Hotel Workers Union
NGO	Non Governmental Organistaion
NHWI	Nepal Hotel Workers' Union
NIHWU	Nepal Independent Hotel Workers Union
NPR	Nepalese Rupee
NPTUF	Nepal Progressive Trade Union Federation
NRWU	Nepal Revolutionary Workers' Union
NTB	Nepal Tourism Board
NTHWU	Nepal Tourism and Hotel Workers' Union
NTTR	Nepal Travel Trade Reporter
NTUC	Nepal Trade Union Centre
NTUC-I	Nepal Trade Union Congress-Independent
NTUF	Nepal Trade Union Federation
SAFTA	South Asian Free Trade Area
SOLO-U	Society for Love and Understanding
STN	Sustainable Tourism Network
TAAN	Trekking Agents' Association of Nepal
TADO	Terrorist and Disruptive Activities Ordinance
TIA	Tribhuvan International Airport
TSTA	Three Sisters' Trekking Agency
TWAN	Trekking Workers' Association Nepal
UCPN-M	United Communist Party of Nepal-Maoist
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNITRAV	Union of Trekking-Travel-Rafting and Airline Workers' Nepal
US	The United States
VAT	Value Added Tax
WB	World Bank
WMD	Weapon of Mass Destruction
WTO	World Trade Organisation

## 1.1 Context

Economic factors are major drivers of conflicts as much as they are the foundations of post-war recovery. At the time of finalising this book, there are 27 intrastate, 1 interstate and 9 internationalised conflicts ongoing throughout the world (UCDP 2012); economic causes are roots for most of them. Moreover, the global income divide is alarming. While Alexander (2012) states that the world's average salary is US\$ 1480 a month, more than a third of the world's population lives on less than US\$ 2 a day. A recent data by the World Bank also justifies this fact: Of total world income, 42 per cent goes to those who make up the richest 10 per cent of the world's population, while just 1 per cent goes to the poorest 10 per cent (Conference Board 2011). Large business owners and key influencers in governance constitute the richest portion of world population. Hence, corporate actions have global impact, let alone the national business actors who have strong influence at national scale. Besides, business suffers from serious blow of instabilities and conflicts. Ideological wars have been purposively targeting big businesses. Loss of opportunity and infrastructure, investment insecurity, extortion, market collapse and fragile economic institutions have ruined corporate potentials. In this context, this chapter aims to elaborate on the role of business sector in conflict, peace and development. Before entering into other issues, this chapter prepares a conceptual foundation on conflict, peace and business.

Globally, business sector is so strong that the annual transaction value of some private enterprises exceeds the annual budget of some least developed economies. For instance, the Walmart Stores, Inc. in the US singly generates US\$ 400 billion plus annual revenues<sup>1</sup>, whereas the annual budget of the Government of Nepal is US\$ 4.42 billion. The revenue of Walmart alone eclipses the GDPs of more than 170 countries in the world. The potential of this company is such that it provides employment for 2.1 million people.

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<sup>1</sup> The weight of Walmart, *Economic Times*, 07 October 2012.



Private sector is much more powerful than many governments in the world. This may refer to two aspects of business, one is the result of sound management; two, a bit gloomy, is the unjust distribution of profits. On one hand, conflicts have obstructed businesses from smooth operations; on the other, businesses are also responsible for escalation of conflicts (Bomann-Larsen 2003 and Banfield et al. 2005). Unlike these instances, some corporate initiatives have remarkably contributed to transform conflicts and gear up post-war recovery. The instance from Sri Lanka (Joras et al. 2009), Indonesia (Mariano 2005), Afghanistan (Ciarli et al. 2009) and Uganda (Banfield and Naujoks 2009) exemplify these initiatives. Hence, business is associated with conflicts as much as it is with peace initiatives.

Business faces the first blow of instabilities and conflicts. But in the aftermath of armed conflict and crisis, it has the potential to assist in economic recovery and generation of opportunities. In the mean time, some businesses may exacerbate conflicts. No matter whatever such corporate roles are, this chapter ponders on whether peacebuilding is the job of business or not, and what the relation business has with conflict escalation/germination.

How business activities contribute to emergence and escalation of conflicts is another equally important issue. Though businesses get credit for their goods and services, the mode of production and use of benefit affect local, national and international contexts. These effects are not only limited to bio-physical, but also to social, cultural, economic and political environment. Bomann-Larsen (2003) states that business activities produce intended and unintended effects. Though most of the intended effects are visible, the unintended ones may be unforeseeable. Seconding to this line of thought, Ghimire and Upreti (2012, p. 78) write that "On occasions, corporate actors can be seen to have played decisive roles, both triggering conflicts and transforming conflicts. Hence, corporate actors may be both the boon and the bane for society".

With growing scope of the actors in conflict transformation, the role of the private sector has been highlighted in the multi-track approach to transform conflicts. Growing globalisation, massive investment and right-based awareness in developing countries have brought not only myriad of opportunities, but also conflicts in economic sphere. Owner-worker relations have changed its dynamics in developed world whereas fragile governance structures and unclear legal frameworks help germinate economic conflicts in weaker countries. This scenario have not only

unveiled the role of business sector in emergence of conflicts, but also capitalised it as an influential actor in peacebuilding. Thus, a question rises here whether business itself is a seed for conflicts? Or how it can support peace initiatives? The following section discusses whether business itself is prone to conflict? If not, how peace could be promoted through business initiatives?

## **1.2 Is business itself prone to conflict?**

Economic issues can often trigger conflicts because business is conventionally perceived as merely a profit-making play. Early conflict theories have described industries as the generator of social class. For instance, Marx in his theory of Dialectical Materialism has described class conflict in the context of creation of large factories and industrialisation.<sup>2</sup> He categorises people into two economic classes – bourgeois and proletariat – and explains the conflict on the basis of economic production and distribution (Woods 2001).

Marx opines that lower class people suffer from economic injustice due to exploitation and skewed profit distribution. This, as he says, widens the rift between the haves and the have not thereby producing class conflict in industrial societies. Later, many communist philosophers have highlighted this binary antagonism and presented large business factories as fertile zones for revolution.

Writing on corporatism and conflicts, Rosa Luxemburg states that the conflicts in modern corporations do not follow any plan set out in some books or theories (Luxemburg 1903). Unlike sharp antagonism that Marx says to exist between business owners and workers, Luxemburg takes it as a normal democratic practice. Practising the socialist democracy, economic struggle continues between workers and business-owners in new forms every time. As social democracy is the only advanced guard of the workers, labour conflict in businesses is perennial (Luxemburg 1918).

Rostow (1960), Friedman (1962 and 1970) and others (Bertrand Russell, James Keir Hardie and John Stuart Mill, inter alia) have counter-argued Marxian philosophy of class conflict on the basis of business ownership (Tomlinson 1997). They stipulate that business activities indeed create decentralised economic democracy from the grass-root. Rostow (1960) defends high-level investments. He not only critiques Marxian philosophy

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<sup>2</sup> For more details, also visit [www.marxists.org](http://www.marxists.org).

on business and investment, but also presents post-capitalist, socialist economic system as an alternative to capitalism. Hence, the thinkers in anti-Marxist school of thought present business more as a tool for mutual prosperity.

The liberalist theories (such as the Non-communist Manifesto and Structural Functionalism) have ruled out strong negation between business sector and community (Radcliffe-Brown 1952 and Rostow 1960). Creation of middle-class in advanced capitalist societies (Sitton 1996 as cited in Liechty 2008) also signifies that there is no airtight difference between the social classes defined by Marx. The division in social classes fluctuates with the ups and downs in business opportunities, income and wealth. So, what matters in formation of social class is not who invests and how one invests, but on who regulates and how one is regulated, the Structural Functionalists argue.

The loophole of early theories on conflict is that they concentrate more on worker–owner relations and less on corporation–society relations. Unlike their postulations, Liechty (2008) argues that with economic progress there is always a possibility of creation of a new class in society. He affirms that the possibility of vertical mobility of people in upper/lower classes during the course of economic change. Hence, business can be a tool for class mobility. Critiquing Marx's prophesy of class conflicts after massive industrialisation, Structural Functionalists such as Malinowski, Herbert Spencer and Radcliffe-Brown rather believe on separate roles of different members in the society. They more focus on a structural society even in free-market systems, unlike what Marxists believe the privately-owned businesses diminish the state's capacity to work for the poor.

Propositions on business–conflict relations have depended on given socio-economic contexts. Mid-nineteenth century was marked by labour exploitation, unrest and conflicts. Hence, Marx stressed the material underpinnings of class and the historical dynamics of conflict between workers and capitalists (Liechty 2008). Contrary to it, Weber relied on a new consumer society to describe corporate–community relations (Swedberg 1998). His time had witnessed the waning of Marxian dichotomy and the rapidly growing European and American middle-class. Max Weber, a proponent of Social Action Theory, believed the society to be structural where actions of each member would have chain effects. Proponent of the Non-communist Manifesto, WW Rostow highlighted that the simultaneous growth of every class is possible in the course of growing industrialisation (Rostow 1960). He was of the view that universal

equity was possible with corporate collaboration and burgeoning private sector businesses.

In the wake of twenty-first century, a new world-view based on capital-intensive market has been strongly established. Researchers have begun to rely on theories of resource conflicts to define corporation–society relations. After the tragedies that resource-rich countries in Africa suffered because of large corporations (Homer-Dixon 1999, Bomann-Larsen 2003, Köppinger 2007 and Banfield and Naujoks 2009), the notion of 'resource curse' has been increasingly employed in academic analysis (Sachs and Warner 1997 and 2001). Many researches in development economics have found that corporate control over resources has resulted in conflicts and slower economic growth in resource-rich countries. For instance, Nigeria, Zambia, Sierra Leone, Angola etc. have substantial resources, but Asian Tigers such as, Korea, Taiwan, Hong Kong and Singapore have outran them in terms of economic progress even if they did not have substantial resources (Mehlum et al. 2006). More natural resources push aggregate income down, when institutions are grabber-friendly. And, more resources raise income, when institutions are producer-friendly (ibid). Hence, the notion of resource-curse views business as a zone of conflict and creator of disharmony in resource-rich regions. Disagreeing with this view, Brunnschweiler and Bulte (2008) postulate that all resource abundance does not lead to tragedy, its use relies on the nature of available constitutions and institutions. They firmly state that resource abundance positively affects growth and institutional quality of the country. So, businesses on rich-resources should not be seen merely as a producer of conflict (ibid) because institutions are decisive forces in resource use.

In fragile and conflict-affected countries, business sector's entanglement with conflict is mostly related to governance systems and resource regulations. Forceful donations, layoffs, workplace insecurity, politically-oriented trade unionisation, radicalisation of workers by ideological groups and inequitable distribution of benefits have been emerging issues in conflict-ridden countries (see Chapter 6 for details on it). Frequent conflicts in hospitality and tourism and other business sector in Nepal (Upreti 2010, Upadhayaya et al. 2011, Ghimire and Upreti 2012) are its examples. Exemplifying weak regulation on resources, many countries around the world (Colombia, Indonesia, Nigeria and Sudan, to name a few) suffer from exacerbation of conflicts by transnational companies. Such companies continue to operate even at the cost of local populations'

security and prosperity, international stability, and both company and home government reputations (Banfield et al. 2005).

Forceful donation, kickback, bribery and black-marketing become lucrative sources for warring parties to generate income. Thus, business sector may become catalyst in conflicts as it willingly or unwillingly finances belligerent parties. Businesses offer donations to insurgents as a coping strategy whereas insurgents extort businesspeople to purchase arms and sustain financial needs. Hence, business becomes intricately associated with conflicts.

Due to the growing rate of education and civic awareness in advanced cities, impact of corporate actions on environmental security has been a major source of conflicts. Sawkar et al. (1998) have identified the effects of tourism business on local environment with the case of India and the Maldives whereas Ghimire and Upreti (2011) explores the relations between environment-friendly tourism and local peace with the case of Annapurna Conservation Area Project Nepal. Many such environment conflicts (Hall and Richards 2000, Daud 2002 and Al Haija 2011) have exacerbated corporate–community relations at local level, and corporate–host country relations at national level, when the corporations are transnational (Banfield et al. 2005).

Yet, resting in safe harbour cannot be a durable solution for business sector. Avlonas (2009) opines that amidst conflicts, corporations should not rest unaware of and uninfluenced by the social happenings, but be as dynamic as the changing time. He stresses that corporations ought to give 'something' back to the society.<sup>3</sup> Some radical communist ideologies have established profit-making as almost a crime and thus have aroused disinterest in business actors to think socially. For example, during the time of armed conflict in Nepal, the insurgents projected capitalists as their class enemy and targeted many corporations. Spreading a presumption as if profit-making is a crime and corporations are merely profit-hungry leads to sharp antagonism. Though several companies have helped justify this assumption, many corporations are practising the principles of 'responsible investment', 'constructive investment' and 'corporate citizenship'. Yet, there is a live debate in academia on whether business can/should also act non-commercially or not?

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<sup>3</sup> Nobel Laureate Prof Muhammad Yunus, speaking to Nepalese business community on 23 December 2012, had also strongly emphasised the need of corporate sector to be responsible to the society (For more information, see *The Kathmandu Post* of 24 December 2012).

### **1.3 Can business go beyond profit-making?**

In the wake of growing discussion on 'responsive business' and 'constructive corporate engagement', merely commercial goals do not help business sector stand as a responsible actor in the society. Hence, the idea of corporate involvement in peace promotion has first come from the realisation that there needs inclusion of economic actors in peacebuilding measures. Second, corporate actors are considered one of the influencing social actors, who have sound connections with local communities as well as with the decision-makers. Thus, non-profit role of business in peacebuilding may create win-win situation for both the businesses and the society.

The existing literature on role of business in peace can be categorised into two schools of thought. First type of arguments comes from the 'normative' school of thought. It analyses corporate actions on the basis of what they should be doing 'normatively' as a business sector. It confines their role within the conventional rules: producing goods and services, supplying them, making profits, operating under the existing rules of law and paying taxes to the state. These frameworks promote standard corporate behaviour according to the common law and legal code of conduct.

The normative school says that managers of the firms should make optimum trade-off between the compliance of the stakeholders' expectations and firm's profitability (Shrestha 2005). This sort of school, according to Ashley (2008), argues that profit maximisation is the sole goal of business. So, the only social responsibility of business is money-making within the ethical framework. To conclude in one sentence, it says that the business of business is business (Friedman 1970). All the rest things would be fine if corporations conduct their business ethically within the 'rule of the game'.

The second type of literature can be categorised into 'philanthropic' school of thought. This school suggests beyond 'normative' business actions. It focuses on 'what is better for them to do' than merely on 'what their functions are'. It assumes that without proactive engagement of business sector, transformation of conflict remains sluggish. It enlists business actors as financially affluent, expects them to be socially responsible, and operationally sensitive to peripheral environment, society and culture. Hence, beyond being merely 'profit-makers', philanthropic school of thought suggests businesses to be 'change-makers' in the society.

Business has the responsibility not only towards its shareholders but also towards the stakeholders – groups or individuals who are affected by or can affect the attainment of an organisation's objectives. So, philanthropic school of thought emphasises on charity and humanitarianism. Business firms should give something to the society out of its earning, this school of thought argues. This school has strategic implication of maximising profitability of the firms by engaging into philanthropic activities (Shrestha 2005).

Philanthropic school of thought asserts that corporate engagement in social activities helps gain popularity, brand image, company image and political and social influences. Its approach emphasises at all groups who have legitimate stake in the company. So, it rejects the classical belief that the shareholders are the only groups with whom the company has to be accountable. It further argues that business functions within the broader society and enjoys the resources, thus having responsibilities beyond their economic and legal imperatives. Ashley (2008) rightly argues that the purpose of business is not to make a full-stop after gaining profit. It is to make a profit so that business can do something more of better.

In his theory, Ralph Nader has advocated for responsible business. His Corporate Accountability Theory (Harris 1991), a 'consumer advocate' theory, holds a view that corporations are responsible and subject to the will of people and society. Hence, it encourages business sector for non-profit activities through social engagements. It is because social peace and harmony is the prerequisite for productive business and successful society.

On the other hand, Milton Friedman has proposed Profit Motive Theory (Friedman 1962 and 1970). This theory holds the belief that there is one and only social responsibility of business — to use its resources and engage in activities designed to increase its profits — so long as it stays within the rules of the game (Harris 1991). Friedman's arguments are very close to the normative school of thought as they focus businesses merely to be within the ethical custom and the basic rules of the state. His theory confines business sector to be loyal and remain within the 'rule of the game'. It means that there is no non-profit role of business sector other than satisfying the existing legal formalities. Paying annual taxes to a strong government is what businesses should do honestly, Friedman argues.

The third is the Natural Rights Theory which also talks about corporations. This theory was advanced by Douglas B. Rasmussen and Douglas J. Den

Uyl (Harris 1991 and Rasmussen and Uyl 1991) means exactly what it says — the primary social responsibility of corporations is to respect individual or natural rights (Harris 1991). This means corporations must respect the rights or 'moral space' of individuals. Suggesting going beyond merely commercial interests, this theory capitalises the idea of social engagement of corporate actors. Beyond these business theories, the Principles of Corporate Social Responsibility (Young 2005), the UN Global Compact<sup>4</sup>, Principles of Responsible Investment<sup>5</sup>, Equator Principles<sup>6</sup>, and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises<sup>7</sup> have been emerged making the debate on non-profit engagement of business sector more relevant than ever. Having discussed all these theories, tools and principles, we finally proceed into discussing whether business can be the agent for peace or not.

## **1.4 Is peace through business possible?**

Answering to this question may be tough when business, etymologically, means every forms of production, processing, supply, marketing of goods and services for profit. When unregulated production and business of arms and ammunitions and manufacturing of weapons of mass destruction (WMDs) are on rise, achieving peace becomes a far-cry. But this section concentrates more on how constructive business can help flourish peace, apart from making profit out its activities.

As discussed in the Section 1.1 of this chapter, many businesses have contributed to transform conflict and create peaceful economic recovery in different countries. Their engagements range from initiating formal and informal negotiations with warring parties for peaceful business operations to practising neutrality in war times. The timing of engagement could be pre-war, war or post-war phase, or during pre-negotiation, negotiation and post-agreement stages. For instance, Dhakal and Subedi (2006), in reference to Nepal, write that peace talks between the governments 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. This shows that business sector can take leading role in negotiations.

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<sup>4</sup> See [www.unglobalcompact.org](http://www.unglobalcompact.org)

<sup>5</sup> See [www.unpri.org](http://www.unpri.org)

<sup>6</sup> [www.equator-principles.com](http://www.equator-principles.com)

<sup>7</sup> See [www.oecd.org/daf/investment/guidelines](http://www.oecd.org/daf/investment/guidelines)



In addition, business sector can contribute to peacebuilding in many forms, from direct involvement in negotiations to indirectly pressurising negotiators for peace. It may include public lobbying, corporate diplomacy and organisation of cross-sectoral and multi-party dialogues (see Sri Lankan example described by Joras et al. 2009). By the virtue of being in good connections with the people and the decision-makers, corporate actors/leaders can perform multiple roles for peacebuilding (see Israeli-Palestinian example by Lawton 2009).

Apart from the above-mentioned direct engagements, business sector can also perform supportive role in peacebuilding. Peace becomes accessible if businesses could address economic causes of conflicts. Many conflicts have economic issues in their root. Such issues may be the inclusion of marginalised people into job market, expansion of business operations beyond city centres, creating micro-entrepreneurial opportunities in rural places, and decreasing the income inequalities and regional economic disparities (Chapter 6 of this book empirically deals on this).

Business sector can generate huge scale of employment to address the economic needs of underserved people. Köppinger (2007) opines that business can contribute to development even in conflicting environment. For instance, enterprises generated by business 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. These contributions can be vital for conflict transformation too. To sum it up, while 'constructive engagement' only focuses towards the desirable and direct effects of corporate engagement, 'responsible engagement' also involves assessment of harmful effects of conflict along with active measures to prevent or minimise these (Bomann-Larsen 2003, p. 7).

All these activities may not be possible with only individual efforts of a single corporate actor, nor is it possible by the efforts of business community merely. These are structural issues which need joint collaboration between regulatory agencies (parliamentary and executive bodies of governmental, semi-governmental and local/federal governmental units) and operational bodies [business associations, big business houses (BBHs) and local-level corporate entities]. Ghimire and Upreti (2012) have also shown that concerted rather than individual efforts produce effective results in terms of corporate involvement in peacebuilding.

Ample evidences around the globe show that there are a number of ways that businesses can contribute to peacebuilding. An Afghani instance shows that business councils can excel in generating employment for war-affected people even during active wars (Ciarli et al. 2009). Lobbying for investment-friendly<sup>8</sup>, mediating with belligerent parties for smooth business operations<sup>9</sup>, generating huge amount of fund for post-war reconstruction<sup>10</sup>, enabling microfinance for economic recovery<sup>11</sup>, concerted corporate effort for economic recovery<sup>12</sup> and providing livelihoods support and opportunities as well as conflict-sensitive investment<sup>13</sup> are best corporate practices seen worldwide to transform conflicts. Summarising these all, Upreti et al. (2012) have categorised five types of corporate engagement in social causes: social, humanitarian, philanthropic, economic and political engagements. This chapter has pointed two major gaps when business sector engage in peacebuilding:

- (a) the need to focus on specific causes for transformation, and
- (b) the need to interlink activities with transformation.

Merely unplanned contributions to unspecified sectors, they conclusively state, does not sterilise the seeds of conflict. In nut-shell, the cost of ignorance to the problem is always higher than that of working together. This is why divestment [while in conflict] from the problem is not always the best choice for corporate actors.

## **1.5 Conclusions**

It is evident that corporations cannot sign in truce, peace treaties or enforce peace. However, they can help make economy prosperous and beneficial to all and directly and indirectly assist political negotiation for peace (as did in South Africa). Business actors can help gear up peace process with their multiple roles. They can create spaces where members of conflicting groups can work together, learn to depend on each other, develop trust in each other and, over time, become agents of change in their respective societies (Lawton 2009). It is a proven fact that, for

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<sup>8</sup> See the case of Look East Policy in North-East India by Upreti (2012)

<sup>9</sup> See the case of Nepal in Dhakal and Subedi (2006)

<sup>10</sup> See the case of Iraq in Robertson (2010)

<sup>11</sup> See the case of Indonesia in Mariano (2005)

<sup>12</sup> See the case of Sri Lanka in Joras et al. (2009)

<sup>13</sup> See the case of Uganda in Banfield and Naujoks (2009)

business to be sustainable, it has to go hand in hand with society. Hence, business and peace are integrally connected.

The discussions in this chapter show that conflict, peace and business have overlapping effects on each other. Avoiding conflicts in business is not possible, but creating peace through business initiatives is possible. Hence, peacebuilding is not a one-time task for business. Continuous engagement of corporate actors is a must to regularly cope up with new conflicts and proactively use their peace potentials. The role of business sector in peacebuilding is fundamental also because economic factors are prone to generate diverse conflicts.

The potential of business sector is featured by their expansive networks, local touch and connection to decision-makers. This gives corporate associations the strength to decide nationally and work locally. Especially local business actors and their federations have wide bodies and democratically elected committees. Their organisational potency and institutional set up help implement peace-related programmes. Sometimes, this strength may become the risk factor when unforeseeable effects of business activities may exacerbate conflicts. Hence, proactive engagement of business sector in peacebuilding is a precondition as much as regulating the business actions is.

Ideological conflicts in several countries have negatively portrayed business sector in local communities and focused on antagonism rather than cooperation. Highlighting merely the negative sides of business disheartens the whole sector to work for common cause. Rather than underlining the destructive dichotomy, enhancing constructive dialogue between conflictants may be a good way of establishing cooperation. It helps business sector to be established not only as a profit-maker, but also a peace-maker. After all, corporations also need cooperation with local society as they cannot be an island of financial success.

In many resource-rich countries, corporations are seen as exploiters and outsiders. To join hands with the local society needs working together for a common cause. In conflict-ridden places, doing business merely with a normative approach may not be a good solution. Philanthropic orientation in company actions gives people the sense of belongingness with the company. While normative approach may fit in normal business situations, philanthropic approach is a must to cope up with the affected societies when the situation is beset by conflict.

Global instances show that despite its shortcomings, business sector can make vital contribution to boost economic activities, transform conflicts and facilitate judicious development. Also, financial success of the business sector is not sustainable without its social success. Since its role may exacerbate conflicts or materialise peaceful recovery at the same time, business has not only conceptual, but also operational relations with conflict and peace. The next chapter in this book explores this linkage between conflict, peace and tourism.

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## 2.1 Introduction

The idea that businesses can make significant contributions to peace processes has been put 'on the table'. At the end of the 1990s large multilateral organisations like the UN and the World Bank, but also smaller NGOs started to think about how best to involve the for-profit sector in peacebuilding issues. The scholarly debate also took this discussion up, focusing on what businesses could or should do during peace processes (Nelson 2000, Gerson 2001 and Haufler 2001). Since then, several scholars have continued to work on the topic and also tried to support their claims with empirical evidence (Killick et al. 2005, Banfield et al. 2006, Wennmann 2007, Tripathi and Gündüz 2008 and Iff et al. 2010). While the majority of the literature focuses on international business in the extractive industries, recently, there has been an increasing focus on other sectors like the service-oriented sectors (Feil et al. 2008, Joras 2009). Among these service sectors, tourism has gained particular interest, as tourism is often said to be peace-enhancing in several ways.

This chapter analyses how the tourism sector can play a supporting role in peace promotion. The first section will discuss the relevance of tourism for development issues in general, while the following section will assess its relevance for peacebuilding in particular. The chapter concludes with a section on a possible approach and practical recommendations on how tourism could play a positive role in peacebuilding.

## 2.2 Relevance of tourism in the South

The tourism sector plays an important role in many developing countries. It is a principle foreign exchange earner for 83% of developing countries, and the leading export for 1/3 of the poorest countries (Mastny 2001, p. 15). At the same time, in several developing countries, the role and relevance of tourism has always been contested. In a more personal

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<sup>14</sup> Rina Alluri, researcher at swisspeace, has also significantly contributed to making of this chapter.

reflection, Honey describes being a graduate student at the University of Dar es Salaam in the 1970s where there was a heated national debate about whether international tourism was really a tool for development. Because of the political circumstances at the time, the country then decided to develop a mainly state-run tourism sector that was rather small (Honey 1999). This placed the state in a gate-keeper function in order to ensure that the sector remained limited and controlled and was not exploited by too many actors.

In the 1990s, discussions around sustainable tourism arose when questions of its ecological sustainability but also the economic gains for the poor (or lack thereof) were conferred. For example, The Center on Ecotourism and Sustainable Development (2007) showed in its study that the negative environmental impacts of tourism can be tremendous, especially given its worldwide (actual and predicted) economic importance. Most of the destructive elements are connected to energy consumption, waste and pollution. Furthermore, food consumption can generate stress for already strained food systems in a region. Based on these studies and insights, different categories of tourism have been developed (see Table 2.1) that focus on varying development issues and responsibilities. While ecotourism was strongly emphasised at the end of the 1990s (see for example Ross and Wall 1999 and Page et al. 2001), in the early 2000s it was mainly pro-poor tourism that was researched (Roe and Urquhart 2001, Chok et al. 2007 and Ashley et al. 2000). In more recent literature, also the relevance of tourism for peacebuilding starts to be addressed (Honey et al. 2009 and Moufakkir and Kelly 2010).

**Table 2.1 Categories of tourism and related development issues**

Category	Definition
Adventure tourism	A form of nature-based tourism that incorporates an element of risk, higher levels of physical exertion, and the need for specialised skills.
Ecotourism	Responsible travel to natural areas that conserves the environment and improves the welfare of local people.
Geotourism	Tourism that sustains or enhances the geographical character of a place- its environment, heritage, aesthetics, culture, and the well-being of its residents.
Mass tourism	Large-scale tourism, typically associated with 'sea, sand, sun' resorts and characteristics such as trans-national ownership, minimal direct economic benefit to destination communities, seasonality, and package tours.
Nature-based tourism	Any form of tourism that relies primarily on the natural environment for its attractions or settings.

Pro-poor tourism	Tourism that results in increased net benefit for the poor people.
Responsible tourism	Tourism that maximises the benefits to local communities, minimises negative social or environmental impacts, and helps local people conserve fragile cultures, habitats, and species.
Sustainable Tourism	Tourism that meets the needs of present tourist and host regions while protecting and enhancing opportunities for the future.

Source: The International Ecotourism Society (2006, p. 3)

### **2.3 Tourism, conflict and peace**

Tourism, conflict and peace are connected in different ways. Some scholars argue that tourism itself can foster peace amongst different nations and communities. The seminal article that proposed such a link was written in 1988 by D'Amore. This hypothesis has been tested for different cases, such as Taiwan and China (Yu 1997) and Cyprus (Anastasopoulos 1992). These case studies found that touristic activities are greatly influenced by the changing political relations of the conflict parties and while there is the potential for peace, tourism can also have negative impacts as they may perpetuate existing prejudices. Tourism can also be connected to war; tourism operators sell places of gross human rights violations as travel destinations (the most prominent example here is Auschwitz). Sharpley (2005) and Stone (2006) give an overview and a categorisation over this phenomenon that is sometimes also called 'dark tourism'. However, in this article, these are not the phenomena that shall be analysed. Rather, we offer insights and propositions into how the tourism industry can help to build peace. Thus, we depart from a situation where a country has been or still is in violent conflict between at least two factions of its society.

First and foremost, there is much literature that establishes the necessity of peace for business. Thus, there are different articles that stress the relevance of political stability for businesses to invest in post-conflict societies (Giaoutzi and Nijkamp 2006 and Chok et al. 2007). Tourism is no exception here (Honey and Gilpin 2009). However, while the tourism sector is on the one hand very vulnerable it is also on the other hand flexible in terms of its ability to (re-)enter a post-conflict region.

The tourism sector is very vulnerable because whatever a customer might look for: relaxation, action, new and exciting surroundings, they always expect the journey to be safe. As Sönmez (1998, p. 416) says: "While numerous natural and human-caused disasters can significantly impact the flow of tourism, the threat of danger that accompanies terrorism or



political turmoil tends to intimidate potential tourists more severely.” The negative publicity, spurred by the media to cover human suffering and public and private property damage, often leads to losses for the tourism industry as a whole (Richter et al. 1986, Sönmez 1998, Sönmez et al. 1999 and Pizam and Smith 2000).<sup>15</sup>

However, the tourism sector is at the same time very flexible and an interesting sector to look at for post-conflict societies. As it does not need large investments to start its business, it is often one of the first sectors that enters a country after a period of political violence or turmoil (Bray 2009). Thus, unlike other sectors such as natural resource extraction or agri-businesses who need to secure large amounts of land, infrastructure and contracts with the government prior to ‘setting up shop’, tourism does not require the same level of prior investment or close relationship with the host government. Rather, the tourism industry relies on the access to attractions and destinations that have not been too badly affected by the war to dictate its activities.

Moufakkir and Kelly (2010, p. XX) enumerate different advantages but also disadvantages that concern the relation between conflict, peace and tourism:

- Tourism can contribute to development and poverty reduction;
- Tourism can expand spatially, including historically remote areas;
- Tourism can support other economic activities (traditional agriculture, transport, handicrafts);
- Tourism creates opportunities also for women and youth;
- In tourism, barriers for small and medium enterprises are low;
- Tourism can encourage pride in the local culture and the natural environment.

However,

- Tourism can increase hostility among different social groups;
- Tourism can be imposed by government;

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<sup>15</sup> Tourists and attractions are often targeted by terrorists: “Because tourism represents a significant economic activity, terrorist attacks on tourists cause foreign exchange receipts to decline, thereby allowing terrorists to impose indirect costs on their governments and to gain political advantage over government officials” (Hall and O’Sullivan 1996, p. 107).

- Tourism can offer an opportunity for terrorist movements;
- Tourism can stress the differences between foreign wealth and local poverty.

In a post-conflict environment, some of these advantages and disadvantages can have differing relevance or effect (Fort 2009). For example, if tourism is promoted in a region where cultural differences between the center and the periphery are tense, this might lead to more tensions because the government is rather interested in supporting the unity and not the cultural differences within its country. Or depending on the losers and the winners of touristic activities, pre-existing conflicts can be spurred. For example between the government that often supports tourism and a specific cultural group. Thus, in order not to worsen a situation, tour guides have to be aware of the dividers and connectors in a country (Upadhayaya and Sharma 2010, Adhikari 2005a and 2005b).

## **2.4 Empirical evidences from Rwanda, Sri Lanka and Croatia**

Departing from the pyramid of business and peace (Iff et al. 2012), businesses have the potential to support peace in three different ways in post-conflict environments. As a very basic step, they can comply with local laws and international voluntary standards. Additionally, aware of the context and the post-conflict situation, they can implement their activities in a conflict-sensitive way. And if they have the capacity, they might even influence the situation through the promotion of activities that enhance peace like reconciliation programs or the reintegration of ex-combatants. A study carried out in 2009 analysed the role of the tourism sector in supporting peacebuilding in the three post-conflict countries of Rwanda, Sri Lanka and Croatia.<sup>16</sup> Specifically the study asked: How was the tourism sector affected by conflict and peace? How has the tourism sector engaged in direct or indirect forms of peacebuilding? What were the motivating and impeding factors that influenced their engagement?

In Rwanda, the tourism sector collapsed completely with the outbreak of the civil war in 1990 and the subsequent genocide in 1994. Once the site of tourists and environmental researchers, the country's national parks became training grounds for both the government and militia groups as well as safe havens for fleeing refugees. In addition, hotels turned into

<sup>16</sup> These case studies have been compiled by the swisspeace Business and Peace Program and the Cologne Business School/COMPASS in 2009 and resulted in a number of publications. Examples include Alluri (2009) and Joras et al. (2011).

meeting rooms for organisers of the genocide and were used to both round up victims as well as protect them. However, in (post-) conflict Rwanda, sector analyses conducted in 2001 identified tourism as having high potential for development. Thus sector reforms and government support led tourism to becoming a tool used to re-boost the economy, attract visitors and promote local employment. In addition to promoting nature and wildlife attractions in the national parks (gorilla tourism, bird-watching, hiking), strategic marketing has been deployed to target new destination areas and activities such as community-based tourism and conference tourism. One sees that although indirect, tourism can play a role in post-conflict reconstruction and peacebuilding in Rwanda if administered in a conflict-sensitive manner. However it is relevant to focus on diversification of the tourism sector, independence from the government-run Rwanda Office of Tourism and National Parks and on building the capacity of local entrepreneurs. Further, empirical research showed that some critics felt that tourism was being used by the government as a marketing tool that portrays the country as peaceful, stable and an ideal investment opportunity, while ignoring other complex issues such as reconciliation, poverty and political tensions. Thus it remains relevant to identify how tourism can be promoted effectively, while taking such issues into account.

Although tourism in Sri Lanka never experienced a complete collapse like in Rwanda, the sector has experienced pronounced fluctuations since the outbreak of the civil war in 1983 until its end in 2009. Its survival and slow but steady recovery since the late 1980s can be attributed to: the end of the conflict between the government and the JVP (Janatha Vimukthi Peramuna); geographical isolation of the conflict between the government and the Liberation Tigers of Tamil Eelam to the North and East of the country; a diverse economy based on sectors such as tourism, tea, garments and agriculture; and, a strong economic hub in Colombo that remained relatively unaffected by the conflict until 2001. Despite this, there appears to have been many missed opportunities during the war caused by negative travel warnings, a volatile security environment and increased competition. The largest blow came in 2001 when the Bandaranaike International Airport was bombed, largely affecting tourism, trade and the general reputation of the country. This probed several business leaders from a variety of sectors to come together to form several business-led peace initiatives such as Society for Love and

Understanding (SOLO-U), Sri Lanka First and the Business for Peace Alliance. The initial motivation to form Sri Lanka First as a business for peace initiative emerged from the tourism sector as it was particularly affected by the airport bombing. Other sectors also joined in as they realised that the benefits of peace would be stronger than the effects of war. Thus, the Sri Lanka case demonstrates one example of how due to its self-interest in peace, the tourism sector (as well as other sectors) can be motivated to play a role to support peacebuilding processes. Out of the three cases, a direct, active and intended engagement of the tourism sector in peacebuilding could only be observed in Sri Lanka.

In 1991, Croatia declared its independence from the Socialist Federal Republic of Yugoslavia, sparking the war between the ethnic Serb minority and the Croats in the country. Heavy fighting, displacement and ethnic cleansing were to plague the country despite the UN-monitored ceasefire in 1992, until 1995 when the Croatian military and administration asserted its authority over the region. Due to the rapid outbreak of violent conflict, international tourism companies immediately left the country, while local companies remained and tried to survive through other means. While the Croatian government attempted to preserve touristic sites from being damaged, the opposing Yugoslav Peoples Army (JNA) and Serbian forces often targeted tourist attractions deliberately in order to destroy the economy and cultural heritage sites. Similar to Rwanda, accommodation facilities were often used by a variety of different military troops as well as to provide safe havens for internally displaced persons and refugees, even up until 2000. Members of the tourism industry expressed that they saw peace as something that the government and international organisations were responsible for. However, in the immediate post-war it was the tourism industry that promoted cross-regional cooperation with former warring parties and has been seen as a pioneer in this regard. With the help of the government and other private sector actors, the tourism industry has recovered remarkably through the destruction of industrial zones and the emergence of eco-tourism, modern city attractions and beach tourism. This has had the opportunity to trickle down to other sectors such as agriculture, handicrafts and trade. One can see that in the case of Croatia, the relationship between the public and private sector in the post-war period has helped a quick economic recovery and appears to be offering many opportunities for the tourism sector. Nevertheless, there remains a need to develop a more coherent tourism strategy, infrastructure and a high quality approach. As opposed to in Sri Lanka, the

private sector generally and members of the tourism sector specifically, did not find opportunities of engagement to promote peace. In Croatia, the role of tourism in peace promotion remains indirect and limited to the post-war period through cooperation, dialogue and cross-border tourist attractions.

**Table 2.2 Empirical evidences from Rwanda, Sri Lanka and Croatia**

Country	Role of tourism	Positive impacts	Challenges
Rwanda	While the national parks were cleared of mines fairly quickly, the government started to promote tourism only 7 years after the end of the conflict.	Through a variety of activities there have been economic gains for different groups within the tourism sector and most of the projects also had a ecological element to them.	Because the tourism development was mainly government-led, this has spurred tensions between the government and groups that do not receive their share. Furthermore, the promotion of Rwanda as a peaceful tourism destination also led to internal discussions about reconciliation of a post-conflict society.
Sri Lanka	The tourism sector was one of the driving forces of several business initiatives for peace. It was strongly affected by the airport bombing, as it relied on a safe movement of passage.	The business for peace initiatives in Sri Lankan demonstrate how the leadership of one sector (in this case tourism) has the potential to kick-off a process and momentum that includes other businesses; furthermore, it also shows that businesses can have high leverage in influencing politics if the circumstances are ripe for such activities.	The tourism sector in Sri Lanka did not get involved until the airport bombing, even though the conflict was going on for 18 years.
Croatia	The government and private companies started to kick-off tourism activities again shortly after the war ended.	Tourism in Croatia was able to also spur touristic activities in the other neighbouring countries which led to further activities among the former warring parties.	Because of its coast, Croatia is the main country of former Yugoslavia that can profit from touristic activities. This also led to a different economic development compared to the other countries in the region. Due to its economic importance, tourism sites were often specifically targeted by opposing parties during the conflict.

Source: Developed by the authors

All of the three case studies show that the tourism sector was strongly affected by the civil wars that raged in the three countries. However, the example of Sri Lanka shows that if a conflict is regionally separated from the tourism destination, the sector still has the opportunity to continue its activities. However, once the capital and port of entry became affected, then only did the tourism industry feel the brunt of the war and became interested in a peaceful resolution of the conflict. This can be one of the reasons why Sri Lanka was the only example where a direct activity connected to peacebuilding took place. In the other two countries, the conflicts affected more or less all of the geographic territory. Thus, most of the people were affected in a similar way due to a general economic downturn of the country. In Sri Lanka, the effects of the conflict remained isolated for some time. Only with the airport bombing, the tourism industry realised its vulnerability and thus also stressed the relevance of peace directly.

## **2.5 Conflict-sensitive tourism and peacebuilding**

The three case studies discussed above, but also other cases in the edited book by Moufakkir and Kelly (2010) show that while tourism can play a role in peacebuilding, its engagement is often indirect. Taking the different advantages and disadvantages above listed by Moufakkir and Kelly (2010), one can identify that tourism mainly contributes to peace through development and poverty reduction, especially through employment opportunities in remote areas and for segments of the society (such as women and youths) that might be otherwise excluded from the value chain. The same conclusions can be drawn from the case studies. Although the development of the economy and specific sectors in post-conflict economies can be challenging, they also present the opportunity to develop niche forms of tourism such as pro-poor, eco- and community-based tourism. This provides tourism with the chance to not only be a key foreign exchange earner, but also to support infrastructure development, the protection of the environment and reconciliation and rehabilitation of vulnerable persons. Thus, based on these insights, it is relevant to ask what types of policy implications could be effective ways of including the tourism sector in peacebuilding processes?

Based on the pyramid of business and peace (Iff et al. 2012), policy actions have the potential to be guided by three different levels of compliance, conflict sensitivity and 'doing good' of the tourism sector in post-conflict areas. While the first two focus on the core business – the main area which

a business operates – the last one is concerned with additional activities that directly contribute to peacebuilding.

### ***Compliance***

First and foremost, foreign tourism operators have to comply with the local laws in the country they do business with. This might be problematic in situations where the tourism sector is only starting to be rebuilt after a period of war and rules and regulations are only in the process of being established or implemented. Additionally, companies have to comply with possible international, regional and local voluntary standards or their own Corporate Social Responsibility (CSR) measures (Malloy and Fennell 1998, Payne and Dimanche 1996 and Dodds and Joppe 2005). In the tourism industry, as with a lot of other sectors, it seems difficult to find a common code of ethics that could be accepted as a starting point for all activities (Dodds and Joppe 2005). Also companies and partners in the South start to develop their own CSR standards. In this context, the Pokhara Tourism Council has developed the Corporate Social Responsibility Guidelines and Ethical Codes of Conduct.

### ***Conflict-sensitivity***

The aim of a conflict sensitive engagement is to engage in a post conflict context in a way not to undermine the peacebuilding process. Businesses can do harm or exacerbate rather than mitigate the conditions for violent conflict or they can weaken rather than strengthen the state as a site of decision-making. By not understanding the history and power dynamics in a country, business activities can disrupt the establishment of a functioning state and a united society. For the tourism sector, specific questions can come up that are connected to this: where are the sightseeing places located, are they in a former contested area? Who are the beneficiaries of a tourism project and how will this affect existing cleavages between different conflict groups? What types of security mechanisms have been established and who is being employed as security guards? What are the standards that form the basis for the relationship with the incumbent government, and other elite actors? These questions show the need for tourism companies to establish an enhanced due-diligence process in post-conflict societies (for Nepal, see Upadhayaya and Sharma 2010). Different NGOs such as International Alert, the Collaborative for Development Action (CDA) and swisspeace have been engaged in projects which aim to advise businesses on the issue of conflict sensitive practices. There are

relevant reference documents (International Alert 2005), however very few exist for the tourism sector.

### ***‘Do good’***

While some scholars argue that it is peace enhancing to merely comply with local and international standards (Getz and Oetzel 2009), this study argues that it is necessary to apply additional conflict sensitive measurements to the activities in post-conflict societies. Further, one cannot ignore the possibility that tourism operators may be interested in contributing directly to peacebuilding efforts, but may be unaware of how to do so. Such activities are best designed in collaboration with local or international NGOs and possibly the government. Based on own studies, it seems that the direct involvement of businesses in peace processes is in the areas of political support to peace processes (peace rallies by the business community) and the influence of opinion makers through the overall business community (informal contacts with politicians for a sustainable and inclusive society).

The experiences of Nepal are the main focus of this book; where too tourism engagement in peacebuilding has often remained indirect. Thus it is relevant to implement touristic activities in ways that can enhance economic development, or by addressing dividers in a society through conflict-sensitive, pro-poor and sustainable tourism (Upadhayaya et al. 2011). The first step can be made through awareness rising within the tourism sector on the drivers of conflict, the potential of the sector to contribute to reducing future conflict and addressing specific power relations and the sensitivities within a society.

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### 3.1 Introduction

Owing to the multidisciplinary, comprehensive, and complex nature, scope and characteristics of tourism (Kottler et al. 2002), it does not have one agreed definition and its discourse is ever evolving. Its definitions from technical, experimental, psychological, conceptual, and recreational perspectives may differ in terms of timeframe of tourists' travels, purpose of their visits and the impacts tourism may have on the socio-cultural, economic and physical environments (Jafari 1977, Burkart and Medlik 1981, Bhatia 1991, Davidson 1998, Theobald 2001 and Shrestha 2008). However what is common in all these definitions of tourism is that 'inseparability' prevails as one of the structural characteristic of tourism.

The essence of the 'inseparability' implies that services (production and consumption) offered and accepted co-exist in tourism. In this context, tourism is totally different from the sale of consumer goods, which normally takes place after several days or months of production. Tourists come to the destinations, where the products or services are created and made available for consumptions. The flow of tourists and their requirements are largely influenced by the state of security in host and guest countries. As such, security-related risk assessments at various stages of travel are often conducted by tourists before making travel decisions.

There are, however, some tourists who, in search of excitement, even visit places where there are human tragedies, death, disaster and sufferings. These tourists are often known as allocentric, risk-takers or war-spotters. Such activities fall under 'thana-tourism' or 'dark-tourism'. However, the occupancy of this category of tourism in mainstream global tourism at present is very low. This shows a strong connection between tourism, political stability, security and peace. Tourism destinations are likely to have fewer options and be less appealing to tourists if they are perceived insecure. Continuous insecurity is a strong deterrent for visitors and generally makes a tourist destination vulnerable. Thus, tourism industry tends to thrive more in peace rather than in conflict (Richter 1997 as cited in Burns and Novelli 2007).

In these interrelated conceptual backgrounds between tourism, insecurity and peace, this chapter portrays both positive and negative relationships between tourism and security. It aims to inter-relate tourism, insecurity and peace through a number of security-inflicted global tourist destinations. It finally underscores that tourist destinations and tourism enterprises are compelled to apply coping strategies to prevent and reduce the negative impacts of such security incidences on tourism.

### **3.2 Tourism and security: concepts and linkages**

The interrelationship between tourism and security has been interpreted largely negatively. This is because tourism by and large thrives in peace, tranquillity and stability in the tourist generating, receiving and transit countries (Mihalic 1996 and Tarlow 2006). Apart from attractions, proper accommodations and convenient accessibility, safety and security are dominantly non-compromiseable elements for travel decisions (TTH 2004). However, there are not only negative but also some positive relationships between tourism and security.

First, any kind of war has a negative influence on tourism demand. However, the safer countries which are not involved in war-related hostilities might gain the visitors' lost by more dangerous destinations (Mansfeld 1996). There are known as positive substitution effects. Example includes the positive effects of conflict (two coups) of Fiji on Solomon Islands in 1987, and of North Queensland and the Lebanese conflict (1976-92) on Cyprus (Scott 1988). This phenomenon is known as 'tourism under war'.

The second phenomenon also often called as 'tourism of war' shows the relationship between tourism and war from the perspective of tourists who are in search of excitement by visiting the war-torn or risky destinations. They are often known as 'war-spotters' or 'risk-takers'. In such cases, conflict or war itself becomes part of the tourist product. Pitts (1996) offers example of Mexico where tourists were spotted that came to view *Ejercito Zapatista de Liberacion Nacional's* armed rebellion against Mexican government in San Cristobal, Chiapas region during early 1990s.

The third dimension on the positive relationship between tourism and war involves the tourism operators in receiving countries those sell 'war horrors' and 'tragic occurrences'. Occurrences of war often create special meaning or memory to places or events linking warfare to tourism. That is why, memorabilia constitutes large category of attractions around the world. Some of such examples are the battlefields of World War II,

Gisozi Memorial Centre in Rwanda, skeleton museum in Cambodia, the ancient walled-city of Dubrovnik in Croatia and the World Trade Centre in New York City. The recent popularity of Vietnam as a tourist destination with Cu Chi tunnel and other war-held areas are other instances. This phenomenon is known as 'war as tourism'.

The above-discussed instances of wars often reinforce group identity and foster nationhood and pride. Smith, envisioning tourism and war as a viable tourism alternative, mentions:

*We honor the living as we honor the dead. [...] Scarcely a town exists in Western Europe, North America, or Australia [...] that does not have a World War I marker, inscribed with the names of the war dead, placed conspicuously in the town square. Many such monuments are pointed out by local guides. As the visitor moves out from the local scene, the array of potential tourism sights and sites related to the military and war seems almost endless. The reasons are simple but clear: we honor the event, the place and the person who created each tiny segment of our scared history. Remembrance and commemoration are the essence of the past that fashioned today (Smith 1996, p. 263).*

However, these war-related tourist destinations can attract only a small minority of travellers who are interested to experience 'danger' and are not put off by conflict, security threats, and other violent events. Today's mainstream global tourism is still highly vulnerable to human-led security incidences (Mihalic 1996, Pizam and Mansfeld 1996, Neumayer 2004 and Tarlow 2006).

### **3.3 Interrelationship between tourism and peace**

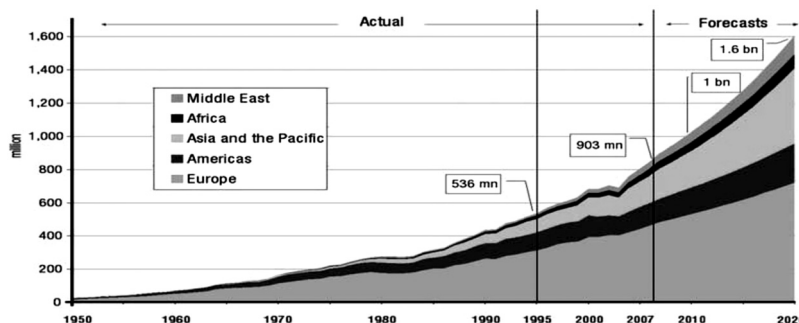
The inseparable nature of tourist generating and recipient countries is evident through the exponential growth of global tourists in the last six decades. The international tourist arrivals grew from 25 million in 1950 to 980 million in 2011 (Figure 3.1) which has ascertained tourism as one of the most remarkable socio-economic phenomena at present peace time.

Travel and tourism has become one of the biggest industries in the global economy. The contribution of the travel and tourism economy to employment arose to 238.3 million jobs in 2008 which was 8.4 percent of total employment (WTTC 2009). It is one of the major export sectors of developing countries, and is the primary source of foreign exchange earnings in 46 out of the 49 least developed countries (UNWTO 2010).

Environmentally, tourism has potential to create beneficial effects on the environment by contributing to environmental protection and

conservation<sup>17</sup>. It is a way to raise awareness of environmental values and it can serve as a tool to finance protection of natural areas and increase their economic importance. Environmentally ecotourism is today considered as a noble cause for environment preservation, natural heritage conservation and utilisation of environmental-friendly technology.

**Figure 3.1: International tourism arrivals with forecast: 1950-2020**



Source: UNWTO (2012a)

Socio-culturally community based village tourism and reality tourism are considered as the 'giant communication generators' which facilitate cross-cultural interactions, exchange and mutual understanding between hosts and guests and build global friendship and peace. The tourism management processes in community-based tourism allow both guests (tourist) and hosts (tourism service providers at grass root levels) to know each other, to work with each other, and to learn to appreciate each other's culture and by doing so come to appreciate each other. Furthermore, tourism can offer one potential tool for bringing about social change. Lean (2009) mentions that tourism can be a powerful vehicle for changing people's thinking and behaviour both during travel and upon their return home. Indicating the transformative travel under the sustainability ambassador concept, that inspires environmental sustainability, he opines:

The concept of sustainable travel should focus both delivering benefits to host communities at destinations as well as inspiring enduring changes of behavior that ensure the health and wellbeing of the individuals and their economic, socio-cultural, and ecological environments. The operators of tourism, especially those who claim to be contributing to sustainability and wellness, have an important, though complex, role in transforming the behaviors of tourists to ones more amenable to sustainability both during the experience and particularly when they return home (Lean 2009, p. 191 and 204).

<sup>17</sup> <http://www.unepie.org/pc/tourism/sust-tourism/economic.htm>.

The operators of tourism must recognise the link between their client's wellbeing and their economic, socio-cultural and ecological environments, on a local to global scale. These changes of action will help deliver individual and global wellness. These socio-cultural, economic and environmental phenomena of tourism are associated with peace-building. Tourism as a force for peace has been a popular positive message relayed by the academicians, consultants, industry in recent years. The UN has identified creating peace through tourism as an important means to create peace in the world (UNWTO 2012b) and dedicated a number of summits, conferences, and declarations in the interrelationship between tourism and peace. A number of the tourism experts, world leaders, policy-makers, international summits, declarations, charters, protocols and conventions have expressed wishes and desires for the attainment of peace through tourism. The relationship between tourism and peace has also been endorsed by a number of institutions and associations. Table 3.1 shows some of such major initiatives of 20<sup>th</sup> century at the global level that link tourism with peace.

**Table 3.1: International initiations in inter-linkage between tourism and peace**

Year	Events	Theme
1929	The inaugural meeting of the British Travel Association	'Travel for Peace'
1945	Bermuda Principle	"The promotion of international travel as a means of promoting friendly understanding and goodwill among people"
1948	The UN Declaration of Human Rights	Travel as a human right
1963	International Bureau of Social Tourism	Social tourism movement and peace
1966	International Covenant on Economic, Social and Cultural Rights	Human right status to travel
1967	United Nations	The declaration of the year 1967 as UN International Tourism Year with the slogan "Tourism: Passport to Peace" to promote international understanding through tourism
1975	The Helsinki Accord	The promotion of world peace through tourism
1980	The World Tourism Conference in Manila	World tourism can be a vital force for world peace
1985	World Tourism Organisation (WTO) Tourism Bill of Rights and Tourist Code	"Tourism should, by their behavior, foster understanding and friendly relations among people, at both the national and international levels, and this should contribute to lasting peace."

Year	Events	Theme
1988	International Institute of Peace through Tourism	Envisions higher purpose of tourism with a belief that travel and tourism can be the first global peace industry as every traveler is potentially an ambassador for peace
1999	WTO-OMT's Global Code of Ethics for Tourism	Tourism as a vital force for peace and a factor of friendship and understanding among the peoples of the world
2000	UN organised first global summit on 'Peace through Tourism'	Outcome with a note as Amman Declaration in November 2000
2001	Post 9/11 meeting of the World Tourism Organisation General Assembly in Seoul, South Korea	WTO Secretary General Francesco Frangialli called on the eradication of violence for tourism to prosper and said that "tourism could play a role in generating peace and economic development".

Source: Compiled by Pranil Kumar Upadhayaya

However, there are also criticisms of positive relationships between tourism and peace. The opponents of this view claim that tourism has very little influence on peace and security issues, at least at the macro level, and that tourism is far more dependent on peace than peace is on tourism (Din 1988, Litvin 1998, Hall et al. 2009, Higgins-Desbiolles and Blanchard 2010). A scrutiny of the growth trends of security-related issues of modern global tourism also highlights the negative relationships between tourism and peace. The growth trends of the international tourist arrivals in last six decades are remarkable, however not very smooth and consistent. These are negatively affected at some points due to both economic recessions and security incidences. There were notable threats posed to tourism by the safety and security risks and uncertainties. Such threats are both internal to tourism and factors emerging from wider external environments (Hall et al. 2009 and Mansfeld and Pizam 2006). The sections below elaborate both of these internal and external natures.

### **Internal factors**

- a) Intra-organisational conflicts between owners and workers resulting in some kinds of mild violence
- b) Inter-organisational conflict on various business management and operational issues or the lack of common agenda among tourism stakeholders
- c) Lack of equity and justice within the existing structure of tourism

**External factors**

- a) Natural disasters related security incidences (e.g. hurricanes, tornadoes, tsunamis, floods, landslides, earthquakes, avalanches, etc.)
- b) Human-induced incidences (e.g. terrorism, war, crime, and political and social unrests)
- c) Health-related epidemics and hazards, (e.g. SARS, foot and mouth diseases, etc.)

Several studies (Sönmez 1998, Sönmez et al. 1999, Beirman 2003, Neumayer 2004, Mansfeld and Pizam 2006, Hall et al. 2009 and Thapa 2009) reveal that security issues have some degree of negative consequences on tourist destinations, host communities, and tourism industry. Most of these studies address political turmoil and its effects on tourism. These studies commonly emphasise the negative economic impacts on the sector and conclude that tourism is highly vulnerable to the eruption of violent conflicts on tourist destinations and it cannot prosper in the absence of security. Table 3.2 depicts some instances of negative implications of security incidences on tourism.

**Table 3.2: Instances of negative implications of security incidences on tourism**

Security incidence at tourist destination	Year	Consequences on trends of international tourists arrivals
Croatia-Serbia war in Balkan region	1985	8.35 million
	1990	7.05 million
	1995	1.23 million
Islamist terrorist organisation Al-Qaeda led terrorist attacks at World trade Centre in New York and Pentagon in Washington DC, U.S.A.	2000	44 million
	2001	39.8 million
	2001	A total of 25 % drop in international tourists' arrivals in last quarter in 2001 in comparison to the same period in 2000. There was the most severe impact on traveler confidence within the U.S.A. itself. U.S. hotel occupancy levels nationally fell by 26% compared with the same period in 2000.
The launching of US military attacks against Afghanistan	2001	Aroused heightened safety concerns about travelling anywhere within the Middle East and Central Asia. Tourism to Europe, the Middle East and the Indian Subcontinent fell under a cloud.

Source: Adapted from Beirman (2003) and Mihalic (1996)



Hall et al. (2009) justify this weak perspective of tourism for peace by reviewing the voices against the US invasion on Iraq in 2003. They conclude that the tourism and supranational tourism organisations have little influence on peace and security agendas although such agendas are important. An appropriately designed and implemented tourism may serve as means to ward off potential future insecurity created by community oppositions and conflict over resource and environment security.

In early 1990s, Persian Gulf War under the 'Operation Desert Storm' was confined to very specific geographic areas in Iraq and Kuwait. Yet these wars symbolised political unrest for their entire regions in the Middle East, which experienced a sharp drop in tourist arrivals even though they were not all equally affected (Hollier 1991).

The 'generalisation' of perceived risk with the induced image of the insurgency in the war-affected section of Afghanistan during the international war on terrorism led by the US in 2001 as well as military build-ups among the neighbouring 'nuclear power' countries (India and Pakistan) has had an adverse impact on tourism in the surrounding region in West and South Asia regions including Nepal (Thapa 2009). Even normally secure destinations can suffer when security is threatened by various incidences such as terrorism, war, crime-related incidences, civil and political unrests (Richter and Waugh 1986).

Tourist destinations react to such security incidences by applying context-specific coping strategies to prevent and reduce the negative impact on tourism. Coping strategies in tourism are about the management of various tourism crises (including image crisis caused by negative media hype and travel advices) those emerge in the wake of various types of security incidents and mitigate the damage by proper policies and steps. Coping strategies by tourism sector are related with developing appropriate strategies to control the negative impacts that security incidents have on the tourism (Mansfeld and Pizam 2006).

Generally tourist destinations use a combination of following strategies at recovery level:

- a. conduct intensive destination marketing campaigns to bring normality,
- b. try to obtain financial assistances from government to recover faster,

- c. involve in media campaign to create positive destination image, and
- d. engage with the local community in the process of recovery.

Similarly, tourism enterprises generally employ one or more of following strategies at reactive level:

- a. lay-off of employees to reduce operational costs,
- b. reduction of product and service price to retain tourism demands,
- c. provision of additional incentives,
- d. identification and expansion of new market segments,
- e. expansion of new tourism products and destinations
- f. organisation of special events, and
- g. putting off the new investments.

Tourist destinations at different levels of security incidences (pre-crisis, crisis and post-crisis) attempt to improve the images and public perception (Avraham 2006). Private sector (i.e. tourism industry) attempts to mitigate the negative consequences on their properties and profitability. On the other hand, public sector (i.e. government) largely concentrates on the safety and security of tourists.

### **3.4 Conclusion**

Tourism, security and peace are conceptually interwoven phenomena. Safety and security incidents continue to occur at tourist destinations regardless of the efforts made by private and public sector to prevent them. Occasionally, security incidences can be also attractions for conflict or war tourists. However, there are negligible occurrences of such attractions in the global tourism.

Tourism, as shown in this chapter, essentially thrives under peaceful and secure environment. It is the peaceful destinations that have attracted more tourists. In order to further strengthen this relationship between tourism and peace, concerted efforts from local level stakeholders, national regulatory agencies, government and international actors require coping mechanisms, coordination and collective response. These concerted responses allow tourism sector to flourish in a peaceful and sustainable manner.

\* \* \* \* \*



### 4.1 Introduction

This chapter offers a bird's eye view on the historical context of labour disputes as an intra-organisational conflict. Then it focuses on the context of the innate reasons of sensitisation of labour dispute in tourism sector. It analyses this intra-organisational conflict in tourist accommodation in Nepal from negative as well positive perspectives. Accommodation, for the purpose of this chapter, refers to hotel, motel, resort, inn, lodge, guest house, safari camp, home-stays etc. Looking at 'inseparability' of owners and workers as a vital characteristic of tourism, this chapter argues for strengthening the cordial relationship between managements and labourers.

As evidences from the chapters of this book, tourism is sensitive to conflict and thrives in peace (D'Amore 1988 and 2007, Kunwar 2006). 'Peace' is a state which is defined as "... a sustained process of overcoming all forms of violence, direct/personal and indirect/structural (as well as cultural), and actualising the fullest potential of individuals and groups in society" (Arai 2010, p. 12). There are multidimensional aspects of peace which appear in two forms, negative and positive peace (see Box 4.1). In those aspects of peace, the cordial relationship between owners (employers/owners/investors business leaders for which the term 'management' is used throughout this chapter) and workers (employees/service providers/staff for which the term 'labourer' is used throughout this chapter) constitutes as an important part for positive peace.

#### Box 4.1: Negative and positive peace

The state of peacelessness comprising of structural and cultural conflict (both external and internal) makes peace negative. It denies the important elements such as harmony, justice, goodwill and opportunities for personal fulfillments but may embrace poverty, disease, racism, religious fundamentalism, alienation, discrimination, prejudice, ignorance, bigotry and hatred. The state of negative peace (filled up with structural conflict) is undoubtedly skeptic for the smooth growth of tourism sector. Positive peace is achieved when the state of 'peacelessness' has been improved. It is a social condition in which exploitation is minimised or eliminated (Galtung 1996, Satani, 2003 as cited in Moufakkir and Kelly, 2010, p. xviii).

The cordial relationship between management and labourers is a must for the steady growth of any business (Pandit 2010). This philosophy is even more pertinent in tourism as 'tourism involves a complex set of interrelationships between people, places and products' (Collier 1989 as cited in Shrestha 2008, p. 13). The need of cordial existence and joint actions by the larger segments of labourers and management is crucial for a successful tourism sector.

Several studies (Cohen 1972, Theobald 2001, Bhatia 2001 and Kottler et al. 2002) reflect the 'inseparability' of management and labourer as one of the important distinguishing characteristics of tourism. The 'inseparability' of hosts (management and labourer) connotes strong relationship between managements and labourers. Their inter-cooperation is vital to hospitality in tourist accommodations.

Tourism is an ever-changing and never ending phenomenon in its multiple forms. There are both 'peace potentials' and 'conflict sensitiveness' of tourism. 'Peace potential' of tourism reveals about the economic, social, cultural and environmental benefits of tourism. These benefits add to its allure at global and national levels (Higgins-Desbiolles 2006). As a growing industry, tourism can bring peace and prosperity through increased international and domestic movements, employment creations, foreign exchange earnings, and increased investments. However, tourism requires vision and foresightedness for prosperity and peace (Shakya 2008). As a social force, tourism has potential for important humanitarian goals including peace, harmonious relationship, and respect for human rights. Additionally, tourism is also credited as a force promoting peace and understanding between people once it is operational with responsible and sustainable tourism principles (WTO 1980 and GSTC 2012). For these perspectives (both as an industry as well as a social force) of tourism, the amicable management-labour relationship and their concerted actions are vital.

The 'conflict sensitiveness' is another important characteristic of tourism. This characteristic refers to external and internal conflicts. External conflict consists of rampant organisations of non-violent structural conflicts [strikes, transportation strikes, *bandas* (closures), *dharnas* (sit-in protests), labour/trade union disputes, social and political unrests, etc.] caused by non-tourism factors such as political parties, students unions, social institutions, trade unions outside tourism sector, etc. Internal conflict, on the other hand, can include a number of factors such as inequality

in distribution of tourism-based income, lack of reciprocal relationship between guests and hosts, lack of equal treatment to domestic tourists in comparison with international tourists, and lack of amicable relationship between management and labourers in tourist accommodations, etc.

Amidst the internal conflicts, the lack of amicable relationship between managements and labourers in tourist accommodations is related with the 'inseparability' characteristic of tourism. This specific characteristic of tourism demands a harmonious relationship between these two parties. The lack of this attribute may result to intra-organisational conflict. There is growing evidences of such intra-organisational conflict in the tourist accommodations in Nepal on the aftermath of a decade (1996-2006) long armed conflict. These are tourist accommodations (hotel sub-sector) of tourism which reveal more expanded and tangible labour disputes. This is owing to the largest number of involvement of people in this sub-sector than other sub-sectors of tourism.

Disputes between managements and labour unions have been visible in pre-conflict, conflict, and post-conflict environments. These resulted in various negative consequences in tourist accommodations. Various studies (Adhikary 2005, Bhattarai and Dahal 2007, NTB 2008, Chalise 2009, Pandit 2010 and Upadhayaya 2011a and 2011b) discuss about the difficulties of maintaining a healthy and sustainable growth of tourist accommodation in Nepal. This is largely due to the lack of cordial relationships between managements and labourers. On one side, there are cases of the exploitations of labourers by the managements. On the other, there are growing labour unionism and politicisations of labour unions with the vested political interests. Politics is a framework that generally provides a guideline for economy, society and their environments. However, there has been unfortunately marked shift from using politics as a tool to address issues of labourers to using it as a means of doing politics by bringing labour politics to centre stage.

There are two reasons which collectively form the root causes of such disputes. The economic supremacy of tourism business leaders (owners or management of accommodations) of tourism industry under the dominance of neo-liberalism is one reason. The enduring political influence to and affiliations of labour unions (labourers) with political parties as the political supremacy is the other. Many developing countries including Nepal which rely on tourism as their economic backbone are in the verge of this impact (Richter 1997).

This state of cold relationship between management and labourers is problematic for the smooth, sustainable and responsible growth of tourism. Nevertheless, these discourse reveals not only about the negative but also some progressive socio-economic changes coming out from this nature of dispute (Karki and Seddon 2003, Muni 2003, Nepal 2003, Pyakuryal 2005, Upreti and Upadhayaya 2010 and Upadhayaya 2011a and 2011b).

#### 4.2 Labour disputes as intra-organisational conflicts

The history of trade unions in Nepal is just six decade old. However, the world trade union movement is much older. Throughout the world, actions by the trade union movements have led to various reforms and positive changes on labourers' rights. Such outcomes include for example minimum wage, paid leave and holidays, and the achievement of the eight working hour per day for many workers immediately after Second World War. The principle of adapting paid leave for workers under such trade unions was laid early in the 20<sup>th</sup> century with the precepts of modern social tourism. Higgins-Desbiolles and Blanchard (2010) quotes the work of Richard (1996) and reveal that the French trade unions were pioneer in implementing paid leaves in 1930s. It was followed by Eastern European and Western European states such as Germany, Switzerland, Portugal and the Scandinavian countries. Such accomplishments were supposed to be revolutionary in medieval and ancient periods. However, they are regarded now as normal. Higgins-Desbiolles (2006) further argues that the paid leave concept is an innovation and pioneer effort in establishing tourism as social force. This is especially in recognition of the rights of labourers in travel and tourism prior to the emergence of tourism as an 'industry' during 1980s.

In Nepalese context, All Nepal Trade Union Congress and Biratnagar Workers Union were formed in 1946 and 1947 respectively as the pioneer labour unions in Nepal. Their activities were halted in short period with the banning on political parties and trade unions after the imposition of party-less *Panchayat* System in 1962. Labourers and their trade unions have surprisingly played large roles during major people's liberation movements in 1980, 1990 and 2006. These movements demanded for the change of political system (Sharma 2008). This role of labourers in the political development of Nepal is similar to many union movements in the underdeveloped countries in Asia and Africa, which rose on the wave of nationalism. Those labourers uprising had led anti-colonial movements as well as anti-autocratic political system toward political independence fulfilled with democracy and human rights (Upadhayaya 2011a).

With trade unions solidarity, Nepal too replaced three decades of unitary and centralised political system of absolute monarchy. It entered into a modern multi-party parliamentary system of governance after the major political change in 1990. The political leaders on return not only favoured labourers by granting more rights and authorities but also started to utilise and politicise these unions to fulfil their vested political interests in post-democracy era. Prior to it, the political change with the introduction of democracy in 1990 had offered space for trade unions to open an avenue to establish labour unions and organise for their professional rights and authorities. The period from 1993 to 1999 can be called a 'conductive' period for union activism. There are a number of trade union federations comprising a number of enterprises which have affiliations with tourism sector. Some of these which have affiliations with political parties are shown in Table 4.1.

**Table 4.1 Trade Union Federations and their affiliates in tourism sector**

Trade Union Federations	Tourism unions	Mother political parties
Nepal Trade Union Congress-Independent (NTUC-I)	<ul style="list-style-type: none"> <li>- Nepal Hotel Workers' Union (NHWI)</li> <li>- Nepal Tourism and Hotel Workers Union (NTHWU)</li> <li>- Nepal Small Hotels and Restaurant Workers' Union</li> </ul>	Nepali Congress (NC)
General Federation of Nepalese Trade Unions (GEFONT)	<ul style="list-style-type: none"> <li>- Nepal Independent Hotel Workers Union (NIHWU)</li> <li>- Union of Trekking-Travels-Rafting and Airlines Workers' Nepal (UNITRAV)</li> <li>- Nepal Free Hotel Workers Union (NFHWU)</li> <li>- Trekking Workers' Association of Nepal (TWAN)</li> </ul>	Communist Party of Nepal-Unified Marxist-Leninist (CPN- UML)
All Nepal Trade Union Federation (Revolutionary) (ANTUF(R)	<ul style="list-style-type: none"> <li>- All Nepal Hotel and Restaurant Workers Union (ANHRWU)</li> <li>- All Nepal Tourism Workers Union (ANTWU)</li> </ul>	United Communist Party of Nepal-Maoist (UCPN-M)
Nepal Revolutionary Workers Union(NRWU)		Nepal Workers and Peasants party
Nepal Progressive Trade Union Federation (NPTUF)		Communist Party of Nepal (United Marxist)
Independent Democratic Confederation of Nepalese Trade Union (INCECONT)		Rastriya Prajatantra Party Nepal
National Democratic Trade Union Council		Rastriya Prajatantra Party

Source: Compiled by the authors



Besides above confederations and national level trade unions, there are other trade unions such as (a) All Nepal Trade Union Congress (ANTUC), (b) Nepal Trade Union Federation (NTUF), (c) Nepal Trade Union Centre (NTUC), and (d) All Nepal Democratic Free Trade Union (ANDFTU) which are affiliated to smaller political parties but not registered with the Department of Labour.<sup>18</sup>

Many Acts are formulated to promote labour welfare with the adaptation of liberal economic policy after the political change in 1990 and the promulgation of the Constitution of the Kingdom of Nepal in 1992. These Acts for the promotion of the labour welfare include Labour Act 1992 (amended in 1998), Trade Union Act 1993 (amended in 1999), Labour Court 1996, and Central Labour Advisory Board 1998. The post-democracy era (after 1990) continued to render high favours to labourers through various beneficial provisions on the cost of investors in the Labour Law 1992. The formulations of those labour-related acts are in line with Nepal's endorsement of 8 conventions passed by International Labour Organisation (ILO) as mentioned in Table 4.2.

**Table 4.2 Endorsements of ILO conventions by Nepal**

S. N.	Nepal's earlier endorsement to conventions as passed by ILO	Year of ratification of conventions by ILO
1.	Weekly Rest in Industrial Enterprise Convention	1921 (No. 14)
2.	Forced Labour Convention	1930 (No. 29)
3.	Right to Organise and Collective Bargaining Convention	1949 (No. 98)
4.	Equal Remuneration Convention	1951 (No. 100)
5.	Discrimination (Employment and Occupation) Convention	1958 (No.111)
6.	Determination of Minimum Wage Convention	1970 (No. 131)
7.	Minimum Age Convention	1973 (No. 138)
8.	Tripartite Consultation (International Labour Standards) Convention	1976 (No. 144)

Source: Dahal (2002)

### 4.3 Labour disputes in tourist accommodation business

There has been steady growth and expansion of modern tourism globally. There is strong conceptualisation and marketisation of modern tourism and hospitality as 'an industry'. The domination of 'fetishism' on economic growth is clearly visible under the advent of 'neo-liberalism' (economic

<sup>18</sup> See [http://www.fesnepal.org/reports/2001/tu\\_report01.htm](http://www.fesnepal.org/reports/2001/tu_report01.htm) for more information.

trade liberalisation and free market economic policies, mechanism and practices) values, weak labour law, and industrial policy (Higgins-Desbiolles and Blanchard 2010). In this context, there is domination of exploitative and monopolistic elite managements in Nepal. On the other side, there is growing labour unionism in tourism and hospitality sector. The unionism in hospitality industry is provoked by extreme political ideology of political parties. The tourism and hospitality sector has suffered with undue pressure from unions in Nepal's transition period (Dahal 2002, Adhikari 2005a and 2005b, Dangol 2006, Grandon 2007a and 2007b, Bhattarai and Dahal 2007, NTB 2008, Upadhyaya 2008 and 2009, Pandit 2010, Upreti and Upadhyaya 2010 and The Kathmandu Post 2011). The labour conflict remains as one of the major challenges for lasting peace in tourism sector in Nepal.

#### **4.4 Empirical observations on labour disputes, unionisation and its politicisation**

Ghimire (2008 and 2009) highlights over the excessive politicisation of the labour unions as one of the major challenges to the peaceful existence of tourism industry in Nepal. He briefly draws attention to the gravity of the situation as:

Hotels have been made a breeding ground of miscreants, misbehaviours and political battle field. Today, forced recruitment of unskilled manpower to sensitive positions under pressure to the management by trade unions and the unruly behaviour of some of the staff have hampered overall operational efficiency and service delivery of hospitality industries. Revenue is decreasing but the unions are forcing the hotels to increase pay and facilities simply to gain popularity among the members and for some political reasons. Of course, workers/staffs have right to organise. The right should be exercised purely for the welfare of workers, management reforms and decent collective bargaining rather than any vested political interest (Ghimire 2009, p. 63).

In this context, it is relevant to highlight some of the instances of labour unionisation and movements and its resulting consequences (Table 4.3).

**Table 4.3 A chronological list of labour disputes in tourist accommodations**

Date	Cases of labour disputes in tourist accommodations
April 2011	ANHRWU started agitation and brought services to a halt demanding reinstatement of sacked security in-charge on 237 <sup>th</sup> day of joining of work (as 4 days prior to get permanents status). As many as 120 guests staying at Pokhara based Fishtail lodge in Pokhara had to be shifted to other hotels
February 2009	The management inhumanly physically attacked to more than dozen workers in Hotel Beijing China in Kathmandu during their peaceful demonstration. The negotiation with management was continued for the implementation of labour law.
January 2009	Members of ANHRWU halted works for three days in Pokhara. The minimum wage deal was the key issue. It demanded for a flat increment of NPR 1,300.00 for all categories (skilled to non skilled) of workers.
December 2008	Hotel labourers affiliated with the UCPN-M came out in rally in Pokhara demanding to implement minimum wage act.
December 2008	ANHRWU closed Everest Panorama Resort at Daman, situated on Prithvi highway between Kathmandu and Hetauda The non fulfillment of minimum salary proposal of the government was the root cause which compelled tourists to leave the hotel prior to the completion of their stays.
November 2008	ANHRWU shut down 58 hotels and resorts at Nagarkot for almost four days. Demands included an increment of NPR 1,300.00 for all categories of labourers (skilled to non skilled labourers) after the government had decided to raise the minimum salary from NPR 3300.00 to 4600.00 on the advice of the labour advisory committee in November 2008. Around 800 tourists staying in 36 hotels were forced to leave the hotel.
November 2008	All Nepal Security Labour Union affiliated to the UCPN-M closed Manakamana Cable Car (a famous pilgrimage for Hindu tourists) for a month demanding to confirm all temporary security guards.
January 2008	The agitation of ANHRWU demanded to meet a 15 point demand and closed all hotels for four days in Nagarkot, a hill spot served with 42 hotels. Demands included revision of wages, permanent appointment, annual leave, and gratuity. The agitators restricted the entry of tourists for a day and also gave hasty threats.
February 2008 and August 2009	The members of labour union affiliated with NIHWU and ANHRWU physically assaulted to the owner of Hotel Maharaja in Kathmandu.
March 2007	The members of labour union affiliated with ANHRWU physically assaulted to the owner of Hotel Woodland in Kathmandu after wage disputes.
December 2006	All labour unions closed almost all hotels in Dhulikhel and Nagarkot for three days demanding to maintain minimum wage standard and ensure fair treatment.

Date	Cases of labour disputes in tourist accommodations
October 2006	Five associations related to the tourism industry (including Hotel Association of Nepal) showing their solidarity to business communities participated on the close down of all their businesses on October 17, 2006. This reaction was to show their dissatisfactions over the severe hardship rising from the trend of donation drives, extortions and the unreasonable demands of different labour unions. The act was to give pressure to the government to come out from its paralyzed state, protect the business community, and to take immediate measures to stop unfavorable behavior.
Feb – Aug 2006	Hotel Yak and Yeti, one of the five star hotels in Kathmandu, was closed for almost 8 months due to bitter row between management and labour unions, and non-cooperation movement by General Federation of Nepalese Trade Union (GFONT) affiliated to Communist Party of Nepal - United Marxist and Leninist (CPN-UML) and labour unions of UCPN-M. The demands from the unions included the implementations 10 per cent service charge, fair wages, facilities, and permanent status.

Source: Singh (2008) and other primary data by the authors

Above incidents show the increased trend of labour unionisation and politicisation resulting with instabilities in work environment. A report from The Kathmandu Post writes about the forced unionisation and unreasonable donation drives by various political parties. Quoting a press release of a joint meeting held on September 10, 2006 in Kathmandu, it reports:

At a time when the tourism industry is showing signs of recovery from the five year long recession, the forceful formation of trade unions by Maoists in hotels and the unexpectedly intensifying 'extortion' by political forces has overshadowed new hopes... The Maoists and various organisations affiliated with it have recently stepped up their campaign of asking for donation, ranging as high as ten million rupees. Adding to the woe, there are reporting that different organisations allied to the ruling political parties are following suit... Furious with rising demand for donations, various associations of tourism industry have even threatened to close down the industries at today's joint meeting, if such reasonable demand persists... (The Kathmandu Post, 2006s September 12, p. 6).

This state of labour unionisation and instability in tourist accommodations even caused to deteriorate the destination image of Nepal. Almost all incidents of labour disputes in tourism sector have triggered media attention with even unrealistic coverage exaggerations (Bhandari 2004, Grandon 2007a and Thapa 2009).

#### **4.5 Consequences of labour disputes**

The labour disputes in tourism sector appear as one of the most chaotic and disturbing experiences posing challenges for durable peace which is, in fact, the prerequisite for a sustainable Nepalese tourism sector.

Although these episodes of labour disputes do not by themselves constitute a direct threat to tourists, nevertheless these factors have made both management of tourism and the attraction of tourists' visitations problematic. It has negative implications with inconvenience to tourists to get services. The hoteliers are facing challenges to render their services in terms of reliability, punctuality and quality. However, not all cases of labour disputes are negative. There are some positive consequences too that have supported to mitigating the bridge and built up unity. However the majority of these labour disputes have resulted with long-term negative impacts too apart of short-terms negative consequences, before it brought with some short-term positive gains to disputing parties. Here are illustrations of some specific cases of intra-organisational disputes between management and labourers in tourist accommodation business which have both negative and positive consequences.

#### 4.5.1 Dispute on service charge

The dispute on the issue of 10 per cent service charge collection from tourists serves as an exceptional example of the prolonged conflict in tourist accommodations. It had led a prolonged instability and insecurity in tourism sector in general and tourist accommodations in specific in Nepal. In this context, NIHWU, NTHWU and labour unions joined together through Joint Central Action committee (JCAC). The JCAC submitted the demand of 10 per cent service charge to the Ministry of Labour in 1990. The members of JCAC organised *bandas*, advocacy forums, rallies, demonstrations, public speeches, etc. to create awareness and get support for its implementation. Table 4.4 illustrates some highlights of such activities.

**Table 4.4 A chronological list of service-charge related protests**

Date	Place	Events organised
January 2000	Thamel, Kathmandu	A rally of more than 2500 labourers
November 2000	Kathmandu	A motorbike rally of almost 600-700 people of hotel
August 2001	Bhrikuti Mandap, Kathmandu	A meeting of almost 3000 labourers in Bhrikuti Mandap
June 2002	Pokhara	A cycle rally consisting of 600-700 tourist accommodation workers

Source: Primary information from the field visit (December 2009 to February 2010)

The JCAC stepping further also made announcement of the strike on hotels from November 19, if their demand of 10 per cent service charge

could not meet by November 18 deadline in 2000. The Hotel Association of Nepal (HAN) disapproved the demand of 10 per cent service charge of JCAC. Protesting the announcement of the strike of JCAC, HAN even organised various press conferences and published press releases. The appeal on its press release even demanded to ban the strike plan of JCAC on tourist accommodations in accordance with Essential Service Act 1957. The appeal also stated about the inability of all member hotels of HAN to provide services to their customers in a situation if the strike went ahead as planned by JCAC. One of the press releases of HAN states:

A grave crisis is looming large over the hotel business of Nepal due to the incitement of some outside elements despite the fact that the relationship between the hotel entrepreneurs and hotel workers is harmonious and there is misunderstanding between the two so far... There have been some efforts, from time to time, to hinder the tourism trade in our country on the part of those who nurse a grudge against the tourism trade in Nepal. They are currently trying to fulfil their vested personal interest using the labourers and employees as their weapons... The so-called strike announced unilaterally violating the legal provisions has posed a serious challenge to the legal procedure of the country with its attempt to interfere with the rule of law by physical force. The hotel business, the primary organ of tourism industry, is an extremely sensitive service oriented industry. The adverse impact of a strike on this service industry will be not only short term but also has long-term affects... The adverse publicity of Nepal in the international arena will have a maximum negative effect on tourism trade and will contribute to collapse of the tourism trade in Nepal. The hotel workers demand for 10 per cent Service Charge is impractical for various reasons and cannot be fulfilled. In a context of open and liberal economic system, promotions are based on qualifications and capability and the free market dictates the salary and other benefits. Therefore the collection of service charge on a mandatory basis is not justifiable (The Rising Nepal, 2000 November 10, p. 4)

However, JCAC went on with its promised strike which was later banned and suppressed by imposing the Essential Service Act 1957 on March 19, 2001. The JCAC filed a case at the Supreme Court against the government's move to ban tourist accommodation workers from going on strike. In this context, the International Labour Organisation sent a letter to the government and requested it to lift the ban. The letter said that the hotel workers have the right to go on strike. All talks and discussions on the issue of the 10 per cent service charge seemed to have reached almost a deadlock putting the tourism sector of Nepal on the brink facing probably the biggest crisis.

The 10 per cent service charge was finally resolved through a 20-point joint agreement between HAN, NTHWA, NIHWA and ANHRWA on December 31, 2006. The agreement came into effect from January 1, 2007 in all the member hotels of HAN ranging from non-star to five-star category.

This agreement came into effect after the recommendation of the government constituted high level committee. It was formed under the chairmanship of the Vice-Chairman of the National Planning Commission in December 2000. One of the directives of the agreement provisioned that the amount collected from service charge would be divided amongst the management of hotel and workers in the ratio of 32:68 per cent (Pradhan 2007). The service charge provision ultimately benefited both labourers and management. The 20-point agreement also included other provisions such as job permanency of labourers after 240 work days, allocation of the minimum wage of NPR 4,600, and the fixation of NPR 150 as daily wages for temporary wage employees in tourist accommodations.

#### 4.5.2 Minimum wage hike disputes

According to Labour Act 1992, there is a rule to review salary of all kinds of labourers in every two years. The salary increments are decided by tripartite committee of the tourist accommodation management, representatives of the government and trade unions in tourism sector of Nepal. Table 4.5 depicts a description of salary and allowances of labourers which were raised several times in last decade.

**Table 4.5 A fact sheet of raised salary and allowance of labours**

S. N.	Year	Monthly salary and allowance (NPR)	Price hike allowance (NPR)	Daily wage rate (NPR)	Remark
1.	2000	2,116.00	316.00	74.00	-
2.	2004	2,560.00	444.00	90.00	-
3.	2006	3,300.00	740.00	125.00	-
4.	2008	4,600.00	1,300.00	190.00	-
5.	2011	6,100.00	1,500.00	226.00	An agreement made on March 24, 2011. It was invalid with political row between labour unions and management.
6.	2011	6,600.00	2,000.00	300.00	A repeated agreement formed and made valid by all.

Source: Rimal (2011)

Before the first salary revision of year 2011, the government had formed a salary review committee in 2010. It had included the Joint Trade Union Coordination Committee, a platform of major trade union federations having eight trade unions with different political inclinations. However, one of the labour unions (Inclusive Trade Union Federation) had filed a

case at the Supreme Court in January 2010 citing its dissatisfaction on its exclusion in the salary review committee. A nationwide labour strike also started from March 9, 2011 demanding a double increment on salary and allowance for permanent labourers where as it also demanded the daily wage rates of NPR 400 to daily wage labourers. The strike crippled industrial sector including tourist accommodations where more than 50,000 labours are employed in approximately 1,500 industries.

A final 11-point bipartite agreement between three major trade unions and FNCCI was signed on March 24, 2011 without the presence of government body (Shrestha 2011). Employers' contribution of 20 per cent and labourers' contribution of 11 per cent in social security fund of labourers, next four years as 'Industrial Peace Year' and 'no work no pay' were some of the unique features of this pact. However, new fractions of the labour unions of some political parties opposed this agreement and went on strike again from March 25, 2011. These new parties cited their dissatisfaction on the lack of invitations to them and also negligence of their concerns for the rights and welfare of the labourers. It is found that the minimum wage disputes between labour and owners is not limited between these stakeholders but also used as a political tool by political parties to politicise labour unions affiliated with various political parties. This has not only created a dividing line between various labour unions affiliated with political parties but also made partition of some labour unions from one union to up to three. Finally, a revised agreement was formed and made valid by all as mentioned in Table 4.5.

## **4.8 Conclusion**

This chapter is focused in the nexus of tourism, dispute, and the roles of management and labourers of tourist accommodations in the centre. In this nexus, the necessity of the mutually dependent relationships between managements and labourers and interconnectedness of hosts (management and labourers as service providing hosts) and guests (tourists) clearly indicate to 'inseparability' character. It is one of the important distinguishing characteristics of tourism.

There are a number of negative implications of labour unrests such as forceful closures of the workplaces (tourist accommodations), restricting the entry of tourists in tourist accommodations, and obstructions in the hospitality services. These repercussions have triggered more unrest, deteriorated harmonious industrial environment, and compelled both



managements (business) and labourers in tourist accommodations to suffer.

Nonetheless, there are some positive consequences of labour disputes as well. These for example include implementation of 10 per cent service charge, job permanency of labourers after 240 work days, allocation of the minimum wage of NPR 4,600.00, and the fixation of NPR 150.00 as daily wages for temporary wage employees in tourist accommodations. The positive findings of the intra-organisational conflict in tourist accommodation business give lessons that it is natural to have conflict whose existence within and among organisations may not necessarily be negative. Conflict or dispute is in fact a necessary condition for an organisation to move ahead. However, the timely positive management of this intra-organisational dispute is essential before it changes into crisis and gets escalated to violence. These consequences (negative and positive) of labour disputes have hyped the existing debate. This chapter necessitates the cordial relationship between managements and labourers. It stresses to strengthen the application of responsible practices and behaviours by both parties of dispute to materialise more prosperous and harmonious tourism in Nepal.

\* \* \* \* \*

### 5.1 Introduction

Tourism is one of the few industries vulnerable to perceived political instability, lack of safety, and other uncertainties (Upadhayaya et al. 2011). A risk-free destination image backed up with the perception of tourist safety and political stability is crucial to make a destination eligible for the visitation (Hall 1994). As noted by Pearce (2006), destination image is a key factor in tourists' buying behaviour as there is strong correlation between a positive perception of destination and a positive purchase decision. Sönmez and Graefe (1998) have found that perception of risk and safety concerns are of paramount importance in the decision-making process of tourists.

Media has power to allude over public perception which according to Ehemann (1970) as cited in Sönmez (1998), in fact, represents reality for most individuals. Risk perception of safety and security can largely be shaped by the mass media. The term 'media', as an entity, describes the independent third party source of information. Media has various modes of communication in the public domain (Nielsen 2001). Examples of formal modes of mass media includes print media (primarily newspapers, magazines, brochures, journals, direct mail, newsletters, press release and so on), broadcast media (radio, television, etc.), and the internet.

Media (global and local) is responsible not only in disseminating travel and security information but also creating belief on the peaceful image of tourist destinations because of its independent entity (Maharaj 2004, Adhikari 2005a and 2005b). Media functions centrally in the interconnectedness with governmental agencies, tourists, tourist guides, travel industry, and governmental tourism organisations. The importance of media in the interdependence with other factors is visible from a model of theoretical framework.

Both media and government play the roles of image filter between the tourist destination and generating regions. Where government disseminated security information is certainly important to regulate

tourists' visitation, however it is media which stands centrally. It is the active portrayer of events which has the greatest influence on the creation of destination images. Media creates destination image by distributing information to potential tourists and to providers (e.g. travel agencies, tour operators, diplomatic missions or embassies issuing travel advisories) of tourist information in tourist generating regions (Hall and O' Sullivan 1996 and Nielsen 2001).

The advancement of information technologies and their uses by the global media has highly facilitated to bring the destination security information to the potential tourists in real time and in the most graphic way (Thapa 2003). The globalisation of the media has caused a global dissemination of local issues. Indeed, the mass news media, in particular, has a major role not only in conveying information on security and crisis issues. It plays a crucial role in the creation of public opinion and the opinion of individuals. It is claimed that the opinion or image created in the wake of the news media is shaped by the frequency of its report and interpretation and by the type of media used (Wood and Peake 1998 as cited in Mansfeld 2006, p. 277).

It is the portrayal of political instability rather than political instability itself which becomes uppermost as a factor in tourist destination choice behaviour. Moreover, in areas of recurrent and frequent security situations, the media's continuous coverage and interpretation of the conflict deepens the fixation of a long-term negative image of such affected destinations. The more persistent negative destination image and tourists' risk perception, the low tourist demand and lack of propensity to invest in the deteriorating tourism sector. There are a number of countries such as Columbia, Sri Lanka, Fiji, Israel, Philippines, Iraq, Afghanistan, Nepal, etc. which have been experiencing this outcome. This reveals a close relationship between media and tourism in the wake of conflict or insecurity.

There are enlarged discourses on the mutual reliance as well as symbolic positive and adverse relationships between media and tourism. Such discourses are concentrated in tourist destinations which are in the verge of political instability, conflict and turmoil (Hall and O'Sullivan 1996, Sönmez 1998, Sönmez et al. 1999, Beirman 2003, Thapa 2003, Sharma 2004, Baral et al. 2004 and Bhattarai and Dahal 2007).

These publications reveal about both negative and positive behavioural affects of media while covering and selling the 'hot spot' stories in such

tourist destinations. Nepal is a country which passed through domestic political instability during 1996 to 2006 that offered a playground for media. There were different roles of media in this situation. In aforementioned conceptual background on the interrelationship of media with conflict hit tourists' destination in general and considering Nepal as a case study, this chapter is focused on.

## **5.2 Media trait with dual nature of influence**

### **5.2.1 Negative media influence**

Tourism industry is highly vulnerable to changes in the global security environment. The media coverage of conflict, terrorism and political upheaval has the potential to shape the induced image individuals have of destinations (Butler 1990). The volatile relationship between tourism and political conflict induced violence is magnified by the media in a manner to cloud actual probabilities of being targeted by armed rebels or terrorists. As a result of media coverage, perceived risk associated with a particular destination could actually outweigh actual conditions in the travel decision making process causing whole regions to be perceived as risky (Sönmez 1998). If this negative image is translated by would-be travellers into unacceptable risk levels, potential tourists would most likely cancel their bookings. They can also choose to book alternative and more secure destinations. Sönmez et al. (1999) note that travel statistics from around the world clearly suggest that tourism demand decreases as the perception of risks associated with a destination increases.

The mass media tends to report on the occurrence of security incidents and their actual impacts on tourism. Furthermore, it also takes upon itself the role of interpreter and assessor of risk involved in travelling to the affected destinations (Hall and O'sullivan 1996). The role of mass media is critical in influencing both tourist and political reactions to political and international security issues (Richter 1997, Sönmez 1998, Sönmez et al. 1999, Nielsen 2001 and Beirman 2003). A tourism crisis can begin after a disaster of some type (i.e. armed conflict or terrorist attack) occurs and can continue to escalate with negative media coverage and ruined image. In this context, the mass media coverage can deepen the exclusion of affected destinations from the global tourist map. It can deeply affect unless other information and communication modes are to be used to balance the lead of the media as a security information provider (Baral et al. 2004). Perception of instability can also have consequent long-term

effects on tourism development. It can reduce the likelihood of both foreign and domestic investments in tourism infrastructure by increasing the costs of insuring such investments (Hall 1994).

In addition, the impact of media can be far beyond the immediate location in which political instability and violence occurs. With the media influence, a crisis in one country has a ripple effect on neighbouring destinations (Beirman 2003). The high security risk concerns have a ripple effect throughout the industry. The security risks at one location may be perceived to influence the wider region or, during major security concerns, the entire tourism system (Hall et al. 2009). Any political instability in a region may negatively affect neighbour nations. This is due to the publicity about the instability that makes the whole region sound volatile. The episodic violence or conflict far removed from tourist areas receive so much media attention that it appears as if the entire nation is engulfed in violence (Richter 1997). Countries without well-defined images among the travelling public are often even more damaged by well-publicised strife in nearby countries. There was the plummet on tourist arrivals and its receipts in India after the disputes with Pakistan on Kashmir. The overland tourist arrivals from the Middle East and Europe to Pakistan were abruptly terminated by the sudden 1979 Soviet invasion of Afghanistan and the Iran-Iraq war in 1980s.

### **5.2.2 Positive media influence**

For positive media influence, the role of global media is influential for destination image building. Tourists, the lifeblood of tourism, are often regarded as longing for relaxing and unconcerned holiday making. They are sensitive to events of violence in holiday destinations. Tourists choose a destination with the certain characteristics but in a more stable condition. The economic theory of tourist consumption reveals that tourists consume certain characteristics of a tourist destination rather than one single good (Lancaster 1971). Such characteristics include natural, cultural and social attractions, convenient transport facility to and from destinations, and relative prices of destination. Other such characteristics include state of peacefulness as social attractions, foreign currency exchange rates, and urbanisation all of which form pull factors of tourism demand. The authentic information dissemination by mass media shapes the positive perception of tourists towards a destination which is peaceful and fulfilled with these characteristics. The dissemination of unbiased and marketing oriented messages and positive destination information by media

coverage can create a strong positive image among potential tourists. It is because tourists base their perceptions of safety on the images conveyed by external and often exaggerated media sources. It is supportive to tourists to translate travel decisions when they acknowledge about varied attractions of tourist destinations and also no fear of personal security through accurate media reporting. The decisions are favourable for travel also when the risk threshold of the travel is acceptable through the media updates. In this context, the electronic live media coverage can cause the beneficial positive effect on tourists' perception of destination image (Mansfeld and Pizam 2006).

### 5.3 Empirical evidences

There is common practice of media with disseminating actual information and also resorting to exaggeration. The enhanced ability of the global media channels to scrutinise and report events as they occur has given rise to a mixture of problems (negative impacts) and benefits (positive impacts) for peaceful destination image of Nepal. The traditional culture and unspoiled nature are key features of tourism industry to attract tourists of varied tourist market segments like holidays, pilgrimage, adventurous and special interest tourists from all over the world to Nepal (Müller-Böcker 2000 and Bhatt 2006). There are efforts made to develop the country as a secure, dependable and attractive travel destination due to the importance of tourism in the national economy. However, the political circumstances were not always favourable for tourism, Nepal came through series of hardships surrounded by political instabilities and negative media hype. The paragraphs below offer some evidences on how negative mass media reports affected the destination image.

**Table 5.1: Examples of negative media influence during armed conflict in Nepal**

Date	Incidences	Remarks
2006 April	The 19-day April Movement in this year overthrew the 240-year long monarchy	International media coverage of people's movement and projection of Nepal as an unsafe tourist destination spread a negative image
2005 Feb 1	Take-over of all administrative and political power of then King Gyanendra	Media suffered from political control and censorship that led to creation of a negative image of the country

Date	Incidences	Remarks
2004	The publication of the story of Pakistan's ISI presence in Nepal under the title 'Nepal Game Plan' in the biggest Indian news magazine "India Today"	The increased Indian media attack on Nepal leaving no mercy to blow up the issue and alarming situation among the Indian tourists
September 2003	Iraq fallout in the streets of Kathmandu after the killing of 12 Nepali hostages by Al-Qaeda linked group The Islamist Army of Ansar al-Sunna in Iraq	Serious effects to the tourism industry as this news was sensitised linking with lack of safety of tourists by News Channels especially by Indian
November 2001 - July 2002	Imposition of nine months of emergency and declaration of UCPN-M rebels as 'terrorists' under Terrorist and Disruptive Activities Ordinance (TADO) act	With A high risk perceived about the insecurity of potential tourists due to excessive media hype.
September 2001	9/11 twin tower terrorist incidence in U.S.A. consideration of d the UCPN-M armed conflict under "global war on terrorism" and listing of the UCPN-M in "Terrorist to Watch" of the US	Against the real fact of safety and security for tourists existing in Nepal, Nepal was frequently portrayed as a destination with terrorist and terrorism by international media. There were increased perceptions of insecurity by potential travellers to Nepal due to media attention
June 2001	Royal Massacre killing all family members of then King Birendra	It not only became the top story of the news centres but also impressed a long lasting negative impact on the country's peaceful destination image at the international levels.
June 2000	Hrithik Roshan episode: The coverage of a speech of a popular Indian superstar, who mentioned that Nepal is a part of India.	People denounced the Indian actor. The situation snowballed. Tourism suffered in great extent due to the negative media hype by various Indian Channels.
February 2000	First massive attack from UCPN - M armed rebels to government military post in Dang in Western Nepal which is a isolated non touristy area on a distance of more than 250 km from Kathmandu	News about the insecurity for tourists and tourism industry was fabricated as media reported that the whole country - was under the massive attack of Maoist terrorists
December 1999	Hijacking of Indian Airlines by terrorists from Tribuvan International Airport (TIA), Kathmandu and suspend of all flights by Indian airlines to Nepal for next seven months	Excessive negative media hype about the lack of strong security measures at TIA and possibility of the repeat of such incidents by Indian private TV news channel like 'Ajtak'.

Source: Compiled by Praniil Kumar Upadhayaya

Such media dissemination were linked to and exposed with the lack of safety and security of tourists in Nepal. This media trend ultimately caused serious damages to the destination image and performances of tourism industry. For example, the media hype about the hijacking of Indian Airlines largely deteriorated Nepal's peaceful destination image which ultimately caused to drastic fall in the arrivals of Indian tourists. There was sharp decline in Indian tourist arrivals in Nepal -1.82 % in 1999, 32% in 2000, and 33% in 2001 in comparison to corresponding previous years (MoTCA 2011). Similarly, the negative media hype after royal massacre caused the reduction international tourist arrivals to 13,030 in June 2001 as against 26,933 in June of 2000. The media cell of Nepal Tourism Board had to defend against extreme insecurity related media broadcast about the lack of peace and security in tourism sector in Nepal in the aftermath of this incidence.

In addition to above incidents, the unrealistic news titles such as 'Bread-bombing' and 'Kathmandu under Siege' were also used as the common headlines by the media. Such trends of media portrayed the whole country as a 'war zone' or a 'hot spot' whereas the outbreaks of armed conflict between UCPN-M and government security forces were largely confined in non-touristic remote area mostly in mid- and far-western Nepal (Dhakal 2004, The Himalayan Times 2004, The Kathmandu Post 2004, The Rising Nepal 2004). It had portrayed Nepal as an unsafe destination for tourists. Relating and responding to the media hype, a press release of Nepal Association of Tour Operators (NATO) at a tourism industry interaction held on July 23, 2004 in Kathmandu states:

Hope, however, is slowly fading with the sensationalised news reporting that are depicting Nepal as if its citizens are under detention and the city is off limits. The media has picked the news of recent blockade of UCPN-M and portrayed its effect far beyond the reality. Some Indian media even reported that India was providing food support to Nepal. Following the latest media-sensation, people are left with no other work than convincing their foreign well-wishers that they are not hiding in bunkers and life is normal (NATO 2004).

The exaggeration of news on Nepal by various news channels of India is verifiable by its acceptance by the Indian Embassy in Nepal as illustrated in Box 5.1.



### **Box 5.1: Indian media exaggerated the news: Indian Embassy**

A top official of the Indian Embassy to Nepal accepted that some private Indian media presented misleading and exaggerated news of the blockade during August 2004 by the Maoists. V. P. Haran, Charge de Affairs of Indian Embassy said that though some wrong news were published in Indian media during the recent blockade, the Embassy could not initiate definite control measures as the Indian media is free in their reportage. The Embassy tried its best to ensure the accurate and precise dissemination of news about the recent incident from both the electronic and print media of India, but things did not go as per expectation. The sensationalised news reporting in the international media, especially India media severely affected the tourism industry that was struggling for survival. The inaccurate reporting had been one of the major obstacles on the growth of the tourism industry.

Source: Kantipur (27 August 2004), The Kathmandu Post (27 August 2004)

In the context of negative media hype, a proclamation of Nepal's Minister for Foreign Affairs Ramesh Nath Pandey at an interaction program held on "Rebuilding the Image of Nepalese Tourism through Embassies Abroad" organised by NATO on June 24, 2005 in Kathmandu is relevant. It ascertains the negative impact of the media hype on the destination image of Nepal. The statement reads:

Nepal has been the victim of negative media image and adverse travel advisories. Most of the media reports tend to bypass the ground realities and focus on areas that interest them. They are often found not to be sensitive enough to our interest as baseless and exaggerated media reports harm our national image as well as tourism industry. We have been requesting friendly countries not to post negative travel advisories, as there are no dreadful incidents of foreigner being targeted by terrorists (The Rising Nepal, 25 June 2005).

Following the widespread negative publicity, scores of international tour operators excluded Nepal from their travel brochures. However, it was the fear of insecurity caused by violence rather than the real violence and real direct threat to tourists by UCPN-M, which induced to deteriorate the destination image of Nepal. Media played important role to create or escalate crisis in tourism. The intense media coverage mentioned of Table 5.1 and various other minor incidents by media channels created a climate of fear psychosis and risk. The media exaggeration about the lack of safety and security situation to travel in Nepal created concerns about the overall safety and viability among potential tourists. The negative media hype about the worse security situation and the deterioration of the tourism destination image of Nepal is also verifiable through the review of various issues of Nepal Travel Trade Reporter (NTTR) and other publications (Bhandari 2004, Rajdhani 2004, Adhikary 2005, Bhattarai et al. 2005, Bhattarai and Dahal 2007, Grandon 2007a; Thapa 2009 and Upreti and Upadhayaya 2010). A thorough review and the content analysis

of these publications verify about the unrealistic media hype in portraying Nepal's image as an insecure tourist destination. In case of negative media reports, Bhandari (2004, p. 380) mentions 'as often with the case with the media reports, the new stories were frequently exaggerated where even single, sporadic incidents of little impact on the overall safety and security of residents or visitors were blown out of proportions.' Bhattarai et al. (2005, p. 684) reconfirm it by stating 'the rhetoric of terrorism as well as actual warfare heightened, and even the smallest of Maoist incidents were hyped in the global media, a pattern of socio-political development that further convinced the Western markets to divert tourists elsewhere, consequently rendering Nepal's industry a big blow'. All of these trends of media induced potential tourists of Nepal to build ill perception about Nepal and deteriorated the image of Nepal against a peace loving, democratic and safe destination.

Having realised the importance of crisis mitigation and rescue operations to assure safety among the tourists and reviving the destination image in the backdrop of the media influence, the tourism sector of Nepal has applied following response strategies.

- NTB has started the operation of a 24-hour crisis management cell in association with Himalayan Rescue Association and other tourism associations since June 2010 to manage tourism crisis proactively.
- The private sector tourism associations are active with continuous uses and mobilisations of media (e.g. holding of press meets, conferences, press releases, industry interactions) at national and regional levels for countering the escalated media hypes about the lack of security to tourists in Nepal.

The media coverage of the armed conflict of Nepal had not only negative, but also positive impacts in Nepalese tourism. Such coverage was supportive in exposing Nepal as an attractive destination. However, most of such positive media influences were intangible. The press releases, requests and appeals of tourism associations helped publicise the state of no physical threat to tourists even during the emergency and to advocate the safety and security of tourists. Furthermore, it was to give pressure to media to verify the facts before sending news for printing or telecasting, demand media not to exaggerate the minor conflict situations, request embassies of tourist generating countries to soften their travel advisories, and to try to revive the tourist destination image of Nepal (Grandon 2007b).

### ***International promotion of Nepal's beauties***

Though both national and international media covered Nepal's crisis during violent conflict periods and sold insurgency stories, some international media such as BBC, CNN, and Deutsche Welle, etc. also covered Nepal's beautiful landscapes and extensively reported about such aspects. The organisation of the golden jubilee celebration of the first ascend of Mt. Everest in May 2003 specially received a wide international media coverage. The massive press coverage of these week-long festivities worked very well to make positive the bad publicity of the past. Moreover, a number of blogs helped to create positive image and trust on Nepal among interested tourists. Thus, media in many ways supported the private sector of tourism industry in promoting tourism of Nepal.

### ***Dissemination of security situations to the tourists***

The media coverage about the uncertainties of the safety and security of tourists in politically instable Nepal had raised questions and created fear psychosis among the potential tourists. But the constant media coverage of the armed conflict over the years also gradually clarified about UCPN-M conflict as a purely political conflict which had no disagreement with the responsible growth of tourism and tourists in Nepal.

It was media which occasionally covered about the dialogues held between then rebels and tourism entrepreneurs. One of such examples is the mediation role which Hotel Association of Nepal had played to bring UCPN-M to table talks after it had forcefully closed Hotel Soaltee Crowne Plaza and other multinational companies on 16 August 2004. Media had covered this positive initiation and also many other similar incidences. Such media coverage broadened the real knowledge about the nature and root cause of armed conflict which was primarily a political one. This media behaviour also positively enabled potential visitors to know about the reality of the security situation of Nepal.

### ***Tributes to Nepal by various media***

A number of accolades were awarded to Nepal by various media sources during the armed conflict period. Such media coverage was positive for the destination image building of Nepal. Some such examples included Nepal as one of the '50 must-see destinations before death' by BBC television aired in late 2002, and iExplore's announcement of Annapurna Circuit as number 1 in iExplore's Hiking and Trekking Trips in 2003. Other such accolades include voting Nepal as the favourite long-haul country

behind New Zealand by two popular UK newspapers (The Observer and The Guardian) in May 2002, and voting Annapurna Trail as one of the best 12 walks in the world by Modern Maturity, a US based magazine in 2002 (Thapa 2009). Such positive media coverage helped create Nepal's positive international publicity even during the violent conflict (NTB 2008).

## **5.4 Conclusions**

This chapter has revealed the media behaviour with its potential dual impacts on tourism. With occurrences of the various security related incidents, Nepal's tourism sector was also under the verge of these dual characteristics of media effects during the decade-long armed conflict. One characteristic reveals that media is inclined to be saleable by covering and amplifying the interesting stories of political instabilities, structural conflict, and armed conflict which resulted in deteriorating the peaceful image of tourist destinations. The media coverage often magnified the extent of the impact of destruction within the actual disaster zone and turned it into a national problem. The intensity and extent of blanket media coverage generated an image of Nepal as a country ravaged by the armed conflict and severely compromised its overall image as tourism destination. All of these situations caused to erase the peaceful destination image and contributed to the decline tourist visitations to Nepal.

The other characteristic reveals the role of media which can also strengthen the positive image of tourist destinations. In line with this characteristics of media that favours and strengths the positive image of tourist destinations, there were some positive global media coverage about the natural and cultural beauties of Nepal while covering the conflicts and footages of insurgency. Such media coverage had positive implications against the deteriorating peaceful destination image of Nepal during the armed conflict.

The above discussions show that the role of media is particularly important for a country like Nepal which is in a transition from war to peaceful recovery. One has to understand, however, the media has also its biases and commercial interests that may hinder it from performing its role objectively and neutrally. We argue that for a sustainable and robust growth of the tourism industry, the media also needs to come out of its vested interests and give a more balanced picture of the situation and help build a favourable destination image even in times of crisis.

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## Reorienting the Business Actors into the Peace Builders

### 6.1 Concepts and Criticisms

Economic actors and factors need special attention in conflict analysis, mainly because of the change in nature of conflicts in modern world. There are instances of private sector contributing peace processes and peacebuilding around the globe but economic factors are so far analysed mostly from causation point of view. To its misfortune, private sector's potential for peace promotion is often left off the map of peacebuilding.

In the light of conflict–economy relations, this chapter presents private sector as a potential force in peacebuilding with a purposive focus on Nepal. It qualitatively measures the potential of private sector on the basis of this sector's engagement in peace initiatives. This chapter is an empirical sequel of what has been discussed conceptually in Chapter 1 of this book.

In conventional concept, peacebuilding has been assumed the sole responsibility of political leaders or authorised representatives. Studies so far on actors of conflict transformation have been highlighting the role of the state and/or international organisations, but excluding economic actors. After 1990s, World Bank and United Nations formally recognised the potential of private sector and began promoting the concept (UN 2000). But critics comment that this is the concept promoted by Bretton Woods Institutions<sup>19</sup> and alike financial giants. Barakat and Zyck (2009) claim that such institutions come up with heavy-handed aid conditionalities for economic liberalisation through privatisation and deregulation in post-war countries.

The United Nations Millennium Declaration seeks to give greater opportunities to the private sector, non-governmental organisations and

<sup>19</sup> English translation: Let us live by working. 'Gari Khana Deu' is a campaign to initiate a movement that carries forward the message of a Livable Nepal – a condition whereby people are able to earn a living by pursuing a profession or an economic opportunity. It is a movement that aims to raise the voices of many Nepalis who despite their political beliefs or the absence of it simply want to live a peaceful life where they have an opportunity to realise their efforts into progress and prosperity for themselves. For more, visit [www.livablenepal.org](http://www.livablenepal.org).

civil society to contribute to the realisation of its goals and programmes (UN 2000). Thereafter, both the World Bank and the UN have stressed on private sector's involvement to increase 'peace dividend' in post-war periods. After this focus, the provision of employment and economic opportunities came to be viewed as pivotal and private sector's active participation as indispensable in peacebuilding.

In the wake of multi-track approach in conflict transformation, the role of civil society organisations and private sector has triggered attention of the academia. Besides, with the complications that private sector suffers from war, conflicts and instabilities, its own interest to be involved in 'peace diplomacy' has increased. So, private sector forms an important part in peacebuilding nowadays.

No matter how profound the role that private sector has in peacebuilding, there are a number of criticisms against this notion. The first is the normative school thought that limits the role of private sector in merely supplying goods and services and generating profits. Proponent of such view, Milton Friedman, has firmly stated that the business of business is only business (Friedman 1962 and 1970). According to him, businesses should be liable only to pay taxes to a strong government and follow common regulations. The rest jobs to address social problems are of the relevant agencies.

Another criticism comes from general people's perception on corporations. In developing countries, many people still believe that corporations use social contribution and CSR as an advertisement play. Such public belief hinders people's support to corporate initiatives. Ghimire (2010) has evidenced interviews with several big businesses where businesspeople themselves have confided that they allocate CSR budget under a same heading of advertisement.

Greed for profit-making orients business actors merely to 'company think' rather than 'community think'. This greed produces negative environmental effects and diverts business from the principles of 'corporate citizenship' (Hohnen and Potts 2007) or 'responsible entrepreneurship' (European Commission 2008). As the misdeeds by some dishonest corporations affects societies, people tend to generalise whole corporate sector as selfish and merely profit-hungry. In many places of the world, such incidents have ruined corporation–community relations (Bomann-Larsen 2003 and Banfield et al. 2005). So, people do not easily believe that

corporations, who are by nature profit-oriented, can work for community in a not-for-profit manner.

This disbelief among the people is politically institutionalised by some rebel ideologies in war-ravaged countries. Many communist insurgencies have created rift in societies on the basis of class antagonism. Big corporations and investors are characterised as 'class enemies' in communist literature. This makes people believe as if profit-making is a crime and a form of exploitation and all profit-makers are criminals and exploiters. Hence, in countries where class ideology is unconstructively injected into people's mindset (for example, the eleven-year armed conflict in Nepal and the Naxalite Movement in India), private sector's involvement in peacebuilding has remained suspicious.

The final dismay from the critics on CSR, Global Compact and private sector's space in peacebuilding is that such tools have been veils to cover wrong deeds by rogue corporations. There is a wide-spread impression that big businesses involve in social benevolence to whiten their inequitably and illegally earned property. Mostly, the engagement is voluntary, and so is the compliance with non-statutory regulatory mechanisms. There is no regular monitoring on the signatories of such instruments. Hence, some critics have even termed the measures in the UN Global Compact as easy tools for 'nasty' private companies to 'blue-wash' themselves with the UN colour or 'green-wash' with going-green movements ( Utting 2005 and Nijhof et al. 2009).

Having discussed these potentials and controversies, the following section examines approaches to positively benefit from private sector. With empirical evidences, it talks about the ways that private sector can engage in negotiation, mediation and transformation of conflicts, and peacebuilding in local communities.

## **6.2 Approaches**

The approaches of private sector engagement in peacebuilding so far has not only demonstrated their potential, but also provided ample cases for academicians to develop analytical frameworks towards understanding such involvements. Despite this fact, bulky portion of literature still suffers from methodological dilemma, while many of them account personal experiences of the researchers rather than providing methodological outputs.



In the absence of the analytical framework to look at private sector engagement in peacebuilding, much of early literature (such as Hyman 1973, Shields 1991 and Shaw 2001) had concentrated more on 'war economies' and 'markets of violence'. They used to discuss the markets created and lost due to wars. Later, many studies (Mehlum et al. 2006, Bray 2009 and Berdal and Mousavizadeh 2010) include illicit and semi-illicit natural resource exploitation, smuggling and extortions of businesspeople as means to finance wars. They also detail how profit-motive business contributes to conflict contingency. But such literature pays less attention to the role of private sector as a potential agent for peace. Potentials and shortcomings of economic actors' and private sector's engagement did not get space in such literature.

In such a context, this section focuses principally on Nepal case to explore the recent literature on positive contribution of private sector to peacebuilding. Firstly relying on the desk review, it categorises approaches of private sector in peacebuilding into the following ways:

### ***Mediation in conflicts***

Private sector needs smooth and fear-free environment to run business. Hence, it requires different strategies to sustain in adverse situations. Jyoti et al. (2006) write that, in management of national political conflict, business community cannot play the role of a principal actor; it can only act as a facilitator, interlocutor or a conciliator. Both small and large companies suffer immensely during conflicts and need to find ways to cope up with the adversities. Such ways range from direct negotiations with armed actors to avoid being under attack or extorted, to paying extortion to remain operative, contracting operations or lay-offs (Alexander et al. 2009). Hence, private sector continually remains in touch with conflictants directly or indirectly thereby gaining the capacity for mediation.

By the virtue of being in good connection with political decision-makers and sometimes with rebel leaders too, business leaders can help initiate constructive dialogue in the time of crisis. The publicly-held Decisive Debate Programme by private sector actors in Nepal with political leaders on 28 April 2010 is one strong example of this. Moreover, peace talks between businesspeople and the rebels had succeeded in Nepal despite those between government representatives and then rebels failed for three times (Dhakal and Subedi 2006). It was because of the successful taskforce and willingness that private sector had to address the problem.

Similar international cases of the countries such as El Salvador (where business actors were members of the negotiation team), Guatemala (where representatives of the private sector held official and unofficial talks with guerrilla forces) and Mozambique (where the extractive industry company Lonrho was active in mediation process) exemplify that individuals, companies and sectoral associations within the private sector can make differences (Iff et al. 2010).

It is important to diagnose why private sector, especially the local businesses, have capacity to deal with the conflictants. Local business owners are tied to the conflicting party through political, cultural, ethnic or religious modes (Killick et al. 2005). Therefore, they are powerful in terms of political leverage or with a variety of linkages to different political and social actors through business relations, partnerships and personnel. This strength gives them a unique position as a mediator and/or facilitator. Hence, private sector actors become effective in transforming conflicts.

### ***Partnership with CSOs***

General people feel more sense of belongingness to civil society organisations (CSOs) than to privately-owned businesses. Hence, many business actors' and associations' collaboration with CSOs seem to have produced fruitful results in peacebuilding. Such collaboration decreases the distance of private sector with the local community and facilitates easy access to the people and their daily lives.

The National Business Initiative (NBI) in Nepal has been working with Samriddhi, The Prosperity Foundation, to empower and train youth population for entrepreneurship. It helps youths engage in private sector by encouraging them to initiate new businesses, create new opportunities and inject new ideas. It also runs a campaign 'Livable Nepal' with a popular slogan 'Gari Khana Deu!'<sup>20</sup>.

Similarly, Three Sisters' Trekking Agency (TSTA) has its sister wing 'Empowering Women of Nepal' (EWN) to encourage women's participation in trekking, rock-climbing and ice-climbing which was previously operated by only males. EWN assists conflict-affected and marginalised women in joining trekking by providing regular training, education, technical skills, mentoring and support etc (Dhakal and Subedi 2006). Thus, it has been successful in harvesting social support for its contribution to peacebuilding.

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<sup>20</sup> Approximately US\$ 11300

Yeti Airlines in Nepal has provided special social commitment to support various social projects. It works together with many social organisations as parts of its social responsibility. It donates NPR 4 per flight ticket to four social organisations, namely, CWIN Nepal, The United Mission to Nepal, Centre for Victims of Torture (CVICT) Nepal and Save the Children. By helping these organisations, Yeti Airlines has tried to address conflict-related problems at local level.

### ***Political representation***

Realising the private sector's influential role in promoting peace, all major political parties in Nepal had nominated private sector representatives in Constituent Assembly (CA). Private sector leaders such as Padma Jyoti, Binod Chaudhary, Rajendra Khetan etc. had represented the cohort and handled decisive positions in various thematic committees in the CA. Thus, they also got opportunity to advance their views in the Parliament and the Assembly. Unfortunately, the Assembly was unsuccessful to produce new constitution. Yet, it was a positive note that the role of private sector was institutionally recognised by the state and their space was duly acknowledged.

### ***Public pressure***

This was another form of collaboration with CSOs by the private sector in Nepal. For instance, FNCCI, CNI, NBI and other business federations have been collaborating with many associations to organise pressure rallies for peace. Such events are organised at critical political times when conflicting parties were facing serious mistrusts during peace process. Sometimes, tens of thousands people including entrepreneurs, professionals, doctors, engineers, journalists, professors, teachers, rights activists, artistes and people from various walks of life attend such rallies. At times, such pressures morally forced strike organisers to withdraw their programme.

Corporate community in Nepal was fed up with frequent strikes, closures and political disturbances in business operations. Such strikes are known in Nepal as *bandas* (closure of general business). Business community geared up anti-*banda* movement forming an 'Alliance against Bandas'. The private sector established a trust fund worth NPR 1 million<sup>21</sup> which was aimed to use in creating awareness and pressure against *bandas* through rallies and mass meetings (TKP 2011). The trust fund had been

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<sup>21</sup> See national dailies The Kathmandu Post, Republica, Kantipur and Nagarik of 11 July 2012.

set up jointly by the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), Nepal Chamber of Commerce, Nepal Tourism Board and Nepal Association of Tour and Travel Agents (NATTA). According to them, the rationale behind setting up the fund was to make public aware about the repercussion of *bandas* on economy and daily life.

The most controversial activity some private sector actors did in the name of pressure was defying of the rule of law. Organising public strikes, closing down the markets, protesting the government bodies' legal actions on them, setting the government vehicles on fire on one hand and advocating for peace on the other disclosed controversial character of the private sector. The arguments may be that such people do not represent whole Nepalese private sector, but it also means that business associations do not have due control over their members. By this, the media and the civil society heavily criticised the private sector in Nepal.<sup>22</sup>

### **6.3 Potentials**

In war-ridden and post-war countries, private sector remains as the major hope which can boost employment, trade, investment and the promotion of local enterprises. The success of society and that of business is such intrinsically associated that Jyoti et al. (2006, p. 36) write, "there can be no successful business in an unsuccessful society" and successful business is one of the major indicators of a successful society. In the context of Nepal, human capital has been the number one export. Every year, 400,000 new job-seekers enter into the market (CBS and ILO 2009) and 679 able-bodied people embark daily to work abroad through licensed private recruiting agencies and on individual basis (NIDS and NCCR North-South 2010). With government's incapacity to generate large scale of employments and economic opportunities, this frustrated population becomes prone to fuel instability and poverty. This situation calls for early involvement of private sector in generating opportunities and the government to create conducive environment for private sector actions. Nepalese private sector is still unable to harvest such and other more potentials of cheap human resource within Nepal.

Various business potentials are still under-utilised while economic factors constitute the causes of major conflicts in Nepal. To discuss empirically,

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<sup>22</sup> National dailies such as Kantipur, Nagarik, and Republica from 10 February to 24 February 2011 are full of news and data related to this scandal. Most notably Kantipur daily of 23 February 2011 have a detailed section on this issue.

annual tourist arrival of more than 500,000 (NTB 2008), community forestry generating huge potentials of non-timber forest product markets (Pokharel and Carter 2010), merely 600 MW electricity being generated out of 83,000 MW hydro-capacity (NEA 2011), FDI's investment interest on manufacturing (FNCCI 2009), telecommunications, civil aviation (Jha 2006) and hospitality sector (Sharma 2012), and the promising number of private sector employment in education and banking show immense investment potential in Nepal. But Sharma (2012, p 10) writes that *"Basic infrastructure needed to support investment is woefully inadequate. The supply of power and water is insufficient. Transport is difficult, a problem compounded by the fact that Nepal is landlocked. Such poor infrastructure and high risks have made the market least conducive to investment."* Hence, private sector's collaboration with the government and the civil society in harvesting these potentials seems a precondition for aspired success.

Besides these potentials for mitigating the causes of conflicts, some unique characteristics of the private sector create space for contribution to peacebuilding. It can create platforms for dialogue because of its wide contact with conflictants. Moreover, corporate associations, federations and confederations characterised by their wide-spread networks, grass-root touch and connection to the policy-makers and decision-makers have strength for collective actions. Thus, private sector has strong foundation both nationally and locally.

Further, business associations in Nepal have democratically elected committees and thematic task-forces to work on specific issues. Their institutional set up can also be the basis for operational efficacy. In Nepal, Federation of Nepalese Chambers of Commerce and Industry (FNCCI), Confederation of Nepalese Industries (CNI), Hotel Association of Nepal (HAN) and Trekking Agents' Association of Nepal (TAAN) represent some of such associations.

The companies that have legal and legitimate purpose remain under pressure to demonstrate that they are cautiously helping avoid or solve conflicts (Nelson 2000). It needs proactive engagement from the private sector. Yet, along with the conflict transformation and peace promotion potential, private sector has limitations and disadvantages. The following section discusses about them.

## **6.4 Challenges**

Smooth operation of business activities and economic recovery after conflict are the preconditions for social success. But economic activities plummet due to insurgency and political instability. People become physically injured, geographically dislocated and psychologically divided. In such a situation, the cost of peace increases substantially and working for the society remains a challenge. On one hand, conflict ravages economy, on the other dim hope for future, absence of regulatory provisions and agencies and ineffective security provision discourage private sector to work. Hence, insurgency and post-agreement period offer not only opportunities, but also challenges to the potential peace-builders. The following paragraphs discuss about some major challenges of private sector to be involved in peacebuilding in Nepal:

### ***Ideological mischaracterisation***

In Nepal, the 11-year long insurgency was said to be a 'class-based struggle' (Bhattarai 1998). Insurgents had spread an assumption in public that the business community is the class enemy of common people. The agenda of reforming the economic discrimination had vibes in Nepal. But the way that Maoists characterised the private sector made the latter compelled to encounter direct effects of conflict. Insurgents saw business community as those deriving undue benefit from the state policy of deregulation that was launched after the reinstatement of democracy in the 1990s (Dhakal and Subedi 2006). They portrayed corporate actors as merely profit-hungry people, not an active cohort of citizens who had potentials for conflict transformation. At the time of writing this chapter, the former rebels are leading a coalition government. They need active support from the private sector for economic recovery, which remains a challenge for the former rebels.

While underlining the role of private sector in peacebuilding, we cannot undermine their prime motive of profit-making. The major interest of the private sector is wealth creation. Therefore, the society must not always expect it to deviate from its prime focus, but should attempt to make them aware that conflict-sensitive practices pay off. Hence, overcoming the ideological mischaracterisation and respecting the judicious and legal ways of profit-making are challenges while bringing private sector into peacebuilding job.

### **Questions on corporate ethics**

Poor record of paying taxes, unfair wages and frequent financial fraud have defamed private sector in Nepal. Due to ill-intentions of some private sector actors, the whole sector faces serious questions on corporate ethics. The media had once revealed fraud value added tax (VAT) bill scandal of at least 45 private business companies that did not pay tax amounting to 555.5 million US\$.<sup>23</sup> In consequence, Inland Revenue Department of Nepal had taken action against them.

Underpayment and delayed payment, workplace insecurity and labour exploitation are some of the features which are exacerbating industrial conflicts in Nepal. Whenever such conflicts increase, lack of proper institutional frameworks and/or willingness of corporate owners to resolve the disputes falls under serious questions. Instances of conflicts in APCA house, Himal Media, Kantipur Publications and other media houses (Adhikari 2010) and private schools in Nepal (Caddell 2007) are evident in such cases. Moreover, private sector actors' bribing to political leaders while appointing relevant ministers and senior government officials, and unethical nexus of political leaders with business people have been also unveiled in media reports.<sup>24</sup>

Because of such frequent cases, Nepalese society is sceptical of private sector actors. Huge number of companies involved in such misdeeds does not merely suggest a one-time blunder of private sector actors. It rather suggests how some actors in private sector aim to benefit from the loopholes of the state. It is a sign of not only the fragility of state mechanisms, but also the vulnerability while bringing private sector to the forefront. Hence, proactive engagement of business sector to correct itself is vital as much as government regulation on business actions is.

### **Fear of status quo**

A wide suspicion that private sector supports conservative economic agenda in pursuit of stability catalyses fear in those wishing for a paradigm shift (Jyoti et al. 2006). Along with this, parties in conflict may fear that private sector wants to constraint state apparatus with limited regulatory capacity so as to solely benefit from the change. It is because, in some cases, private sector may have been benefiting from status quo.

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<sup>23</sup> Read Himal Khabarpatrika (14-19 March 2012) and *The Kathmandu Post* and *Republica* of 30 July 2011 to know more about business-people's nexus with political leaders in Nepal.

<sup>24</sup> Read Himal Khabarpatrika (14-19 March 2012) and *The Kathmandu Post* and *Republica* of 30 July 2011 to know more about business-people's nexus with political leaders in Nepal.

The bleak part of Nepalese private sector's engagement in peacebuilding is that business leaders believe free-market and massive production as the overall solution. Indeed, addressing the causes of conflicts needs judicious distribution of benefits, in terms of regional parity, access of the poor to business opportunities and responsible investment, along with production of goods and generation of services. In contrary, status-quoist approach resists the need to address economic roots of conflicts through reforms and recovery while reforms in land ownership and redistribution, production-centric re-management of resources, for example, are major challenges in post-war phase.

To overcome this fear, private sector needs to assure the public that it does not want re-establishment of the previously held positions in economy, but works for judicious distribution of economic opportunities, transformation in positions, distribution of benefits, and creation of new value chains. However, Killick et al. (2005, p. 4) rightly state that one cannot generalise all private sector as a single entity. Moreover, it is globally seen that the private sector of any country does not have uniform agenda on peacebuilding in their respective country.

### ***Peacebuilding skills***

Despite having promising potential for contributing to negotiation, mediation and transformation of conflicts, private sector, nonetheless, largely lacks commitment, knowledge and understanding of their potential role in peacebuilding. They also may not possess necessary skills to play a constructive and politically correct role (Jyoti et al. 2006).

One misleading notion guides Nepalese discourse that whatever social role, or corporate social responsibility (CSR), the private sector performs can be considered as peacebuilding efforts. Unfortunately, the activities that private sector does as a part of social responsibility cannot fully explain its role in peacebuilding. CSR as such cannot be a barometer to gauge the involvement of private sector in peace promotion. Limiting such important role of private sector in peace promotion within CSR has merely misguided the whole debate.

Though all forms of social engagement directly or indirectly contribute to peacebuilding, one cannot conclude that private sector is contributing to peacebuilding merely on the basis of such activities. Peacebuilding skills need specific proficiency, expertise and peculiar ways to intervene. Merely philanthropic and charitable donations do not contribute to



peacebuilding. Hence, beyond complying with existing regulations and offering donations, Nepalese private sector should now check whether it has integrated approach to peacebuilding and is not contributing to conflict by its business practices.

## **6.5 Conclusions**

Economic factors and actors have been central because of the changing nature of conflicts in the world. With global instances of the past decade, private sector's power for conflict transformation has just begun to be recognised and researched. Yet, socio-economic divide, conflicts generated by economic ideologies and greed-based motive of some companies have triggered private sector's role into controversies.

Decreased investment, divestment, reduced access to markets damaged infrastructure, direct attack and loss of opportunities make conflicts costly for private sector. In addition to addressing conflicts, there is a moral imperative for private sector to get involved in peace promotion as a responsible sector of society. Thus, private sector needs to not only succeed commercially but also socially.

As regards to the Nepal case, success of private sector in peacebuilding approach seems to depend on its willingness and need to cope up with adversities. Besides, conflicting parties also seem to cooperate with the private sector so as to gather sympathy and direct/indirect supports. Unlike this, some sub-sectors have witnessed difficulties with the rebels because of radicalisation of workers, massive unionisation and sometimes their inefficiency in conflict-sensitive management.

Private sector's partnership with CSOs in peacebuilding has given people a reason to feel the sense of belongingness and ownership to private their social programmes. Some instances even show that this approach has been a key to corporate success. Recognition of the importance of private sector by the state has offered operational convenience for private sector. Moreover, corporate leaders are politically represented in legislative bodies making the sector more visible and more heard than they were before. But sometimes this sector has misused its power and was criticised from the public too.

As economy has been a prime root of its conflict, Nepal offers fertile ground for private sector to grow as a responsible change-maker. Tourism, hydropower, forestry and telecommunications are some major sub-sectors from where private sector can address the root causes of

conflict. Network with businesses and nexus with conflictants have also provided this sector a unique position in Nepal's conflict. Although there are certain 'individual champions' in private sector, its collective action seems more effective than individual efforts in peace promotion. But, basic infrastructure and government support in peace and security to make this happen are very poor.

Though Nepalese private sector has potential for peacebuilding, there are a number of challenges to overcome. While the ideological nature of Nepal's conflict is creating antagonism between corporate people and the general people, re-bridging the rift between them is a major challenge. This has been a challenge not only to the corporate world, but also to the former rebels who have transformed themselves into a responsible mainstream party of a Democratic Republic. Further, inappropriate corporate behaviour and malpractices revealed by the media have eroded people's belief on the private sector. Finally, the false assumption that all problems get resolved with free-market mechanism and merely production-intensive business is guiding some corporate actors. Another major challenge is that private sector, by the virtue of being an apolitical sector, may not possess political characteristics, expertise and proficiency required for peacebuilding.

In peacebuilding, what counts is not only the number, size, ownership, strategies and operation, but also the perception on private sector in the eyes of wider community. It determines the success or failure of private sector involvement in peace promotion. Other side of this argument is that the private sector itself fears that contribution to peacebuilding may not be a profit-making job, or will not return their financial/non-financial investment into commercial benefits.

The positive experience in Nepal's case is that Nepalese private sector is working proactively towards creating a new social image and carrying the part of the peacebuilding job. But three false assumptions govern the discourse on business and peace so far. They are: (a) private sector is a single and homogeneous entity, (b) it is a neutral actor in conflict, and (c) every philanthropic engagement of private sector can be termed as peacebuilding efforts. Private sector certainly needs to go beyond merely the philanthropic concept of CSR and donations. It could generate investment, provide hope and create economic opportunities for larger section of society. While we expect this sector to address the causes of conflict, we, at the same time, must respect its prime motive of judicious profit-making and wealth creation.

Finally, one must realise that due to the unique networking, institutional features, social, economic and political characteristics, private sector has promising potential for peacebuilding in Nepal. In nut-shell, the fairest conclusion is that possibility of recovery is higher and sooner when private sector gets involved in peace promotion.

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### 7.1 General background

Unlike many other developing countries, Nepal commenced modernisation only very recently and under relatively unfavourable circumstances. With virtually no modern physical infrastructure in a highly rugged and difficult terrain, limited exploitable natural resources, a small skilled labour force, and a landlocked situation, options for rapid development have been very limited and the choices uncertain. Most people who have lived in the hills and mountains have survived on a precarious balance with the fragile environment. These difficulties have been well demonstrated by the extremely limited impact of 11 Development Plans<sup>25</sup> Nepal has come up with so far in bringing about overall improvement in the economic well-being of the people and the failure of the economy to overcome existing short-run problems and promote sustainable longer-run solutions.

During the past six decades after the introduction of a planned framework, the population has more than tripled from 8 million in 1952 to just over 26.6 million in 2011 (CBS 2012). While there has been expansion in the physical infrastructure, such as roads and electricity, many people still do not have access to basic infrastructure such as road and access to power supplies is even more restricted. Public sector expenditure has increased substantially over the years, yet the eradication of poverty and improvement in the standard of living of the majority has not been satisfactory, although the latest national figure in the National Living Standards Survey 2010/11 shows that the national poverty level has come down to 25.16 per cent (CBS 2011). Eradication of poverty is one of the most important development problems facing Nepal. Even the Human Development Index (HDI) is very low with 0.553 in 2007, one of the lowest in the region (UNDP 2010). Whatever the achievements in other areas, the need to bring about rapid improvements in the living standards of

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<sup>25</sup> The process of planned economic development commenced in 1956 with the inception of the First Five-year Plan (1956-1961). Eleven such periodic plans have been implemented so far and the country is now in its 12<sup>th</sup> plan. It may be interesting here to look at what the first plan mentioned about its goal of development. It stated, "The central purpose of the programme is to raise production, employment, standards of living and general well-being throughout the country, thus opening out to the people opportunities for a richer and more satisfying life".

the people cannot be sidetracked because, as long as endemic poverty remains unabated, it will continue to be a major cause and effect of environmental and social problems.

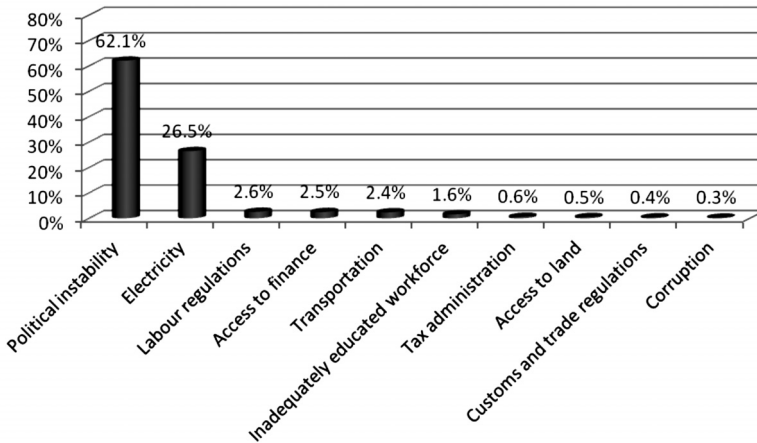
## **7.2 FDI in Nepal**

Nepal opened the doors to foreign investment in recent times. Since the government opened some service sectors to foreign investment, progress has been made in allowing private operations in sectors that were previously government monopolies, such as telecommunications and civil aviation. Licensing and regulations have been simplified and even 100-per cent foreign ownership is now allowed in some sectors. According to the latest data available, the total number of foreign direct investment (FDI) projects has increased almost tenfold in the last decade (MOF 2012).

However, this much talked about foreign private investment has not been forthcoming so far to catalyse the private sector and to meet the growing needs for capital investment. The primary reasons for this have been the continuing political and administrative instability, the mistrust between the labour unions and business sector, and lack of adequate basic infrastructure. Continued political and social stability, together with economic prosperity and government policies conducive to FDI in an individual country often helps maintain its attractiveness as host location. But in the case of Nepal, the investors have not seen this stability in the recent years. The policy-makers certainly may have presented a fairly attractive foreign investment policy, but little have they realised that what a nation needs is a stable environment for the policies to have any effect and attract potential investors. In a survey with the business community conducted by the World Bank in 2009 about the effects of business environment on firms, highest number of firms expressed their view that the political instability in the country was the biggest constraint for them to do business in Nepal (Figure 7.1). It is important to note that for potential investors, issues such as corruption, customs and trade regulations, tax administration and access to finance are not taken to be crucial constraints for doing business in Nepal. This may explain why business community gives high importance to the political stability. In addition, basic infrastructure needed to support investment is woefully inadequate. The supply of power and water is blatantly insufficient. Transport is difficult, a problem compounded by the fact that Nepal is landlocked. Airport facilities are still small and outdated, while road transport suffers from narrow roads and a lack of direct connections between the main centres of commerce.

Another hindrance for the promotion of FDI is the nexus between corporate and political elites existing in Nepal (see Chapter 6 for details). And equally critically, there exists a deep mistrust between the labour unions and the business sector that has become almost like a trademark in the ongoing political instability in the country. These factors have made the market least conducive to investment.

**Figure 7.1: Top ten business constraints for firms**



Source: Adapted from World Bank (2009)

According to the World Bank (2012), in the five years till 2009, net FDI in Nepal averaged only 0.1 per cent of GDP as compared to an average of 1.9 per cent for low-income developing countries. The report cites that such low performance of FDI are caused by issues such as challenging regulatory and legal framework for foreign investment, poor governance and accounting practices, weakness in the domestic banking sector together with lack of a swap market for the Nepali Rupee, poor implementation of property rights, and heightened political uncertainty. In addition, the country's logistical limitations, absence of supporting infrastructure, and the relatively smaller size of projects constrain investments, especially in the manufacturing sector. Some of these issues are discussed in the sections that follow.

As for the trend of the incoming FDI flows in Nepal, there has been a very reluctant response from the global investors, according to the data available. The UNCTAD World Investment Report 2012 shows that the

FDI inflows to Nepal in 2011 reached \$95 million, a meagre increase from \$87 million in 2010. Although the past couple of years have seen an increasing trend in the FDI inflows, this figure is still very low, even when compared to Nepal's neighbours in South Asia, where for instance, inflows to Bangladesh recorded \$1136 million in 2011 and the Maldives received \$282 million in the same year (Table 7.1).

**Table 7.1: FDI inflows to South Asia in 2011**

Country	Amount of FDI inflows in US\$ million	Growth rate from previous year	% of South Asia inflows
India	31554.03	30.61	90.69
Pakistan	1327.00	-34.37	3.81
Bangladesh	1136.40	24.43	3.27
Sri Lanka	300.00	-37.19	0.86
Maldives	281.55	32.94	0.81
<b>Nepal</b>	<b>95.49</b>	<b>10.09</b>	<b>0.27</b>
Afghanistan	83.41	-60.52	0.24
Bhutan	13.87	-14.70	0.04

Source: Adapted from UNCTAD (2012)

Another concerning fact that comes out of the United Nations Conference on Trade and Development (UNCTAD) 2012 report is that Nepal's inward FDI potential index ranking in 2011 was 150 (out of 182 countries), and the lowest in South Asia (Table 7.2). The Inward FDI Potential Index ranking is calculated by taking the simple average of a country's percentile rank in each of the five economic determinants of FDI, namely, market attractiveness, availability of low cost labour and skills, enabling infrastructure, and presence of natural resources.

**Table 7.2: Ranking of South Asian Economies by Inward FDI Potential Index, 2011**

Economy	Market attractiveness	Availability of low-cost labour and skills	Enabling infrastructure	Presence of natural resources	Overall rank (out of 182)
India	24	1	79	5	3
Pakistan	94	6	101	55	50
Sri Lanka	42	23	80	137	68
Bangladesh	66	..	125	86	89
Maldives	89	..	72	173	126
Bhutan	108	..	116	144	134
<b>Nepal</b>	<b>142</b>	<b>65</b>	<b>146</b>	<b>145</b>	<b>150</b>
Afghanistan	124	93	170	118	159

Source: UNCTAD (2012)

It has to be mentioned here that Nepal does deserve some credit in pursuing various policies over the years to attract FDI. Initiatives such as entering the World Trade Organisation (WTO) in 2004 and becoming a member of South Asian Free Trade Area (SAFTA) in 2004 are some of the endeavours in that direction. More recently, a new Trade Policy (2010), a new Industrial Policy (2010) and Nepal Trade Integration Strategy (2010) have also been released. At high level, the country convened Bilateral Investment Promotion and Protection Agreement (BIPPA) with India in 2011, although that move has also been controversial. Further, in order to eschew double taxation, agreements have been concluded with India and several other countries (MoF 2012). In addition, the government has formed the Investment Board in 2011 and has declared Fiscal Year 2012/13 as the Foreign Investment Year. All these initiatives are to be credited, but merely bringing out some policies and signing treaties is not going to be enough to attract foreign investors. There are several other factors that actually influence the incoming FDI, as evident from Figure 7.1. A careful analysis of the overall economy to craft out the best possible policies under the given circumstances and a determination by the government to give proper and legal protection to foreign firms is absolutely necessary to attract more FDI.

### **7.3 Tourism in Nepal's economy**

The significance of tourism in Nepal's economy can be seen, among other things, from the foreign exchange made by this sector in the recent years. According to the Economic Survey 2012, foreign exchange earnings during the fiscal year 2010/11 grew by NPR 494 million as compared to the previous year, reaching NPR 28.63 billion. In the first eight months of the fiscal year 2011/12, foreign exchange amounting NPR 24.61 billion was earned. This amount is 45.5 per cent of foreign exchange earned from the total commodity exports, 23 per cent of foreign exchange earned from the total service exports and 5 per cent of the total foreign exchange earned during the period (Ibid.).

Equally important is to look at the income from the tourists and the contribution of the sector to GDP. According to the same survey, tourist arrival in 2011 grew by 22.1 per cent as compared to 2010 reaching 736,215, while the income from the sector totalled NPR 28.63 billion. At the same time, contribution of tourism sector to GDP was recorded as 1.8 per cent (Ibid.).



Theoretically speaking, the entire country of Nepal possesses potential for tourist destination. However, this 'potentiality' only remains on paper and in the imagination of Nepal's well-wishers. Much remains to be done to develop this sector properly as desired. The contribution of this sector to GDP is still low and hasn't been rising significantly, while the number of tourists, although slowly increasing, is also low in comparison to other countries. Hence, it is imperative to develop tourism infrastructures and increase the number and stay of quality tourists. For that, Nepal needs to win the confidence of potential investors, promote private-public collaborative projects, and simplify administrative procedures such that doing business in Nepal becomes attractive rather than cumbersome.

#### **7.4 FDI in tourism**

Tourism is an attractive sector for many foreign investors. It has been true even in case of Nepal. Most of the incoming FDI is in the form of joint ventures in Nepal, the latest figures of which are shown in Table 3. Most of these investments are in the manufacturing, tourism and service sectors.

**Table 7.3: Joint ventures industries in operation in Nepal (as of mid July'11)**

S.N.	Country	Sector						Total no. of Industries	Total Project Cost from Countries (Million NPR)
		Agro-based	Construction	Energy-based	Manufacturing	Mineral	Service	Tourism	
1	India	1			89	1	17	10	16644.97
2	USA	1		1	13		23	13	9579.21
3	Japan	4	1		9		10	20	1573.27
4	China			1	15		7	7	2361.98
5	South Korea				11		3	6	609.68
6	Germany	1			7		4	6	346.58
7	UK	1			6		2	6	449.18
8	Switzerland			1	2		2	4	176.17
9	France				5		1	3	145.98
10	Hong Kong				3		1	3	545.26
11	Others	1	2	3	35	0	21	18	14630
12	Total	9	3	6	195	1	91	96	47062.28
13	Total Project Cost for different sectors	263.50	231.00	12510.40	19279.62	826.80	7313.06	6637.90	47062.28

Source: Adapted from Economic Survey, 2011/12

Clearly, tourism is an attractive sector for foreign investors, seen from the number of joint ventures in this sector. Another way to look at the contribution of tourism is through the employment generation over the years. The government's Economic Survey for 2012 shows that this sector provided direct employment to 120,000 people in 2011 alone, and many others have benefited from it indirectly, for which foreign direct investment has played a major role.

One question that is worthwhile asking at this point is what makes the FDI into tourism effective? One study by UNCTAD (2008) has shown that the impact of FDI on tourism depends greatly on the specific context, including the national policy framework in each country, the corporate policy of investors, and the extent to which foreign firms can create linkages with domestic enterprises. The study suggests that the national policy initiatives should be tailored to specific country needs and resources, and to their position in the tourism industry life cycle. Regional policies also need to be considered in many cases. The study concludes that while virtually all developing countries have given a high priority to attracting FDI in tourism, very few have yet to put in place the policies that are needed to benefit as much as possible from it. For international tourism to be beneficial to the people at large, and for the benefits of tourism FDI to be more fully realised, a much more engaged policy approach is required.

For this to happen, the private sector within the country, more than the foreign investors, also have the responsibility to be more proactive in engaging with the policy makers to create a conducive environment for investment and stability. Sharma (2010) argued that private sector has a responsibility, as does the government, to work towards creating a stable and transparent economic environment so that Nepal becomes an attractive place for private investment. The private sector can only benefit by proactively seeking out ways of supporting efforts to develop suitable investment policies and more inclusive practices, and working towards creating a more trustworthy relationship between labour unions and business community. The government, on its part, needs to encourage investments in a number of critical sectors while the private sector must take a leadership role in drafting a national strategy for economic growth. The government has a critical role to play in creating a secure and business-friendly environment that will attract and sustain foreign investment, but, ultimately, only the private sector can deliver lasting and sustainable economic growth.

That the private sector can, and should, play a more significant role in even in the tourism sector has been aptly put by Sharma (2012), where he argues that although the private sector has played a vital role in keeping the tourism sector thriving to this date, it still is lacking in playing three crucial roles, namely, diversifying regional tourism destinations, improving the quality of tourism and upgrading Nepal's low-cost-destination image, as well as participating more proactively in the development of tourism infrastructure. These are also the areas where foreign investment could play a catalytic role, and where the government can play the role of an enabling state to design and implement favourable policies. The governance structures in tourism and their effective performances will be critical for a sustainable future of tourism in Nepal.

Properly planned and well-crafted FDI into tourism, in coordination with both the private sector and the government, can potentially address a lot of these issues, by focusing on, for example, in the areas of marketing, access and diversification of tourism destinations. Initiatives such as building partnerships with global and regional tourism-related institutions, developing tourism products aimed at improving the length of stay of quality tourists, promoting community-based tourism and developing required human resources, facilities and infrastructure, and creating safe, secure and attractive tourism packages for attracting Hindu and Buddhist tourists from all over the world, to name a few, are some of the areas where FDI could play an effective role.

To realise all this, however, some critical impediments have to be overcome so that the private sector and foreign investors can be more proactively involved.

## **7.5 Major impediments to stronger private sector involvement**

Across all infrastructure sectors in Nepal, foreign investors often encounter various difficulties in implementing individual projects. This holds true not only in the reasonably well prepared environment of hydropower projects but also in the uncharted territories of water, roads, or airports. Invariably investors interested in specific projects will be concerned about a general lack of political support and commitment, inadequate preparations by the government, questions regarding the reliability of contractual arrangements, as well as the commercial risks related to attracting commercial lending and the limited size of the market. To facilitate the implementation of infrastructure projects, the government needs to, if it is really serious about increasing FDI in the country, tackle

these issues based on a clear understanding of the problems encountered by interested investors.

### **7.5.1 Political and administrative instability**

Continued political and social stability, together with economic prosperity and government policies conducive to FDI in an individual country will help maintain its attractiveness as host location. But in the case of Nepal, the investors have not seen this stability in the last two decades, except for a brief period immediately after the establishment of multiparty democratic system in 1991, and Nepal slowly entered into a new era of economic change with promulgation of various liberal economic and open market policies such as Industrial Enterprises Act, 1992, Foreign Investment and Technology Transfer Act, 1992, and New Industrial Policy, 1992. During the same time, reforms such as simplification of licensing procedures for trade and industry, convertibility of Nepalese currency on current account, and privatisation of some of the public enterprises in the trade, service and industrial sectors were also undertaken. These reforms were indeed moves in a right direction, and opened up new avenues and opportunities for the private sector as well.

However, since the launch of the decade-long armed-conflict in 1996 to the present day in 2012, when the armed-conflict has long been over and the country has gone through unprecedented socio-political changes in its recent history, the political and economic environment of the country has remained extremely uncertain and unstable. To give just one example of this instability, in the last 21 years, Nepal has had 21 different governments! Different governments do not only mean changing political leadership, but also result in changes in the administrative structure. Civil servants responsible for particular areas move on to other tasks, being replaced by individuals unfamiliar with their new tasks. This results in the interruption of reform programs as well as project preparation.

For private investors such a frequent change in counterparts within the government is extremely time-consuming and frustrating. Investments on a non-recourse project finance basis are complex contractual arrangements, depending on the careful negotiation of a multiplicity of details among the various parties involved. A change in responsible civil servants frequently means that the process has to start all over again. Government officials will be hesitant to make decisions based on the work of their predecessors, requiring a review of the entire project.

There is obviously little that can be done to eliminate instability driven by the differences among political parties. However, this does not necessarily have to translate into instability at the administrative level. It would be beneficial to both the investors and the country itself if there could be designed a strong administrative structure in the form of reasonably autonomous agencies that maintain the expertise and responsibility despite changes in government. This would provide continuity in a process that typically is quite time-consuming, rather than disrupting a process crucial to the country's overall development. Unfortunately, the government and the politicians have done very little so far in this regard. They certainly may have presented a fairly attractive foreign investment policy but little have they realised that what a country needs is a stable environment for the policies to have any effect and attract the potential investors. This is also obvious from Figure 7.1, which shows that the topmost constraint for the firms to invest in Nepal is political instability.

### **7.5.2 Lack of consistent planning and effective implementation**

Another reason for the lack of involvement of the private sector in infrastructure can be attributed to the fact that the government, in general, relies heavily on traditional public procurement to undertake investment projects. Usually, line ministries and sectoral agencies select specific projects as their investment priorities. Following the approval of an overall, cross-sectoral priority list, the Ministry of Finance approves and provides the funding. However, due to the lack of public resources and the high dependence on concessional financing from multilateral and bilateral sources, the process actually appears to be more *ad hoc*, on a project-by-project basis, depending on the availability of funding.

This procedure has a built-in bias in favour of public sector financing of projects, and leaves little or no room for incorporating private investment alternatives. Rather than treating private sector involvement as the preferred option, this seems to be considered desirable only in cases where public funds cannot be found, or where the projects are so large that they exceed the budgetary capacity of the country. One does not see a step in this process where the government evaluates individual infrastructure projects on whether they could be taken by the private sector so as to reduce the list of public sector priority list. This forces investors to rely on pursuing individual projects and on lobbying government officials, rather than being presented with investment opportunities.

### **7.5.3 Lack of government support arrangements**

For those contemplating infrastructure investment in Nepal, it is well known fact that while discussing private infrastructure projects, government officials tend to emphasise that such projects would be expected to be financed entirely on a private basis without any form of government involvement. Even in large hydropower projects the government is unable to provide much needed support. To a large extent, this hesitance to provide support certainly is the result of a chronic shortage of public resources. At the same time though, it also reflects an insufficient understanding of the project-specific risks. Generally speaking, private investors should be responsible for all commercial risks of a project. Especially in infrastructure, however, some risks are political in nature with the government being the only entity with control over these risk components. These risks arise especially in an environment where the regulation of future operations is unclear, and where the main service providers in the industry remain in the state hands. Confronted with the danger of sudden changes in law during operations, or with uncredit worthy state enterprises in long-term purchase or supply contracts, the investors will require assurances of the long-term viability of their project arrangements. Any political risks that remain without a government guarantee will either step in the project falling apart, or the investor absorbing it. In the latter case, however, this will translate into higher costs because of the increased risk level, resulting in higher user charges at the end.

All these, including insufficient institutional capacity in obtaining commercial lending seem to be hampering the smooth flow of foreign investment into infrastructure in Nepal. However, this picture also applies in general to investments in other sectors. Although Nepal does have some attractive incentives for foreign investors, the actual problems faced by the potential investors have so far, it seems, outweighed the incentives and hence have resulted in much less foreign investment than desired.

### **7.5.4 Escalating labour disputes**

Another issue that has become a matter of a genuine concern to the existing private businesses and potential investors to Nepal is the growing tensions between the trade unions and businesses. More and more industries are facing a constant threat of physical assault by trade union workers, and as a result many of them have had to shut down their businesses,

either temporally or permanently. Some of the recent examples include that of a garment manufacturing unit of Surya Nepal (the largest tobacco manufacturer in the country running under a joint venture with an Indian firm), as well as KFC and Pizza Hut (also running with Indian investment). Similar problems have been faced by multinational companies such as Unilever and Colgate Palmolive. Although some efforts have been made in the past to improve the relations between industrialists and labour, major progress seems elusive as ever, as the two parties are still sceptical about each other. And it will be wrong to assume that only certain firms are targeted, as the negative effects these incidences generate spread very quickly and can be damaging to creating a favourable investment climate. The growing tensions have become more of norm in industries and business, the need to maintain harmonious relations between trade union workers and industrialists and managers has become more urgent.

## **7.6 Final remarks**

Nepal's dismal scenario of consistent low FDI over the years substantiates the argument that private investment comes in only so long as policy environment is satisfactory. Consistent political instability, poor infrastructure and high risks have made the market least conducive to investment.

Effective FDI can and will usually play a crucial role in capital accumulation, building infrastructure, employment generation, and skills transfer, but for that to happen it is paramount that Nepal understands why and how international investors choose locations. Along with increasing the volume and quality of tourists, ensuring a regional balance in the distribution tourism benefits, and creating an institutional framework that ensures a larger portion of the populace benefits from tourism will be the areas where the involvement of private investors, especially foreign investors with their technological skills and recourses, could come useful.

It is equally important to increase the absorptive capacity of the local economy so the community can benefit from tourist spending. To do this promoting private investment should go hand in hand with expanding the reach of the benefits. In many cases, local people have only a vague idea about the types of services and goods that would satisfy their customers, who are from diverse backgrounds and cultures. Information on tourist arrivals and their preferences should be provided to local stakeholders so that they can benefit more from the tourists' spending.



At the end, real growth and prosperity does not come to any nation without peace and stability, particularly for a country like Nepal which has been conflict-torn for most of the last 15 years. Peace-building is not just a mere buzz word in case of Nepal, it is a genuine necessity. But peace does not come just by wishing for it. It requires focused and informed analysis, purposeful and pragmatic design, and some courageous steps to reduce conflict and identify opportunities in all aspects of economic policy and programming. FDI can play a crucial role in making this happen. The concerned stakeholders and Nepal's well-wishers cannot afford to ignore such approaches. Until now, preoccupation with the prolonged political transition among the political and economic actors has overshadowed the economic issues. Now it is high time to work towards bringing about reforms that would improve the investment climate, stimulate growth, and create more private-sector jobs, if Nepal is to stay in the pathway of growth and prosperity.

\* \* \* \* \*

## 8.1 Introduction

Tourism is one of the most important forces shaping our world (Cohen and Kennedy 2000). The global tourism is firmly established as the number one service industry in many countries and the fastest growing economic sector in terms of foreign exchange earnings and job creation. The exponential growth of international tourism arrivals from 25 million in 1950 to 980 million in 2011 with over 38 fold increase clearly shows it as one of the most remarkable economic and social phenomena of our time (UNWTO 2012b). The trend of the growth of tourist arrivals in Nepal is also significant as the number of tourist it received (735,932) in 2011 is the largest recorded number so far (NTB 2012).

The growth of tourism has several positive contributions to the present society. However, the rapidly growing today's mass tourism is also mounting unsustainable tourism practices. It is a threat to the health and well-being of the environment and community as well as tourism itself (Dodds and Joppe 2005). Amidst some negative sides that tourism has succumbed to, the dominance of neo-liberal values in the global community has affected the marketisation. As a result of such dynamics, the corporate leaders of tourism industry are able to harness opportunities for their own wealth accumulation (Higgins-Desbiolles and Blanchard 2010). In this context, there is a need to incorporate responsible policies and practices for making tourism sustainable and peace-sensitive (see Box 8.1). A socially and environmentally responsible tourism helps foster stability, economic equity, and ultimately a more peaceful society (Honey 2008). Making tourism sustainable and environment-friendly requires meaningful participation of stakeholders, cooperation from civil society and willingness among entrepreneurs to conduct business in a socially responsible way (Ghimire and Upreti 2011). Tourism can be sustainable only if the beneficiaries are encouraged and empowered to take the lead

<sup>26</sup> This chapter is based on the outcome of the action research project implemented by Pokhara Tourism Council in collaboration with South Asia Regional Coordination Office of National Centre of Competence Research (NCCR) North-South and Department of Development Studies, Kathmandu University.

role in formulation of policies and plans and their command in translating those policies and priorities in actions (Dhakal 2003).

Agenda of making tourism responsible is being debated. Some initiatives such as Sustainable Tourism Network at Nepal Tourism Board, sustainable tourism product development instigation (e.g. Marketing Assistance to Nepal for Sustainable Tourism Product 2007-08) and policy revisions (e.g. New Tourism Policy, 2009 and Home-stay Work Procedure 2010) have been recently started (STN 2012, Allis 2008, MoTCA 2009 and 2010). These initiatives are significant not only for tourism itself, but also to other sectors of society.

The study site of this chapter, Pokhara, is one of the leading tourist destinations in Nepal with the constant growth of tourist arrivals (e.g. more than 500,000 national and international tourist arrivals in 2011) since 2006. With steady growth, this tourist destination is filled with both opportunities and challenges from tourism. The concept of CSR in this context can be a practical tool for advancing tourism sector in the growth bound tourist destinations such as Pokhara. This chapter argues that CSR is important means for achieving sustainability in tourism when business sector applies it. This chapter shows a gradual change on knowledge, awareness and attitude of the tourism actors on CSR in Pokhara. Recognising the value of the 'before profit obligation' category of CSR to strengthen responsible practices proactively, this chapter finally recommends to embed the 'before profit obligation' on and above 'after profit residual activity' of CSR for the broader transformation of the tourist sector in Pokhara, which will consequently will contribute to the peace in Pokhara.

## **8.2 Peace potential of business through CSR in tourism**

In context of establishing peace tourism as a component of peace building, Kunwar (2010, p. 235) states that 'tourism should adopt CSR practices and give a fair share of profits to local communities amidst other activities'. Responsible tourism, posited as an antidote to the negative impacts of tourism, has emerged from the broader debate and concepts of sustainable tourism development. Hence, it would be relevant to highlight and discuss the sequences and trends of responsible tourism development.

### **8.2.1 Responsible tourism for sustainability**

Responsible tourism, according to Cape Town Declaration-2002:

- minimises negative environmental, social and cultural impacts,
- generates greater economic benefits for local people and enhances the well-being of host communities, by improving working conditions and access to the industry,
- involves local people in decisions that affect their lives ,
- makes positive contributions to the conservation of natural and cultural heritage/diversity, and
- connects tourists with local people, and a greater understanding of local cultural and environmental issues (ICRT 2012).

Increasing number of studies (Chafe 2004, Chryssides and Kaler 1993, Cleverdon and Kalisch 2000, Miller 2001, Weeden 2001) shows that the debate on responsible tourism is increasing. Today, individual tourist may be encouraged to visit some regions if they know that a large share of their expenditure will be used to finance poverty reduction programmes (UNWTO 2012a).

Tourism entrepreneurs can contribute to minimise social imbalances and safeguard the future by greater degree of socially responsible behaviour. It, however, requires a number of constructive and proactive efforts by travelers and holidaymakers, tour-operators, accommodation and transport-providers, visitors, attraction managers, planning authorities, and national, regional and local governments.

### **8.2.2 CSR in business sector**

CSR is the application of the principle of social responsibility in the management of an organisation. It is about doing good business and initiating activities that generate large and distinctive benefits for society and companies by creating shared value - a meaningful benefit for society and its stakeholders in an ethical way.

Hopkins (2011, p. 282) defines CSR as “treating the key stakeholders of a company or institution in an ethical or in a responsible manner. Ethical or responsible means treating key stakeholders in a manner deemed acceptable according to international norms. Social includes economic and environmental responsibility. Stakeholders exist both within a firm and outside”. CSR practices are generally found in two categories (Hopkins 2011).

#### ***a) Before profit activity***

Before profit obligation is a business strategy of corporate sector in which there is contribution towards society and even beyond society of businesses based on gross sales ratio and not on profit. There are socially responsible principles embedded in business strategy of corporate management in this category where profit is considered as ‘by-product’.

According to Hopkins himself, Migros in Switzerland presents one of its examples. Migros funds its cultural and social programmes not by profits, but by gross sales, so that profitability does not influence the firm's level of involvement.

***b) After profit 'residual' activity***

It is a residual activity after business transaction and profit. There is something good to help reputation while not thinking too deeply about embedding in the company itself. This is why this category of CSR is also known as a philanthropic contribution. This category of CSR could also mean that if companies are not profitable they do not have to behave responsibly.

A number of agendas under the environment, economics and socio-cultural aspects of development can be potential elements of CSR practices of corporate business sectors. Whatever elements of CSR are, being socially responsible does not necessarily mean profits will fall. Indeed, they might rise because of the favourable publicity and goodwill, enhanced employee morale leading to higher productivity, and less government interventions. Proper practice of CSR can maximise profit, leverage positive social and environmental benefits and mitigate social and environmental impacts. It supports to implement and enhance competitive advantage of business organisation against any current or potential competitors. A number of studies reveal that the enhancement of CSR practices would lead to the creation of brand image, promotion and marketing (Dodds and Joppe 2005 and Hopkins 2011).

### **8.3 CSR in tourism and its enabling factors**

CSR and minimum ethical code of conducts can be part of framework for sustainable tourism (Alluri 2009). Some of the enabling factors for the application of CSR practices in tourism are:

- demand (tourists/guests)-side perspective
- supply (tourist destinations)-side perspective
- self-interest of tourism entrepreneurs, and
- role of international institutions/policies/strategies/resources.

Demand side of CSR comprises of a number of elements such as changing travelling behaviour of tourist with transformative travel<sup>27</sup>, transformation

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<sup>27</sup> Transformative travel take a broader focus with 'sustainability ambassador' concept in which tourism can be a powerful vehicle for changing people's thinking and behaviour both during travel and upon their return home. See Lean (2009) for more information.

from general enjoyment to responsible travel and growing number of CSR-affine tourists. Consumers now demand more ethical behaviour from businesses in general, which have responded by putting CSR policies into practice (Kalisch 2002). The supply side of CSR includes changing trend of tourist destinations, growing schemes of certification (e.g. The Green Globe) and destinations transforming as responsible tourist destinations. Self-interest of tourism entrepreneurs includes various motivational elements for CSR to achieve corporate brand positioning, target marketing, getting differential benefits, acquiring competitive advantage and offering social welfare.

Roles of international institutions and their policies and strategies constitute the fourth enabling factor for the application of CSR practices in tourism and also in others sector of business. Such international institutions include, for example, United Nations World Tourism Organisation, UN Sustainable Tourism Criteria, Tour Operators' Initiatives, World Travel and Tourism Council, United National Global Compact, etc.

There are few noticeable examples of supply side perspectives as shown in Table 8.1:

**Table 8.1 CSR practices by tourism enterprises in Nepal**

SN	Name of the companies	CSR related activities
Under 'before profit activity' category of CSR		
1.	Yeti Air	Donation of NPR 4.00 collected from each passenger ticket to four social organisations namely Helpless Children Welfare Mission, Sewa Kendra Leprosy Relief, Spinal Injury Rehabilitation Centre and Women for Human Rights.
2.	Fishtail Lodge, Pokhara	The endowment of Fish Tail Lodge to Jayanti Memorial Trust allows all profits generated by Fish Tail Lodge to utilise in the mission of "Heart Aid", provide free cardiac care to underprivileged Nepalese people, conduct researches on the causes of heart disease and raise public awareness regarding the causes of heart diseases in Nepal
Under 'after profit residual activity' category of CSR		
3.	Paschimanchal Hotel Association , Pokhara	Financial assistance and distribution of clothes to people trapped in natural disaster, economic contribution for public toilet construction, cleaning of Fewa lake and Seti river and establishment of Fewa Lake Conservation Trust
4.	Buddha Air	One time contribution of NPR 15 Lakh made to Dangihat VDC in Morang for its social and education development

SN	Name of the companies	CSR related activities
5.	Hotel Del' Annapurna	Regular awards (Princess Jayanti Achievement Award) to top three students of Nepal Academy of Tourism and Hotel Management and Providing trainings to girls who in shelter at Maiti Nepal
6.	Tourism organisations, networks, local administration and Pokhara Tourism Council	Installation of CCTV at 19 points around Fewa Lake area in Baidam in Pokhara with an estimated cost of NPR 1500,000. This is a joint initiative of private sector tourism industry in Pokhara.
7.	Various tourism associations in Pokhara	Regular participations on cleaning campaign of lake city Pokhara including Fewa lake, cleaning of trekking routes, participation on blood donation and food distribution to old aged people settled in old age centres

Source: Compiled by the authors

## 8.4 Socially responsible tourism: an instance from Pokhara

Pokhara is one of the best-known and the most popular tourist destinations in Nepal. It is also known as the tourist capital of Nepal, noted for its tranquil atmosphere and the beauty of the surrounding countryside. It is a fast growing town which has the extraordinary history of growth and change over the last four decades (Adhikary and Seddon 2002). The picturesque town of Pokhara lies on the lap of the snowy capped mountains of the Himalayan range. Three out of the ten highest mountains in the world can be viewed very closely from Pokhara. As a meeting point of migrating Mongolians and Aryans with their rich cultural heritages from Himalaya, mountains and Terain regions of Nepal, Pokhara stands as the centre of various cultural and religious festivals (Parajuli 2004), and adventure activities such as paragliding, ultra light aircraft, mountain expedition, sky diving, rock climbing, river rafting, etc. (Khatriwada 2008, RHA 2007, Tripathi 2008, NCCR and TAAN WRC 2010 and NTB 2011). The modern development of tourism in Pokhara started after 1960s. The number of tourists visiting Pokhara has increased steadily since 1970 which is shown in Table 8.2.

With the increment in tourist arrivals (as shown in Table 8.2), there are 573 hotels and guest houses, 21 tourist restaurants, 116 travel agencies, 81 trekking agencies, 15 paragliding companies and 3 home-stay facilities operational in Pokhara (Pokhara Tourism Office 2011). Such huge increments on tourist facilities and services amidst the excellent natural, cultural and biodiversity and attractions, have not only cater the needs of

services and satisfactions to tourists but also rendered enormous benefits to host communities by creating thousands of tourism based employments and income. Even various non tourist actors are also benefiting indirectly from tourism.

**Table 8.2: International tourist arrivals in Pokhara**

Year	International Tourists Arrivals in Nepal	Tourists arrivals in Pokhara	Percentage
1957	-	119	-
1962	6,179	681	11
1976	105,108	31,026	29.5
1987	248,080	50,275	20
1996	393,613	86,504	22
1997	421,857	92,717	21.97
1998	463,684	103,895	22.40
1999	491,504	105,546	21.47
2000	463,646	95,095	20.51
2001	361,237	77,853	21.55
2001	275,468	68,056	24.70
2003	338,132	85,529	25.29
2004	385,297	87,693	22.75
2005	375,398	74,012	19.71
2006	383,926	94,799	24.69
2007	526,705	165,177	31.36
2008	500,277	186,643	37.30
2009	509,956	203,527	39.91
2010	<b>602, 867</b>	<b>230,799</b>	<b>38.28</b>
2011	<b>735,932</b>	-	-

Source: Nepal Tourism Statistics of 1996 to 2011, Pokhara Tourism Office (2011)

Though there are a number of opportunities for tourism in Pokhara, the challenges to the tourism sector both from outside and inside threaten its sustainability which cannot be overlooked. In this context, there are several external and internal challenges to responsible and quality development of tourism in Pokhara.

The frequent *bandas*, transportation strikes, vandalism and uncontrolled demonstrations by various groups outside the tourism sector appear as external challenges. On the other side, tourism itself is manifesting a number of internal challenges in Pokhara. These challenges include the deteriorating natural heritages, lack of systematic garbage management, degrading social, economic and environmental conditions in tourist sites.



Additional challenges incorporate direct conflicts within tourism sector (e.g. between employers and labour unions and among various tourism associations due to the lack of common agenda and understanding), frequent row between tourism and non-tourism sector, occasional ill-behaviours and insecurity of tourists.

Lack of the integrated efforts among the stakeholders is a major in this sector. Furthermore, a level of minimum cooperation among various tourism associations is also missing due to the lack of mutual understanding. A number of studies (Khatiwada 2007, Tripathi 2007, Upadhayaya 2011a and 2011b, NCCR 2012 and Upadhayaya and Khatiwada 2012) also ascertain these challenges. Adhikari and Ghimire (as cited in Ghimire and Upreti 2011, p. 60) state that 'uncontrolled tourism business is threatening environmental justice in Pokhara, and this seems to be a common hurdle associated with a long-lasting tourism industry'. Such challenges are weakening the potential of tourism to reap its potential for social prosperity and peace.

## **8.5 Conclusions**

CSR if applied in practice by tourism business actors helps to make tourism responsible towards local society and environment on which the very business of tourism is largely based. Any lack of responsible tourism operation is sure to invite negative impacts of mass scale growing modern tourism in the society. CSR is often about seeming to "do good works" and while there is certainly nothing wrong with doing better, there can be an implication that companies need to do good works. The responsible and sustainable tourism approaches parallel to the trend of the continuing growth of global tourism is must in this context to minimise the negative impacts and harness the power of tourism to help make positive change in the world (GSTC 2012).

The lack of responsible tourism operations and practices in Pokhara has contributed to escalating conflicts in this sector. Pokhara as a tourist destination lacks integrated approach towards practices of peace-sensitive tourism. Intra-organisational conflicts both within and outside this sector is of prime concern. Social and political disorder as well as internal conflicts within the tourism sector is threatening the socially responsible tourism. Identifying problems of unsustainable tourism, developing collective strategies, generating mutual understanding, fostering knowledge on CSR, appreciating differences, boosting concerted actions, and enhancing societal learning are vital to bringing responsible tourism into practice.

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## 9.1 Relating business with peace

The title of the book *Making Business Count for Peace: Reflections from Tourism Sector in Nepal* itself highlights the interrelationship and focus of its content. As this book is about the interrelationship between the conflict, peace and business with focus on tourism sector, the contents discussed in the different chapters have examined the issues from conceptual framework for understanding the relationship of these three key concepts. The role of CSR in tourism sector to promote peace and prosperity, the intra-organisational labour disputes and associated complications, role of media in promoting and hindering tourism and consequent effects escalating conflict and promoting peace, conceptual understanding and pragmatic concerns related to the nature, scope and potential of business sector in promoting peace, examining the extend of foreign direct investment and business investment in promoting peace are dealt in the book in details.

This book attempts to answer the dominant question: is peace the business of the business sector? In general, business is for making money and profit. But there is an argument that in specific context (like at the time of civil wars, political tensions and instability), the business sector, being a part of the state and society, has specific role in addition to earning money and making profit. This concept is arousing interests in the recent years in research and academic spheres. In this context, this book has emerged to examine the role of business sector in promoting peace with reference to tourism. It has been observed that business has fuelled conflict (particularly extractive industries, arms and ammunition industries) (Global Witness 1998, 1999 and 2001). However, business, specially small and medium enterprises play crucial role in generating, sustaining, and improving livelihoods of people and consequently contributing to create stability in community (International Alert 2009). The tourism, one of the important sub-sectors of business sector, which is the main focus of this book, has also been examined from both perspectives (fuelling conflict and contributing to peace) (Hall and O'Sullivan 1996 and Alluri 2009).

Some scholars (D'Amore 1988 and Yu 1997) argue that tourism can greatly contribute to peace while others claim that tourism can also fuel conflict (Sharpley 2005 and Stone 2006).

In principle, peace and tourism as a sub-sector of business can be closely and positively interrelated as peace provides necessary conditions for flourishing the business and fair business provides peace opportunities (addressing poverty-related root causes of conflict or at least not fuelling the conflict). Many scholars and researchers have vividly demonstrated the need of peace for the successful business and vice versa especially in the post-conflict societies (Chok et al. 2007 and Giaoutzi and Nijkamp 2006).

Honey and Gilpin (2009) argue that tourism can provide peace opportunities and peace provide environment for flourishing tourism. Hence, political insecurity, conflict and civil unrest severely affect the tourism (Richter et al. 1986, Hall and O'Sullivan 1996, Sönmez 1998, Pizam and Smith 2000, Sönmez et al. 1999). In the recent past, many tourism attractions (For e.g. in Indonesia, Kenya) were targeted by the terrorists to create the global coverage of their activities and prevalence.

## **9.2 Future of tourism in Nepal**

Business sector in general and tourism sector in specific can be profitable, successful if it recognises its societal responsibilities specifically if they have to operate in conflict and post-conflict context. If tourism sector has to have a sustainable future, it must develop shared vision with society and develop its business policies, strategies and operational procedures to promote business innovation and efficiency. In addition, it is better if the sector contributes to addresses societal challenges faced by countries like Nepal. In instable and insecure societies, tourism cannot thrive sustainably.

Some of the points to consider for making tourism successful and sustainable are:

- a) building people's capacity in this sector (investors, employees) to contribute with their full potential,
- b) providing quality products and services to ensure customers satisfactions
- c) redistributing the benefits of tourism to the communities,

- d) investing in research and innovation for new and effective tourism products
- e) investing in building relevant infrastructures, and
- f) creating favourable political environment that allows businesses to flourish, and
- g) promoting business values that increase social responsibilities and environmental sensitivity.

Tourism in Nepal should not be considered as the sole responsibility of the private sector. As it is one of the three main pillars of national economy, government of Nepal needs to create favourable environment and play a facilitating role in promoting environmentally sensitive, socially responsive and economically viable tourism.

### **9.3 Concerted efforts for ensuring future of tourism**

In the current political context (both globally and nationally), it is very difficult to predict the future of tourism industries in Nepal. The future of tourism sector will be affected by several interconnected factors and uncertainties. Hence, it is time for different stakeholders (academia, policy-makers and practitioners) to work together to address uncertainties, to generate hopes and to minimise possible fears in this sector.

Concerted action among the key actors can address some of the challenges such as intra-organisational and inter-organisational conflict within tourism sector, politicisation of the unions in this sector, lack of responsible tourism practices, and conflicts between tourism entrepreneurs and the local community. Only by overcoming these challenges can we envision a tourism that is sustainable, robust and beneficial to all.

\* \* \* \* \*



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## About the authors

**Bishnu Raj Upreti** is engaged in conflict transformation in the capacity of academic, researcher and practitioner. He did his PhD in conflict management (2001) from the Netherlands. Since 1996, Dr Upreti has been actively engaged in conflict studies. Based on research and practice, he has been extensively publishing nationally and internationally that also include his 28 books. In the process of research, he has gained field experiences from Nepal, Thailand, Northern Ireland, Ethiopia, Mozambique, South Africa, Ivory Coast, Tajikistan, Pakistan, Costa Rica and India. He spent a decade studying, teaching and researching in the Netherlands, the UK, the USA, Canada, Sweden, Germany and Switzerland. Visiting scholar in different US and European universities, he is currently the South Asia Regional Coordinator of NCCR North-South and is also teaching at Kathmandu University. He can be reached via [bupreti@nccr.wlink.com.np](mailto:bupreti@nccr.wlink.com.np).

**Sagar Raj Sharma** holds a PhD in Development Economics from Fukuoka University, Japan. He has worked extensively in fields such as Foreign Aid and Development, Land Reform in Nepal, Food Security in Resource Scarce Areas, and Private Sector and Development. He has the experience of working in the development sector both as an academician and a practitioner in national and international organisations such as the UN HABITAT, JICA and Fukuoka University. Currently, he is Associate Professor and Head of the Department of Development Studies at Kathmandu University and a Senior Researcher for NCCR North-South.

**Pranil Kumar Upadhyaya** is a Senior Research Associate and PhD researcher on 'Tourism, Conflict and Peace' at the Department of Development Studies, Kathmandu University. His PhD study is being conducted in association with NCCR North-South. He has acquired diploma in Tourism Human Resource Development from Singapore Hotel Association Training and Education Centre, Singapore and Master in Tourism Management from Kathmandu Academy of Tourism and Hospitality (Purbanchal University), Nepal. He has published a number of research-based tourism-related articles in national and international



journals. Linking his PhD findings an empirical basis, Mr Upadhayaya has contributed to the development of Machhapuchhre Model trek (an organised cum community home-stay based village tourism product) in Kaski district in Western Nepal through a partnership action project. He is currently engaged as the Project Coordinator in 'Meeting the Challenges of Peace-building in Tourism in Pokhara: Strengthening the Corporate Social Responsibility (CSR) and Tourism Ethical Code of Conducts', which is being executed by Pokhara Tourism Council in association with NCCR North-South. He can be corresponded via [pranilupadhayaya@gmail.com](mailto:pranilupadhayaya@gmail.com).

**Safal Ghimire** holds MA in Resources Studies from Kathmandu University and currently works as a Senior Research Associate on Conflict and Economy at South Asia Office of the Swiss National Centre of Competence in Research (NCCR) North-South. He has co-edited and co-authored several books on conflict and security issues in Nepal and has disseminated his research findings in Asian and European conferences. Ghimire has authored and co-authored chapters in national and international books and peer-reviewed journals on conflict transformation. Besides, he has been writing articles on security issues in magazines and daily newspapers from Nepal. He can be accessed via [safal@nccr.wlink.com.np](mailto:safal@nccr.wlink.com.np).

**Andrea Iff** is Senior Researcher and Project Coordinator of Business and Peace at [swisspeace](http://swisspeace.ch). She holds a PhD in political science from the Institute for Political Science at the University of Bern (2009), where she also earned her Master's degree in Political Science, Media Science and Public Law. Before joining the University of Bern as a scientific assistant, she worked with PricewaterhouseCoopers, the Swiss Federal Government and at the Institute of Political Science of the University of Zurich. Before entering the field of Business and Peace, she worked mainly on institutions and conflict transformation. She has studied with Prof. Ronald L. Watts at Queen's University, Kingston in Canada and consulted Berghof Foundation on the question of federalism and decentralisation in Sri Lanka. She can be reached via [andrea.iff@swisspeace.ch](mailto:andrea.iff@swisspeace.ch).

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ISBN: 978-9337-8683-0-3

