Corporate Engagement for Conflict Transformation: Conceptualising the Business-Peace Interface

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Most of the recent conflicts around the globe are concentrated on economic issues. So, economic actors can play both negative and positive roles in the transformation of conflicts. This paper discusses the conceptual relation between business and peace with reference to the work of three theorists' on conflict transformation and a case study of Nepal. It also portrays the trend and scope of corporate engagement for conflict transformation in Nepal. It uses qualitative interviews with labour unions and business associations as primary data and journal articles, books and reports as secondary data. Focusing mainly on the economic dimension of conflict transformation theories, it explores the impact of corporate activities on conflict. The paper concludes that, given its networks, resources and social position, the corporate sector can help transform conflicts by addressing their economic causes.

Keywords: Nepal, Corporate, Business, Peace, Conflict transformation.

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Economic issues have been key factors in many conflicts around the globe. Miall affirms that conflicts are inevitably influenced by economic and political forces. Lederach writes that such forces can interdependently contribute to conflict transformation. On occasions corporate actors can be seen to have played decisive roles, both triggering conflicts and transforming conflict. Hence, corporate actors may be both the boon and the bane for society. In this context, this paper discusses the relationship between corporate actors and conflict transformation with a special focus on Nepal.

The primary objective of this paper is to conceptualise the business-peace relationship. In addition, it also looks at the operational linkage between the corporate sector and conflict, and goes on to describe the trend and scope of corporate engagement for conflict transformation in Nepal, and analyses the contemporary situation. The analysis draws on secondary data from International Alert, National Business Initiative, labour unions, academic institutions, government agencies and business associations. The authors of this paper also undertook primary research which included around a dozen structured and unstructured interviews with labour unions and business associations and interviews with large businesses in Nepal including banks, hotels and manufacturing companies. The objective of these interviews was to explore the corporate sector’s perceptions of social engagement and their level of willingness to engage in this activity. In addition, the authors also conducted a questionnaire which focused on needs, interests, determination and limitations of these companies to be involved in peacebuilding activities. Respondents were selected from three sectors: production and manufacturing industry, tourism and hospitality industry, banking and finance industry.

**The business-peace interface**

The social engagement of the corporate sector has been a matter of debate for many years. Such engagement has the potential to promote both peace and conflict. For instance, several authors argue the positive effects of economic actors in conflict contexts. In contrast, authors have described how corporations have incited conflicts. Though economic actors have a crucial role in conflict transformation, Botes critiques the lack of attention to interdisciplinary per-

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1. Miall, Conflict Transformation, 8.
3. Mariano, Beyond economic benefits; Tanaka, Country Profiles: North Korea; Dhakal and Subedi, "The Nepalese private sector."; Banfield, Gündüz and Killick (eds.) Local Business, Local Peace. 405-43; Ciarli et al., Conflict and entrepreneurship in Afghanistan.
spectives by most transformationalists. While there is a substantial body of literature on the role of economic systems, there is less on the role of economic actors in change-making.

**Analytical framework**

Existing literature rarely talks about the role of business in conflict transformation. Azar Lederach and Rupesinghe discuss corporations in conflict transformation as only an adjunct charac-

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**Figure 1: Conceptual framework on business-peace interface**

Peace, stability and economic prosperity

- Actors’ (Individual) transformation
- Conflict transformation process
- Culture transformation
- Structure transformation
- Relation transformation
- Issue transformation

**Components of pro-peace corporate engagement in conflict context**

Social engagement
Humanitarian engagement
Philanthropic engagement
Economic engagement
Political engagement

Source: Designed by the authors based on Lederach, J. P. (1995a and 1995b) and Väyrynen, R.(1991)

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Theories by Galtung and Väyrynen also fail to bring economic actors to the fore-front. Instead, they talk about the model of economic transformation. By contrast, figure 1 illustrates this paper’s analysis of the interrelation between aspects of transformation where corporations are the major actors.

The figure identifies five broad types of pro-peace engagement of corporate actors - social, humanitarian, philanthropic, economic and political. Such engagements should be conflict-sensitive so as to ensure that the corporate activities do not fuel conflict. These five types of engagement, together with conflict-sensitivity result in five aspects of conflict transformation focusing on - actors, issues, relationships, structures and culture transformation. Addressing the root causes of conflicts through such engagements helps to realise transformation thereby leading to peace, prosperity and economic stability.

**Economic implications in conflict transformation literature**

Conflict transformation seeks to engage with the causes and consequences of violent conflict, which usually extend beyond political consensus. It needs the role of the corporate sector to address socio-economic causes of conflict. Corporations can be actors facilitating economic equity and smooth social relations.

Conflict transformationists active in the nineties such as Väyrynen, Galtung and Rupesinghe adopted the Lederachian idea of re-building relations. They particularly focused on the need for transformation of social systems. Transformation able to mitigate social conflicts has now become a central theme in peace literature. However existing literature has not amply discussed the corporate role, rather it has focussed on the economic dimension of transformation. Hence, this section talks about the economic implications in the transformation literature. The discussion refers to the theories by Väyrynen, Lederach and Galtung.

**Micro to macro transformation**

The discussion in this section is based on the theory of Väyrynen. He opines that conflicts are naturally shaped by the impact of the economic and strategic penetration of major social, economic and political powers. Uneven distribution of economic resources, overexploitation of markets and unfair accumulation of income opportunities generate conflicts. Conversely, corporate social responsibility, responsible investment and pro-peace engagement transform actors and situations.

Väyrynen classifies transformation into micro and macro aspects. He specifies four ways of transformation. The first, *actor transformation*, has to do with the appearance of new actors.

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6. Azar, The Management of Protracted Social Conflict; Lederach, Preparing for Peace; Rupesinghe, Conflict Transformation; Rupesinghe, Civil War: Civil Peace.
10. Botes, Conflict Transformation, 1-27
12. Väyrynen, To Settle or to Transform, 163.
or the internal changes in the major conflictants’ behaviour. Actor transformation also includes re-orienting actions, re-defining responsibilities and re-positioning the status of the corporate actors in a conflict based on economic factors.

The second is issue transformation which means altering the agenda of the conflict and the need to address the problems that generated the conflict. Employment opportunities, promotion of regional investment, just distribution of benefits, equitable growth throughout the country and economic classes are necessary to transform the issues that contributed to the conflict.

The third is rule transformation. Väyrynen postulates that the norms and the behaviour that the actors follow in interactions are important in transforming conflicts. Evaluating such norms to redefine the relationships between actors is essential for rule transformation. Business associations and the state itself can play a vital role in setting the norms and orienting the corporate world towards conducting business more responsibly.

The fourth is structure transformation requiring a shift in the economic system, including increased investment and enhanced socioeconomic balance. It is important in conflict contexts because most of hostilities now have problems in the distribution of, rather than in the production of resources.

Within the context of these four forms of conflict transformation, Väyrynen stresses the role of actors. For him, issues, actors and interests change over time as a consequence of the social, economic and political dynamics of societies. So, economic actors should also change their stance, behaviour, and ways of interacting with society to transform conflicts.

**Dimensions of transformation**

This section discusses the economic implication of the conflict transformation theory by Lederach. For him, transformation begins with: (i) a positive orientation toward conflict and (ii) a willingness to engage in the constructive change or growth. So, for conflict to transform not only conflictants, but also the triggers, influential [economic] actors should also change. Lederach argues that positive orientation is a necessary antecedent to the willingness to engage in change. His position, which reflects some of the points of Väyrynen’s classification, has four dimensions as follows. They are:

**Personal:** (Corporate) actors can help reduce the negative effects of their actions by realising personal transformation. This is related to a shift in attitude, orientation, willingness etc. Minimising the possibility of conflicts, it smoothes economic activities.

**Relational:** As economic factors are almost always a major part of political conflict, relational transformation can help the corporate sector enhance efficient communication, mediation and negotiation leading to better understanding.

**Structural:** Identifying the underlying causes of conflict as well as its proxy reasons, offering possible solutions through corporate interventions and helping restructure social relations.

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13. Ibid. 4.
Cultural: The corporate sector can promote respect for local cultures, enhance understanding of social values and adapt to them while working in the community, and remaining aware of the culturally sensitive issues that may generate or fuel conflicts. This can also identify and promote indigenous methods of conflict settlements in business disputes.

Overall, Lederach writes that there are always challenges for (corporate) actors about how to support and sustain changes constructively. The act of supporting changes includes facilitation of post-war recovery, creating employment opportunities by increased investment, targeting economic programmes for displaced people and migrants, and mediating negotiation between the conflictants. Similarly, rebuilding economic infrastructures, generating wider economic space for people affected by conflict and institutionalising economic transformation through new plans, policies, acts and even constitutions can help to sustain changes. Hence, supporting changes is a short-term and sustaining changes is a long-term engagement. This job becomes tough for the actors given the socio-political situations. Thus, even if viable, transforming conflicts is on the one hand essential, but on the other a challenging job for the corporate sector.

Actor analysis

Galtung gives a thorough analysis of the actors of conflict. He talks about conflict formation/transformation/deformation dialectics and highlights the role of conflictants rather than bringing to the fore-front the role of secondary actors to transform conflicts. Sometimes the non-conflictants’ role is important when the causes of conflicts are not merely political. For instance, the role of economic actors is vital in socio-economic conflicts. Galtung asserts that conflictants need a ‘transformative capacity’ to handle transformation in an ‘acceptable’ and ‘sustainable’ way. Transformative capacity in corporate actors can generate economic transformation, which can be understood as a shift from inequitable distribution of economic opportunities and income to a more equitable system, and from subsistence economy to industrialisation. It is also a shift in corporate actors from being commercially-oriented to becoming community-oriented and from relying on weak corporate culture to creating sustainable business ideas. But sustainability of transformation is unimaginable when there are still old seeds left for new conflicts. Hence, addressing economic faults is essential in conflict contexts.

Galtung argues that the continuous engagement of (corporate) actors is necessary for conflict transformation. Thus, there is no defined end for economic actors engaging in transformation. To cope with situations, to enhance the peaceful business environment and to support societal needs, economic actors always need to be ready for transformation. This is why Galtung argues, that in conflict old or new contradictions open up between the conflictants, which provides a new role for economic actors as a transformer of conflict.

Even if the conflict is settled politically, it does not mean that all the underlying causes of the conflict are resolved. In the words of Galtung, such “seeds under the asphalt” may rise again if social conflicts are negotiated merely at a political level. He writes:

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15. Galtung, Peace by Peaceful Means, 90.
16. Ibid. 90.
17. Ibid.
"First, the signatories may be dishonest. Second, even if they are honest, where are the other actors, the people all over? Third, even if they also accept, where are the sustaining forces, producing the less conflictuous formation, not just reproducing the old?"^{18}

Hence, Galtung emphasises a process that needs all conflictants, victims and external parties to be involved to avoid a return to conflict.

Sustainability of transformation relies on the availability and continuity of 'watchdogs'. Galtung says that outside parties can "... use carrots and sticks, paying the parties for accepting and punishing them if they do not".^{19} With this approach, third parties such as the business sector, the media, and community-based organisations practise 'reward and punishment' on the basis of conflictants' performance and flexibility in negotiation. Directly or indirectly, civil society and other non-state sectors can be parties to conflicts. So, transformation of conflicts cannot be successful without involving them in this process. This involvement is also required to accelerate the process of 'conflict deformation'.

Besides Galtung, Miall has developed a comprehensive paper on conflict transformation.\(^{20}\) He discusses the relevant literature and the potential forms that the debate of transformation may or should take. He categorises conflict transformation practices in four principal types. The first is with the help of governmental and intergovernmental representatives, the second involves development agencies, the third non-governmental organisations (NGOs) and the fourth local parties and groups within the conflict setting.\(^{21}\) The ability of the corporate sector as an institutional actor for conflict transformation falls mostly under the third category: non-governmental organisations. But Miall also writes that actors' activities may not always comply with what is written in theories. He makes a caustic remark that "the complexity of the situations contrasts starkly with the relative simplicity of the core theories we can find in conflict resolution, especially those advocating win-win outcomes in two-party contests".\(^{22}\) Processes rarely follow the rules preset in theories. So, the need for new actors and the need to explore new angles to intervene are never obsolete in conflict transformation. In the light of this, the following section discusses the ways in which the corporate sector can engage in conflict transformation.

**Types of corporate engagement**

International businesses are looking at how to improve their impact on local economies. They are adapting practices that support social development in order to maximise their achievements. Hohnen and Potts argue that companies' interests lie in contributing to specific sectors, which helps them fulfil their organisational goals and strengthen public relations.\(^{23}\) Be it in whichever form, the social engagement of the corporate sector facilitates transformation. This paper argues that the corporate sector's possible engagement can be seen in five different

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18. Ibid. 89.
19. Ibid. 92.
21. Ibid. 2.
22. Ibid. 3.
23. Hohnen and Potts, Corporate Social Responsibility.
issues: political, economic, philanthropic, humanitarian and social. These five aspects are chosen because transformation of these has a direct relationship with the transformation of conflicts. Political, economic and social engagement results in structural transformation while philanthropic and humanitarian engagement during the time of conflict results in individual and relational transformation. These specific aspects are separately discussed in the following section.

**Political engagement**

It is important in transformation to bring about fundamental shifts in the actors’ ability to recognise each other’s aspirations. Because of the relations that corporations have with the political actors, political engagement of the corporate sector can work as transformative mediation. Bush and Folger define transformative mediation as contrasting with the dominant school of problem-solving mediation. Problem-solving mediation aims to resolve specific disputes between conflictants by developing a mutually acceptable solution to the immediate, short-term problem. The role of the corporate sector in such mediation is to guide the process of negotiation. But in a transformative mediation approach, the corporate sector, beyond proposing remedies, helps to create profound changes in conflictants by the virtue of good interpersonal relationships. Such relationships can have an impact on conflicts at deeper social levels. The experience of South Africa has demonstrated that if corporate actors engage in settling the conflicts politically, their role as mediators, facilitators or even initiators of dialogue can transform the actors in the conflict. As politics is an important factor in shaping social and economic structures, political engagement of the corporate sector also helps in structural transformation.

Transformation and negotiation of power in conflicts depends on whether an actor is one of the conflictants or just a third party. It is not always necessary for actors to be powerful to have the ability to transform conflict politically. For example Miall argues that in some conflict-affected African countries, the intervention of skilled but external third-parties, working unofficially with the conflict-parties, can foster new political thinking and relationships. The power of corporate actors depends on their country of origin and scale of command over financial capital. For example, multinational corporations have strong political connection in the host country. They also have political support from their government in their country of origin if it is a politico-economically strong country. Large domestic businesses can also enjoy personal, political and partisan relationships with the decision-makers. In contrast, companies in small-scale industries have less say in politics thereby narrowing their possibility to influence the actors. But they can effect change with micro-level intervention in economic issues as the research of Ciarli et al. and that of Killick et al have convincingly argued. Thus, be they power-

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25. Kriesberg et al. (eds), Intractable Conflicts and Their Transformation.
26. Iff et al., Money Makers as Peace Makers?
28. Ibid.
ful or powerless, corporate actors can work for transformation in distinct ways. These include: non-official facilitation, mediation, problem-solving workshops, civilian peace monitoring, non-violent campaigns and cultural exchanges.  

**Economic engagement**

Economic actors play a principal role in conflicts but theorists have not yet apparently connected conflict transformation with the economy. Corporations can have a major role in addressing problems such as economic distribution and production opportunities, promoting inclusive employment and increasing investment, all of which are crucial to transforming economic relationships. Furthermore, the availability of economic space and the historic distribution of economic resources can exacerbate or militate against conflicts.

The corporate sector’s assistance to state agencies in the process of providing a ‘peace dividend’ is another way to afford economic relief. Immediately after the end of conflict, people hope for sudden changes and benefits. Hence, governments allocate expenses to social sectors reducing defence expenditure after conflicts. In this sense, a ‘peace dividend’ is an arrangement to provide people with economic and social benefits. The corporate sector can jointly work with the state agencies to spread trust and strengthen public relations.

Increasing regional investment can be another form of economic engagement for the corporate sector. However given the operational freedom for corporate actors and relatively freer security provisions following peace agreements, regional investment seems more likely post-war than during a conflict. Generating opportunities for knowledge transfer, job creation and infrastructure development can be realised by introducing new enterprises regionally or by decentralising capital flow from the city hubs.

Insurgency and political instability negatively impact on economic activities. They create displacement, mass migration and unemployment. The cost of peace increases thereafter. So, speedy economic recovery after conflict is vital for conflict transformation. Under the economic fault-line of conflict, Galtung identifies two major issues: misery and inequality. The possible remedies of such fault-lines are: significant uplift from below, land reform, strong cooperatives and public as well as corporate initiatives. The pursuit of peace and equity is essential to reconstruct the economy. Again, harnessing collective resources and networks of corporate actors is a must in this undertaking.

In nut-shell, while ‘constructive engagement’ focuses only on the desirable and direct effects of corporate engagement, ‘responsible engagement’ also involves assessing the harmful effects of conflict as well as the active measures to prevent or minimise these. Michael Hopkins

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33. Lund, "A Toolbox For Responding To Conflicts and Building Peace"; Reychler and Paffenholz (eds.), Peacebuilding: A Field Guide
34. Bokes, Conflict Transformation, 12.
35. Upreti, Nepal’s peace process and challenges ahead, 3.
terms this approach as ‘responsible investment’. However, it is safe to say that economic engagement of corporate actors should be simultaneously constructive and responsible.

**Philanthropic engagement**

This section describes how philanthropic approaches help corporations to engage in transformation. Philanthropy heals wounds in times of need. Thus, philanthropy assists in bridging personal relationships and inviting individual transformation through love and empathy. Many instances can be found of the philanthropic engagement of the corporate sector around the globe. The Rockefeller Foundation provided funding that led to a cure for yellow fever; the Gates Foundation has donated billions to tackle the health problems of the world’s poor, and the Carnegie Institute has built thousands of public libraries. Such philanthropic activities are needed, especially during conflict, to transform individual actors. Such a transformation also facilitates the conflictants in the negotiation process and more generally corporations to work together, with society, to address the causes of conflicts. Negotiation is much more difficult without the individual and relational transformation, which can be realised to a certain degree through philanthropy.

To the dismay of corporations, class hostility is a major feature in conflicts based on ideological and economic causes. The instances of Nepal and North-East India show that the rift between the haves and the have-nots creates bitter social relations. In this context, philanthropic engagement facilitates a bridging of the relationship between corporations and communities. Hence, philanthropic engagement is helpful in individual and relational transformation especially to the corporate actors if they are the major conflictant.

Conventional business practice considers social welfare as an activity to be performed only after gaining a certain amount of profits. Unfortunately, many organisations in conflict-affected countries still follow this classical approach of doing business. Conversely, corporate social responsibility, or ‘social engagement’, should always be a ‘before-profit’ obligation. Just as philanthropy has many merits for peacebuilding, there is also a risk of it being insensitive to conflicts. Sometimes philanthropy from corporate actors becomes more supply-oriented than needs-based. Hence, applying conflict-sensitivity is important while engaging in philanthropy as is following not only ‘do-no-harm’ but also ‘do-good’ principles.

**Humanitarian engagement**

Literature often uses philanthropy and humanitarianism interchangeably. However, studies by Hugo Slim and David Kennedy, suggest that humanitarianism is helping others in tough times by whatever means available, whereas philanthropy has to do with helping people with cash or in kind. Humanitarianism is important in conflict contexts because of the high number of people affected. Mostly, armed conflict results in a high level of displacement and dispute over limited resources. Many people lack basic needs. In such contexts, the corporate sector’s hu-

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40. Ibid. 115.
41. Ibid.
42. Anderson, Do No Harm.
43. Upreti, Armed Conflict and Development.
44. Slim, Not Philanthropy But Rights; Kennedy, The Dark Side of Virtue.
manitarian engagement strengthens the interrelation between givers and takers. The engagement of banks and media houses in Nepal in providing humanitarian assistance to Koshi flood victims in 2010 is an instance of this. A study of tourism businesses in west Nepal considers the collaboration between entrepreneurs and local communities to create local peace.\textsuperscript{45} Such activities strengthen social bonds. Societies are transformed first by providing all groups with their fundamental human needs.\textsuperscript{46} Humanitarian engagement raises the sense of responsibility in corporate actors and gratitude in the recipients. Similarly, humanitarianism enriches the culture of cooperation. It emboldens religious values and social norms thereby giving new dimensions to interpersonal relations. Wassenhove et al research using case studies from Swiss, British and US corporations on private-humanitarian cooperation also concludes that responding to humanitarian needs enables beneficiaries to do more, feel better and live longer.\textsuperscript{47}

Lederach writes that relationships among actors in conflict have the ability to exacerbate or alleviate issues feeding the conflict.\textsuperscript{48} To resolve the issues, the underlying causes of conflict require a creative response. Since bonding human relationships are the heart of conflict transformation, the web of connections among the corporate actors as well as victims should be expansive. Humanitarian engagement of corporate actors with the affected community is one of the best ways to establish such a bond, which strengthens relationships and provides hope for peace.

\textbf{Social engagement}

Conflict transformation requires reconstruction of ruined social relations. For this, developing a culture of peace is important. The United Nations Global Compact states that businesses have an important role in creating positive social values in conflict-affected regions.\textsuperscript{49} People expect more from the corporate sector as it is considered the financially advanced section of society and is likely to have more financial resources than other sectors.\textsuperscript{50}

Social investment includes giving money: from one-off donations to leveraged funding mechanisms; giving in-kind support (both people and products), operating in consultation and partnership, and supporting long-term community capacity-building.\textsuperscript{51} Being conflict-sensitive, the corporate sector can promote a culture of social harmony, co-existence and tolerance.\textsuperscript{52} The development of networks and alliances for peace can be the next social engagement. Promoting and preserving ethical values and community-building are vital in social engagement. Thus, the social role of the corporate sector can be a successful factor in offering transformative solutions to local and national conflicts. The following section discusses instances from Nepal on corporate engagement for conflict transformation.

\begin{itemize}
\item \textsuperscript{45} Ghimire and Upreti, B.R. Community Participation for Environment-friendly Tourism, 55-69.
\item \textsuperscript{46} Harrington and Merry, "Ideological Production", 708-735; Burton, Conflict: Resolution and Prevention.
\item \textsuperscript{47} Wassenhove et al., Corporate Responses to Humanitarian Disasters.
\item \textsuperscript{48} Lederach, Conflict Transformation.
\item \textsuperscript{49} UNGC, Doing Business While Advancing Peace and Development, 6.
\item \textsuperscript{50} Zandvliet, Opportunities for Synergy.
\item \textsuperscript{51} Nelson, The Business of Peace.
\item \textsuperscript{52} Banfield et al., Transnational Corporations in Conflict-prone Zones, 133-147.
\end{itemize}
Evidence from Nepal

Socio-economic condition

Though rich in resources, Nepal is considered a financially underdeveloped country. With around 28,584,975 people, Nepal is one of the least developed economies in South Asia. From 1990 to 2007, the economy in Nepal has grown at the rate of 5.5 per cent a year on average and the population has been growing at a rate of around 2.3 per cent each year. A Nepal Labour Force Survey-II estimates that a total of 252,800 persons aged 15 years and above are currently unemployed in Nepal, which is an increase of 42 per cent over the decade (1999-2009). These have all contributed towards per capita income developing at a snail's pace. This not only shows a chaotic economy, but also heralds potential future conflict, if this situation continues.

The Human Poverty Index (HPI) in Nepal fell slowly from 39.6 in 2001 to 35.4 in 2006. This took place because infrastructure development was always a secondary issue during the period of armed conflict. Gyan Pradhan writes,

"In 1996, when the insurgency began, security spending was about 0.9 percent of GDP. In 2006, it was 2.5 percent. Security expenses grew by over 300 percent between 2000 and 2006, mostly due to the purchase of arms and ammunition."

The State’s pouring of financial resources into security expenses ultimately handicapped the economy.

A study during the conflict, Nepal Living Standard Survey-2003/04, concluded that the average per capita income of the poorest 20 per cent of the population was about USD 60 and that of richest 20 per cent about USD 600 - an amount ten times larger. Although the decline in poverty was found across all geographic divisions, its magnitude varied significantly in ecological belts. The uneven distribution of income and wealth was apparent in regions where 10 per cent of the households enjoyed 53 per cent of the national income and 6 per cent of the households occupy one third of the agricultural land. Alarming disparity between the haves and the have-nots has provided ground for social discontent. The insurgents raised these economic issues as an agenda to wage war (1996-2006). The reasons for this escalation of conflict are diverse. For instance, Mishra and Raj Upreti write about unemployment and frustration with the state whereas Czarnecka focuses on social exclusion. Mishra also puts em-
phasis on gender discrimination. However, Nepal has shown a very slow economic recovery, even in the post-conflict phase. The main reasons are due to political instability and a tug-war focusing on conflictants’ ideologies. In addition, there have been some new actors in the conflict who largely influence the economic and social structure. The pains of conflict are not yet healed; but even five years after the peace agreement, Nepalis face strikes and closures almost every month, up to 16 hours of daily power-cuts for up to six months a year and innumerable labour disputes in large businesses.

Conflict, business and peace relation

Any discussion of business and economic disparity in Nepal would be incomplete without discussing the effects of the ten-year insurgency. On the one hand, people suffered from income disparity, on the other, the corporate sector suffered from frequent strikes and targeted attacks. Thus, the insurgency wrecked the economy and constrained business opportunities. Businesses were frequently at the centre of disputes, possibly because labour-owner disputes were guided by political ideology and because the armed conflict was started to put an end to the 'existing socio-economic structure' being based on Marxist 'class hostility'.

There was an economic momentum after the People’s Movement of 1990. But to its dismay, Nepal faced the insurgency only half decade after that historic change. The environment was unfriendly to business so the corporate sector could not progress well. Business activities contracted to the district headquarters. This led to fiscal centralisation and uneven economic growth. While a minority of businesses flourished in urban areas, the majority did not. Labour disputes rose to their height. There were no agencies to pay attention to the widening rift between the rich and the poor fuelling the conflict and polarising the society economically. Various sub sectors like tourism-trekking, hotel and airlines suffered. The business community also did not pay much attention to the remote areas. Existing political instability and economic uncertainty marginalised already marginalised people.

Since Nepal signed the Comprehensive Peace Agreement (CPA) new hopes have emerged. The post-war period needs the corporate sector to act for conflict transformation in Nepal. Even though solving conflicts is, most of the time, considered a role within the domain of political actors, there is win-win situation for both the political actors and the corporate sector if transformation accelerates with the latter’s involvement. However there is still no green light for a trouble-free economy in the country. Even after the peace agreement, there are problems such as forceful donations, extortions, shooting businesspersons and vandalising business premises. At this stage of social, economic and political transformation, the corporate sector and labour unions have representation in the Constituent Assembly (CA) and are facilitating new economic policies. So, the corporate sector faces the challenge and the opportunity of actively participating as an agent for conflict transformation.

65. For additional information, visit www.nea.org.np.
66. For more details on labour disputes, see Nepali Times of 28 November 2008.
68. Panday, Nepal’s Failed Development.
70. Ibid. 89.
Examples from Nepal

The corporate sector is vulnerable to frequent shocks leading to immediate downturns. Even though the threat of a downturn arising from the political climate may be imagined rather than real, either can affect corporate performance. Nonetheless corporate engagement in social affairs can lead to a win-win situation where both contributors and beneficiaries, can progress. Previously philanthropy was supposed to be beyond the scope of corporations. Now scholars have a numbers of reasons for analysing why the corporate sector should or should not engage in such activities.

Corporate practices in Nepal have been inattentive to the role of business in conflict sensitive development for some years. Also, the study of the relationship between business and peace is underdeveloped. Many of these studies which have been undertaken have been for specific purposes, generally to meet the particular needs of an organisation or a sponsor. Some of these studies have been carried out by political institutions with vested interests. Among them, the Nepalese corporate sector has been acting as an influential mediator for peace and transformation.

The monetary value of the business contribution to social activities in Nepal is, at least possible to calculate. Yet, some businesses including Khetan, Golchha, Chaudhary, Kedia, Vaidya, Mittal and Marwari Group are engaged in activities such as providing scholarships, founding educational institutions, establishing charitable hospitals and protecting the environment. Corporate philanthropy results in personal transformation to some degree, but such activities cannot have a large impact on conflict transformation because they are designed according to the wishes of corporations.

Mostly, corporations in Nepal engage in infrastructure building such as drinking water supply, financial contributions to the construction of roads, water tanks, school, hospital, police posts, public halls and houses etc. Some businesses are also involved in raising funds for the victims of natural disasters and some are assisting environmental protection programmes. However such social activities merely strengthen public relations; they do not address the causes of conflict concretely.

Some businesses have attempted to address the causes and dynamics of conflict through lobbying and networking for peace and employment generation. Both in the state systems and corporate sector, inclusion has been a common concern in Nepal. Dhakal and Subedi assert that, the business community's potential to cope with challenges and tap opportunities varies widely given their differing needs, capacities and willingness to engage.

Three Sisters' Trekking Agency (TSTA) has set an example working for women's empowerment: even amidst the conflict it remained politically neutral. A private business it trained socially excluded women in trekking and tour operations. As a result, the insurgents refrained from asking for donations and created no other complications. TSTA is trying to address is-

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72. Personal communication with Catrin Froehlich, CSR expert of GIZ-Nepal, on 19 November 2009.
73. This information is based on the results of a field survey conducted by the authors in the cities of Pokhara, Birgunj and Kathmandu in Nepal.
74. Dhakal and Subedi, The Nepalese Private Sector, 421.
75. Ibid. 422.
sues such as women’s empowerment and the abolition of caste-based discriminations. These were also part of the rebel party's manifesto. This shows how the corporate sector can offer economic solutions to conflict-affected people through social and economic engagement.

Among others, the National Business Initiative (NBI) in Nepal, which is an alliance of business community, is at the forefront of advocating for constructive social engagement in the corporate sector. The NBI is concerned with seeking immediate solutions to the corporate problems related to conflict. Hence, it is economically and politically assisting the process of conflict transformation. The NBI comprises 14 national business organisations. It is encouraging Corporate Social Responsibility (CSR), increased responsiveness to stakeholders’ requirements and alternative communication strategies so as to promote peace and productive relationships in individual companies. Its major aims are investing in social capital, infrastructure and the creation of safe spaces for peace talks and genuine peace-building efforts. The NBI reports that because of its work there has been the possibility of providing jobs to the victims of conflict and taking businesses to underserved areas. Hence, it is marked as an institutional initiative by the corporate sector for conflict transformation in Nepal.

The Federation of Nepalese Chambers of Commerce and Industries (FNCCI) initiated negotiations with the underground Maoists during the conflict. Through mediators the FNCCI set up a task force to discuss assistance with the Maoists. After the talks, the Communist Party of Nepal (Maoists) withdrew their threat to force the closure of the 47 factories. This can be seen as a successful political engagement of the Nepalese corporate sector.

There are a variety of interests among the Nepalese business organisations with different umbrella bodies which work in different ways across Nepal. For example the FNCCI, the Nepalese Chamber of Commerce (NCC) and the Confederation of Nepalese Industries (CNI) are examples of such bodies. However, these organisations suffer from competition and internal as well as intra-organisational conflict. They display political divisions similar to those found in Nepalese party politics. However, during the political transition of the country, corporate actors have been trying to bridge political divides and rejoin common platforms for dialogue.

**Prevailing challenges**

Being the driver of the economy, the corporate sector can facilitate economic recovery. But it is the same sector that faces the first shocks of political instability and social conflicts. As in other contexts, the Nepalese conflict has also created numerous challenges for the corporate sector. Armed conflict in Nepal has severely affected the business environment. Risk management has thus become essential to businesses. Corporations which had sound administration and control systems suffered less than those without because they were able to adapt to the conflict situation. Alongside this, the deep mistrust between business owners and workers has been a perennial issue and provides added complexity for the corporate sector. Industrial-
ists argue that continuing to maintain the current level of employees is impossible when the companies are making a loss and cannot ensure job security. Therefore, corporate leaders are demanding flexible human resource policies, but the labour unions have completely opposite demands. Many such issues have been polarising corporations and labour unions.

Businesses, both small and large, suffered immensely during the conflict in Nepal and employed different methods to cope with the situation. Such methods ranged from extortion and direct negotiations with the insurgents to avoid attacks, to subcontracting operations and lay-offs. Contemporary situational reports from Office of the Commissioner of Humanitarian Affairs and Informal Sector Service Centre (INSEC) also portray frequent insecurities and industrial conflicts in Nepal. Furthermore, strikes in hotels, labour disputes in industries and vehicular obstruction caused by political disagreements happen time and again. All these problems have contributed to a slowdown in the economy. Many big hotels have closed; public enterprises have made a loss; and investment security became pitiful. The labour dispute between owners and workers in the case of Manakamana Cable Car Private Limited and that of Himal Media are instances of tension in large businesses in Nepal.

The loss of markets and customers are the most noteworthy impact of conflict on business in Nepal. The former rebels, in a rush to appear revolutionary and pro-poor in the post-conflict phase, often raised issues more heatedly than others. However, poverty of their rhetoric is often their failure to understand what works and how it works in business environment. Radicalising one section of society for the 'benefit' of the other may not be a conciliatory practice.

Besides, several power-holders from the past are the pivotal economic forces of the present. As a corporate power, they do not want to easily surrender all their existing strengths in the face of new forces represented by labourers. So, conciliation skills to harmonise these influences are required to make economic forces engage in transformation. The use of such skills smoothes the Company-community relationships and lessens prevailing challenges.

**Motive for engagement**

Motives differ from actor to actor, and, of course, there can be various interest groups within one corporate community. Corporate actors have responsibility for the impact of their decisions and activities on society. However, being responsible is one thing; the corporate activities should also comply with the need for social change because the corporate sector cannot

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82. Personal communication with Mankaji Makaju, President, Pokhara Chamber of Commerce and Industries, on 9 March 2010.
83. Interview with Kamal Sapkota, President, Pokhara Tourism, Hotel, Casino, and Restaurant Service Association, on 8th March 2010.
84. Alexander et al., What Role for Business in Post-Conflict Economic Recovery?
86. Upreti and Upadhayaya, Armed Conflict and Tourism, 235-261.
87. The cable car operator company in Kurintar, Manakamana Darshan Private Limited was shut down citing the threats by the Maoist affiliated labourers to raise the salaries of the staff. In December 2008, 12 employees of Himal Media were injured by pro-Maoist workers. Prior to that, the agitated labourers had vandalised an office vehicle, set fire to copies of the newspaper and threatened the staff.
88. Gündüz et al., Opportunities for linking economic recovery and peacebuilding
89. Pant, Corporate Social Opportunity, 5.
90. Hohnen and Potts, Corporate Social Responsibility.
ignore social problems. Furthermore, addressing social problems and mitigating the root causes of conflict benefits the investment environment as well. As investors, the business community has a duty to act in the best long-term interests of their beneficiaries. In this role, corporations have to believe that environmental, social and corporate governance issues can affect the performance of investment portfolios to various degrees across companies, sectors, regions and time.\(^{91}\) Furthermore, an investment-friendly environment remains a major need in conflict contexts. If social engagement returns in the form of peaceful recovery and a business-friendly environment, then this can be the most important motivation for the corporate community.

The motives of the corporate sector may differ according to context. The motive of multinational companies may also be different based on their country of origin. Improving the economic situation of a country may be one motivation, but primarily the corporate sector needs to improve conditions to accelerate production leading to returnable investment.\(^{92}\) Yet, not all corporate engagement can be termed as selfish acts. Altruistic corporate intervention has resulted in better societies in countries such as South Africa, Northern Ireland, Indonesia, Afghanistan etc.\(^{93}\)

**The way forward**

Engagement itself is not sufficient for creating peace. Corporations in conflict contexts need to be conflict-sensitive and peace-promotional. This sector wears multiple hats and performs multiple functions during conflict. Joras describes its role in violent conflict as typically being in two dimensions: first, conflict exacerbating and second, conflict preventing.\(^{94}\) Companies can refrain from participating in violent conflicts by applying conflict-sensitive business practices. They can engage in bridging social bonds with the help of economic means.

Conflict is not only a painful time, but also a time for hope. Conflict-affected people want some of their hopes to be fulfilled by large corporations as the latter are considered to be 'resourceful'. According to the primary information of this study, most of the corporations were found to have engaged in social contribution as a coping strategy. For example, many corporate contributions to the society are in the form of religious donations. Alongside this, a further problem is that engagements are not sector specific. They have not yet followed pro-peace approaches. The arguments by Hopkins seem convincing here that corporate contributions depend upon the whims of the directors about whatever feels appropriate or affordable to give.\(^{95}\) If the approaches were pre-defined in the line of conflict-sensitive contribution, they could have cumulative effects. A further complication arises when corporate social responsibility or the social engagement of the business sector appears to be an advertising strategy. During the researchers’ field study in Nepalese cities, many officials, even from multinational enterprises, confidentially confessed that they mix up social responsibility funds with advertise-

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91. Thompson, Cost Effectiveness of CSR over Time.
92. Bennet, Business in Zones of Conflict.
93. Mariano, Beyond Economic Benefits; Tanaka, Country profiles: North Korea; Dhakal and Subedi, The Nepalese Private Sector: Ciarli et al., Conflicts and Entrepreneurship in Afghanistan.
95. Hopkins, Corporate Social Responsibility, 114.
ment policies. This trend shows lack of interest in some corporations for engaging in social transformation.

Certainly, every engagement cannot result in transformation. Hence, interlinking engagement with conflict transformation seems essential in the corporate case. There are a number of areas for the corporate sector which provide opportunities for knowledge transfer and infrastructure development to society. Identifying areas that help people tackle the effects of conflict is important: contributions during conflict do not address the causes of conflict, nor do they facilitate transformation.

Personal and organisational engagement helps actors' transformation. Miall argues that it is possible "to transcend conflicts if parties can be helped to explore, analyse, question and reframe their positions and interests as per the need of transformation". Corporations such as media companies have positive influences on shaping people's opinion through information dissemination. Consequently, their role in conflict contexts is vital. Raising issues of economic restructuring, providing a platform for academic discussion on economic recovery, as well as highlighting overlooked issues, are major responsibilities of the media in conflict contexts.

Repositioning status and redefining roles are seminal for transformation. For example in Nepal, political parties and trade unions are at the centre of frequent labour disputes. For peace to prevail in business, reorientation in political thinking is essential. Similarly, the corporate sector should also bear in mind the issues of stakeholders such as workers that help check further tensions. Bitter relationships between business owners and workers need to be transformed by means of mutuality and reciprocity in setting rules, ethics and codes of conduct. But for this to happen, there needs to be refinement of existing policies, strategies and incentives offered by the state. Conflict occurs because of resentment towards existing formal and informal rules and structures.

Finally, after the above institutional and regulatory capacity building, it is necessary to enhance the capacity of conflict management and negotiation. As the business sector can never be totally conflict-free, owners' associations and workers' unions both need to be skilful in maintaining internal peace within corporations. This will help accelerate economic activity smoothly and result in economic prosperity. After all, this prosperity is the first sign of repositioning of the actors and transformation of the conflict.

Peace processes tackle many issues which the state, on its own, cannot address. Meaningful initiatives from the corporate sector such as employment generation, facilitating the solution of domestic economic problems, and the smooth supply of goods and services become equally important. It may also help the corporate sector to gain trust from people in conflict contexts where profit-making is almost always perceived as a 'crime'. Hence, it will be better for the corporate sector to align their investments and social action with transformation.

96. Several bankers in Pokhara and officials from some multinationals in Kathmandu revealed this information but requested anonymity.
97. Miall, Conflict Transformation, 3.
Conclusion

Business and peace are conceptually and operationally interlinked because the economy is at the heart of conflict transformation. Introducing economic transformation can alleviate many issues of conflict. There needs to be a shift in orientation in all economic actors including the owners and the workers. Social, humanitarian, philanthropic, economic and political engagements of the corporate sector have the capacity to transform conflict positively or negatively. Recent literature on business and peace discuss such capacities of corporate sector. But this interrelationship of business and peace has received limited discussion in literature on conflict transformation. While literature has established that economic transformation is essential for conflict mitigation, there is a still lack of concrete discussion on the potential role of economic actors. Various types of corporate engagement have different impacts on transformation. Political engagement, for instance, has a direct impact on structural transformation. Economic engagement changes society by addressing the economic causes of conflicts. Philanthropic and humanitarian engagement bridges the personal distances and causes individual relational transformation (even between warring parties sometimes). Similarly, social engagement of the corporate sector helps to rejuvenate social relations bringing people together for a cause.

Besides conceptual links, business and peace have close operational linkages. Economic forces play a major role in influencing conflicts. But corporate actors realise the need to actively participate in promoting peace only after conflict when the costs involved are high for both the national economy this and their daily businesses. Making the environment investment-friendly, improving productivity and sustaining profit are possible if corporate actors help transform issues. It gives the corporate sector a chance to stand up as an actor of social growth.

Addressing these issues can see new conflicts emerge, which demand that third parties are actively involved in transformation. For instance, if production was previously considered the cause of conflict, distribution may become the new issue for later transformation. If employment was considered the original conflict cause then at a later stage the minimum wage, safety and security may become issues in the conflict. What is needed is a creative response from corporate actors. Because of social networks and interaction at grassroots level, corporate actors are strongly connected to the people. Also, because of their social position and regular contact with political actors, they have access to political decision-making forums. Hence, corporate actors have potential both for micro- and macro-level transformation personally, politically, structurally and culturally. But the sustainability of such transformation relies on the availability and continuity of the actions from the economic actors.

The transformation of economic actors' requires redefining their responsibilities and repositioning their status in the society. As transformation of various aspects of society is required involvement of multiple actors is also necessary. Given that the corporate sector has wide networks, managerial skills and, of course, better resources, it can be the most reliable and durable partner for conflict transformation. Furthermore corporate actions for peace have reciprocal effects with the society.

Synthesising examples from Nepal provide many lessons. As the ten-year insurgency in Nepal was mostly related to economic causes, the role of economic actors can be influential, particularly as the country also suffered from frequent labour disputes and an unstable economic environment in the aftermath of the conflict. While the social activities of the Nepalese corporate sector have an impact on relational aspects, they do not address the causes of conflict concretely. Still, at a political level, they have played an influential role as a mediator for peace and transformation. The main lesson is to develop a strategy to cope up with conflict contexts. In Nepal, those corporate organisations that worked with society by addressing social needs and doing business simultaneously, suffered less during the insurgency. But institutional rather than individual efforts appeared to be more influential. The case of NBI, CNI and FNCCI is evidence of this. Structural transformation in the economy and the society takes months to plan and years to implement and requires a level of resources that most organisations cannot provide on their own. So, holistic rather than piecemeal approaches by individual business seem to be produce immediate benefit and, in the long-run, resolve the causes of conflicts.

Businesses cannot ignore their customers and the societies where they operate. But being conflict-sensitive and increasing opportunities to be engaged in activities that promote peace are necessary in times of conflict. However, social contribution in name only will not produce a substantive effect to transform conflicts.

Corporate engagement needs to be interlinked with conflict transformation because engagement alone may not produce transformation. For this to be achieved, repositioning the role of trade unions and corporate associations as well as shifting their stance in conflict are preconditions along with institutional and regulatory capacity building, and capacity building to manage conflicts - all are essential for transformation.

Socio-economic engagement of the corporate sector so far is still insufficient to address the causes of conflict. While states are unable to address conflict causes all at once, their task is not helped by the corporate sector, especially organisations in in developing zones, who have yet to realise what they can do and why they should do it. Making their engagement more transformative rewards all. But one should always bear in mind the causes of conflict while working in a conflict context. Where economic factors are a cause of conflict it is useful to re-quote Galtung- who emphasises that there should be no old seeds left for new conflicts. Old causes may still go unaddressed while corporations linger in petty philanthropy. There may be old seeds still under the asphalt. A political understanding alone and merely philanthropic engagement of the corporate sector may not sterilise such venomous seeds.

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100. Galtung, Peace by Peaceful Means, 93.
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