1 Introduction

Background of the Study

In April 2004, the Security Council of the United Nations discussed the role of business in conflict prevention, peacekeeping, and post-conflict peacebuilding. Secretary-General Kofi Annan argued that "'business itself has an enormous stake in the search for solutions', adding that companies require a stable environment in order to conduct their operations and minimize their risks". All relevant United Nations bodies, the Bretton Woods institutions and civil society were asked to "cooperate closely with the private sector to support the climate of peace in conflict-prone regions, help mitigate crisis solution, and contribute to reconciliation processes" (UN Security Council Press Release 2004).

Kofi Annan's statement for the UN is exemplary for an increasing number of governmental as well as non-governmental organizations, which argue that the private business sector has a role to play in preserving peace and ending conflict. Companies are assumed to have the potential as well as the interest to contribute to the maintenance or reestablishment of a peaceful and stable environment.

The idea that private firms are deemed partners in conflict management is a relatively new phenomenon. Until recently, these activities were considered the responsibilities of governments and state institutions alone. The end of the Cold War, however, changing patterns in conflict emergence and settlement as well as the steadily expanding movement of corporate social responsibility and public-private partnerships, have resulted in the business sector being increasingly identified as a potential player in preventing and resolving armed strife.

Paradoxically, the discussion about the possibly conducive role of private business actors in conflict management in part originated from a debate mostly ignited by NGOs, showcasing how companies generated or prolonged armed hostilities. Primarily transnational firms in the resource-extracting sector including Shell, DeBeers or Talisman have been accused of doing business in conflict-ridden countries, contributing to the maintenance of violence.

Since private companies are involved in the emergence and maintenance of violent conflict they were now also considered necessary partners in strategies aiming to resolve armed strife. In addition, NGOs and governmental institutions increasingly asserted that while some companies thrive during warfare, the majority of private firms prefer a peaceful business environment without the insecurities of conflict. Since private companies are believed to have self-interest in peace, the implication seemed to follow that they are willing to contribute to activities supporting peace. However, whereas the active participation of NGOs became a common feature in many contemporary peace processes, there is still little knowledge of and practical experience in business participation in conflict management.

Goals and Relevance of the Study

The aim of the study is to provide some insights into corporate perceptions of violent conflict, peace and peacebuilding in order to better assess the potential as well as the obstacles for corporate engagement in conflict prevention, conflict settlement and post-conflict peacebuilding. The study seeks to explore the conditions under which peace and conflict are considered economically detrimental by companies in order to shed some light on whether or not business is self-interested in peace. Moreover, this study aims to better understand if certain economic branches or groups are more inclined to support peace-related activities than others.

   It is assumed that private companies are only self-interested in peace and more willing to support and participate in conflict management if the corporate costs for war exceed the corporate costs for peace. The study argues that although peace, in the sense of an absence of violence, may be considered beneficial by the majority of private companies, conflict transformation that addresses the root causes of violence may not be regarded as being economically profitable. The majority of those who argue that private companies have a self-interest in peace seem to disregard the fact that not only violent conflicts but also peace may result in costs and disadvantages for firms. While entrepreneurs may have a preference for a stable and peaceful business environment, they may reject structural changes, such as reforms in the economic rules of the game that potentially accompany conflict transformation. Peacebuilding may force the private sector to compromise over its economic interests, and businesses may consequently reject more comprehensive conflict management strategies.

The scope of the inquiry is limited to four selected foci:

i.   Internal conflicts: Since the end of the Cold War, internal conflicts have been the predominant form of war compared with inter-state conflicts. Therefore, intra-state conflict will be the focus of this study.

ii. Domestic businesses sector: Most studies published so far on the role of companies in conflict and peace highlight international enterprises. However, it

has been acknowledged that the domestic private sector assumes a crucial role when it comes to corporate engagement in peace and conflict.

iii. Business associations: Particular attention will be paid to the organized business sector and not so much to individual businessmen.

iv. Legal business: The study will not address the role of illicit business activities such as smuggling, kidnapping, drug trafficking. Furthermore, companies, such as those that produce weapons may have an interest in the maintenance of armed hostility and hence, will not be considered in this study. Instead, it will focus on those economic branches that do not directly profit from violence.

Selection of the Case Study and Major Findings

This study explores the questions and assumptions outlined above for the case of Guatemala. It looks at the strategies of the Guatemalan business sector in the context of the emergence and settlement of the Guatemalan civil war (1960–1996), as well as during the peace negotiations (1986-1996) and the first five years after the formal ending of the conflict (1997-2002).

Guatemala was chosen as the case study for this work for a number of reasons. First, the civil war formally ended about five years prior to the field research in 2001. This provided the opportunity to explore all the major phases of a violent conflict and a peace process (pre-conflict phase, conflict phase, conflict settlement and post-conflict phase). Second, Guatemala provided a relatively diversified economic structure. Although coffee dominates the economy, commerce, industry and the service industry (in particular tourism) are of some economic significance for Guatemala. Therefore, the role and perception of various branches could be explored, and not only a single, dominant economic sector. Third, Guatemala has a very well-organized and vocal business sector. The business community did not remain a passive observer of the Guatemalan peace process, but instead assumed an important role. This happened despite the fact that at the time of the civil war and peace negotiations, the idea of corporate engagement in conflict management was hardly of any relevance in the international debate conflict management.

For the Guatemalan case, it is shown that the organized private business sector held in large parts a recalcitrant position vis-à-vis the peace process, even though they were in favour of an end to violence. There were certainly variations in this position among the different groups and over time, but overall, "nobody in the Guatemalan private sector applauded the peace process", as one Guatemalan executive put it. Businesses in Guatemala preferred peace to war, but they opposed peace negotiations over political, social and economic issues since they expected results that would be detrimental to their interests. The Guatemalan private sector experienced relatively low corporate costs during the violent strife, in comparison to the potentially high costs accruing from an ample process of con-

flict transformation. In this sense, the case of Guatemala supports the assumption that the business sector had a self-interest in peace. However, it also shows that conflict transformation may result in risks for companies, which may therefore cause resistance rather than support for peace processes. The study thereby alluded to the importance of differentiating between the private sector welcoming a cease fire or a comprehensive peacebuilding process.

With regard to differences in perception among branches or groups it is shown that contrary to prior assumptions, major variations in the perception of and strategy towards the armed rebellion and the peace process ran along ideological lines, and not according to branch. Rifts emerged primarily between the hard-liners and the moderate factions within the different branches rather than between branches.

To the best of my knowledge there are only very view comprehensive case studies that have examined the way business entrepreneurs approach peace processes and violent conflicts in their political lobbying strategy as well as operational decisions. The study at hand seeks to contribute to this body of literature, trying to contribute to a better understanding of firms in violent conflicts and peace processes in general.

Methodology and Information Sources

A qualitative approach has been chosen as the methodology for this inquiry. Primary and secondary sources have both been used. With respect to primary sources, over 80 semi-structured interviews were conducted between January and October 2002. These included interviews with Guatemalan entrepreneurs from different branches, governmental officials involved in the peace process, members of non-governmental organizations, executives of internationals organizations, and researchers and experts. The interviews generally lasted from 30 minutes to two hours. Some interviewees were interviewed once, and others several times, depending on their availability, reliability and involvement in and knowledge about the peace process. Interviews were largely conducted in Spanish in Guatemala City but trips were also made to Quetzaltenango, the second biggest town in Guatemala, and to a number of fincas.

The interview partners were chosen according to their knowledge on different matters and their involvement in different periods and historical stages of Guatemala's conflict and peace process. Throughout the field research, emphasis was put on corroborating the information gathered by interviewing at least two sources. Interviews were recorded, transcribed and than analysed. It was agreed with the interviewees not to disclose the sources of information.

The interviews provided insights into how the private business sector perceived the civil war and the peace process as well as information about the different events in this period. Given the fact that some of these events occurred more than 40 years ago, the quality of the information was sometimes weak. In

addition, some of the questions asked touched upon highly sensitive issues and some of those interviewed refused to provide information or provided false information, as was found out through other sources.

With regard to secondary sources, a thorough literature review on the Guatemalan armed conflict as well as related theoretical fields was carried out. In addition, data were collected through a comprehensive review of Guatemalan newspapers, particularly for the time during and after the civil war. The following Guatemalan newspapers and weekly newsmagazines were used: *Crónica, El Gráfico, La República, Prensa Libre,* and *Siglo XXI*. The weekly news service CERIGUA was also used as a source.

The newspapers provided important information on some of the key events during the period under scrutiny. However, allowance must be given to the fact that national newspapers were censured or could not report freely during the civil war. Throughout the study, information was verified either through interviews or through other written sources. The following archives were used: The newspaper archives of the *Bibilioteca Nacional* in Guatemala City as well as the *Universidad de San Carlos* in Guatemala City and to a limited extend the *Archivo General de Centro América*.

In addition, some of the *campos pagados* (public announcements) and documents were provided directly by various organizations such as CACIF, Anacafé or MINUGUA. Statistical data were taken from various sources, in particular from on-line databanks belonging to international organizations such as the United Nations.

Structure of the study

The work at hand is structured into two major parts. First, a theoretical part is presented (chapter 2 to 3.3), followed by a second part comprising the Guatemalan case study (chapter 4 to 8). In a smaller concluding section (chapter 9), the principal findings of the study are summarized, with the results analysed in relation to other armed conflicts. The major policy implications are also presented in the concluding section.

The case study is largely structured chronologically, starting with the civil war, and followed by the period encompassing the peace negotiations and the post-conflict peacebuilding phase. Additional chapters in the second part describe the structure of the Guatemalan private business sector as well as the indigenous population and discuss the economic losses inflicted by the civil war on the national economy and the private sector. Throughout the second part, the major corporate costs of war are analysed along with the predominant conflict management strategies used. Part two also links the findings of the empirical chapter to the theoretical (first) part of the study.