

# The Role of Business in Peacemaking:

Lessons from Cyprus, Northern Ireland,  
South Africa and the South Caucasus

The Portland Trust

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The Portland Trust was founded in London in 2003 by Sir Ronald Cohen, co-founder and former Chairman of Apax Partners and Sir Harry Solomon, co-founder and former Chairman and CEO of Hillside Holdings. The other trustees are historian Sir Martin Gilbert, Lord Freud, current Minister for Welfare Reform in the British government and former Vice Chairman of UBS Investment Banking, and Mick Davis, CEO of Xstrata.

The Portland Trust is a British non-profit 'action tank' whose mission is to promote peace and stability between Israelis and Palestinians through economic development. It works with a range of partners to help develop the Palestinian private sector and relieve poverty through stimulating social investment and social entrepreneurship in Israel.

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## Introduction

This report examines the important peacemaking role of business in Cyprus, Northern Ireland, South Africa and the South Caucasus.

The report does not attempt to draw parallels between these and other conflicts but instead focuses on the different peacemaking approaches and specific activities that the business community

undertook, or is undertaking, in each context. It considers what drove business to act and assesses what worked well and where lessons can be learnt.

Given the mission of The Portland Trust, it is hoped that some of these findings may be of use in the Middle East.

## Lessons and Conclusions

From analysis of the role of business in peacemaking in Cyprus, Northern Ireland, South Africa and the South Caucasus a number of overarching lessons emerge:

- ❖ Business is seen as an apolitical and impartial actor in peace processes, provided it engages with all political parties.
- ❖ Working in one bloc, through associations or networks of organisations, strengthens the influence of business and provides protection for individuals involved.
- ❖ Sustained involvement of strong leaders from within the business community is important to keep up momentum.
- ❖ A spectrum of peacemaking activities, including those related to business, running at the same time helps ensure progress can still be made even if the political situation deteriorates.
- ❖ Promoting the economic benefits of peace, or 'peace dividend', is a powerful tool provided the message is supported by the business community and wider civil society.
- ❖ Being engaged in activities from the ground up – through grassroots movements and civil society – builds support and helps business to tackle the underlying psychological effects of the conflict on the population (which can otherwise be a block to cross-community business efforts).
- ❖ Third parties – either in the Non-Governmental Organisation (NGO) sector, neighbouring communities or diaspora – have a role to play and can support and build local peacemaking business initiatives.

Specific peacemaking actions that business could undertake in other contexts include:

- ❖ Formation of a business coalition for peace (like the Consultative Business Movement in South Africa or the Group of Seven in Northern Ireland).
- ❖ Development of greater cross-community ties through existing business associations, including Chambers of Commerce.
- ❖ Preparation of a peace dividend paper that estimates the economic benefits of peace and reconciliation by a cross-community team of business people, economists and other experts.
- ❖ Engagement with political factions 'across the spectrum' to increase understanding and develop relationships ahead of direct attempts to broker peace.
- ❖ Development of cross-border markets and infrastructure projects.
- ❖ Exploration of the potentially supportive role that business communities in neighbouring areas could play.
- ❖ Mapping of existing informal economic activities between different parties to help the process of formalising the economy once peace is secured.

Expanding on the above lessons, the case studies indicate that it is perhaps impossible for business to engage with too many people in the peacemaking process. In fact past experiences of Israeli business leaders at the time of the Oslo Peace Process show that failing to engage with certain groups can be detrimental to their success.<sup>1</sup> This is particularly true with regards to civil society and the population, who need to be brought on board to support the aims of business. It is also true at a political level. **To develop credibility as an impartial interlocutor for peace, business needs to engage with all political parties (even banned or proscribed groups) in an open and transparent manner.**

Across all of the conflicts examined, there appears to be a certain 'safety in numbers' for business involvement. Whether it is through the formation of a business coalition for peace or working through existing organisations or networks of organisations, **the case studies all show that working in one bloc, and speaking with one voice, helps strengthen the influence of business.** This approach also enables smaller businesses to get involved and provides cover for individuals who quite often face very real threats or criticism from their communities for their involvement in peacemaking activities.

Ultimately, in order to have influence the business community must not only convince politicians of the importance of its viewpoint and arguments, but also society at large. In particular, the population has to believe in the motivations and merits of business community involvement, as well as its ability to set the political agenda so as to be convinced of its ability to achieve a positive outcome for all. Business is often seen to have a privileged position because of its close ties to the political elite, due in part to its financial contributions. However, it does not always get what it wants. To be successful it has to be able to mobilise as a 'politically unified force', which given the inherent competition, conflict of interest and fragmentation in the private sector, can often be a challenge. However if these issues can be overcome then the power of business, and the skills and resources it possesses, can be extremely beneficial to peace processes.

## Section One: Background

The Portland Trust is a British non-profit 'action tank' with offices in London, Ramallah and Tel Aviv. It was established in 2003 with the mission of promoting peace and stability between Israelis and Palestinians through economic development.

The first objective was to raise awareness of the importance of economics in peacemaking in the Middle East. However it quickly moved to practical action on the ground in order to make a real difference. With this in mind, The Portland Trust started to focus on identifying and launching initiatives to help develop the Palestinian private sector and reduce poverty in Israel through social investment and social entrepreneurship.

After completing a survey of the Palestinian economy in 2004, The Portland Trust helped design and initiate a loan guarantee scheme for Palestinian small and medium-sized enterprises and boosted credit to poorer communities in Israel by supporting an existing micro-credit scheme. Among other initiatives, The Portland Trust then looked at how to increase domestic sources of long term capital for investment in the Palestinian economy through the development of private sector pension funds.

In 2006 The Portland Trust identified private sector development of affordable housing as an appropriate and powerful way to boost the economy. It worked closely with a number of entrepreneurs to facilitate and promote major affordable housing developments, in particular the new city of Rawabi outside of Ramallah. More recently efforts have been focused on launching social investment tools and mechanisms to deal with social issues in Israel,

boosting Palestinian agriculture, developing the Palestinian renewable energy sector and providing access to training and expertise for Palestinian business executives and jobs for qualified Israeli-Arab engineers.

While there has been progress in terms of private sector development and poverty reduction it is understood that a lasting and sustainable peace will only be achieved through a negotiated political settlement. With this in mind, The Portland Trust has continually highlighted the need for a 'triple helix' approach to conflict resolution – involving politics, economics and security.

To support this argument periodic research has been undertaken. In May 2007 The Portland Trust published a study entitled 'Economics in Peacemaking: Lessons from Northern Ireland' which examined the vital economic dimension of the peace process in Northern Ireland. In March 2009 The Portland Trust published an additional study, 'Economics in Peacemaking: Lessons from Bosnia and Herzegovina' which reviewed the lessons learned from the failed attempts to establish a strong post-conflict Bosnian economy.

Later in 2009 The Portland Trust partnered with the International Institute of Strategic Studies (IISS) in a one year programme entitled 'Economics and Conflict Resolution'. Roundtable discussions were held in Washington D.C., London and Geneva with senior practitioners, academics and officials in the field of economics and conflict resolution. The IISS published a seminal article on the subject in the April-May 2010 edition of *Survival* by Professor Mats

Berdal and Nader Mousavizadeh entitled 'Investing for Peace: The Private Sector and the Challenges of Peacebuilding'. The findings of the programme were published in September 2010 in an Adelphi book entitled 'Ending Wars, Consolidating Peace: Economic Perspectives'.

As an organisation both 'of business' and 'for business', The Portland Trust believes there is merit in exploring new approaches and peacemaking initiatives involving the business community. In this vein The Portland Trust decided to conduct research on the peacemaking role of business in other conflicts.

The information in this report draws on a range of research and analysis from a variety of sources, as well as interviews with people involved on the ground. These include International Alert (an international peacemaking NGO that has studied the role of business in a number of case studies), the UNDP Cyprus interdependence programme, Swiss Peace, the Geneva Graduate Institute and others.

## Section Two: Policy Context

In the last decade scholars and policy makers have increasingly considered the economic issues of conflict alongside the more traditional topics of politics and security. As part of this, analysis has focused on the impact of globalisation, the link between poverty and conflict, ways of accelerating private sector growth and development and the economic drivers and benefits of peace.

More recently research has argued that economic tools present an opportunity for peacemaking.<sup>2</sup> Economic issues can be a good starting point for discussions between conflicting parties. As something that can be quantified it is usually a less emotional topic than other issues. In addition the potential economic gains from peace can act as an incentive to negotiate. Efforts involving economic issues also create a potential opportunity to engage a new set of actors from within society, which can help achieve compromises and strengthen support for the resulting agreement.

For all these reasons, the business community is one actor that has received greater attention of late.<sup>3</sup> Research suggests that most successful peace negotiations and agreements require support from business. Evidence also suggests that if business is not involved in a peace process, its interests might not be taken into account, and it could end up trying to undermine peace efforts.<sup>4</sup>

There is increased understanding that, if managed well, business has a potentially unique role to play in peace processes. Its involvement in, and understanding of, the local economy places it in an important position. It often has extensive local

networks and an influential presence on the ground that cannot be matched. The technical skills and resources of business can also facilitate and support negotiations and plans for the development of the post-conflict economy. In addition the political influence of specific individuals and firms within the business community gives a significant boost to peace efforts.

However, there are risks associated with political intervention. Business has to evaluate and conclude that the benefits from intervention outweigh the potential costs. It must also recognise that even if it decides to take the risk, there is no guarantee that efforts to achieve peace will be successful.

Business actors can encourage peace on a number of different levels as their efforts can be focused on politics, economics, security and reconciliation.

Within these broader categories business can undertake specific activities. They can participate directly in brokering negotiations, facilitate relationships between opposing parties, generate economic activity and a supportive political environment for the private sector, and challenge social and political norms across society. They can work as individuals – either personally or at company level – or collectively, although greater success has often been found when working collectively.

**Figure 1:** The different potential peacemaking activities of business<sup>5</sup>

<b>Politics</b>	<b>Economics</b>
<p>Lobbying and advocating for peace both within the community and to the political classes</p> <p>Facilitating and supporting peace processes with money, time and expertise</p> <p>Acting directly as brokers or as part of the negotiating team</p>	<p>Strengthening the business environment and providing investment</p> <p>Generating economic activity and creating jobs</p> <p>Lobbying for policy and governance reform</p> <p>Encouraging joint economic activity and cross-community trade</p>
<b>Reconciliation</b>	<b>Security</b>
<p>Building bridges between different communities and between state and society</p> <p>Removing discriminatory practices and promoting reconciliation in the workplace</p>	<p>Providing jobs for former combatants</p> <p>Offering financial and logistical support for weapons collection programmes</p> <p>Operating as an early warning source of information on conflict recurrence or breakdowns in security.</p>

## Section Three: Methodology

In order to try to learn from the experience of business on-the-ground, The Portland Trust conducted initial desk research on 23 conflicts to determine where business had affected, or attempted to affect, the conflict resolution process.

In each context the different peacemaking activities of business were classified according to the categories of politics, economics, security and reconciliation. The key interventions of business were researched in each case. The impact of these interventions was then considered.

Based on the initial findings a further review of the 23 conflicts was undertaken to try to determine which were of most relevance and interest to The Portland Trust. The review led to 13 conflicts being

identified as third tier – i.e. less relevant and/or interesting – with no further research to be undertaken. Six conflicts were identified as second tier – i.e. some specific business initiatives of potential interest – with further research to be taken at a later stage. Four case studies were identified as first tier – i.e. relevant and interesting on multiple levels.

More detailed research was conducted on the first tier conflicts of Cyprus, Northern Ireland, South Africa and the South Caucasus. A summary of the findings from these case studies is available in the next section. Following this each case study is presented in more detail. Short summaries on the second and third tier conflicts are provided in the appendices.

**Figure 2:** Categorisation of conflicts considered

First Tier	Second Tier	Third Tier
Cyprus	Congo	Afghanistan
Northern Ireland	El Salvador	Algeria
South Africa	Mozambique	Angola
South Caucasus	Philippines	Bosnia
	Rwanda	Colombia
	Somalia/Somaliland	Guatemala
		Kosovo
		India/Pakistan
		Nigeria
		Nepal
		Sri Lanka
		Sudan
		Venezuela

## Section Four: Summary of Case Studies

The conflicts in Cyprus, Northern Ireland, South Africa and the South Caucasus are at different stages of resolution. While neither are currently particularly 'live', the conflicts in Cyprus and the South Caucasus remain politically unresolved. In Northern Ireland and South Africa there is an agreed peace, yet ongoing flashes of violence persist. In particular, over 20 years has now passed since the historic end to apartheid in South Africa but ongoing socioeconomic and political issues continue to threaten state stability. A power sharing agreement was reached in Northern Ireland in 2008 but the area continues to suffer from outbreaks of sectarian violence. Conversely, while there has been no violence between the two communities in Cyprus for some time, the island remains essentially divided with no political resolution in sight. Blockades and border closures have kept the different ethnic and national groups of the South Caucasus separated, but as shown in South Ossetia in 2008 violence can quickly erupt, and there is no political resolution on the horizon.

The origins and geography of each conflict also differ. Cyprus and Northern Ireland share some similarities – both are inter-communal conflicts with one group wishing to remain with, or re-join, a foreign power. South Africa was a civil conflict, between the black and white communities, with one side seeking to overturn the system of apartheid. South Caucasus is an ethnically-driven nationalist conflict with various state and non-state actors pitted against each other, supported by external geopolitical powers.

The peacemaking role of business has differed in each case. The efforts of the respective business communities are also at different stages. In Cyprus and South Caucasus the peacemaking efforts are still very much 'works in progress'. In Northern Ireland and South Africa the peacemaking actions of business are now largely historic.

In Cyprus, the business community plays an indirect and largely economic peacemaking role. It works to support the development of peace through a spectrum of activities, including incentivising joint business activities and promoting reconciliation to both the population and government. The aim is to increase interaction between the two communities and generate economic gains from greater interdependence.

In Northern Ireland, business acted in a more political way, as a convening power and lobby group. The costs of the conflict were quantified and used to estimate the potential gains in prosperity that the economy could achieve if there were peace. This became a powerful tool for business in convincing politicians and the population the merits of seeking peace.

In South Africa, business was directly involved in brokering peace but also played an indirect role of building bridges between different communities, applying pressure for political change through boycotts and creating a supportive socioeconomic business environment in the aftermath.

In the South Caucasus, efforts are focused on enabling and encouraging inter-regional trade and supply chain development as well as providing a realm outside of politics where cross-border interaction and relationships can be maintained.

Despite the different approaches there are some commonalities across the case studies with business acting in a range of ways, across a spectrum of peacemaking activities.

**Figure 3:** The actions of business in the case studies

	Cyprus	Northern Ireland	South Africa	South Caucasus
Facilitating trade	✓			✓
Encouraging cross-community business relations	✓			✓
Highlighting the economic benefits of peace and reconciliation	✓	✓		
Lobbying politicians/ political parties	✓	✓	✓	
Providing resources (cash, kind, time) to support peace process			✓	
Acting as mediator in peace negotiations			✓	
Campaigning for peace in civil society and the population	✓	✓	✓	
Supporting post-conflict development projects			✓	
Helping create peace-promoting policies and institutions post-conflict		✓	✓	

## Deciding to Act

In each case there were a variety of political and economic factors that triggered business action. In Cyprus, the drivers were largely political and external. The devastating impact of the Balkans war on the European Union (EU) region placed increased attention on the Cyprus issue. New approaches were called for and business leaders began to engage in the process. In addition, the potential EU accession negotiations created an increased appetite for reconciliation. In Northern Ireland a fresh interest in negotiation helped create a more positive atmosphere for peace. At the same time business came to realise that opportunities from globalisation were being missed and that the economy was suffering due to the high costs of conflict. Rapid economic deterioration in South Africa, and the loss of business contracts and investors due to violence and international pressure, led the private sector to become involved. In the South Caucasus an ongoing socio-economic need for trade and commerce throughout the region ensured that business made efforts to maintain economic ties in the face of the political stalemate.

## Impact

The case studies demonstrate the different roles and impact that business can have in peacemaking. In South Africa, the skills and resources of business were a great benefit to the peace process – business was able to ‘get things done’ in a way that others were not. In Northern Ireland the power of business as a lobby group was strengthened by its simple message that peace equals prosperity. The cases of Cyprus and South Caucasus demonstrate the importance of encouraging cross-border interaction and trade, as well as the potentially positive role that neighbouring communities can play. In all cases the presence of strong business leaders committed to peace and reconciliation has helped maintain momentum even during the most difficult times.

## Section Five: Cyprus

The Republic of Cyprus achieved independence from the British in 1960. However with ongoing conflict between the Greek-Cypriots (GCs) and Turkish-Cypriots (TCs) the island was effectively divided in 1974.

The GC authorities are the internationally recognised government of the Republic of Cyprus, but in reality they only govern the south of the island. In 1983 the TC authorities in the north declared the independence of the Turkish Republic of Northern Cyprus (TRNC). This declaration did not achieve international recognition, and as such, the TRNC is all but cut off from the international community (excluding Turkey). In 2004 the Republic of Cyprus became a member of the EU even though attempts at cross-island reconciliation had failed. While all GCs and TCs are considered EU citizens there are, in effect, still two separate populations governed by different administrations.

There are approximately 660,000 GCs in the south and 135,000 TCs in the north. In addition there are an estimated 200,000 residents of other nationalities throughout the island and 120,000 residents from Turkey in Northern Cyprus.<sup>6</sup> With its strategic location between Europe, the Middle East and Africa there is a strong foreign presence in Cyprus, traditionally from Greece, Turkey, the United Kingdom (UK), United States (US) and United Nations (UN) but more recently also from Russia and Israel.

To this day the GC south and the TC north remain separated by a 180 km long UN-controlled buffer zone, or 'Green Line'. Until the opening of two

checkpoints in 2003, there had been virtually no interaction between the two communities for almost 30 years.

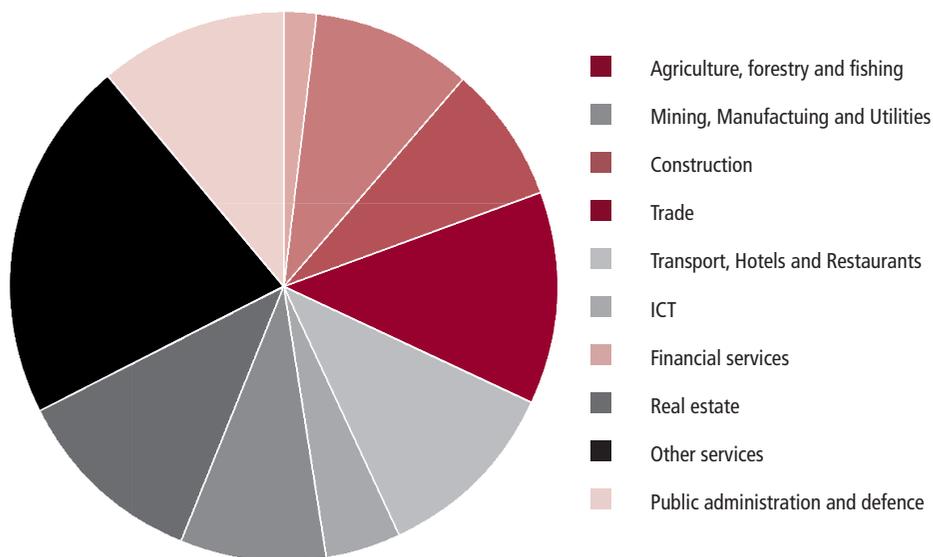
### Economic Context

The Republic of Cyprus is a small yet wealthy economy. GDP was €15.1 billion in 2011 and GDP per capita was €17,847. Unemployment was historically low but it had risen to 11.3% by the middle of 2012 on account of the global economic crisis.<sup>7</sup>

The economy is dominated by services and there is a large banking sector, with assets equalling 8.5 times GDP.<sup>8</sup> There were around €7.7 billion of exports in 2011.<sup>9</sup> Tourism is also a significant part of the economy with around 2.4 million visitors contributing approximately €1.8 billion in revenue each year.<sup>10</sup>

A drop in the number of British tourists and high exposure to the Greek economy have caused an economic slowdown in recent years. The relatively large size of the public sector (with a wage bill equivalent to 15% of GDP), and the absence of consistent fiscal adjustment in the economy have also contributed to the difficulties.<sup>11</sup>

**Figure 5: Economic Activity by Sector, Republic of Cyprus, 2011**



Source: National Accounts, Republic of Cyprus Statistical Service, Real terms GDP

The TC Community in the north has a somewhat smaller economy. Statistics published by the TRNC State Planning Organisation estimate that GNP in 2010 was \$5.6 billion and GNP per capita was \$14,700.<sup>12</sup> Unemployment remains a longstanding problem, reaching nearly 12% in 2010.<sup>13</sup> The public sector is again dominant in terms of employment and contribution to GDP.

The TRNC is dependent on transfers from the Turkish Government. Credits from the nation covered, on average, 65% of the TRNC’s fiscal deficit and Turkish aid contributions represented around 21% of its total budget revenues between 1997 and 2010. The TRNC also has a structurally large trade deficit (around 30% of GNP between 2000 and 2010) given

the region’s dependence on imports and the limited size of its exports.<sup>14</sup><sup>15</sup> With difficulty in accessing international markets most forms of economic activity are reliant on Turkey to some extent. Out of the 800,000 tourists visiting TRNC in 2009, 640,000 were from Turkey.<sup>16</sup> TC businesses also face a number of challenges due to the lack of international recognition. These range from legal and commercial issues to basic logistics. For example, postcodes do not exist and their absence makes deliveries and e-commerce difficult, especially from international suppliers or online traders like Amazon or iTunes.

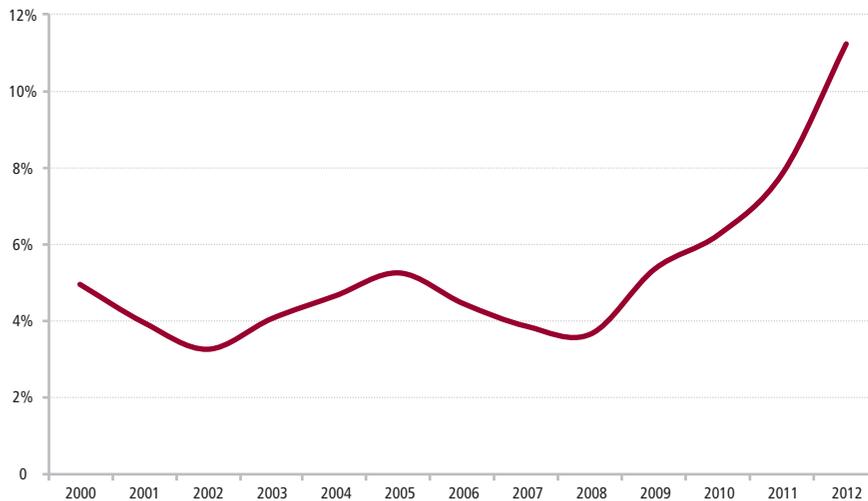
Until 2003 the Green Line, which restricts economic interaction between the two communities, was completely closed but there are now seven crossing

points through which goods and people (GCs, TCs and other EU nationals) can cross. During 2012 around 79% of TCs and 64% of GCs crossed the Green Line, a slight increase on previous years.<sup>17</sup> A recent crossing point survey found that the behaviour of TC and GC visitors is different.<sup>18</sup> TC visitors to the South tend to spend their time shopping, eating and accessing public hospitals, whereas GC visitors to the North tend to spend less money and visit places of interest or their families' former home areas. Analysis conducted by the United Nations Development Programme (UNDP) found that in 2009 TC visitors to the south spent €105 million, whereas GC visitors to the north spent only €40 million. Tourists and other visitors spent an additional €77 million in the north and the 2,500 TCs that work south of the Green Line earned around €40 million over the year.<sup>19</sup> Including pensions' payments (€19 million) and a small amount of Green Line trade (€6 million), economic interdependence

was therefore valued at around €300 million in 2009. Coming from a zero base in 2003, there is still only a small and variable volume of Green Line trade. In October 2012 there were €285,447 of TC goods and €62,852 of GC goods traded across the Green Line.<sup>20</sup> Stone, metals, plastics and live animals were the main products traded, although this can change month-to-month.

It is expected that Green Line trade will only really take off once there is reconciliation across the island and access to European and Turkish markets is available to all Cypriots. In the meantime there are a number of barriers to trade associated with the crossing points, not least the heightened transaction and transport costs. The different legal, regulatory and accounting frameworks in each part of the island also increase the bureaucratic burden and costs of doing business. However above all else there is still deeply ingrained mistrust and resentment

**Figure 4: Unemployment Rate, Republic of Cyprus, 2000 - 2012**



Source: Labour Force Survey, Republic of Cyprus Statistical Service

between the two communities, which acts to limit trade.<sup>21</sup> The view of the majority still seems to be that cooperation and reconciliation will come at a 'cost' rather than bring benefits.

## Deciding to Act

In 1997, political events triggered renewed efforts towards reconciliation. First, the EU started accession negotiations with the Republic of Cyprus. This was part of EU enlargement but it was also hoped that it would act as a catalyst towards reconciliation. Second, the US turned their attention to Cyprus following the successful resolution of the Balkans conflict. Ambassador Richard Holbrooke was appointed as the President's Special Envoy and efforts were undertaken on a number of levels, including with the business community.

## Initial Engagement

In November 1997, Ambassador Holbrooke convened a meeting between GC and TC business leaders in Brussels. The meeting included 12 GCs, 12 TCs, four Greeks and four Turks, as well as representatives from the international community, including the EU Special Envoy to Cyprus and the US Ambassador to Cyprus. Participants came from the business elite on both sides and included the head of the Greek-Cypriot dairy company Pittas, and the current and former president of the Turkish-Cypriot Chamber of Commerce. It is not clear how participants were selected, but given the environment at the end of the 1990s (a time when it was dangerous to work across the divide) it is likely that an element of self-selection took place.

In 1998 the group met again twice, first in Oslo and then in Istanbul. The meetings were subsequently turned into a more structured initiative called the Brussels Business Group (BBG).

The initiative was modelled on the successful Greek-Turkish businessmen's group and aimed to publicise the economic benefits of reconciliation, as well as identify confidence-building measures to encourage cooperation between the two business communities. Emphasis was placed on proposals that could be realised without involving political leaders as the participants were eager to emphasise that business leaders could engage outside the purely political arenas.

Among the proposed 'confidence building measures' were the:

- ❖ restoration of religious monuments on both sides;
- ❖ creation of a market and a business centre in the UN buffer zone;
- ❖ enhancement of telecommunication services;
- ❖ construction of a common solid waste disposal facility.

There is a lack of readily available information on how these projects actually progressed. However anecdotal evidence suggests that there were difficulties in implementation and only the restoration of a few monuments and installation of some cross-border UN phone lines (to enable people to speak on the phone without paying an international fee) took place.

After around four years the BBG quietly dissolved. By then, official talks had been revitalised and the need for unofficial initiatives was reduced. After 2002, the Peace Research Institute Oslo (PRIO) continued dialogue efforts with selected BBG participants, who engaged in quadripartite discussions involving Greece, Turkey and the two Cypriot communities.<sup>22</sup>

## Becoming More Active

The leaders of the Turkish Cypriot Chamber of Commerce (KTTO) and the Cyprus Chamber of Commerce and Industry (CCCI) continued to believe in the benefits of bi-communal business relations and continued to work together to this end. KTTO holds a unique position in that it was established in 1958, before partition, and is therefore legally recognised by all parties. This has been helpful on a number of levels. Not only does it mean that GCs

accept KTTO as a legitimate partner but it enables KTTO to act as the main trade facilitator. In particular, following the opening of some crossing points in 2003, KTTO enabled the establishment of Green Line trade regulations. This organisation was able to act as the official body that determines the origin of products, as the TC authorities were not legally recognised to do so.

Recognising the demand from some GC and TC businesses to work together, the chambers established the Cyprus Producers' Network in 2006, with funding from UNDP-ACT. This was an online matchmaking portal for businesses that wanted to work together across the divide. Respecting the wishes of both communities to operate under the radar, the portal was only accessible at the initiative of members and promotion was low key.

By March 2009 it had become less controversial to work across the divide and KTTO and CCCI formally launched an Economic Interdependence Project with funding and support from UNDP-ACT.<sup>23</sup> In a joint statement to announce the project the chambers agreed to work to 'encourage the business people of the two communities to establish and improve business links between them' and highlighted that 'doing business together can prove a win-win situation for both communities.'<sup>24</sup>

The project, which will end in 2013, has undertaken various measures to encourage greater bi-communal cooperation and promote the mutual benefits for both communities of doing business together. These include:

- ❖ Issuing joint statements on the benefits of reunification;<sup>25</sup>
- ❖ Conducting research and analysis on the level of existing interdependence with recommendations to policy makers about how to increase it;<sup>26</sup>
- ❖ Launching bi-communal business partnership awards;
- ❖ Publishing the public business directory of TC and GC companies that wish to develop business relations;<sup>27</sup>
- ❖ Arranging B2B meetings and other events;
- ❖ Promoting the message that bi-communal cooperation will have benefits, including through the production of a mock news report set in the year 2030 in a reunited Cyprus, cartoons and other media;<sup>28</sup>
- ❖ Providing advice and information on Green Line trade regulations;
- ❖ Undertaking research into opportunities for increasing economic interdependence across the divide.

A number of benefits from reconciliation and greater interdependence have been identified. These include greater access to the markets in Europe and Turkey for the whole island, integration of water systems and energy supplies, more efficient road, air and sea transport networks, increased competitiveness and increased public funds for investment due to reduced defence spending.

Work is now currently underway to determine how the chambers could cooperate in a post-settlement environment. A report setting out a potential future

joint economic plan for a unified Cyprus is expected in early 2013.

While the relationship between the two chambers is not always easy, it has never broken down. In fact, they have often played an instrumental role in building high-level relationships across the divide. This was particularly true when the main power plant in the south of the island was destroyed by an explosion on 11 July 2011 and the chambers brokered an agreement for the GCs to purchase electricity from the TC Community.

In each chamber there is one person who acts as a focal point for bi-communal work. These individuals not only champion bi-communal working and act as a liaison point for the other side, but they also help resolve issues within their own communities, such as problems relating to Green Line trade, when they arise.

Even though the chambers have not escaped criticism of their collaboration from within their own communities, there are signs that the partnership will continue even after UNDP-ACT project funding ends in June 2013. The initiative was built around a pre-existing relationship and there are close personal ties between the members of the chambers themselves.

## Promoting Peace

As well as encouraging bi-communal business links the TC business community, through KTTO, has also been more directly involved in campaigning for peace within their population.

In 2004, ahead of EU accession, a UN-brokered settlement commonly known as the 'Annan Plan', was offered as a solution to the political situation. The plan envisaged a rotating presidency to govern the island. The Cypriot authorities took the plan to their respective populations in a referendum.

The TC authorities were against the plan, but TC civil society made a massive effort to galvanise support for a 'yes' vote. KTTO, whose President was personally committed to peace and bi-communal cooperation, was part of this effort. The international community (including Turkey) also supported the peace deal and Turkish-Cypriots voted overwhelmingly (65%) in favour.

However on the GC side the plan was rejected by 76% of voters.<sup>29</sup> There had been a strong 'no' campaign, led by the Church and various political parties, which focused on two political sticking points - the right of return for refugees and Turkish troops remaining in the territory. As a result the prevailing political situation continued. Notwithstanding this, Cyprus became a member of the EU in 2004 (albeit with EU law suspended in the Turkish Cypriot Community).

Outside the business community, in wider civil society, others were also contributing to efforts to encourage the benefits of reconciliation. In 2005 the PRIO Cyprus Centre was established to encourage cooperation between GCs and TCs through research and dialogue. Given its previous links with the business community through the Brussels Business Group, they continued to highlight the economic benefits of cooperation.

In January 2008, PRIO published the first in a series of reports about the economic benefits of the 'Day After' peace and reconciliation, otherwise known as the 'peace dividend'.<sup>30</sup> Analysis was undertaken by a tripartite group of researchers (GC-TC-EU) that became known as the 'Three Ladies'. The first report estimated the benefits to various sectors of the Cypriot economy from increased trade and interaction with Turkey. Basing figures on the boost to Greek-Turkish economic relations post-peace it found that the total annual peace dividend to the Cypriot economy would be at least €1.8 billion.<sup>31</sup> This would see each Cypriot family €5,500 better off each year (an increase in income of 20% for families in the south and 40% for families in the north). It is expected that benefits would be seen from increased opportunities for trade with Turkey (€510 million), construction and real estate (€550 million), tourism

(€300 million), foreign direct investment (€180 million), higher education (€160 million) and accountancy and legal services (€100 million).

This was followed by a second 'Day After' report in 2009.<sup>32</sup> This report considered four different scenarios for a peace deal and estimated the costs of such a settlement. It found that the rebuilding of infrastructure and housing would cost between €6.3 billion and €8.6 billion over five years. It was estimated that this level of investment in reconstruction would create 33,000 jobs and increase GDP by 3% (both over five years).

Finally, in June 2010, a third 'Day After' report was published that estimated the peace dividend to Turkey and Greece.<sup>33</sup> It was estimated that upon the reconciliation of Cyprus, Turkey would see returns of at least €17 billion a year. €5 billion of this would come from savings in military spending and budget support. The remaining €12 billion would come from increased revenue from finance and business opportunities (€7 billion), trade (€2 billion) and from tourism and transport (€3 billion). Peace would enable Greece to cut military spending, increase tourism revenue by an estimated €110 million and promote direct foreign investment by €19.8 billion a year.<sup>34</sup>

As a highly credible research institute, with a well-respected research team that engaged extensively with local statisticians and experts in Cyprus, the analysis was seen as robust. Despite this its publication does not seem to have achieved its potential impact. Subsequent campaigning around the issue and promotion of the message appears to have been low key. There are a number of reasons why this might be. First is the timing. The work began in 2008, before peace negotiations resumed, but by

the time it was completed negotiations were well underway and essentially stalled. Second is the possibility that there is a lack of ownership of the analysis by the business community and the promotion of it has been limited. Third is that it is starting from a low base. The current mindset is far from understanding that 'peace could bring profit' and therefore it will be a long term effort to change this perception. The peace dividend analysis does, however, continue to be relevant and was recently used by political parties on both sides as evidence of the benefits of greater bi-communal relations.<sup>35</sup>

## Impact

While there is still no agreed peace or political solution to the Cyprus conflict, there has been no violence for a long time and there are plans for negotiations to resume after GC elections in 2013. In addition, while actual trade volumes are still small, economic interaction between the two communities has been increasing since the Green Line crossing points opened in 2003.

Business cannot claim to have had an impact on the level of violence, or the resumption of peace talks, but it can certainly take some credit for helping encourage interaction across the Green Line and between the business communities. Clearly there is much to be done in terms of scaling up this effort but it does at least provide a good starting point. Led by the KTTO on the TC side, business can also take credit for playing a key role in the successful campaign for a 'Yes' vote at the time of the 2004 referendum on reconciliation. More broadly civil society and policy makers have also started to try to change deeply held beliefs that reconciliation would have a negative economic impact.

## Summary of Business Actions

- ❖ Encouraging and rewarding bi-communal relations, business ventures and confidence building measures.
- ❖ Helping to facilitate Green Line Trade, including the establishment of regulations.
- ❖ Estimating and highlighting the economic benefits of reconciliation – i.e. the ‘peace dividend’.
- ❖ Building support for peace from the ground up through public campaigning and working with civil society.
- ❖ Presenting a united front to politicians and pressuring them to pursue peace before and during negotiations.

## What Has Worked Well

- ❖ The significant personal commitment of certain individuals within CCCI and KTTO to the bi-communal agenda has enabled the chambers of commerce to maintain and promote relations even during difficult political times.
- ❖ From a zero-base in 2003, the actions of the chambers have helped establish the mechanisms for Green Line trade and business cooperation.
- ❖ As part of a wider civil society effort, KTTO managed to help galvanise support for the ‘Yes’ campaign at the time of the 2004 referendum. They took to the streets and hosted multiple meetings and events to explain what it would mean and why it would be positive.
- ❖ Robust analysis and approach of the peace dividend work has maintained its relevance until today. The use of the tripartite team (TC/GC/EU) was an effective approach for analysing the potential economic benefits of peace and reconciliation.

## Section Six: Northern Ireland

Northern Ireland has a long history of conflict. After a century-long struggle for independence the Kingdom of Ireland was partitioned in 1921. The largely Catholic south became the independent Republic of Ireland. The north, with its majority Protestant population, remained part of the UK. However the conflict, known as ‘The Troubles’, continued through much of the 20th century with the Republican Catholics in Northern Ireland wanting to reunite the island and Loyalist Protestants fighting for it to remain part of the UK.

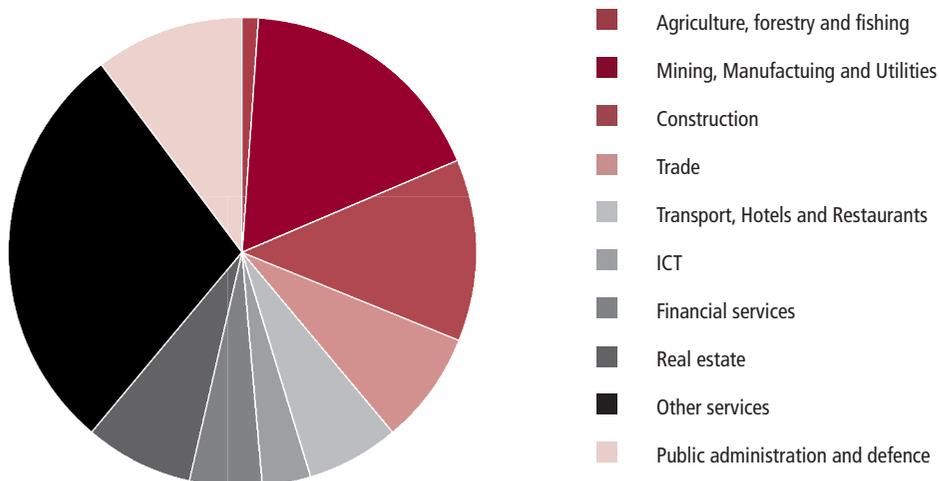
The first real political breakthrough – the Good Friday Agreement - was achieved in 1998. The key principles of it were that any change to the status of Northern Ireland would only take place with the consent of the majority of its citizens, and that politics would be conducted without violence.

After almost another decade of negotiation, in March 2007, a power-sharing agreement was finally reached. It had taken over three decades to emerge but the Democratic Unionist Party, the largest of the Unionist parties, agreed to form a joint government with Sinn Féin, the largest of the Nationalist parties and the political wing of the IRA.

### Economic Context

The Northern Irish economy is approximately £28 billion in size (2.2% of the UK’s Gross Value Added (GVA) in 2010) and the average income per capita is around £16,000.<sup>36</sup> Mining, manufacturing and utilities and trade are the largest sub-sectors of the economy, although services and the public sector play an important role. Historically, the economy was based on agriculture, textiles and heavy manufacturing industries.

**Figure 6:** Economic Activity by Sector, Northern Ireland, 2009



Source: Northern Ireland Abstract of Statistics, Gross Value Added by Sector

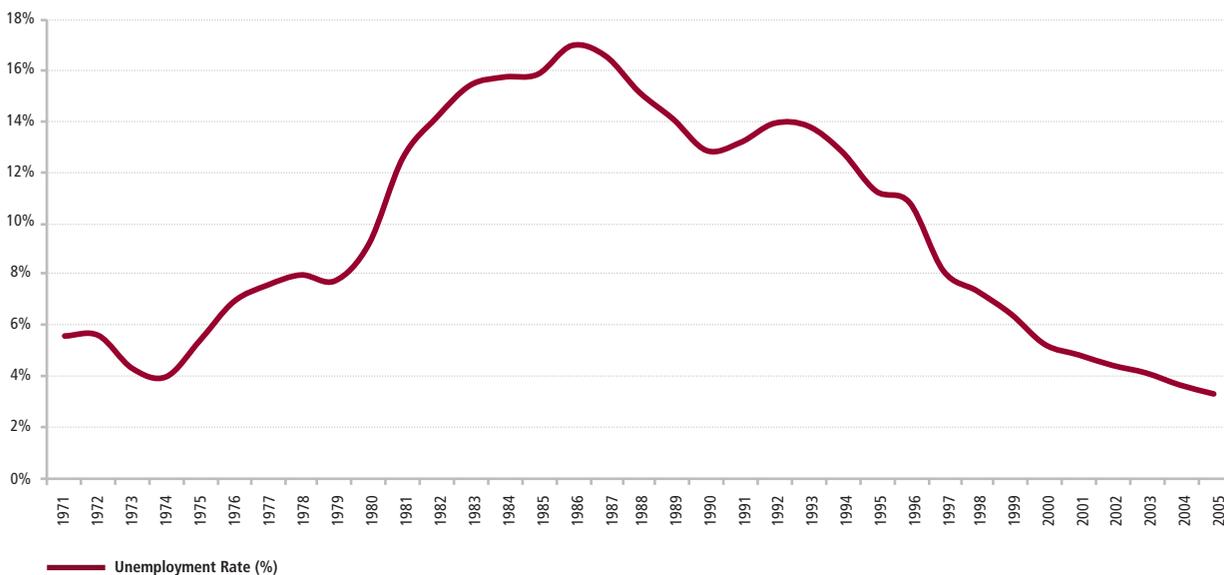
Economic decline began in the second half of the 20th century. High oil prices in the 1970s and the inability of industry to compete in a growing global market caused significant economic problems. Unemployment rose sharply, reaching almost 17% in 1983.<sup>37</sup> In addition de-facto segregation between the two communities in business and the workplace resulted in high inequality - by 1971, Catholic male unemployment was estimated at 17.7%, nearly three times the rate for Protestant males.

In order to prevent complete economic collapse the UK government provided financial support to the

Northern Irish administration in the form of a large subsidy, or 'subvention'. This reached £3.5 billion in 1994,<sup>38</sup> and public sector employment rose to account for 33% of Northern Ireland's jobs.<sup>39</sup>

The economy improved following the ceasefire and subsequent peace deals. However, in line with the rest of Europe, Northern Irish economic performance has again suffered in recent years following the global economic crisis. Unemployment started to rise from 2008 onwards and is currently around 7-8%. The public sector still accounts for almost 29% of Northern Irish jobs.<sup>40</sup>

**Figure 7: Unemployment Rate, Northern Ireland, 1971 - 2005**



Source: Oxford Economics, Ltd.; Northern Ireland Statistics and Research Agency

The local private sector is comprised of approximately 122,000 businesses, of which 98% have less than 50 employees. Over 50% of firms operate in either agriculture (25%), construction

(16%) or cultural and leisure industries (10%). There were 765 foreign firms operating in Northern Ireland in March 2011, a third of which were from the Republic of Ireland.<sup>41</sup>

## Deciding to Act

As a consequence of UK financial support to the public sector, the professional and business communities in Northern Ireland found themselves increasingly dealing with representatives of the British government in the 1970s. However, they still largely kept their distance from politics, especially as any involvement often exposed them to sectarian violence.

In the early 1990s the attitude of the business community began to change. Various members began to make a clear link between the ongoing violence and Northern Ireland's poor economic performance. The need to provide security and repair damaged infrastructure was a direct cost to business. More broadly, the image of Northern Ireland as a conflict zone was discouraging investment and tourism. The business community became aware that British support for the economy would not last forever and that there were new regional and global opportunities emerging from globalisation, if violence could be reduced. At the same time the Irish economy, which had previously been seen as the poor cousin to Northern Ireland, started to flourish.

There was an indication from the large political parties in Northern Ireland and the British government, of a renewed interest in peace.<sup>42</sup> In this context the business community decided it was time to act. The Northern Ireland branch of the Confederation of British Industry (CBI), under the leadership of Sir George Quigley, took the lead.

## Initial Engagement

As a first step the CBI joined forces with its southern Irish counterpart, the Irish Business and Employers' Confederation, in an effort to reinvigorate cross-border economic ties. Quigley himself was a loud advocate for greater north-south cooperation. While there was some criticism from political parties that business was only acting out of self-interest, there was support from businesses on both sides of the border. An economic conference was held in Belfast in 1990 and three times as many people as expected attended.

In 1994 the CBI produced the publication 'Peace – A Challenging New Era', which became known as the 'peace dividend paper'. It spelt out the economic rationale for peace, arguing that, in addition to the loss of life and property destruction, violence also increased the security costs for the private sector. This created a bad image that deterred investors and caused emigration of the brightest young people. It estimated the total cost of law, order and protection at \$1.42 billion per year. A diversion of funds, they argued, from investment in more productive uses.<sup>43</sup> The 'peace dividend paper' put the point of view of business on the agenda. Their core argument was that ending the violence would improve the image of Northern Ireland and make it more attractive to investors. Some have described their approach as classic 'carrot and stick' – with globalisation and EU integration as the carrot, and economic losses from violence as the stick.

The media used the 'peace dividend' term extensively and this gave new momentum to the peace process. The governments involved started to see the benefits from promoting this approach and the British Prime Minister, John Major, hosted a large

investment conference in Belfast in 1994. The importance of economics in the peace process was given a further boost when US President Clinton appointed Senator George Mitchell as his Special Economic Envoy for Northern Ireland.

After the ceasefire, the rationale of the CBI gained practical legitimacy when the economy quickly improved. In particular, 1.55m tourists visited that year (an increase of 20%), unemployment fell to the lowest level in fourteen years and there was £30m of new investment.<sup>44</sup>

Efforts were made to demonstrate the potential benefits of having increased international investment and in 1995 a delegation of business people and politicians attended a meeting hosted by US President Bill Clinton in Washington DC. The purpose of this was to encourage foreign investors into Northern Ireland.

Apart from attendance at a few joint events – including the US trip – the business community largely kept its distance from politicians during this phase. Their argument for peace was clearly couched in economic terms – they felt that to engage with politicians would undermine their legitimacy in this regard.

## **Becoming More Active**

In 1996, when peace negotiations broke down, business became more vocal. They still maintained distance from the politicians though and chose instead to engage with the population at large through grassroots movements and civil society campaigns. They encouraged business to get involved by highlighting their 'social responsibility'. Later that year, the CBI joined together with six other

business and trade organisations – the Hotel Federation, Institute of Directors, the Northern Ireland Chamber of Commerce and Industry, the Northern Ireland Growth Challenge, the Northern Ireland Economic Council and the Northern Ireland Committee of the Irish Congress of Trade Unions – to create the Group of Seven (GoS).

This group used its collective power and influence to promote the message that Northern Ireland had to make a choice between having a future of peace and prosperity, or becoming an enduring and violent trouble spot. The GoS was seen as the 'collective voice of many Northern Irish economic interests' and gained considerable authority.<sup>45</sup>

In October 1996, the GoS held a collective meeting with the representatives of all nine political parties involved in the peace talks and presented the 'economic rationale for peace'. They highlighted the range of benefits that peace would bring in tourism, retail, investment and trade, and reduction of security expenditure. They urged the parties to work towards peace, believing that a collapse in peace talks would be catastrophic.

It has been argued that this meeting compelled politicians to work together to achieve peace and prosperity. The GoS issued a press release after the meeting warning of the dangers if peace talks collapsed. Another five such meetings were held over the following 21 months. Meetings were always held collectively with all political parties so to maintain the neutrality of business. The GoS also communicated their message to the population with a media awareness campaign.

In April 1998 the Good Friday Agreement was announced by eight political parties and the UK and

Irish governments. A referendum was held a month later. The GoS argued that a 'yes' vote was a vote for economic prosperity. However it did not go so far as to tell people how to vote. Nor were they part of the official Yes campaign, which disappointed many of their civil society contacts. They decided that it was important to maintain their neutrality and integrity and not to be seen to be dictating how people vote on a political issue. They instead stuck to their core message of 'peace equals prosperity'.

## Promoting Peace

In June 1998, the GoS organised a visit to Northern Ireland for a delegation of leading global business men. This symbolised support for the peace process by facilitating business relations between Northern Ireland and the rest of the world.

That same year the GoS drafted anti-sectarian guidance for employers that highlighted the benefits of diversity, titled 'Doing Business in a Divided Society'.

The GoS played an important role in the 1998 Drumcree stand-off, mediating between the Orange Order (a Unionist group that was not allowed to parade down Garvaghy Road, located in a Catholic neighbourhood) and the Garvaghy Road residents, which helped lessen the tensions.

In August 1998 the GoS openly and strongly condemned the Omagh bomb attacks.<sup>46</sup>

In 2003 the CBI published a paper that stressed the role of business in finding solutions to community relations and promoting social inclusion.

## Impact

While there have been clashes along the way, including ongoing violence around the parades, the peace in Northern Ireland has held. The GoS recognise that business alone did not build peace. However on reflection the GoS have said that they believe they helped the process by giving politicians, including Sinn Fein, support to enter into negotiations when they feared there would be a public backlash. Chairman Sir George Quigley has also claimed that the efforts of the Group 'made it less easy for the parties to simply walk away'.<sup>47</sup>

## Summary of Business Actions

- ❖ Highlighted and promoted the argument that peace equals prosperity.
- ❖ Convened discussions with political parties urging them to use their influence to secure peace and increase prosperity.
- ❖ Issued strongly worded media statements at times when peace appeared in jeopardy.
- ❖ Sent individual letters to businesses, asking them to communicate the pro-peace message to employees.
- ❖ Focused on building networks at corporate level and grassroots civil society.

## What Worked Well

The business community in Northern Ireland was effective for a number of reasons:

- ❖ The CBI, and later the GoS, were seen as a non-political actor. Engaging with all political parties at the same time helped them maintain this perception.
- ❖ The leadership of Sir George Quigley, and the CBI more broadly, was a positive factor.
- ❖ Engaging with civil society and the grassroots helped foster support in the population and reassured people that it was not solely big business and political elites acting in self-interest.
- ❖ Rather than the more traditional financial role that business sometimes plays in peacemaking, they played the role of a think tank and lobbying group, building bridges between rival groups.
- ❖ The analysis and publication of the report on the potential peace dividend, and costs of violence, was a powerful tool.
- ❖ Sticking to the same non-political and simple message (peace equals prosperity) was effective. This message was given further credibility when the economy was boosted during the 1994 ceasefire.

- ❖ Having a supportive media, that adopted and promoted the message of the business community, helped in generating support within the population.
- ❖ The creation of a single bloc gave significant weight to the influence of the business community and ensured they acted in a coordinated fashion and spoke with one voice.
- ❖ The GoS wielded their influence intelligently but sparingly, acting only when it felt its contribution was necessary to advance the peace debate.

## Section Seven: South Africa

The apartheid system in South Africa was officially legislated by the ruling Afrikaner National Party in 1948. South Africans were classified into different groups according to race and contact between the black and white populations was prohibited. Subsequent apartheid legislation in the 1950s established separate areas of residence, work, public facilities, transport, education and health for each racial group.

Initially resistance to apartheid was largely non-violent. However this changed in 1960 when 69 black South Africans were killed at the Sharpeville police station during a demonstration. From this point on the African National Congress (ANC) party officially adopted armed struggle as a method of resistance and decades of violent unrest and protest followed.

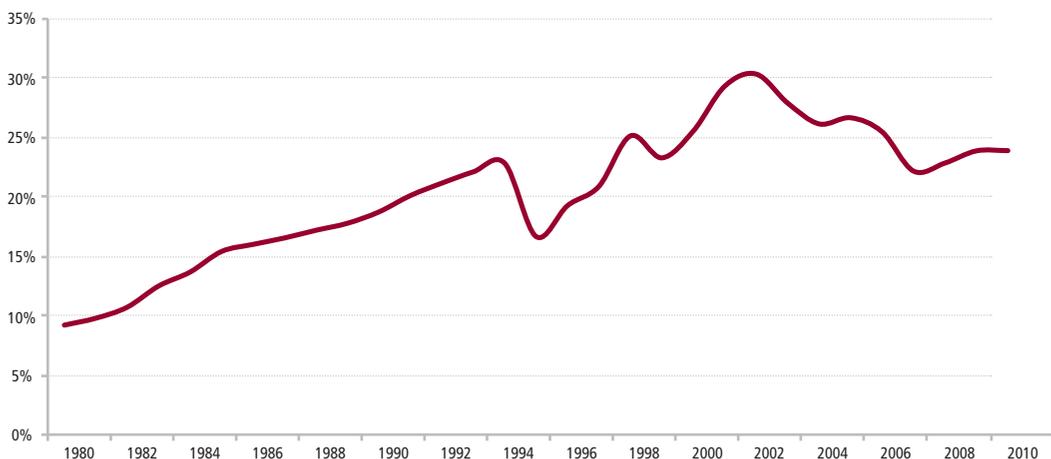
International criticism of apartheid grew and by the late 1980s over 25 countries had placed trade sanctions on South Africa. By 1990 the apartheid laws were repealed. Four years later, the ANC, under the leadership of Nelson Mandela, won the first multi-racial democratic elections in 1994. For many this marked the true end of apartheid in South Africa.

### Economic Context

South Africa is a large country with a population of approximately 51 million. Figures from the latest census show that the population is 79% black and 9% white with the remainder of the population being of mixed race or Asian origin.<sup>48</sup>

In 2010 real GDP was around \$194 billion, and real GDP per capita was nearly \$4,000.<sup>49</sup> There are

**Figure 8: Unemployment Rate, South Africa, 1980 - 2010**

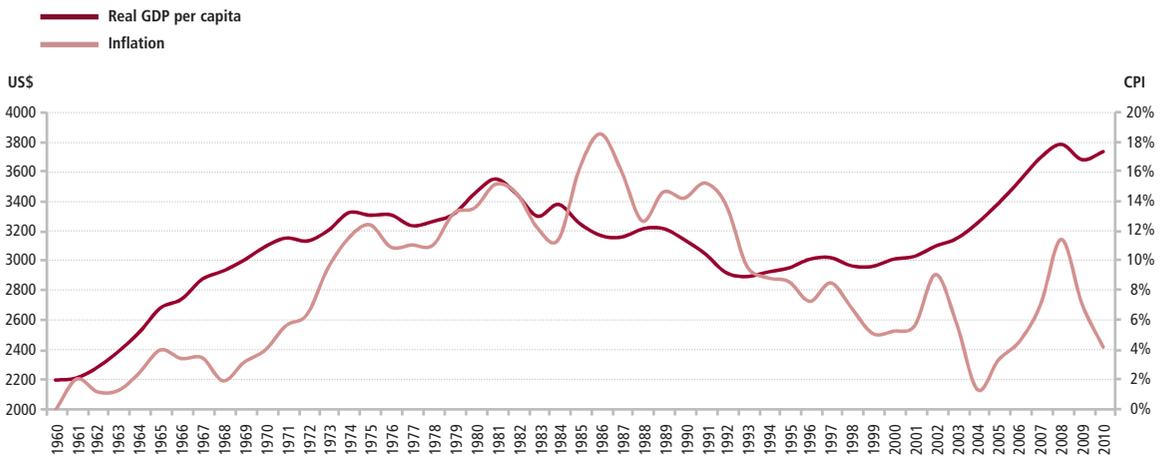


Source: IMF World Economic Outlook, accessed December 2012

structural issues within the South African economy - inequality is high and unemployment, estimated at 24% today, is a persistent problem. South Africa is rich in natural resources and mining has always been a major part of the economy. Following a period of rapid industrialisation in the 1930s and 1940s the first two decades of apartheid saw robust growth (averaging 6% a year) and manufacturing became dominant. However the system of segregation meant that the gains from growth flowed to the white minority, who dominated the commercial and industrial life of South Africa.

By the 1970s the economy began to falter. The high oil prices, international economic recession and fall in gold prices all affected the South African economy.<sup>50</sup> Growth slowed sharply and unemployment rose steeply. The 1980s saw further economic stagnation and decline as South Africa was increasingly cut off from international capital markets and faced a number of trade embargoes. In 1986, international banks suspended all loans to South Africa, causing an immediate 50% drop in the value of the Rand, inflation of over 18% and a severe shortage of capital in the economy as a whole.

**Figure 9:** Inflation and real GDP per capita, South Africa, 1960 - 2010



Source: World Bank's World Development Indicators, accessed December 2012

This, coupled with an exodus of international firms and external investments, along with the increasingly widespread international economic

sanctions on South African companies and goods, only sought to exacerbate the already fragile condition of the South African economy.

## Deciding to Act

As apartheid was initially profitable for South African business, the business community adopted the approach that 'the business of business is business and leave the politics to the politicians.'<sup>51</sup>

Some businesses, particularly mining companies, were even involved in the design and implementation of apartheid policies. Others benefited from co-operating with the security structure of the state. Many businesses united during the 1960s to support the South Africa Foundation, which they used to promote apartheid to foreign politicians and industrialists.<sup>52</sup> It was not until widespread resistance to apartheid rose and threatened profits that South Africa's business community began to change its stance. The private sector then became sensitive to international criticism for its continuing support of the apartheid system. At this point, many in South Africa's business community became convinced that it was necessary to seek political reform.<sup>53</sup>

## Initial Engagement

Various business groupings started to put pressure on the apartheid government. Notable among them was the Urban Foundation, which was formed by senior business leaders after the 1976 Soweto uprising, and the Federated Chamber of Industries. By drawing closer to the emergent reformist wing of the ruling National Party the business community put increasing pressure on it for economic/social liberalisation.

Members of the business community also urged for the legal recognition of black trade unions, which was achieved in 1979. This proved to be an

important reform that allowed for the emergence of corporate industrial relations across the racial divide, involving many young, bright and more liberal figures among South Africa's business leaders.

## Becoming More Active

Further progress was made in 1983, when a coalition of anti-apartheid organisations formed the United Democratic Front (UDF) to fight the oppression of black communities. A number of business people joined the UDF and many donated funds and resources. The main activities of the UDF included rent boycotts, school protests, worker stay-aways and opposition to the Tricameral parliamentary reforms.<sup>54</sup>

While important, these changes were not enough for some in the business community. A group of top business leaders (mostly from the Anglo-American Corporation) and journalists were still dissatisfied with the government's small-scale attempts at political reform and believed more radical steps needed to be taken.<sup>55</sup> In September 1985, this group flew to Zambia to initiate contact with a delegation of the banned ANC and UDF. Here they discussed subjects ranging from the future of the universities to the constitutional design of post-apartheid South Africa. This was the first of many such visits and became known as the 'Trek to Lusaka'.

Initially, participants were primarily from the English-speaking strata of white society and delegations were small, but by the end of 1986 Afrikaners were joining the 'Trek to Lusaka' and small meetings were replaced by large conferences. Delegations of prominent clergymen, academics, politicians, journalists, students, farmers, professionals and sportsmen headed to Zambia to meet with high-

level ANC officials. By July 1989, over 100 prominent white South Africans had travelled to Lusaka to confer with senior members of the banned ANC.

These meetings served to alter the attitudes of a number of whites toward the dominant political group among black South Africans. Those that participated returned to South Africa with reports of frank but cordial discussions and of a deep and positive emotional experience.

Over the same period another group of business leaders initiated a series of meetings between representatives of the apartheid government and a wide range of formal and informal groups, including black political leaders. The primary purpose of the meetings was to encourage debate on South Africa's political and economic future. This included the setting up of a number of organisational structures and committees which focused on overcoming the divisions that had been created and looking for ways in which to improve the South African economy.

Progress was slow and often hampered by the repressive political climate and the fact that many black political leaders were in hiding, detention, jail or exile. However, the relationship-building initiative continued, peaking in late 1988 when a high level meeting between business leaders and representatives of the Mass Democratic Movement resulted in the formation of the Consultative Business Movement (CBM). The CBM was formed of a group of executives from companies throughout South Africa who were dedicated to eliminating apartheid.<sup>56</sup> Funding was provided by the business community. The group's primary purpose was to facilitate the interaction of different political parties and it consequently reached out to all political leaders, including those from banned and restricted organisations.

In May 1991, just as things were beginning to look a little more positive, President FW de Klerk unilaterally called for a peace conference but failed to consult with the ANC. As a result, de Klerk found himself faced with strong opposition that threatened to drive further divisions between the opposing parties and undermine the progress of previous years.

## Promoting Peace

Total breakdown was averted due to a joint intervention by the CBM and the South African Council of Churches. They called an emergency meeting with representatives from other business associations and unions at the offices of Barlow Rand Ltd (a leading industrial company). It was co-chaired by John Hall, a Barlow executive and chairman of the Chamber of Commerce, and Archbishop Desmond Tutu. This group then worked with key political leaders to transform the government summit into one that could be considered as an independent peace conference involving other actors. While the ANC did not attend this first summit, its outcomes were such that the ANC were able to declare the resumption of negotiations shortly afterwards.

As a consequence of this, the National Peace Committee was established, leading to the signing of the South African Peace Accord in September 1991. The CBM provided secretarial and administrative support throughout this process and appointed the chair and deputy-chair from within the private sector. At the end of 1991, the Convention for Democratic South Africa (CODESA) was launched which saw working groups appointed to deal with specific issues. The CBM acted as secretariat to the process. In 1992 when there was deadlock between central and regional governments over the distribution of

powers, the CBM were approached to help resolve the issues. They solved the impasse by bringing together local academics and international experts to discuss the issues with both sides.

Following this intervention the CBM chaired negotiations that led to the first democratic elections in South Africa in 1994. As the International Freedom Party (IFP) threatened to withdraw from the elections a month before the polls, the CBM was asked to manage the mediation. Whilst some high profile mediators (e.g. Henry Kissinger) failed to secure an agreement, lower profile mediators continued an informal shuttle diplomacy supported by the CBM. This led to an agreement among the three major political parties and the elections being held as scheduled.<sup>57</sup>

In 1993, the CBM facilitated the formation of the Business Election Fund as a mechanism to mobilise business support for free and fair elections. The institution launched a national media campaign to promote democratic values and support an inclusive election process under the slogan 'Business stands for building a great nation.' It also provided practical support to the Independent Electoral Commission and orchestrated a major voter-education campaign in rural areas.

Other members of the business community also helped to facilitate and uphold the peace settlement through the establishment of social responsibility programmes. It is estimated that business was involved in roughly 100 of the 120 local-level peace committees in existence by late 1993. Business provided them with goods, services, facilities, prestige, executives' time and skills.<sup>58</sup>

Since then business has continued to play a role in supporting peace. Post-apartheid the National Business Initiative (NBI, formed from the merger of the Urban Foundation and the CBM) has supported a number of community projects – with time and money – in areas from education to criminal justice.

## Impact

Analysis of the role that business played in South Africa has concluded that business made a number of important contributions in the country's transition from violence to peace and from apartheid to democracy.<sup>59</sup>

As Nelson Mandela said himself, **"The contribution of the business sector to South Africa, through the work of the NBI and other such business organisations and individual companies, has been significant."**<sup>60</sup>

At the same time business alone does not claim to have brought an end to the political conflict in South Africa. The road to peace was multi-faceted, involving all sectors of South African society as well as the international community.

## Summary of Business Actions

- ❖ Business groups – led by the Federated Chamber of Industries and Urban Foundation – developed close ties with the reformist wing of the National Party and applied pressure on the government to change its policies.
- ❖ Top South African business leaders made contact with the ANC in Zambia and started the 'Trek to Lusaka'.
- ❖ The Consultative Business Movement (CBM) was formed to facilitate interaction and relationship building between different political parties (including banned and restricted groups).
- ❖ CBM went on to act as an 'honest broker' in peace negotiations.
- ❖ Managerial and logistical expertise and resources were used to help organise and facilitate the discussions.
- ❖ High profile business figures acted as mediators and chairmen in negotiations and lower profile business people engaged in behind the scenes 'shuttle diplomacy.'
- ❖ Substantial offerings were made to support local peace activities in cash, kind and time. This included resources and equipment which allowed committee members and other local political actors to stay in touch with evolving crisis situations (e.g. phones, beepers, and vehicles).
- ❖ Business leadership, resources, and authority were also essential for the creation and operation of national, regional and local peace-promoting institutions and policies after political transformation began in 1990.

## What Worked Well

Ultimately, the unique role performed by the business sector was made possible by its resources and ability to manage complex issues efficiently. Specifically this included:

- ❖ Skills and experience from the corporate world were able to 'get things done'. In particular business was not confined to arduous public sector procedures. It had the ability to decrease the time it took for action and delivery to occur and was therefore able to respond to local crises more quickly than government or foreign donors.
- ❖ Initiatives like the 'Trek to Lusaka' helped to 'demystify' and 'de-demonise' the ANC in the business community and wider civil society.<sup>61</sup>
- ❖ The apolitical set up of collective bodies such as the CBM (and later the NBI) meant that they had the ability to stay neutral. They were therefore able to rise above short term business interests and political differences.
- ❖ Operating under one umbrella organisation rather than at a company or individual level, the CBM established business in an impartial and apolitical position and provided protection for individual members.
- ❖ The political understanding and relationships formed during the early days of business-led political discussions helped business become a credible, impartial and trusted broker for peace. Taking an inclusive and transparent approach, and engaging with all parties throughout – especially banned and restricted groups – further strengthened this.
- ❖ Starting discussions around the economic and social organisation of the future state not only served a useful practical purpose but also enabled relationships to be developed before political issues were tackled.
- ❖ Mediation at all levels was necessary to get results. This included high profile mediation and chairmanship of negotiations, as well as lower profile, more junior executives engaging in 'shuttle diplomacy' at times of crisis.
- ❖ Having a political leadership that was willing to reciprocate and respond helped business' initiatives progress. The CBM was able to make officials pay attention to and re-start the peace process when conflict among political actors halted it.

## Section Eight: South Caucasus

Following the collapse of the Soviet Union in 1991, Armenia, Azerbaijan and Georgia became independent states.

However since then, all three nations have been involved in protracted state-formation conflicts. These have included:

- ❖ Georgian-Abkhaz conflict (1992-93) with the Abkhaz claiming independence from Georgia;
- ❖ Conflict over Nagorny-Karabakh (1988-1994) resulting in Armenian forces taking control of the Nagorny-Karabakh enclave and surrounding seven districts.
- ❖ Georgian-South Ossetian conflict (1991-92 with the latest major escalation in 2008) with the Ossetians gaining control of the South Ossetia territory.



The political issues within the region remain unresolved to this day. Nagorny-Karabakh remains 'non-recognised' by any country while Abkhazia and South Ossetia are recognised by five UN member countries only. Related to these conflicts, tensions also exist with neighbouring countries, notably between Turkey and Armenia, and Georgia and Russia.

As a consequence, the region is fragmented by closed borders, boundaries and economic sanctions. In particular the borders of Azerbaijan/Armenia and Armenia/Turkey are fully closed and restrictions are in place between Georgia and Russia. There is some movement of people and goods across the South Ossetian-Georgian and Abkhaz-Georgian divides but it is not official and largely unregulated. The conflicts

therefore continue to be the main obstacle for economic cooperation and development in the region.

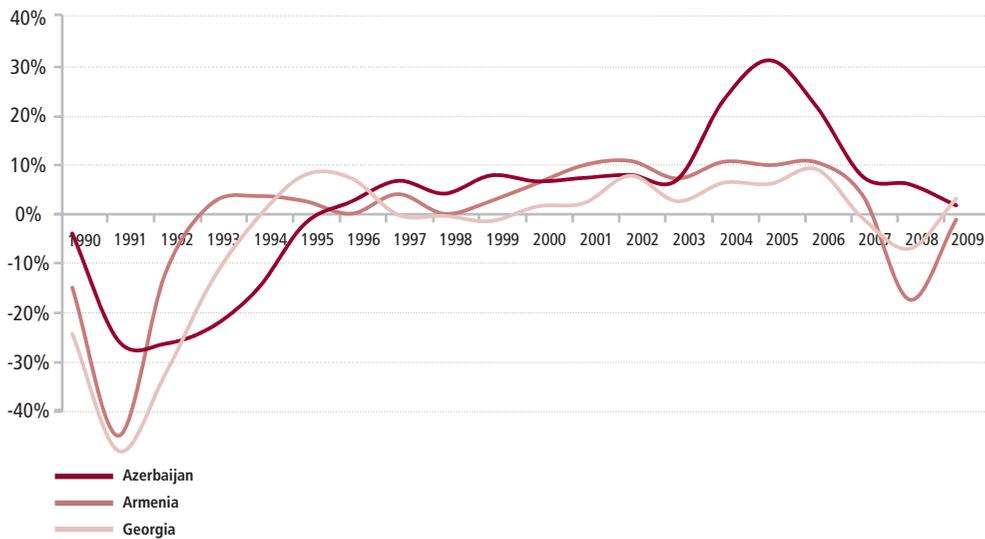
### Economic Context

30 years ago Georgia, Armenia and Azerbaijan were economically integrated within the communist system. When the Soviet Union collapsed in 1989 each newly formed political entity had to establish its own economic structures.

Due to the political and economic difficulties of transition (including the breakdown of former Soviet trading patterns), almost all of the new states of the South Caucasus quickly faced economic crisis and conflict. In the immediate aftermath of

independence they experienced a decline in production, increased inflation and, ultimately, a deterioration of living standards.

**Figure 10: GDP growth, 1990 - 2009**



Source: World Development Indicators

Today Azerbaijan is by far the largest economy in the South Caucasus with GDP of over \$54 billion and a population of nearly 9 million. It is a resource-rich economy with large oil and gas reserves (making up 84% of exports) which leave it vulnerable to the 'Dutch Disease' effect that can damage the productive base and competitiveness of other trade-oriented activity. The public sector provides almost 50% of employment.

According to available official statistics, Armenia has the smallest economy with a private sector that provides over 70% of employment. Georgia is the poorest economy in the region. Unemployment is relatively high at 16% and 60% of those that are employed work in the public sector.

**Figure 11:** South Caucasus - Key Economic Facts

Country	GDP (current prices)	GDP per capita (current prices)	GDP by sector	Population	Unemployment Rate	Employment (2008 – 2009)	
						Public	Private
	2010	2010			2009		
Armenia	\$9.4bn	\$2,846	agriculture: 22% industry: 47% services: 31%	Oct 2001 – 3,002,594	6.9%	29.7%	70.3%
Azerbaijan	\$54.4bn	\$6,008	agriculture: 6% industry: 61%	Apr 2009 – 8,922,300	6.0%	48.9%	51.9%
Georgia	\$11.7bn	\$2,658	agriculture: 11% industry: 27% services: 62%	Jan 2002 – 4,355,673 [Abkhazia est. 500k]	16.4%	60%	40% <sup>62</sup>

Source: IMF WEO Database, National Statistical Service of the Republic of Armenia,<sup>63</sup> Statistical Committee of Azerbaijan<sup>64</sup> and UN.<sup>65</sup>

Despite the political issues, the structure of the region (which is approximately the size of England) means that economic activity still needs to take place to allow the different communities to access the goods and services they require. However, with few formal channels and the asymmetric nature of the conflicts trade is often informal in nature and shadow economies have developed.

## Deciding to Act

Facing long-term political stalemate, the business communities in the South Caucasus have attempted to continue trading for purely commercial and economic reasons rather than as active peacebuilders. At the same time, a number of third parties - including NGOs, neighbouring country business communities and/or diaspora - have developed a number of initiatives with the local communities to encourage peace through cross-border business interaction and trade.

## Initial Engagement



One of the early local initiatives, established by Azeri traders, was the Sadakhlo outdoor market. Sadakhlo, located on Georgian territory close to the border area with both Armenia and Azerbaijan, was set up at the beginning of the 1990s and was the largest informal market in the Caucasus. On a busy day there would be approximately 5,000 people trading at Sadakhlo and even at times of conflict, trade continued.<sup>66</sup>

The market provided a centre for generating income and developing trust through cross-border trade. People could meet and exchange goods but there was an unwritten rule that politics would not be discussed. The market demonstrated that trade was possible, and beneficial, if animosities between governments in the region could be put aside.

While established for commercial reasons the market also helped develop trust and relationships between the disputing parties. With a lack of a formal regulatory framework, however, there was little protection for traders and consumers. There were occasional incidences of fraud and traders began to complain that losses from providing goods on credit became more common during conflict. Both of these factors eventually had the effect of decreasing the level of trust that had been built up.

By 2006, there was an issue with counterfeit goods, and unfortunately the market became viewed by the Georgian authorities as a centre for contraband and corruption and it was subsequently closed down. The closure of the market, which had been in existence for over 12 years, had a significant impact in the region. Local Sadakhlo traders, the majority of whom were ethnic Azeris, felt the consequences the most and struggled to find a new source of income. The loss of the opportunity to sell local produce soon increased poverty in the region. Because of the conflict, the Georgian government provided little assistance in the recovery of these losses.

A second similar market place in Ergneti developed spontaneously in the no-man's land between South Ossetia and Georgia when hostilities ceased in 1993. The Ergneti market became the most reliable source of income for thousands of Ossetians and Georgians after 1999, when it became less profitable to smuggle products from Georgia to Russia. The volume of trade at the Ergneti market was estimated at between \$101-133m per year, just less than 10% of Georgia's total trade volume.

Much like Sadakhlo, Ergneti was a place where businesspeople came to trade and make profit from their products. Politics and ethnic differences were put aside and trade was the focus of their interactions. Again the informal nature of the market left it vulnerable to closure by the Georgian authorities, which eventually happened in 2004.

In addition to economically driven actions of the private sector, NGOs working in the region also

recognised the importance and opportunity from encouraging business to get involved in peacemaking. One such example was the NGO-led Economy and Conflict Research Group of the South Caucasus (ECRG) that was founded by International Alert to study the inter-linkages between economy and conflict/peace in the region.

In 2005, ECRG and International Alert established the Caucasus Business & Development Network (CBDN), an initiative to promote peacebuilding through regional economic cooperation and dialogue between all business communities across the South Caucasus. It operates through a network

of regional offices in Tbilisi, Kutaisi, Tskhinval/i, Sukhum/i, Yerevan, Gyumri, Baku, in Nagorny-Karabakh and in Istanbul. Each office has its own set of work plans based on the needs of their regions. Their work includes training, consultations for local entrepreneurs, sponsorship of business initiatives, research and advocacy. The network is an effective information exchange system that ensures coordinated work between the centres. There are bi-lateral, tri-lateral and regional activities and events carried out by CBDN and International Alert in cooperation with local businesses, business associations and international partners.<sup>67</sup> Activities to date include:

- ❖ Production of regional food products and value chains in goods such as cheese, tea and honey.
- ❖ Organisation of regional informational tours and business trips for the business communities in the South Caucasus.
- ❖ Promoting regional sectoral dialogue and cooperation.
- ❖ Regional business summits and the South Caucasian Women's Economic Forum.

Private sector initiatives are particularly limited between Armenia and Azerbaijan due to the high level of political intolerance between the two countries. However initiatives have been triggered by the Turkish and Armenian business communities in an attempt to circumvent political tensions between the Armenian and Turkish governments. The most successful of these has been the Turkish Armenian Business Development Council (TABDC), which was created in 1997 by Turkish and Armenian business people. Its aim is to promote trade links in various sectors between business people in Armenia, Turkey and the Armenian diaspora. TABDC is

currently involved in 70% of all Armenian-Turkish transactions.

The Turkish private sector was motivated to get involved by the opportunity to open access to Central Asia through Armenia. The World Bank estimates that opening the Armenian-Turkish and Armenian-Azerbaijani borders would increase Armenian exports to \$269-342 million, and could increase GDP by 30-38%.<sup>68</sup> Opening the Armenian-Azerbaijani border would also drastically increase Turkish trade with other Central Asian countries by cutting transport costs by about 35%. In addition it

would help diversify the Trans-Caucasian energy transport corridors. This would strengthen regional cooperation in the South Caucasus and open up opportunities for other countries in the region. These include the ability to access and integrate with global markets, participate in regional projects, facilitate domestic socio-economic development and negotiate internal disputes, while contributing to the settlement of conflict between states.

The first five years of the TABDC were very successful on several levels. TABDC trade missions introduced business leaders in sectors such as textiles and agriculture to counterparts across the border. They sponsored trade missions and joint cultural activities and also organised the supply of earthquake aid from Armenia to Turkey. The TABDC identified tourism and the restoration of Armenian historical sites as other ways of contributing to economic development.

TABDC nurtured cross-community links with the help of the Black Sea Economic Cooperation Business Council and international political leaders. Forging ties between special interest groups in the two nations was put on top of the agenda and the TABDC sponsored exchanges between business leaders, journalists and women's groups. The TABDC also mobilised the Armenian diaspora to use its business expertise and international networks to develop business opportunities for communities on both sides of the border.

Members of the TABDC maintain close ties with their respective governments and are pushing for the re-opening of the border and the establishment of interstate relations between Armenia and Turkey.<sup>69</sup> TABDC has also been very successful at getting the conflict on the news agenda by engaging the media of both countries.<sup>70</sup>

## Becoming More Active

A key problem in the region is how to regulate economic activity across the conflict divides between asymmetric political entities when some are not recognised by others. In an attempt to address this issue research by the CBDN is currently underway to:

- ❖ Work towards regulating cross-divide economic relations in the absence of political resolution in the Georgian-Abkhaz context; including cross-learning with international experience like Green Line regulations in Cyprus and Kosovo-Serbia trade relations;
- ❖ Map the existing informal cross-divide trading patterns to help increase understanding of the dynamics and meaning of these relations;
- ❖ Produce future-looking econometric models on the economic potential of the South Caucasus with(out) conflicts by a group of economists from across the region;
- ❖ Produce economic and conflict/peace analysis on regional economic projects (e.g. renovating and operationalising regional railway lines, etc) by a cross-divide group of economists.

## Impact

It could be argued that private sector actions have had little effect on political resolutions of the conflicts in the South Caucasus. There are still no long term political solutions, a number of entities are not recognised, blockades and sanctions are in place and political intolerance continues to be prolific. However, it is perhaps fairer to think that the private sector and civil society efforts to establish trade relations and cross border cooperation are currently 'work in progress.'

Such initiatives have arguably enabled ongoing interaction at a time when it was physically and politically difficult to achieve. They have also set a precedent of working around government-regulated economic restrictions that serve to prolong separation and conflict in the region.

## Summary of Business Actions

- ❖ The private sector worked to establish cross-border/boundary trade and attempted to circumvent economic blockades. For example, informal markets were established in border regions and cross-border groups attempted to maintain relations.
- ❖ NGOs operating in the region also promoted cross-border private sector initiatives to encourage cooperation. Rather than working with individuals they set up a network – the CBDN – to facilitate such efforts.
- ❖ The business community in neighbouring countries, notably Turkey, played a significant role between Turkey and Armenia, facilitating economic relations through third countries. The diaspora, notably from Armenia, also played a part.
- ❖ Both the private sector and NGOs worked outside of the formal, government-controlled system – which was essential given the restrictions this would otherwise place on economic activity.

## What Has Worked Well

- ❖ Whilst trade was facilitated for purely socio-economic reasons, it became an important tool for increasing cooperation at a time when political elites were unable to engage.
- ❖ Border regions were of special importance to private sector initiatives. In particular, physical places for cross-border trade to take place provided a neutral location for interaction to occur at a business level, increasing trust between the two communities.
- ❖ Conversely the prevention of formal trade, through border closures and other restrictions, caused the development of informal economic networks. Rather than ignoring this it provided a useful starting point for re-formalising economic relations.
- ❖ Taking a regional approach lessened tensions and the focus on any particular conflict and enabled people to get involved with less fear of recrimination.
- ❖ Establishing a network of business associations across the region enabled people to work together across the divide. At the same time, maintaining the independence of operations at the community level was important to give people the incentive to get involved.
- ❖ Cross-border or regional research projects are a useful tool to engage new groups and actors in the process of reconciliation. Engaging with individuals outside the usual sphere of 'reconciliation work' also increases the credibility of the research.
- ❖ It was useful to couch cross-community initiatives in clear 'professional development' or business terms rather than explicitly highlight them as reconciliation or peacemaking efforts.
- ❖ Any cross-conflict private sector initiatives with peacemaking goals need to avoid or reduce the possible threats to businesspeople stemming from what is seen as 'cooperating with the enemy.' In this regard, the location of physical trading zones was important, for example the location of Sadakhlo, in Georgia and not Azerbaijan, was vital. Feelings of hostility to the 'enemy' ran high in Azerbaijan, so that the market would have been more vulnerable to attack if it had been located there.
- ❖ Third party non-state actors can play a role. This includes NGOs, the private sector in neighbouring countries and/or the diaspora.
- ❖ The NGO community played a key role in developing initiatives to facilitate cross-border private sector interaction and relationships.

## Appendices

### Appendix 1 - Other Case Studies Considered

#### A: Second tier conflicts – potential case studies for future research

**Democratic Republic of Congo** – The peacemaking role of business in the Congo is primarily focused on improving security and boosting the economy. It includes activities such as employing ex-combatants and undertaking initiatives to stabilise the economy. One specific initiative, the Kivu regional strategy, would be of interest to explore further. The business community in Kivu attempted to draw attention to economic governance and recovery issues and to mitigate the excessive focus on institutional and power struggles between rival political leaders.

**El Salvador** – The peacemaking role of business in El Salvador was primarily a political one with some focus on economic measures. Business was an active participant in the peace process but also attempted to foster economic growth through credit dispersion as well as working to de-arm ex-combatants. As a consequence of taking on such roles there have been changes in the structure of the business community. This has led to the consolidation of a ‘modernising’ elite, with ties to commerce, agro-business and financial services, and the weakening of the traditional elites linked to land and agriculture. While there are significant structural and political differences with the Israeli-Palestinian conflict, the peacemaking role of business and the resulting

economic transformation might be interesting to consider in more detail.

**Mozambique** – Roland ‘Tiny’ Rowland, the chief executive of the UK-based multi-national Lonrho, made protection payments to the Rhodesian (now Zimbabwe) and South African-funded Mozambique Resistance Movement (Renamo) in order to protect his business from conflict. This strategy failed and, consequently, Rowland became personally engaged in the peace process, becoming instrumental in strengthening Renamo’s confidence to negotiate. Though there are few similarities with the Israeli-Palestinian conflict, there may be some potential lessons to be learned from Rowland’s personal involvement in this conflict.

**Philippines** – This conflict has its roots in colonisation and socio-economic grievance, such as a lack of access to education, loss of land titles to settler communities, horizontal inequalities and poverty. In order to protect local livelihoods, major business efforts were made to facilitate public-private dialogue on governance issues relating to regional cross-border trade. This specific initiative could merit a more detailed look, even though the geography of the Philippines differentiates it significantly from the Israeli-Palestinian conflict.

**Rwanda** – There is a strong post-conflict focus in the business community on developing agriculture and tourism, as well as cross-border trade. Following the devastating civil war in the 1990s, foreign aid dependency was high and there was a need for the business community to act as a reconstructing agent. This post-conflict role of the business community would be worth looking at in more detail even though it is perhaps still too early to assess the impact.

**Somalia/Somaliland** –The business sector has been one of the few sources of stability since the collapse of the state and business interests have been a driving force for peace, stability and the rule of law. With the absence of government, international aid agencies have stepped in to provide services like water, electricity and telecommunications. Business in Somalia/Somaliland has also got involved in security issues by distributing contracts, loans and jobs to ex-combatants. Cross-border trade has been one of the most successful business endeavours in the conflict due to the ethnic Somalis located on both sides of the border.

## B: Third tier conflicts - discarded as having limited relevance for The Portland Trust's purposes

**Afghanistan** – Business tends to play a role that primarily aids development and reconstruction along with some security measures. Due to the ongoing level of conflict, not enough time has passed from which to draw conclusions or analyse the role of business in supporting the peace process. The context is also vastly different to the Israeli-Palestinian situation in terms of the conflict, the level of development and the impact of the private sector.

**Algeria** – This was a civil war between loyalist Algerian Muslims, who believed in a French Algeria, and their rebel counterparts. As a complex, decolonisation conflict it was characterised by guerrilla warfare, terrorism against civilians, the use of torture and counter-terrorism operations by the French Army. Initial desk research found limited information on the private sector role.

**Angola** – Central to this conflict was Angola's dependence on oil. It is the country's primary export and the government's main source of revenue. As a natural resource conflict it is difficult to see where the Israeli and Palestinian business communities could draw lessons.

**Bosnia** – The business community promoted development via growth in employment opportunities and access to finance. However, in the aftermath of the conflict there was a lack of private sector engagement in the rebuilding of the state. The lessons learned have already been set out in The Portland Trust's 2008 publication 'Economics in Peacemaking: Lessons Learned from Bosnia and Herzegovina.'

**Colombia** – The peacemaking role of business is highly politicised in Colombia. Despite its subsequent role in the peace process, business itself was an integral part of the conflict and is seen by many in the population as a main cause of conflict. The perceptions and position of the business community are therefore very different to the Israeli-Palestinian context, which makes lessons learned less relevant.

**Guatemala** – Since the colonial era the economy has been dominated by the small landowning elite that have exploited the indigenous population to cultivate agricultural products for export. Playing a peacemaking role the private sector encouraged activities to increase employment and boost development. However, due to its focus on agriculture and the exploitation of labour, it is hard to draw relevant conclusions from this conflict for the Israeli-Palestinian conflict.

**India/Pakistan** – There are large geographic and demographic differences between the India/Pakistan and Israeli-Palestinian conflicts. In addition, desk research yielded little information on the role of the private sector in the region. This has made it an unsuitable case at this stage of the project.

**Kosovo** – With an emphasis on the economy and reconciliation, some have argued that private sector projects were used to address the underlying issues of the conflict. However initial desk research has yielded little information regarding the business community and little indication as to how much of a role they actually played in either conflict resolution or peacemaking.

**Nepal** – The role of business in Nepal was both political and economic in practice. Business activities looked to not only support economic development but also to directly facilitate the peace process. Though there was a strong emphasis on the economic impact of the conflict there seems to only be a small-scale role for business.

**Nigeria** – The informal nature of the business sector and the perception that it promoted criminal activity evoked hostility in the public sector. The private sector in turn strongly resented local government revenue extraction from market-based trade given its own failure to invest in physical infrastructure, the continual harassment of traders, financial mismanagement and massive corruption. The peacemaking role of business subsequently focused on security and economics. Compared with the Israeli-Palestinian conflict there are a number of differences and very little research to date on the role of the private sector in Nigeria.

**Sri Lanka** – Business has played a political and reconciliatory role to mobilise support for elections and promote trust amongst Tamil, Sinhalese and Muslims. There are similarities to the Israeli-Palestinian conflict such as the historical roots of conflict; including the notion of a 'right to a land', British colonial influence, and ethnic and religious divisions. However, this case study currently has limited research potential due to the little amount of time that has passed since its conclusion.

**Sudan** – With a reliance on natural resources such as crude oil and petroleum, this conflict sets itself apart from the Israeli-Palestinian conflict. Even though this case has a large focus on the role of economics, it is unclear if and how significant the

private sector has been in its endeavours. Also, with the current outbreak of conflict and the secession of South Sudan in 2011 there are a new set of issues that have yet to be evaluated in terms of the business community and the private sector.

**Venezuela** – With oil at the centre of the conflict and with limited information regarding the involvement of the private sector in the peace process, it is difficult to see where the Israeli and Palestinian business communities could draw lessons.

## Appendix 2 - References

<sup>1</sup> Ben-Porat (2005).

<sup>2</sup> Wennmann (2011).

<sup>3</sup> Iff et al (2010), Tripathi and Gunduz (2008), Nelson (xx), Sweetman (xx), Wennmann (2011).

<sup>4</sup> Tripathi S. and Gunduz C. (2008).

<sup>5</sup> Based on International Alert and IISS analysis.

<sup>6</sup> Population estimates are approximate and based on the latest data available, from the 2011 Republic of Cyprus Census. Available at:

<http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/732265957BAC953AC225798300406903?OpenDocument&sub=2&sel=1&e=&print> and the 2006 TRNC Census. Available at:

<http://nufussayimi.devplan.org/Census%202006.pdf>

<sup>7</sup> Unemployment data from Republic of Cyprus Labour Force Survey (Q2 2012). Available at:

[http://www.cystat.gov.cy/mof/cystat/statistics.nsf/labour\\_32main\\_en/labour\\_32main\\_en?OpenForm&sub=2&sel=2](http://www.cystat.gov.cy/mof/cystat/statistics.nsf/labour_32main_en/labour_32main_en?OpenForm&sub=2&sel=2)

<sup>8</sup> Data from p.3 of IMF Country Report No. 11/332 (November 2011). Available at:

<http://www.imf.org/external/pubs/ft/scr/2011/cr11332.pdf>

<sup>9</sup> See: [http://www.cystat.gov.cy/mof/cystat/statistics.nsf/economy\\_finance\\_11main\\_en/economy\\_finance\\_11main\\_en?OpenForm&sub=1&sel=2](http://www.cystat.gov.cy/mof/cystat/statistics.nsf/economy_finance_11main_en/economy_finance_11main_en?OpenForm&sub=1&sel=2)

<sup>10</sup> Data on Tourism Arrivals 1980 – 2010 and Revenue Estimates February 2012. Available at:

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<sup>11</sup> Data from p. 42 of IMF Country Report No. 11/332 (November 2011). Available at:

<http://www.imf.org/external/pubs/ft/scr/2011/cr11332.pdf>

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<sup>12</sup> Data from: <http://www.devplan.org/GSMH/GDP%202008-2009-2010.pdf>

<sup>13</sup> Data from Economic and Social Indicators 1977 – 2009.xls at: <http://www.devplan.org/Frame-eng.html>

<sup>14</sup> Table 23 from Economic and Social Indicators 1977 – 2009.xls at: <http://www.devplan.org/Frame-eng.html>

<sup>15</sup> TRNC Economic and Social Indicators 2010, State Planning Organisation, Follow up and Coordination Department, July 2012.

<sup>16</sup> Data from Economic and Social Indicators 1977 – 2009.xls at: <http://www.devplan.org/Frame-eng.html>

<sup>17</sup> UNDP (2012) Report on General Population - Quantitative Research Project 2012: 'Level of Trust between the Two Communities in Cyprus'.

<sup>18</sup> Flynn (2012).

<sup>19</sup> See: [http://www.undp-act.org/data/articles/interdependence\\_report\\_2011.pdf](http://www.undp-act.org/data/articles/interdependence_report_2011.pdf)

<sup>20</sup> EDGE project October 2012 Green Line Trade Analysis.

<sup>21</sup> See: [http://www.undp-act.org/data/articles/interdependence\\_report\\_2011.pdf](http://www.undp-act.org/data/articles/interdependence_report_2011.pdf)

<sup>22</sup> The Peace Research Institute Oslo ( PRIO: <http://www.prio.no/>) was founded in 1959. It is a non-profit research institution that strives to conduct research on the conditions for peaceful relations between people, groups and states. The institute is independent, international and interdisciplinary, and explores issues related to all facets of peace and conflict. PRIO is involved in identifying new trends in global conflict and formulating new understandings.

<sup>23</sup> See: [http://www.undp-act.org/data/fast\\_facts\\_interdependence.pdf](http://www.undp-act.org/data/fast_facts_interdependence.pdf)

<sup>24</sup> Joint statement from KTTO and CCCI. Available at: <http://www.ktto.net/interdependence/>

<sup>25</sup> See: <http://www.ktto.net/interdependence/>

<sup>26</sup> See: [http://www.undp-act.org/data/articles/interdependence\\_report\\_2011.pdf](http://www.undp-act.org/data/articles/interdependence_report_2011.pdf)

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<sup>27</sup> See: <http://cpnnet.net/business-directory>

<sup>28</sup> See: <http://www.youtube.com/watch?v=Pbrk1i4xXBI&noredirect=1>

<sup>29</sup> See: [http://www.crisisgroup.org/~media/Files/europe/171\\_the\\_cyprus\\_stalemate\\_what\\_next.pdf](http://www.crisisgroup.org/~media/Files/europe/171_the_cyprus_stalemate_what_next.pdf) 30 Mullen et al (2008).

<sup>31</sup> The overall €1.8bn was made up from an increase of approximately €510m in trade, €550m in construction and real estate, €310m in tourism, €160m in universities, €100m in accounting and legal services and €180m in FDI. 32 Mullen et al (2009). 33 Mullen et al (2010).

<sup>34</sup> See: <http://www.hurriyetdailynews.com/n.php?n=turkey-to-gain-financially-from-cyprus-pact-2010-07-22>

<sup>35</sup> See: <http://www.financialmirror.com/research-details.php?rid=27589&rt=News>

<sup>36</sup> Based on Gross Value Added and Gross Value Added per capita data for 2010 from the Northern Ireland Annual Abstract of Statistics, Northern Ireland Statistics and Research Agency.

<sup>37</sup> Northern Ireland Statistics and Research Agency Data, taken from The Portland Trust (2007).

<sup>38</sup> McGarry and O'Leary (1995, pp 265-310).

<sup>39</sup> Data taken from The Portland Trust (2007).

<sup>40</sup> Data from the Quarterly Public Sector Employment Survey for Q2 2012, UK Office for National Statistics. Available at: <http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/q2-2012/stb-pse-2012q2.html#tab=By-region--headcount--not-seasonally-adjusted--Table-6->

<sup>41</sup> Data taken from the Department of Finance and Personnel, Edition 14 (29 December 2011), Facts and Figures from the Inter Departmental Business Register (IDBR).

<sup>42</sup> Source: Local Business Pushing for Peace in Northern Ireland (1999), published in People Building Peace (European Centre for Conflict Prevention).

<sup>43</sup> Smyth (1994).

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<sup>44</sup> Data from <http://cain.ulst.ac.uk/ni/tourism.htm> and A Profitable Peace: Confederation of British Industry in Northern Ireland (July 2005) published in People Building Peace II by European Centre for Conflict Prevention.

<sup>45</sup> Source: A Profitable Peace: Confederation of British Industry in Northern Ireland (July 2005) published in People Building Peace II by European Centre for Conflict Prevention.

<sup>46</sup> The Confederation of British Industry and the Group of Seven: a marathon walk to peace in Northern Ireland (2006), published in Banfield et al (2006).

<sup>47</sup> Source: Local Business Pushing for Peace in Northern Ireland (1999), published in People Building Peace by European Centre for Conflict Prevention.

<sup>48</sup> See: [http://www.statssa.gov.za/Census2011/Products/Census\\_2011\\_Methodology\\_and\\_Highlights\\_of\\_key\\_results.pdf](http://www.statssa.gov.za/Census2011/Products/Census_2011_Methodology_and_Highlights_of_key_results.pdf)

<sup>49</sup> GDP and GDP per capita in constant 2000 US\$. GDP and GDP per capita in Data taken from the World Bank WDI indicators, accessed December 2012.

<sup>50</sup> Price (1991).

<sup>51</sup> Eloff (2006).

<sup>52</sup> L.B. Gerber, the SA Foundation Director, urged privileged South Africans to stop apologising for the apartheid and instead publicise 'the opportunities' that apartheid offered to international investors (Business Times).

<sup>53</sup> Maintaining the apartheid system required enormous administrative infrastructure. The economic decline of the 1980s highlighted that businesses were no longer profiting from internal divisions. (Econ. 09/09/95 p.46)

<sup>54</sup> Details of the United Democratic Front are outlined in Seekings, J. The UDF: A History of the United Democratic Front in South Africa, 1983 – 1991. The leadership of the UDF included Terror Lekota, Popo Molefe, Valli Moosa, Trevor Manuel, Cherly Carolus and Archbishop Desmond Tutu.

<sup>55</sup> The group included Gavin Reilly (Anglo-American), Zac De Beer (LTA Construction), Tony Bloom (Premier Milling), Peter Sorour (SA Foundation), Hugh Murray (publisher, Leadership), Harald Pakendorf (editor, Valderland), Tertius Myburgh (editor, Sunday Times).

<sup>56</sup> Christo Nel was a founder of the CBM. Dr. Theuns Ellof was Executive Director from 1990-95. Other individuals involved include Colin Coleman (Managing Director of Goldman Sachs South Africa), Andrew Feinstein (journalist), Kevin Wakeford (former CEO of SA Chamber of Business), Bruce Robertson, Khanyisile Kweyama (Exec Director of Anglo American SA), Zohra Ebrahim, Debra Marsden.

<sup>57</sup> Tripathi and Gunduz (2008).

<sup>58</sup> According to Charney (1999, p.193), over and above cash donations it was the gifts that companies gave in kind that had the greatest consequences (advertising campaigns, media space, food/drink for regional peace committee meetings/conflict resolution workshops, facilities to train peace monitors; and free legal help).

<sup>59</sup> Fourtie and Eloff (2005, p.47).

<sup>60</sup> The Business Community After Apartheid and Beyond, "After Apartheid" Conferences: August 2006, April 2007.

<sup>61</sup> Price (1991, p.239).

<sup>62</sup> Data from: <http://www.globalsecurity.org/military/world/georgia/intro-econ.htm>

<sup>63</sup> Data from: <http://www.armstat.am/en/?nid=126&id=08008> and [http://www.armstat.am/file/article/trud\\_09\\_10.pdf](http://www.armstat.am/file/article/trud_09_10.pdf)

<sup>64</sup> Data from: <http://www.azstat.org/publications/azfigures/2010/en/005.shtml> and [http://www.azstat.org/statinfo/labour/en/002\\_1.shtml](http://www.azstat.org/statinfo/labour/en/002_1.shtml)

<sup>65</sup> Data from: <http://unstats.un.org/unsd/demographic/products/vitstats/serATab2.pdf> Last updated by UN in December 2012 (with latest available census).

<sup>66</sup> Mirimanova (2006).

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<sup>67</sup> See: <http://www.caucasusbusiness.net/?q=content/about-us>

<sup>68</sup> See: [http://www.tabdc.org/index.php?subaction=showfull&id=1218853815&archive=&start\\_from=&ucat=34&](http://www.tabdc.org/index.php?subaction=showfull&id=1218853815&archive=&start_from=&ucat=34&)

<sup>69</sup> Taken from the Turkish-Armenian Business Development Council Activity Report. Available at: <http://www.tabdc.org/index.php?Sid=9>

<sup>70</sup> See: <http://blacksea.bcnl.org/en/articles/15-registration-and-operation-of-ngos-and-taxation-of-ngos.html>

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