

### **Bad guys, good guys, or something in between? Corporate governance contributions in zones of violent conflict**

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Moira Feil / Susanne Fischer / Andreas Haidvogl / Melanie Zimmer

# **Bad Guys, Good Guys, or Something in between?**

Corporate governance contributions in  
zones of violent conflict

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## Summary

The influence of corporate activities on violent conflict has received widespread attention, though almost exclusively because of negative effects, particularly those caused by the extractive industries. At the same time, politicians and researchers recently raised expectations of corporate actions in a globalized world. Corporations are assumed to function as partners not only in economic development and poverty alleviation, but also in establishing peace and security. However, company contributions to conflict prevention, conflict resolution, and post-conflict peacebuilding, have hardly been scientifically investigated. Consequently, there is a notable discrepancy between expectations of corporate contributions to governance in conflict zones, and conceptual and empirical knowledge.

Against this background, this report asks how corporations contribute to peace and security in zones of violent conflict and proposes an analytical approach to describe the contributions. The report seeks to draw more general conclusions on the potential of corporate contributions towards peace and security by analyzing four company case studies. These case studies cover several industry sectors and conflict zones. Company Alpha (a pseudonym) belongs to the food & beverage industry in Rwanda, Studiosus is a tourist company operating in Israel and the Palestinian Territories, Kuehne+Nagel is a logistics company in Northern Ireland, and Shell is the largest oil company operating in Nigeria.

Governance involves sustained corporate policies and activities that work towards the creation and implementation of collectively binding rules and norms and provision of collective goods. Codes of conduct, policy documents or sustainability reports usually include a company's policies on important governance topics, such as human rights, anti-corruption, labor rights or environmental protection. A review of a company's activities and behavior shows whether the corporation actually does what it declares.

Corporate engagement can have varying relevance to peace and security: actual contributions to security governance; governance contributions to other policy fields related to establishing peace and security; and governance contributions that are not related to the provision of peace and security. Security governance directly addresses the level of violence in conflict zones. In this case, security is defined in a classical and narrow way. Additionally, the authors draw on literature on conflict prevention and peacebuilding to identify policy fields that are commonly considered important when addressing the issues related to violent conflict. Three such dimensions were identified: (a) political order, (b) socio-economic governance, and (c) the socio-cultural sphere.

This framework was applied to the four company case studies. A comparison of the cases shows that one of the companies currently has a policy in place directly relating to security governance. Companies mainly contribute to the other policy fields relevant to peace and security through their policies and behavior, particularly in the 'political order' and 'socio-economic' dimensions. Concerning 'political order', companies mainly have policies and activities about (1) human and labor rights, and (2) anti-corruption and transparency. Companies also contribute to governance in the following socio-economic

policy fields: (1) environmental standards, (2) community development, and (3) equal distribution of economic goods.

Why do we find such an accumulation of corporate engagement in the socio-economic and political order dimensions? Research indicates that corporations contribute most to governance in those areas that relate to their core expertise and resources. This expertise would also give some legitimacy to their governance contributions as they are more clearly in a position to contribute to problem solving. This is particularly the case with 'socio-economic' activities, where companies might perceive their expertise to be strongest, though even political order (e.g. fighting corruption and enhancing transparency) relates to good corporate governance to some extent. Interestingly, companies themselves often do not consider their contribution to issues in the socio-economic field, such as community development or income generation, to be a 'political' activity. In contrast, contributing to political order seems to be more sensitive (e.g. addressing human rights issues).

Several reasons might explain why companies are reluctant to engage in security governance: Firstly, the provision of security is considered to be at the core of state responsibilities; engaging in security provision would then result in a deep entrapment in processes that are regarded as highly political and sensitive governmental responsibilities. All companies perceive profit making as their priority; through their policies and activities they seek to support host societies and governments but not to substitute them. Secondly, companies may lack the expertise and capacity to engage in issues directly linked to security governance. A company's main concern is usually managing the security of their own operations. Providing more encompassing security for a conflict region would overextend the capacities and resources that companies have at their disposal. Thirdly, engagement in security governance might depend on the intensity and proximity of the conflict to a company's operation. The higher the level of violence and the more a company is affected by conflict, the more likely companies will engage if they want to continue their operations.

In summary, the findings suggest that companies do contribute to peace and security. However, they are limited in scope and in the issues they address, and yet diverse in applied standards. Thus, if policy frameworks and strategies continue to assume that the private sector is a governance partner in conflict zones it may lead to a rude awakening when the private partner turns out to be incapable or unwilling to fulfill this role. Instead of merely relying on corporate governance contributions to peace and security, policy makers are recommended to review where and under which conditions such interventions have successfully taken place. The question of what is keeping corporations from becoming more involved also needs to be asked, ideally through honest dialogue with corporations. This will help clarify expectations and assumptions about corporate contributions to peace and security.

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## 1. Introduction<sup>1</sup>

In 1997, the French oil company Elf Aquitaine was revealed to have supported both sides of the civil war in the Republic of Congo in order to secure its operations in the country in case of a change of government: it paid taxes to the government for its oil concessions while at the same time supporting the private militia of the former president Denis Sassou Nguesso. Elf Aquitaine additionally faced allegations of directly facilitating arms shipments to the country. The problem of companies' involvement in violent conflicts was further emphasized by a United Nations (UN) Panel of Experts in 2001, which was the first formal UN report to explicitly name companies after stating that "the role of private companies and individuals has also been vital" for "the continuation of the conflict" (UN Panel of Experts 2001: para 181). Economies of violence have received a lot of attention, as has the profit from war that some individuals, organizations and companies make. Peace researchers, analysts and non-governmental organizations (NGOs) have revealed transnational companies as being part of the problem of civil war. Detailed analyses have shown how multinational companies contribute to destabilization in zones of violent conflict, and how they prolong and finance conflict, or even profit from it, essentially by linking local conflict drivers to global assets (Ganser 2004: 64-69; Berdal/Malone 2000: 11f.; Ballentine/Nitzschke 2004).

At the same time, equitable economic development and private investment are understood to be a necessary, if not sufficient, condition for transforming fragile states into more stable countries and fostering sustaining peace. Companies provide tax revenues for governments and income to local populations or marginalized groups. Once companies are operating in developing countries and zones of violent conflict, many NGOs would like to see their behavior subject to binding regulation, but they increasingly accept companies' voluntary engagement as a second best solution. This has led to the development of different tool kits to raise companies' awareness about their behavioral options – how they can operate in a conflict-sensitive manner and ensure benefits for their host societies, e.g. by preventing corruption or offering fair employment conditions (Banfield et al. 2003; Nelson 2000; Corporate Engagement Project<sup>2</sup>). Beyond conflict-sensitive business practices, companies or their representatives have actively supported peace processes in South Africa, Guatemala and Sri Lanka, amongst others, by facilitating negotiations between parties to the conflict, actively lobbying for peaceful solutions to conflicts or simply providing logistics and finances for parties to the conflict to safely meet and talk (Banfield et al. 2006,

1 The project, *The Role of Transnational Corporations in Conflict Zones*, at the Peace Research Institute Frankfurt, is supported by the Fritz Thyssen Stiftung and partially by the German Foundation for Peace Research. We thank Una Becker, Nicole Deitelhoff, Anna Geis, Thorsten Gromes, Peter Kreuzer, Bernhard Moltmann, and Klaus Dieter Wolf for their valuable comments on earlier versions of this report. We thank Jessica Seiler for her research assistance.

2 [www.cdainc.com/cep](http://www.cdainc.com/cep) (11.03.2008).



Joras 2007). Economic integration of ex-combatants is essential for the success of any demobilization, disarmament and reintegration (DDR) program, and in return depends on job creation and economic development, ideally through the private sector (Gerson 2000).

As these negative and positive examples of corporate activities and roles indicate, corporate operations in zones of violent conflict cannot be judged as contributing solely to either conflict or peace.

The Global Governance<sup>3</sup> debate emphasizes positive contributions by companies to the solutions of societal problems. It is assumed that different actors, such as states and international organizations, civil society organizations, and business, are involved in processes of governance. One important discussion is how these different actors contribute to the provision of collective goods at the global, national and local levels. Having been the ‘bad guys’ in the past, multinational corporations are now accepted as actors that have the potential to govern and therefore research should openly investigate their governance contributions (Wolf et al. 2007: 295).

Another important driver of the debate on positive corporate contributions to peace and security is the significant increase in attention given to Corporate Social Responsibility (CSR). The CSR agenda has become increasingly influential, expanding from environmental consequences of corporate operations to include other issues such as the human rights situations of stakeholders (Ruggie 2007). Corporations are increasingly involved in developing and committing to codes of conduct, joint standards, and guidelines, as for example in the framework of the Global Reporting Initiative or the Global Compact.<sup>4</sup> Standard setting and implementation occur in areas such as technical standards, environmental protection, labor standards, human rights and corruption.

Considering these developments and the private sector’s reputation of being efficient, powerful and creative in solving problems, increasing expectations have been formulated by international organizations, governments, and NGOs, as well as companies themselves, of a contribution from business in zones of violent conflict. The United Nations Global Compact established its first policy dialogue “The Role of the Private Sector in Zones of Conflict” in 2001. The role of corporations was also highlighted in the UN Secretary-General’s report on conflict prevention in 2003, recognizing that companies are powerful players in situations of conflict (United Nations 2003). In 2004, the role of business in conflict prevention, peacekeeping and post-conflict reconstruction was discussed

3 For an overview on Global Governance research see Dingwerth/Pattberg (2006).

4 The Global Reporting Initiative (GRI) develops and disseminates globally applicable sustainability reporting guidelines ([www.globalreporting.org](http://www.globalreporting.org)). The UN Global Compact was initiated in 1990 and is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human and labor rights, the environment and anti-corruption. It has almost 6,000 company participants. ([www.unglobalcompact.org](http://www.unglobalcompact.org))

during an open debate of the United Nations Security Council.<sup>5</sup> During the same year the German Action Plan “Civilian Crisis Prevention, Conflict Resolution and Post-Conflict Peace-Building” mentioned the growing importance of responsible corporate engagement for crisis prevention (Die Bundesregierung 2004: 21f.). The OECD (Organization for Economic Cooperation and Development) published a “Risk Awareness Tool for Multi-national Enterprises in Weak Governance Zones” (OECD 2006) and the Group of 8 (G8) has taken up the issue of Corporate Social Responsibility in their declaration on “Growth and Responsibility in the World Economy” during the Heiligendamm Summit in 2007.

Even companies themselves now formulate expectations of their role in public governance. A recent report of the World Economic Forum highlights that companies have much to gain from strengthening public governance and that companies should “include public governance approaches in corporate responsibility and corporate global citizenship strategies” with the aim to help remedy bad governance, strengthen weak governance and develop global governance (World Economic Forum 2008: 6-12).

Research on business in zones of violent conflict is lagging behind the political debate, which expects corporations to play some positive role in zones of violent conflict. Peace research has remained largely silent on the potentially positive role of companies, though a skeptical attitude towards companies’ conflict solving capacities and willingness prevails. Currently there is only limited knowledge about how companies behave in zones of violent conflict and their potentially positive role.<sup>6</sup> This report seeks to contribute to filling this existing gap by looking at companies from different industry sectors operating in areas currently or formerly affected by violent conflict. This will help to assess whether expectations about the corporate role in governance formulated in the political debate are justified or not. This paper focuses on companies’ governance contributions to peace and security in zones of violent conflict. By comparing company case studies the report intends to draw some more general conclusions on the potential of corporate contributions towards peace and security.

The report is structured as follows: the second chapter discusses how companies can contribute to governance in zones of violent conflict. They can do so through their policies and behavior in different policy fields, ranging from security and political order to socio-economic and socio-cultural issues. In the third chapter, four company case studies are analyzed. The case study of a transnational corporation (TNC) in Rwanda discusses the corporation’s sophisticated code of ethics which has been taken up by other private

5 The debate was initiated by the German Presidency of the Council, [www.un.org/News/Press/docs/2004/sc8058.doc.htm](http://www.un.org/News/Press/docs/2004/sc8058.doc.htm) (13.05.2008).

6 We acknowledge that there are some notable contributions to the debate about business in zones of violent conflict from academics as well as from more policy-oriented circles. Academic contributions to the field include Haufler (2001), Wenger/Möckli (2003), Fort/Schipani (2004) or Ballentine/Nitzschke (2005). Examples for policy-oriented studies can be found in the work of International Alert (Nelson 2000; Banfield et al. 2003) and the Corporate Engagement Project ([www.cdainc.com/cep](http://www.cdainc.com/cep), 11.03.2008).

and public actors, as well as its cooperation with subsistence farmers to secure both its own supply and the farmers' livelihoods. A logistics company in Northern Ireland reveals strong commitments to fair and equal employment. A company from the tourist industry in the Palestinian Territories and Israel tries to balance benefits between the parties to the conflict, thus addressing economic inequalities. The fourth case study is of an oil industry company in Nigeria who also addresses economic inequalities through its community development programs and additionally commits to the Voluntary Principles on Security and Human Rights. The comparative analysis of these four case studies shows that companies contribute to peace and security through a variety of policies and activities by addressing issues related to political order and socio-economic development. One of these four corporations is currently directly involved in security governance. Some assumptions about why companies rarely directly engage in security governance will be discussed. Assumptions include that companies might perceive their expertise to be strongest in the socio-economic policy fields and that security is considered to be at the core of governmental responsibilities, where companies either do not want to interfere or do not feel competent. Collectively, these findings point to the limits and the opportunities of corporate contributions, which will be discussed in chapter 4. To transform these opportunities into productive engagement several measures have to be taken. One important step is that policy makers formulate a clear vision of the role of businesses in zones of violent conflict.

## **2. Corporate governance contributions to peace and security**

Companies might simply do business and stimulate economic growth and development. However, doing business is not a neutral activity, but an activity that might have negative and positive consequences for the societal environment. We are therefore interested in how companies do business, how they engage beyond their intrinsic business interest and whether they take over governance functions.

Companies usually frame their societal engagement in developing countries and areas of violent conflict as CSR. CSR can be considered as part of the larger Global Governance agenda in that it discusses the responsibilities of corporations within and beyond their core business operations. Compared to corporate business activities and CSR, governance is marked by a certain political quality. It involves sustained corporate policies and activities that work towards the creation and implementation of collectively binding rules and norms and the provision of collective good. This also means that we are not interested in internal company measures, but rather in policies and activities that reach beyond the factory gates. Some CSR activities, such as the development of industry-wide environmental standards, may therefore be considered as governance contributions according to this analytical distinction, while other CSR activities, such as a one-off philanthropic payment to an environmental fund, are not governance as applied in this sense.

Another important characteristic of governance contributions is intentionality: governance is order plus intentionality (Rosenau 1992: 5). Governance contributions are

defined by their intention to solve or alleviate societal problems. Therefore, we are not interested in corporate contributions that are merely by-products of companies' business operations.<sup>7</sup> Companies do not make a contribution to governance by 'just doing business' in a zone of violent conflict. But how can we identify whether the behavior of corporations is intended or not? We assume that observed contributions are intentional if they were formerly declared in a statement of intention, for example a corporate code of conduct, a speech given by the chief executive officer (CEO), or a project outline. Both for assessing intentionality and for the aim of this report, the motivation of corporate behavior is not important. For our analysis it does not make any difference whether corporate contributions are driven by market rationality or an intrinsic ethical motivation, or a mixture of both.

According to our understanding, policies and activities beyond the law in the country of operation clearly constitute positive governance contributions in a conflict zone. Companies making no commitments and/or showing behavior not in compliance with the law do not contribute to governance. Commitments and behavior in compliance with the law are ambiguous. If behavior is mandated by law and these laws are enforced by the government, companies' policies and activities cannot be considered as governance contributions. However, in many zones of violent conflict states are not able or willing to implement the law. Indeed, this failure has led to the call for private actors to become involved in governance in the first place. Where governments are not able or willing to implement a legal framework, a company that makes reference to existing laws and shows behavior in compliance with these laws makes a voluntary and independent contribution to governance. With this analytical approach, we can place corporate policies and activities along a continuum that ranges from no governance contributions to high and positive governance contributions.<sup>8</sup>

The focus of this report is companies' governance contributions that are relevant to peace and security. Having discussed how we identify governance contributions, we must therefore also consider how to identify whether they directly or indirectly contribute to peace and security in a zone of violent conflict. We use the term 'conflict zone' to denote an area affected by violent conflict. The term zone is used because it can refer to an entire country (e.g. Rwanda), a region within a state (e.g. Northern Ireland or the Niger Delta), or a transboundary area (e.g. Israel and Palestinian Territories).<sup>9</sup>

7 For a different point of view see Wenger/Möckli (2003).

8 At this point it is important to remember that companies might equally behave in ways that take advantage of gaps in regulatory frameworks or the turmoil of a conflict context. As stated above, this issue has already received a lot of attention; the main interest here is instead to fill the empirical gap about the governance contributions of companies (see Chapter 1).

9 The conflicts that were of interest to this research are societal rather than criminal and are characterized by a certain level of physical violence. According to Wallensteen, "conflict consists of three components: action, incompatibility and actors. Combining them we arrive at a complete definition of a conflict as a

Numerous factors influence the emergence and the persistence of violent conflicts. In many cases the state's existence and monopoly on the use of force is challenged by either another state or societal groups within the state. Another set of contributing factors is governmental oppression in order to prohibit secession or regional autonomy. This is often accompanied by human rights violations, censorship or unfair elections. Economic discrimination and marginalization on the basis of political and ethnic groupings and ecological devastation often increase cleavages between groups and contribute to violent confrontations or the persistence of violence. Governance contributions to peace and security are of interest as they are often not provided by the state in zones of violent conflict. Corporate engagement effects peace and security in many ways, for example, through (1) direct contributions to security governance; and (2) governance contributions to other policy fields which address the underlying issues of a given violent conflict. A third category are governance contributions not related to the provision of peace and security, which are not further investigated in this report.

(1) Contributions to security governance refer to governance contributions by companies that directly address the level of violence in zones of violent conflict. In this sense, security governance refers to issues such as security sector reform, as well as disarmament, demobilization and reintegration efforts. It might also include corporate involvement in peace negotiations and the handling of public and private security forces, where this affects a broader public or communities (Bell/Watson 2006; Brzoska 2003; Wulf 2004).

(2) Governance contributions to other policy fields: The literature on conflict prevention and peacebuilding can be used to identify policy fields and issues that are commonly considered to address the factors that are intertwined with the persistence of violent conflict. Three of these dimensions that are relevant for peace and security in a broader sense were identified: (a) political order, (b) socio-economic governance, and (c) socio-cultural sphere (Carnegie Commission on Preventing Deadly Conflict 1997; Lund 2002; Schneckener 2005).

a) The dimension of political order broadly refers to establishing a system of institutions and rules. It provides basic freedoms for citizens, participation in political processes, and establishes limits to the exercise of power (cf. Rittberger/Zangl 2006: 121). In this dimension, governance contributions might aim at promoting the rule of law or the protection and promotion of human rights. Moreover, it includes the participation in political processes (e.g. through elections), the promotion of civil society<sup>10</sup>, the issues of anti-

social situation in which a minimum of two actors (parties) strive to acquire at the same moment in time an available set of scarce resources" (2002: 16). And: "What counts is the use of violence. [...] It covers conflicts from a threshold level of 25 battle-related deaths in a year" (2002: 24)." (Wallensteen 2002: 16-24). Conflict zone, in our definition, encompasses the situation during and after violent escalations.

10 We use the term civil society to denote "the arena of uncoerced collective action around shared interests, purposes and values", distinct from the state, family, and market. Examples include development non-governmental organizations, advocacy groups, community groups, women's organizations, and social

corruption and transparency as well as free and independent media (Schneckener 2005: 21; Champain 2002: 150; Howard 2005). All these factors can be regarded as conditions for parties to the conflict not to resort to violence because they have opportunities to control the government's exercise of its power and different channels to voice their concerns.

- b) The socio-economic dimension covers "the generation and distribution of material wealth" (Rittberger/Zangl 2006: 121; Schneckener 2005: 21). This includes measures to transform war economies by generating economic prospects with means other than the use of violence. It also includes activities to combat poverty and social inequalities, as well as promote economic development and generate income, especially in marginalized groups and where they can bridge social divides. In terms of this, access to health and education are further factors facilitating economic opportunities (Verstegen 2001). Additionally, the management of the environment and natural resources is an issue of this dimension through its connection to livelihoods and state income (Collier et al. 2003). This dimension therefore encompasses economic grievances and the unequal distribution of economic goods, which can be an important source of conflict.
- c) The socio-cultural dimension includes all those activities that address the legacies of violent conflict and aim to establish a culture of peace. This includes reconciliation initiatives and peace education (Assefa 2001; Vienings 2001). These activities might help reduce prejudices resulting from the violent conflict and allow members of the former parties to the violent conflict to solve conflicts with words instead of weapons.

This very broad understanding of governance contributions related to peace and security risks the creation of an all inclusive concept that considers everything as being related to violent conflict. Therefore, these policy fields are reviewed for each specific conflict to assess which ones are of relevance to address the specific underlying issues of a given violent conflict. For example, a sophisticated environmental policy involving water provision to a broader community is only considered a governance contribution relevant to peace and security if access to and distribution of water are linked to the emergence or persistence of the specific conflict under review.

movements. (London School of Economics Centre for Civil Society, [www.lse.ac.uk/collections/CCS/what\\_is\\_civil\\_society.htm](http://www.lse.ac.uk/collections/CCS/what_is_civil_society.htm), 10.07.2008). Civil society is closely linked to an active citizenry and has a vital function in establishing a political order and democracy as it helps to hold governments accountable. In using the term civil society, we are not referring to "bad" or "uncivil" civil society, such as illicit, terrorist, or criminal organizations.

**Table 1: Corporate Governance Contributions**

Corporate Governance Contributions in Zones of Violent Conflict			
Security Governance	Other Fields of Governance relevant to Peace and Security		
Security (1)	Political order (2)	Socio-economic dimension (3)	Socio-cultural dimension (4)

According to the condition of intentionality mentioned above, corporate governance contributions do not have to aim directly at providing security. However, the intention of the corporate behavior must be to address the fields of political order, socio-economic and socio-cultural issues, which can then plausibly be linked to peace and security on the basis of existing research.

### 3. Evidence from company case studies

In the following chapter we present case studies on four companies operating in zones of violent conflict. Company Alpha (a pseudonym) belongs to the food & beverage industry in Rwanda. Kuehne+Nagel is a logistics company in Northern Ireland. Studiosus is a tourism company that operates in Israel and the Palestinian Territories. Shell is the largest oil company operating in Nigeria.

The companies were selected to cover a wide variety of industry sectors and zones of violent conflict. More general conclusions will be generated by analyzing two companies from the service sector (logistics and tourism) and two from production industries (food & beverages and oil). All four companies operate in regions that have suffered or are suffering from violent conflicts. Two conflicts with different levels of violence and causes of conflict were chosen from Sub-Saharan Africa. To avoid drawing biased conclusions from a single world region, two other conflict regions have been selected: Israel/Palestinian Territories and Northern Ireland. Compared to the African cases, companies operating in these two zones of violent conflict are confronted with very different political and societal environments: Northern Ireland represents a highly regulated setting within the European Union. Israel and the Palestinian Territories is a conflict zone where companies are confronted with contrasting regulatory settings. The criteria for selecting the different companies are introduced in the following sections. The focus in the following short case studies is on describing and analyzing companies' governance contributions. Due to the limited space available, the conflict context will be introduced rather cursorily.

There is some positive bias in the case selection; companies that provide information about their operations and engagement in zones of violent conflict are mostly those who show some kind of positive engagement.

The information in each case study is based on several sources, including companies' own reporting (sustainability reports, annual reports and gray literature), interviews with company representatives at headquarters and local operations in conflict zones, interviews with stakeholders, and other sources, such as media articles and civil society reports.

### 3.1 The food and beverage industry in Rwanda

#### The conflict zone: Rwanda<sup>11</sup>

Towards the end of Belgian colonial rule, the systematic deprivation of economical, social and political power suffered by the Hutu majority in Rwanda led to a civil war against the ruling Tutsi elite. The division between the two groups was strongly antagonized during German and then Belgian colonial rule.<sup>12</sup> Ethnic tensions marked by repeated violence, especially during independence in the 1960s and 1990s<sup>13</sup>, led to a civil war which began in 1990 and culminated in genocide during 1994. An estimated 800,000 Tutsi, moderate Hutu and indigenous Twa were massacred in only a few weeks (Debiel 2002).<sup>14</sup> The Tutsi-led Front Patriotique Rwandais (FPR) from Uganda, based in Northern Rwanda since the civil war, invaded the rest of the country and ended the genocide. Expecting revenge, both *génocidaires* and innocent Hutu crossed the border into the former Zaire (now the Democratic Republic of Congo, DRC) and other countries in a mass exodus. From Zaire, the Rwandan Liberation Democratic Forces (FDLR) led incursions into Rwanda that continued to cause casualties and insecurity in the western province of Rwanda. In the second half of the 1990s, the conflict relocated to the eastern DRC (International Panel of Eminent Persons 2000). Rwanda now enjoys a high degree of security, which is considered a beneficial investment factor. For the purpose of this case study, the phase of the build-up to the genocide and the post-war development until 2007 is considered.

In the run-up to the genocide, radical branches of the Rwandan government systematically exploited the socio-economic divide between the Hutu and Tutsi for political agitation. The government was further marked by a high level of corruption. The Freedom

11 For a comprehensive account of the background and events regarding violent conflict in Rwanda, see the International Panel of Eminent Persons report "The Preventable Genocide" endorsed by the 36th Ordinary Session of the Assembly of Heads of State and Government of the Organization of the African Union, held in Lomé, Togo, in July 2000 (International Panel of Eminent Persons 2000).

12 In the pre-colonial feudal system, the Tutsi represented the ruling elite and royal family, sharing the same language and culture with the Hutu. The German colonial power associated each group with superior and inferior ethnic and 'racial' characteristics, which was further enforced by the Belgian authorities by introducing ethnicity-based identity cards, enforcing racial quota that disadvantaged the Hutu and Twa.

13 [www.sozialwiss.uni-hamburg.de/publish/Ipw/Akuf/kriege\\_archiv.htm](http://www.sozialwiss.uni-hamburg.de/publish/Ipw/Akuf/kriege_archiv.htm) (12.12.2007).

14 The international community failed to make the appropriate decisions and take steps to end the violence of 1994.



House Index considers Rwanda 'not free' in terms of civil and political rights, as important NGOs are oppressed because of the claim that they spread genocide ideology.<sup>15</sup> Since 1994, the government's stance on anti-corruption has been stringent and has resulted in continuous improvement on the World Bank Governance Indicators<sup>16</sup>, though corruption remains an issue. Rwanda is the most densely populated country in Sub-Saharan Africa. Combined with its hilly terrain, traditional small-scale farming and property rights, this fact puts significant pressure on livelihoods in rural area and conflicts between land uses, such as pastoral versus agricultural. The issue of competition over land, land ownership and the resulting division of socio-economic privilege was exploited to mobilize the genocide (Wyss 2006: 8-17).

### **Background on the industry and company**

Alpha (a pseudonym) is a production company in the food and beverage industry. The company's parent group, Beta (also a pseudonym), has a corporate policy stipulating anonymity in all research endeavors, which is guarded here by not elaborating in detail upon the industry and company. Alpha has nevertheless been very cooperative in providing access to interview partners at different levels and locations. Alpha has a long history of operating in Rwanda, first investing prior to independence.

Alpha has been a top national tax payer for a long time and in 2007 directly employed 570 people, ensuring income for many more subcontractors in distribution, logistics and supply.<sup>17</sup> In this industry, Africa is a small but growing market, with low income levels presenting the main barrier to market development. The industry sector is also characterized by high sunk costs and long-term investments: establishing a production site not only requires considerable financial investment and some skilled labor, but also a well-organized supply chain for raw materials and distribution. Alpha is a majority subsidiary of Group Beta, which is one of the top five global industry leaders, with a net profit (BEIA) of € 930 million and 57,557 employees (pro rata) in 2006.

### **Main governance contributions**

Alpha engages in an array of governance contributions to policy fields that are relevant to peace and security. Due to restricted space in this paper, only a selection of those is presented here. Contributions without even an indirect link to peace and security (based on a conflict analysis) have been omitted.

15 [www.freedomhouse.org/template.cfm?page=22&year=2007&country=7259](http://www.freedomhouse.org/template.cfm?page=22&year=2007&country=7259) (28.04.2008). Since 2003 Rwanda has returned to its pre-genocide ranking by Freedom House, indicating a slight upward trend since the genocide, but remaining within the 'not-free' category.

16 [http://info.worldbank.org/governance/wgi2007/sc\\_chart.asp](http://info.worldbank.org/governance/wgi2007/sc_chart.asp) (28.04.2008).

17 Alpha plans to carry out an 'economic impact assessment' to identify the exact economic and employment impact of its operations.

*Security governance*

Alpha rejects any involvement in what is conceptualized as ‘security governance’ above. It considers security provision beyond its own facilities and employees at work the responsibility of the public or ‘political’ domain.<sup>18</sup> The company employs an internal member of staff as security officer. They deal with internal security issues and work with a security service provider, but do not engage in wider security topics or concerns. This passive stance is supported by anecdotal evidence: in 1998 after a brutal attack on a bus carrying employees (36 dead, 27 injured), the company merely took internal measures, notably stopping the night shift, while buses to transport employees were guarded by the public police (interviews with company representatives). The company refrained, for example, from commissioning security providers to secure the border with the DRC. Instead, it made the government in Kigali aware of its own security problem, since cutting the night shift means less production and lower tax generation for the government.

*Governance contributions to other policy fields relevant to peace and security*

Alpha actively contributes to governance in other policy fields in Rwanda. The company reveals policy commitments and engagement beyond host state law in the realm of ‘political order’. The company’s parent group provides their Human Rights policy (no date) on its website. The policy endorses the Universal Declaration of Human Rights and states that it “will not cooperate, actively or passively, directly or indirectly, in any violation of human rights” and that it “support[s its] employees if third parties violate their rights”. Against the background of genocide, a clear stance on human rights can be one way of promoting peace. By publishing this policy in all countries of operation it wants to ensure that all employees are aware of their rights. The Human Rights policy is re-referenced and expanded in other policy documents, such as the Group Supplier Code (2005), which contains a human rights section, and working conditions (health and safety, working hours, etc.), allowance for negotiations leading to collective agreements, and a rejection of child, forced or bonded labor. Similarly, the law within the country of operation is strictly adhered to by the Group: “[Alpha] is committed to comply with local laws and regulations, but also to act in accordance with its own values and principles”. This way of operating has been demonstrated in several situations. For example, Alpha reacted to the disappearance of some employees in Rwanda in 1998 by submitting a formal request to locate them and determine what allegations were being made against them. By writing letters pointing to official, legal procedures, the clandestine arrests were brought to light, informing relatives of where the accused were being held and what allegations were being brought against them. The company then retreated again, merely keeping a close eye on the trial (as described in interviews with company representatives). Arguably, the eco-

18 Alpha’s code of ethics forbids any involvement with political (or religious) parties, e.g. through sponsorship. It therefore refrains from activities it considers ‘political’.

conomic significance of Alpha would have given it some leverage to lobby the release of its employees, but instead the behavior of Alpha supported the state's monopoly of violence and rule of law, important building blocks for peace in Rwanda.

A strict and transparent implementation of the law is also seen as an important way to curb corruption. The issue of corruption is generally taken seriously by Alpha and implemented in all areas of work: recruitment follows a predefined standard which includes a test and interviews. The formal, written test of knowledge and skills required for vacancies is considered a mechanism to combat favoritism and nepotism. Similarly, suppliers are informed prior to submitting an offer that corruption will not be tolerated and their offer will be considered by a transparently-organized panel of senior company representatives. Alpha considers itself to be a corruption-free company and enjoys a reputation of taking anti-corruption seriously, though it cannot ensure 100 percent adherence at all times in practice. Alpha's stringent implementation of its anti-corruption rule could be seen as contribution to governance, as it reaches beyond the company to all subcontractors and it shows a strong, visible commitment by one of Rwanda's most significant private sector representatives.

Alpha's code of ethics (2006) covers the topics of corruption, fraud prevention, conflict of interest, gifts, utilization of company property, chain aspects (i.e. supply chain management), donations and assistance, publicity/sponsorship, child labor and consultation (information about and questions on the code), as well as recruitment and staff relations, as the example above shows. Staff, suppliers and distributors participate in presentations and question and answer sessions on the code of ethics. All staff members receive a copy of the code and the alcohol policy (supplied in English, French and Kinyarwanda) and have to sign both to confirm that they understand and adhere to these policies. Alpha is further seeking to spread the adoption of such codes through the director's role in the national manufacturers' association, Association of Industries in Rwanda<sup>19</sup>. It responds positively to other companies' requests and questions regarding the code. Alpha was the first company to launch a code of ethics in Rwanda. It is widely believed to have influenced the government's move to also launch a code of ethics for government officials.

In summary, the amount and quality of Alpha's policies regarding 'political order' is exceptional in the Rwandan context and covers core areas of human rights, law and transparency/corruption. They are accompanied by practical and concrete implementation processes which appear to generally be effective. Furthermore, their scope is broadened to include stakeholders and interested third parties, additionally increasing the potential for their effectiveness from a governance point of view. The policies are indirectly linked to peace as they strengthen rights and laws, and thus provide a non-violent means for conflict settlement.

<sup>19</sup> The members of this manufacturing association are local tea and coffee growers, apart from company Alpha.

In socio-economic governance contributions, Alpha pursues CSR activities related to health, education and the environment, ranging from the sponsoring of a school in the adjacent community (building, teaching materials, etc.) to tree-planting activities and donations to relief funds. Of these activities, some are more systematic and sustained and are therefore considered governance contributions. One prominent example is the way Alpha integrates local economic development into its core business activities by sourcing local products from small-scale farmers who are organized in cooperatives. The company acquires local agricultural produce, supplying the seeds to the farmers and guaranteeing purchase of the crop at a fixed price, which is slightly above the going market price. The company also implemented a scheme for 5,500 farmers and their dependents (a total of 35,000 people) to join the national health insurance scheme, *Mutuelle de santé*. In the first year of this three-year scheme, the company joined forces with a European NGO and the farmers' cooperatives to support the farmers' families to pay for their health insurance. In the second year the farmers and Alpha jointly paid the contributions, while the farmers take full responsibility for their own contributions in the third and following years. While Alpha clearly requires the agricultural produce for its own production, it could arguably procure more easily by purchasing it from neighboring countries. At the same time, this scheme allows the company to better control the quality of the grain, an important asset of the company's own product. The expansion of the scheme to include the '*Mutuelle de santé*' component certainly reaches beyond core business activity and contributes to the health of suppliers and their families. The health situation in general does not particularly relate to the conflict in Rwanda. This scheme, however, increases life expectancy and supports the very basic livelihood and security of the rural poor, a particularly marginalized group. It therefore targets a socio-economic divide which was exploited during the genocide.

While Alpha has a broad portfolio of socio-economic activities, its supply chain development appears to be the strongest governance contribution. Considering the population density and the role of rural livelihood insecurity in the genocide, this activity by Alpha can also be considered conflict-relevant in that it helps to provide livelihood opportunities for subsistence farmers. The sometimes elaborate socio-economic activities by Alpha only relate to one general policy by Alpha's Group: its "moral obligation" towards its host community and state (company website). Alpha's activities regarding the socio-economic area are therefore not based on specific policies but instead relate to its corporate identity and self-perception in general.

In the area of 'socio-cultural' governance contributions, Alpha has no policies or activities in place.

### **Summary**

Alpha's doctrine of remaining a-political results in its security governance inactivity. Throughout the various conflict escalations in Rwanda, the company has tried (and not always succeeded) to protect its employees but has remained passive about broader security governance provision. Nevertheless, Alpha pursues corporate policies and activities that are of the highest international standards, unparalleled in Rwanda and clearly beyond legal obligations. Some policies and activities relate to policy fields that are considered

conflict-relevant in the Rwandan context, including policy and behavior regarding 'political order', such as human rights, laws, and transparency/corruption. Another governance contribution relevant to peace and security is Alpha's development of and involvement in its local supply chain, securing a regular income and basic health care for subsistence farmers. It therefore targets a socio-economic divide which was previously exploited to mobilize the genocide.

### **3.2 Kuehne+Nagel in Northern Ireland**

#### **The conflict zone: Northern Ireland**

The conflict in Northern Ireland – often played down as the 'Troubles' – is about the rivalry of two groups. On the one side there is the Catholic-republican-nationalist community originating from the Irish; on the other side there is the Protestant-unionist-loyalist community originating from Scottish and British settlers. The causes of the conflict are manifold, though unequal access to and distribution of political and economic goods appears to be one of the main reasons. The Protestant community misused its structural majority to marginalize the Catholic community in political, social and economical issues (cf. Kandel 2005: 101-112).

Between 1969 and 2007, the conflict caused more than 3,300 fatalities and approximately 50,000 people were seriously injured.<sup>20</sup> In addition, many uncounted acts of crime and violence directly resulted from the conflict. After many failed peace initiatives, the Belfast Agreement of 1998 represented the breakthrough for the peace process. In May 2007, devolution, the right of Northern Ireland to govern itself in many political issue areas, was restored to the Northern Ireland Assembly. After the following election, the formerly hostile political parties, the unionist Democratic Ulster Party and the republican Sinn Féin, agreed on forming a government within a system of consociational democracy. Despite all the inherited burdens of the conflict, it seems that the two most opposed parties have settled terms, technically resolving the politically motivated violence in Northern Ireland. In spite of all positive developments and trends, many problems still compromise the peace process in Northern Ireland. Although people in Northern Ireland live in the most peaceful period of time since the beginning of the violent conflict, paramilitary groups are still active and held responsible for acts of violence and organized crime, though on a much lower level than before the peace agreement.<sup>21</sup> Another problem is the structural cleavage that divides Northern Irish society into two embittered parties. The segregation between the two communities still exists (cf. Shirlow/Murtagh 2006) and sec-

20 [www.psni.police.uk/index/statistics\\_branch/pg\\_security\\_stats.htm](http://www.psni.police.uk/index/statistics_branch/pg_security_stats.htm) (15.02.2008).

21 For the ongoing activities of the paramilitary organisations see the reports of the Independent Monitoring Commission available on their website [www.independentmonitoringcommission.org](http://www.independentmonitoringcommission.org).

tarianism and discrimination are prominent problems in Northern Ireland (Moltmann 2002: 30-45). In summary, the violent conflict has politically been brought to an end, but societal patterns still reflect the conflict divides.

### **Background on the industry and company**

The structure of the Northern Irish economy has changed dramatically during the past 50 years. Traditional industries have declined, especially shipbuilding and textile, while new industries in the service sector, such as software engineering, finance, etc., have emerged. Not least because of the ceasefire between the IRA and the loyalist paramilitary groups in 1994 and the Belfast Agreement in 1998, the Northern Irish economy has experienced a strong economic upturn since the middle of the 1990s. The whole economy, primarily driven by the emerging service sector, enjoyed an economic boom, the 'peace-dividend'.

Kuehne+Nagel Northern Ireland (K+N (NI)) is operating in the service sector. Kuehne+Nagel (K+N) is a logistics company offering services in the areas of sea freight, air cargo, street and railroad logistics. The company is a global player employing more than 48,000 people at approximately 830 locations in more than 100 countries. The headquarters of K+N is located in Schindellegi/Switzerland. K+N (NI) is a fully-owned subsidiary of K+N International AG and has operated in Northern Ireland since July 2001. In 2006, the company employed 97 people at its location in Belfast.<sup>22</sup> Its business activities include a broad spectrum of business-to-business services, such as sea freight, airfreight, and overland, as well as warehouse and distribution logistics.

K+N (NI) actively engages in CSR activities, such as charitable events, which do not qualify as governance contributions to peace and security. In general, the CSR activities of K+N (NI) are similar to those in other countries where K+N operates. These CSR issues do not relate either directly or indirectly to the post-conflict situation in Northern Ireland. Therefore, they are not of interest to this case study, which focuses on CSR activities that can be qualified as governance contributions to peace and security.

### **Main governance contributions**

#### *Security governance*

The empirical investigation reveals that K+N (NI) makes no contributions to security governance as conceptualized in chapter 2. None of their activities either relate directly to the post-conflict situation nor do they directly aim to reduce the level of political violence in Northern Ireland.

<sup>22</sup> Data based on the Monitoring Report No. 17 published by the Equality Commission for Northern Ireland, [www.equalityni.org/archive/pdf/MonitoringReportNo17.pdf](http://www.equalityni.org/archive/pdf/MonitoringReportNo17.pdf) (16.09.2008).

*Governance contributions to other policy fields relevant to peace and security*

K+N (NI) provides governance contributions to peace and security in the dimensions of 'political order' and 'socio-economic issues'.

One important source for the policies of the company is the 'employee handbook', where a lot of regulations about the relationship between the employer and the employee are outlined, such as employment, contracts, industrial law, and general, everyday dignity in business interactions. Two issues mentioned in the handbook are of immediate relevance to the conflict: labor regulations regarding anti-discrimination and equal opportunity in the workplace. While the first issue can be qualified as engagement in the field of 'political order', the aspect of equal opportunity at the workplace is regarded as engagement in the socio-economic field. Additionally, K+N (NI) provides training for its employees on these issues. All employees of K+N (NI) have a written, up-to-date copy of this document. The handbook includes specific forms and disciplinary procedures in case of policy violation. These disciplinary procedures vary from an oral warning to the dismissal of the respective employee.

The company is committed to the employment right of a working environment free of harassment and discrimination. K+N (NI) will undertake every reasonable effort to ensure that no employee is subjected to any kind of harassment in the workplace. The handbook describes specific mechanisms that are triggered when discrimination or harassment take place. These procedures include a complaint mechanism which guarantees complete anonymity for affected employees and involves an investigation by the company, disciplinary measures and corrective action programs.

Northern Ireland has one of the most elaborate employment legislations regarding discrimination in the workplace in Europe. The 'Fair Employment' legislation regulates that employers have to create and maintain a neutral workplace where everyday discrimination is banned. Most companies in Northern Ireland abide by the legislation because legal compliance is strictly monitored and sanctioned. Due to this strong regulatory environment, it is unsurprising that companies doing business in Northern Ireland are engaged in employment rights and anti-discrimination. Given the strong public regulation and the fact that there is not much room left for individual engagement, it seems surprising that some companies walk an extra mile and implement activities which are beyond what is required by the law.

K+N (NI) complies with the law, but the majority of their initiatives to create a neutral workplace go beyond legislation. For example, the company aims to create a neutral workplace by not allowing its staff to display any kind of tattoo, irrespective of whether they are political or not. Employees have to wear appropriate clothing to cover their tattoos. The reason for this prohibition is that some people in Northern Ireland wear tattoos that incite hatred of the other community. It is a heritage of the conflict and the company wants to ban these forms of provocations from the workplace. Another example is the company's dress-down policy on Fridays: employees of K+N (NI) are not allowed to wear football shirts, irrespective of the club they represent. People wearing these shirts will be sent home immediately. The reason for this prohibition is similar to the tattoo issue. Cer-

tain football clubs are associated with each of the communities. Every symbol that can be associated with a community is banned because it is the company's aim to create a workplace that is as neutral as possible:

“The whole thing, whether it is tattoos, whether it is football shirts, any form of association with some form of club – we actually effectively ban it. We don't have to ban but we choose to. That is directly linked to the conflict situation or the post-conflict situation” (Interview with company representative).

The following example illustrates the activities of K+N (NI) going clearly beyond the legal requirements. Two members of K+N's (NI) warehouse staff – each belonging to a different community – were involved in a pub brawl. The dispute would not need to be of concern to the company as the fight took place outside of the workplace. However, as both were employees of K+N (NI) the company became active. K+N (NI) decided to terminate the employment of the person who had started the fight. That person is now attempting to take the company to court for unfair dismissal. At first glance this incident is only of anecdotal value. However, the company claims that it would act in the same way in similar cases. This reaction is representative of the company's policy to ban harassment and discrimination related to the conflict.

In addition to this, K+N (NI) commits itself to the principle of equal opportunities in employment, according to the policy stated in the employee handbook. The company opposes any form of discrimination of employees or job applicants on the basis of their sex, religion, color, background, nationality or ethnic origins. K+N (NI) wants to encourage diversity in its workforce. In everyday practice, this means that the advertisement of jobs and the selection process of applicants have to be in line with strict criteria to ensure that no candidate will be rejected for reasons other than professional qualifications or skills. Managers and non-managers share responsibility for both the discrimination and the equality issues. All employees, in the realm of their respective responsibilities, have to ensure that equality is guaranteed. The workforce in Northern Ireland is unequally distributed. The disadvantage that the catholic community suffers in the labor market has lessened in the past 20 years, but there is still an imbalance. K+N (NI) actively seeks the highest possible equality in its workforce composition.<sup>23</sup> If the company wants to fill a vacancy, it will advertise the job internally and externally and interview people. The staffing policy of K+N (NI) is therefore in accordance with the law but also to some extent goes beyond what the law demands and so fosters a more equal access to employment opportunities between the members of the two communities.

Why are these contributions relevant for the post-conflict situation in Northern Ireland? The analysis revealed that the activities of K+N (NI) are linked to the post-conflict situation

23 However, beyond the staffing policy of the corporation there are also structural reasons for the unequal distribution of the workforce in Northern Ireland which cannot be influenced by companies, i.e. the composition of communities in the area where the company is located, etc. (cf. Osborne/Shuttleworth 2004a).



because they relate either to issues or to enduring drivers of the conflict. Discrimination, particularly in the workplace, seems to be a critical topic. Even though most employers, Protestant as well as Catholic, perceive their workplace as a neutral space, there is still a lot of people who avoid workplaces situated in areas dominated by the opposite community. Data from the *Northern Ireland Life and Times* survey show that approximately 30% of people with a Catholic background would avoid applying for a job in a mainly Protestant area – and vice versa.<sup>24</sup> The inequalities in distribution and access to economic goods between the two parties to the conflict are considered as central reasons for the emergence of the conflict in Northern Ireland (cf. McGarry/O'Leary 1995: 265-310). The structural inequality of access to the labor market is especially regarded as an important factor in the conflict (Heaton/Teague 1997; Osborne/Shuttleworth 2004b: 1). The unequal distribution of economic goods became apparent through the underrepresentation of employees with a Catholic background in the workforce and in their proportionately higher unemployment rate. Although inequality in the composition of the workforce declined steadily during the past 15 years, a certain level of inequality persists.<sup>25</sup>

### Summary

Because of the strong employment legislation in Northern Ireland there is not much room for companies to further develop and implement activities that are relevant to the post-conflict situation and related to the peace process in Northern Ireland. K+N (NI), however, walks the extra mile by making contributions to other fields relevant to peace and security, i.e. in the dimensions of 'political order' (employment rights: harassment and discrimination) and 'socio-economic issues' (fair distribution of economic goods: equal employment opportunity). This behavior is partly regulated by host state law and partly voluntarily. Consequently, it seems surprising at first glance that K+N (NI) takes these steps that are not demanded by Northern Ireland law.

In this case, the policies and the behavior of the company are linked quite closely. All the policies K+N (NI) committed to are also implemented in practice. In reverse, the company's activities relate to and are in full accordance with the policies to which the company committed. The described activities are relevant for the peace process in Northern Ireland because they are linked to issues of the conflict. While the activities of K+N (NI) follow precise and binding policies, the scope of these engagements is quite limited. As mentioned above, the company is engaged in a very broad CSR agenda that radiates into the local community. However, applying the perspective described in chapter 2, it

24 [www.ark.ac.uk/nilt/2006](http://www.ark.ac.uk/nilt/2006) (15.05.2008).

25 For the distribution of jobs among the two communities in Northern Ireland see the monitoring reports of the Northern Irish Workforce annually published by the Equality Commission for Northern Ireland, [www.equalityni.org/sections/default.asp?cms=Publications\\_Fair%20employment%20and%20treatment\\_monitoring%20reports&cmsid=7\\_35\\_256&id=256&secid=8](http://www.equalityni.org/sections/default.asp?cms=Publications_Fair%20employment%20and%20treatment_monitoring%20reports&cmsid=7_35_256&id=256&secid=8) (14.05.2008).

becomes obvious that the corporation's governance contributions to peace and security are limited to the workplace.

### **3.3 Studiosus in Israel/Palestinian Territories**

#### **The conflict zone: Israel-Palestinian Territories**

Initially, the conflict between the Israelis and the Palestinians was embedded in the conflict between Israel and its Arab neighbors that resulted in several wars. In 1947 the implementation of UN-Resolution 181, which foresaw an Israeli as well as a Palestinian state on the territory then under British mandate, failed. In response, relations between Israelis and Palestinians became increasingly violent. The first (1987-1993) and the second (2000-2005) intifada were only two periods of high level, open violence. The conflict is about territory<sup>26</sup>. The second intifada claimed about 6,300 lives on both sides between 2000-2008.<sup>27</sup>

In 1993, negotiations between Israel and the Palestinians enabled the signing of the Declaration of Principles (DoP). However, the parties did not fulfill their obligations, which ultimately led to the collapse of the peace process in 2000. Since then, the humanitarian situation in the Palestinian Territories has seriously deteriorated, partly because of Israeli restrictions on movement and access. As a consequence, the Palestinian economy has faced a substantial breakdown: the gross domestic product (GDP) per capita decreased from \$1.612 in 1999, to \$1.129 in 2006 (The World Bank 2007: 2). 28.4% of the population on the West Bank face unemployment and 58% of Palestinians live below the poverty line (United Nations Development Program (UNDP) 2007: 1f). Additionally, the development of effective political institutions, the establishment of the rule of law, and the fight against corruption has almost ground to a halt in the Palestinian Territories. Currently, despite the peace initiative launched by the US president in 2007, there is no peace agreement in sight. The conference of Annapolis in November 2007 marked the starting point for a new round of negotiations between Israel and the Palestinians for peace and the creation of a Palestinian state. The core issues that have to be negotiated during this process are security, borders, refugees, settlements, Jerusalem and access to water.

26 Uppsala University, Conflict Database, Israeli-Palestinian Conflict, type of incompatibility: territory; comment on type of incompatibility: the incompatibility was over the territory of Palestine, [www.pcr.uu.se/database/conflictInformation.php?years=2007&bcID=227&variables%5B%5D=1&button=+Search](http://www.pcr.uu.se/database/conflictInformation.php?years=2007&bcID=227&variables%5B%5D=1&button=+Search) (10.03.2008), Heidelberg Institute for International Conflict Research (HIIK), Conflict Barometer 2007. 16th Annual Conflict Analysis, [www.hiik.de/en/konfliktbarometer/pdf/ConflictBarometer\\_2007.pdf](http://www.hiik.de/en/konfliktbarometer/pdf/ConflictBarometer_2007.pdf) (21.06.2008).

27 For a detailed chart regarding the fatalities see website of B'Tselem: fatalities/intifada fatalities, [www.btselem.org/english/statistics/Casualties.asp](http://www.btselem.org/english/statistics/Casualties.asp) (10.03.2008).

### **Background on industry and company**

Despite several security and safety crises, tourism is one of the growing sectors (6% in 2007) in the world economy, according to the UN World Tourism Organization Barometer 2007 (UNWTO 2007: 1). Although tourism in Israel suffered serious regression during and after the Lebanon war in 2006, this sector is also regarded as an important economic factor for Israel and the Palestinians. In 2007, 2.2 million tourists visited Israel with predictions of five million visitors in 2012 (Bundesagentur für Außenwirtschaft (bfai) 2007: 9). Against the background of the Annapolis process, the tourism potential was also discussed during the Palestine Investment Conference (“Investing in Palestine’s Treasures”) in Bethlehem in early 2008.<sup>28</sup> However, although many tourist sites are located in the Palestinian Territories, the Palestinian tourism sector will probably not be able to benefit from the trend in the Israeli tourism sector. Due to serious security conditions, restrictions on movement and travel warnings from institutions such as foreign ministries, most tour operators cancelled their tours to historical sites, such as Bethlehem and Jericho, in the Palestinian Territories. Few tour operators are aware of the unbalanced benefits between Israelis and Palestinians resulting from these restrictions. One of these is the German tour operator Studiosus which makes the company an instructive case concerning the role of business in zones of violent conflict.

In 2007 the German tourism sector reached a turnover of 20.3 billion Euro, with the biggest tourism companies being TUI Germany, Thomas Cook and the Rewe Group (DRV 2007: 14), and smaller companies being, for example, Öger Tours GmbH or Studiosus München GmbH. Studiosus was founded in 1954 and is a family owned enterprise with headquarters located in Munich, Germany. Studiosus employs 880 people, 650 of which are tour guides. Approximately 230 employees plan and organize the 800 different tours in 100 countries for more than 6000 vacations (Studiosus 2007a: 2). Compared to the year 2006, the turnover in 2007 increased by 8% to 220 million Euro (Studiosus 2007c: 81). In its vision, Studiosus states that it wants to contribute to a better understanding of different countries, people and cultures (Studiosus 2007b: paragraph 1). Therefore a special range of products, including the ‘Modern Study Tour’, was developed by Studiosus. The company is known for its transparent security and safety management as well as for its intensive and regular training of tour guides. Since the beginning of the 1990s, Studiosus has become more and more active in Corporate Social Responsibility. Consequently, this case study covers the period from 1990 until 2007. During this term, Studiosus organised three different types of tour in Israel. The company relies on tour guides who usually live in Israel. Studiosus cooperates with hotels in Tel Aviv, Tiberias, En Gev, En Bokek and Jerusalem. Due to travel warnings by the German foreign ministry, there are no guided

28 Palestine Investment Conference, Bethlehem 2008, [www.pic-palestine.ps/download/brochure.pdf](http://www.pic-palestine.ps/download/brochure.pdf) (09.05.2008).

tours to the West Bank or Gaza, which means that visits to Bethlehem or Jericho are temporarily cancelled until travel warnings are lifted.

### **Main governance contributions**

#### *Security governance*

Although Studiosus is widely considered the industry leader of security and safety management strategies, the company does not contribute to security governance through its policies and behavior.<sup>29</sup> In regions with high crime rates the company works with the local tourism agencies or authorities, as they organize official security guards from the police. Studiosus does not directly collaborate with private security companies or private military companies. In order to gain a more consistent security management system a department that deals with security and safety affairs was established within the company in 2004. Based on Studiosus' policy of prevention, the members of this department systematically monitor the relevant regions.<sup>30</sup> In case of alerts, such as kidnappings, terror attacks or earthquakes, measures are implemented to assure the security of customers. These can be changes in the guided routes or cancellation of the entire tour. The company's approach makes apparent that security is provided exclusively for the customers of Studiosus during their sightseeing trips or in hotels but not for the general public.

#### *Governance contributions to other policy fields relevant to peace and security*

The company's mission statement indicates that management and employees are informed about the positive and negative consequences that tourism can have on the people and societies in the host states:

“We are well aware that, regarding aspects such as social responsibility and environmental compatibility, all forms of tourism can cause problems. Tourists consume energy for transport and influence the structure of local societies. Furthermore, tourism requires specific infrastructure to be built and maintained. However, the degree and extent of such burdens depends heavily on how tours are organized. We aim to offer tours that are socially and environmentally responsible, and we believe that modern study tours provide the best prerequisites to achieve this aim” (Studiosus 2007b: paragraph 6.5, translation SF).

As the company only recently became a member of the Global Compact (September 2007), the commitments that result from membership of the Tour Operators' Initiative (TOI)<sup>31</sup> and the commitments on environmental issues can be regarded as the most important sources for the company's policies. Moreover, the mission statement reflects the

29 Source for the entire paragraph on security and safety management: Studiosus Headquarters 2007: Interview (safety and yield management, 19.10.2007), Munich.

30 To assure systematic monitoring Studiosus has developed an analytical scheme that classifies different world regions according to their level of security (crisis).

31 For further information on the operations of the TOI see: [www.toinitiative.org](http://www.toinitiative.org) (24.06.08).

company's core commitments. With these commitments, Studiosus appears to be an active company contributing to peace and security through the 'political order' and 'socio-economic' policy fields.<sup>32</sup>

As an example of governance contributions to 'political order', Studiosus adopted an anti-corruption policy in July 2006. The chapter of the mission statement that deals with the company's policy regarding local partners states "We don't take an active part in measures that can be defined as corruption"<sup>33</sup>. Furthermore, it announces that 'passive corruption' will be penalized. This aspect becomes very important for operations in the Palestinian Territories where corruption is widespread and hampers economic prosperity as well as transparency and fairness of administrative processes. Both of these factors, economic prosperity and fair and transparent processes, are important in Palestinian efforts to build up a stable and functioning economic and governmental system. As the latter can be considered a prerequisite for the implementation of peace negotiation outcomes, Studiosus's engagement becomes relevant to peace and security. In order to implement these company commitments, Studiosus ensures that their tour guides receive intensive training and education. According to the company's mission statement, the tour guides play an important role in monitoring adherence to company commitments by the local partners. Tour guides are instructed to report corruption or bad environmental management (Studiosus 2007a: 4), for example, to company headquarters. This mechanism seems to be an innovative strategy to ensure the adherence by local partners to the commitments.

The company pursues a twofold approach regarding its governance contributions in the 'socio-economic' dimension.<sup>34</sup> On the one hand – as laid down in the TOI principles and the company's mission statement (Studiosus 2007b: paragraph 2.3) – Studiosus strongly expresses its commitment to sustainable tourism.<sup>35</sup> This means that local communities have to benefit in a fair way from the company's operations in the region. This becomes a very important factor for tourism in the Holy Land, as tour operators usually only collaborate with partners from the Israeli side<sup>36</sup> which creates imbalanced prospects

32 Studiosus also explicitly opposes child prostitution in its mission statement since summer 2006 and is a member of ECPAT/The Code – an initiative that especially fights the sexual abuse of children. As child prostitution is not intertwined with factors that enhance the persistence of the Israeli-Palestinian conflict, these contributions to governance – which can be categorized as 'contributions in the field political order/human rights' – are not relevant for peace and security in this region and therefore not included in this study.

33 Studiosus 2007d: Studiosus's mission statement, Munich: [www.studiosus.com/unternehmen/leitbild\\_fakten/unternehmensleitbild/index.php](http://www.studiosus.com/unternehmen/leitbild_fakten/unternehmensleitbild/index.php) (19.09.2007).

34 Source concerning Studiosus's social responsibility and TOI: Studiosus Headquarters 2007: Interview (public relations, 11.12.2007), Munich.

35 The terms 'sustainable tourism' and 'fair tourism' are used interchangeably.

36 Raheb, M.: Interview (Dar Annadwa, 01.12.2007), Bethlehem/Palestinian Territories.

for the local tourism facilities to earn money and further widens the economical gap between the parties to the conflict, to the disadvantage of the Palestinian people. Against this background and to contribute to local economic prospects, the Studiosus foundation supports social and environmental projects that are related to tourism. One project partner is the Dar Annadwa Center located in Bethlehem.<sup>37</sup> The center facilitates cross-cultural encounters and works to empower the local community. It developed the concept of 'Authentic Tourism' and was awarded the TO DO! Prize for Socially Responsible Tourism in 1996.<sup>38</sup>

Studiosus has successfully introduced an environmental management system certified by European and international standardization institutions.<sup>39</sup> Although these certifications only apply to the operational headquarters, Studiosus has committed to fostering compliance with environmental standards beyond its headquarters. For example, they mainly collaborate with local partners who fulfill the environmental criteria defined by these management systems. To ensure dissemination of these commitments, Studiosus carries out seminars at select tourist destinations in order to foster environmental awareness and demonstrate new ways of managing environmental challenges that arise from tourism. These seminars usually take place in hotels that have already implemented tools for environmental management. Before booking a hotel, Studiosus makes sure that their guidelines are implemented in detail, including briefings at the local hotels. Due to the fact that water resources are a very important aspect of the Israeli-Palestinian conflict and also a core issue of the peace negotiations, the company's environmental engagement also shows an expedient way to deal with these issues.

### **Summary**

This study of Studiosus reveals no security governance contributions, although Studiosus is well known in the tourism sector for its strict security and safety management. However, analysis of the company's policies and behavior shows that Studiosus contributes to peace and security in two policy fields: 'socio-economic' (fair tourism and environmental management) and 'political order' (anti-corruption policy). The study also demonstrates that there are strong connections between the company's statements and its observable behavior. This qualifies Studiosus' engagement as systematic and sustainable. The com-

37 Dar Annadwa: [www.annadwa.org/en](http://www.annadwa.org/en) (12.05.2008).

38 TO DO! International Contest Socially Responsible Tourism: [www.todo-contest.org/preistraeger.html](http://www.todo-contest.org/preistraeger.html) (13.05.2008).

39 The environmental management system of Studiosus is certified by DIN EN ISO 14001. For further information on standardization of (environmental) management processes see: German Institute for Standardization (DIN), [www.din.de/cmd?level=tpl-home&contextid=din](http://www.din.de/cmd?level=tpl-home&contextid=din) (24.06.08); International Standardization Organisation (ISO): [www.iso.org/iso/home.htm](http://www.iso.org/iso/home.htm) (24.06.2008). The environmental management system of Studiosus additionally holds an Eco-Management and Audit Scheme II (EMAS II) certification. For further information concerning EMAS see: [www.emas.de/](http://www.emas.de/) (24.06.2008).

pany's measures to ensure implementation of its policies also have to be highlighted. These measures include regular seminars and advisory workshops, as well as monitoring by the tour guides. It is also important to mention that Studiosus focuses on issues and projects that have a strong relation to tourism, as the company feels responsible for the negative effects of its operations in the host states and it sees its problem-solving capacity as most effective in challenges arising from tourism. However, it is highly important not to exclude the conflict context from the reflections on the company's engagement: solving the core political conflict issues remains the responsibility of politicians in the region.

### 3.4 Shell in Nigeria

#### The conflict zone: Nigeria

Nigeria gained independence from Great Britain in 1960. The military determined Nigerian politics for most of the next 40 years, interrupted only by short periods of civilian government. Despite the transition to democracy after the sudden death of military dictator General Sani Abacha in 1998, the country has suffered from several violent conflicts.<sup>40</sup> Nigeria is Africa's largest oil producing country; oil accounts for over 95% of export earnings. The country's vast oil resources are mainly located in the Niger Delta in south-eastern Nigeria. Despite its oil wealth, Nigeria and especially the Niger Delta suffer from severe poverty as well as from the negative effects of oil production (see for example UNDP Nigeria 2006).<sup>41</sup> As for many other developing countries, its natural resources are more of a curse than a blessing.

The distribution of oil revenues has been an issue of contention since Nigerian independence. The Niger Delta has been a major site of violence, social unrest and criminality; the conflicts are between varying constellations of political and ethnic groupings, militias, and the government. Violence is also targeted at oil companies operating in the Niger Delta. It is hard to disentangle the different issues underlying the eruption of violence in the Niger Delta and beyond, though they include ethnic and religious frictions, competition over political power and conflicts over the ownership and distribution of resources, especially revenues from oil production. The communities in the Niger Delta suffer from marginalization and socio-economic deprivation, which is exacerbated by environmental degradation caused by oil production. Conflicts are further fuelled by endemic corrup-

40 Arbeitsgruppe Kriegsursachenforschung [www.sozialwiss.uni-hamburg.de/publish/Ipw/Akuf/index.htm](http://www.sozialwiss.uni-hamburg.de/publish/Ipw/Akuf/index.htm) and Uppsala Conflict Database [www.pcr.uu.se/research/UCDP/index.htm](http://www.pcr.uu.se/research/UCDP/index.htm) (12.03.2008).

41 The Niger Delta Development Report even discovered that those local communities *without* oil facilities in the Nigeria Delta are socio-economically better off than those *with* oil production facilities (UNDP Nigeria 2006: 2).

tion<sup>42</sup>, security forces violating human rights, the proliferation of small arms, operations by well-equipped private militias and a high level of criminality (for an analysis of the situation in the Niger Delta see International Crisis Group 2006a and 2006b).

Democracy still remains fragile as the violence surrounding the 2003 and 2007 elections has highlighted.<sup>43</sup> Nigeria's World Bank Governance indicators have hardly improved and political stability has even decreased since 1999.<sup>44</sup>

### **Background on the industry and company**

Shell was selected as a case study because it is the single most important oil production company operating in Nigeria. At the same time, it is often recognized as an industry leader in CSR, raising expectations for contributions to governance. The Anglo-Dutch Shell Group operates in more than 130 countries worldwide and employs approximately 108,000 people (Shell 2007: 1). In Nigeria, Shell is active through several companies, the most important of which is the Shell Petroleum Development Company (SPDC). In 1938 the company (then Shell D'Arcy) was granted an oil exploration license by the British colonial government. Today, other companies active in oil production in Nigeria include Chevron and ExxonMobil (both USA), Total (France), ENI/Agip (Italy), Statoil (Norway) and Sinopec (China). In general, the oil industry is characterized by high asset specificity and considerable sunk costs; both facts provide strong incentives for companies to stay in the Delta region despite the continuing unrest and violence. Shell's facilities and pipelines (of more than 6,000 km) and those of other oil companies are vulnerable to the conflict as violence has continually caused disruption of oil production and closure of production facilities. For example, it is estimated that 20% of possible total oil production was left in the ground due to militant activity in the month preceding the 2007 election.<sup>45</sup> In the 1990s, Shell became a target of community protests and a global civil society campaign because of its irresponsible social and environmental behavior as well as its cooperation with public security forces, culminating after the execution of the Ogoni Nine<sup>46</sup>. Today,

42 Nigeria ranks 147 out of 179 countries in Transparency International's Corruption Perceptions Index [www.transparency.org/policy\\_research/surveys\\_indices/cpi/2007](http://www.transparency.org/policy_research/surveys_indices/cpi/2007) (10.03.2008).

43 The Freedom House Index considers Nigeria as "partly free" [www.freedomhouse.org/template.cfm?page=22&country=7244&year=2007](http://www.freedomhouse.org/template.cfm?page=22&country=7244&year=2007) (13.05.2008).

44 [http://info.worldbank.org/governance/wgi2007/sc\\_chart.asp](http://info.worldbank.org/governance/wgi2007/sc_chart.asp) (13.05.2008).

45 US Energy Information Administration 2007: Country Analysis Briefs: Nigeria [www.eia.doe.gov/emeu/cabs/Nigeria/Background.html](http://www.eia.doe.gov/emeu/cabs/Nigeria/Background.html) (15.06.2008).

46 The Ogoni people are one of the smaller ethnic groups living in the Niger Delta. They started organizing and protesting against oil exploration on their land (mainly done by Shell) in the early 1990s. The primary target of their protests was the Nigerian government, though they accused Shell of cooperating with the government in depriving the Ogoni of their land and a fair share of revenues from the oil production. Nine leading figures of the Ogoni protest were sentenced to death after a mock trial in 1994 and executed in 1995 (International Crisis Group 2006b: 4f). The Ogoni protest gained international attention and brought the issues of oil companies' conduct in developing countries and conflict zones onto the interna-



Shell is recognized widely as a company that has changed its approach (see for example Rieth/Zimmer 2004; Ite 2007). Due to the limited space in this paper, the case study will focus on selected examples of Shell's current policies and activities (these were mainly developed after 1995, the year of the execution of the Ogoni Nine), without denying or downplaying Shell's past wrongdoings.

### **Main governance contributions**

#### *Security governance*

Shell has severe security problems affecting its operations in the Niger Delta, including attacks on facilities and pipelines as well as kidnapping of personnel (Shell Nigeria 2007: 7f). Due to the escalation of violence, Shell has been repeatedly forced to halt production and withdraw staff from certain areas in the Delta.

Heavily criticized for its calling upon and cooperating with Nigerian security forces that were committing human rights violations in the Delta<sup>47</sup>, Shell has joined the US and UK governments as well as NGOs and other companies from the extractive industries to develop the Voluntary Principles on Security and Human Rights in 2000. The Voluntary Principles (VP) are standards for companies' dealings with public and private security forces. In line with the VP, Shell acknowledges that "[c]ompanies and civil society can play a role in assisting host governments with security sector reform."<sup>48</sup> The goal of the standard is "to guide companies in maintaining the safety and security of their operations, in an operating framework that ensures respect for human rights and fundamental freedoms".<sup>49</sup> Shell has a Group Security Standard that guides its security-related activities worldwide, which is currently being revised to explore how the VP can be integrated.<sup>50</sup> Shell has also committed to implementing the Voluntary Principles in Nigeria (Mylonas 2008: 15). The implementation is currently being discussed with Nigerian authorities. Shell also states that security and human rights training will be developed for officials from Nigerian security officials (Mylonas 2008: 15).<sup>51</sup> It is obvious that Shell is trying to establish safety and security for its own operations and personnel in the first instance, thus providing a private

tional agenda. Shell seized its operations in the Ogoni area in 1993. In June 2008 the Nigerian government decided to replace Shell since the company has not resumed oil production in the region.

47 See for example Human Rights Watch (1999).

48 Shell introduces the Voluntary Principles on its website: [www.shell.com/home/content/envirosoc-en/society/security/security\\_human\\_rights/voluntary\\_principles\\_25042007.html](http://www.shell.com/home/content/envirosoc-en/society/security/security_human_rights/voluntary_principles_25042007.html) (12.03.2008).

49 [www.voluntaryprinciples.org/principles/index.php](http://www.voluntaryprinciples.org/principles/index.php) (12.03.2008).

50 The security standard can be found at [www.shell.com/home/content/envirosoc-en/making\\_it\\_happen/our\\_commitments\\_and\\_standards/health\\_safety\\_and\\_environment/security\\_standard/security\\_standard\\_24042007.html](http://www.shell.com/home/content/envirosoc-en/making_it_happen/our_commitments_and_standards/health_safety_and_environment/security_standard/security_standard_24042007.html) (12.03.2008).

51 Shell Website [www.shell.com/home/content/envirosoc-en/society/security/security\\_human\\_rights/voluntary\\_principles\\_25042007.html](http://www.shell.com/home/content/envirosoc-en/society/security/security_human_rights/voluntary_principles_25042007.html) (12.03.2008).

good. At the same time, Shell's approach to security has changed in the last decade, as the company is now trying to minimize negative externalities on communities. While Shell's commitment to implement the Voluntary Principles is a remarkable one that goes beyond law in the host state, the principles are not yet systematically implemented. It is rather that implementation is currently discussed and explored on the global level and in several countries. Shell's commitment can be regarded as a contribution to governance in the Nigerian context because human rights violations by security forces are a recurring issue. It is important to note that the implementation of the Voluntary Principles for companies' dealing with public security forces is not dependent just on companies' willingness but also requires the consent of and cooperation with governmental actors and security forces, which might not always be easy to achieve.<sup>52</sup>

*Governance contributions to other policy fields relevant to peace and security*

Shell/SPDC can be considered to contribute to governance in several conflict-relevant policy fields. Shell's main policy documents are the General Business Principles and the Code of Conduct.<sup>53</sup> The commitments of the General Business Principles are applicable worldwide for all Shell operations, including Nigeria.<sup>54</sup>

Shell's most important contributions in the 'political order' dimension can be found in its efforts to fight corruption and promote transparency. In this realm, Shell has committed itself to initiatives such as the Transparency International Business Principles and the Extractive Industries Transparency Initiative (EITI).<sup>55</sup> Corruption is a serious problem in Nigeria and is closely related to the issue of transparency and distribution of oil revenues. The most important governance contribution reaching beyond the companies' boundaries is its support for the Nigerian Extractive Industries Transparency Initiative (NEITI). Nigeria was the first country that officially committed itself to implementing EITI in 2003. A National Stakeholder Working Group was founded to steer the initiative and oversee implementation.<sup>56</sup> SPDC's Country Chair is a member of the stakeholder working

52 In general, there is a difference between companies' dealings with public security forces and dealings with private security forces. When dealing with private security companies, oil companies as a buyer of security services are more clearly in a position to determine the terms of reference and to set standards.

53 The General Business Principles were reviewed after the escalation of violence in Nigeria in the mid 1990s and the ensuing civil society campaign against Shell. A further revision took place in 2005 but was not as fundamental as in 1997. The Business Principles are further detailed in Shell's new Code of Conduct launched in 2006. Available at [www.shell.com/sGBP/](http://www.shell.com/sGBP/) (10.03.2008).

54 Shell General Business Principles, Principle 8, [www.shell.com/sGBP/](http://www.shell.com/sGBP/) (10.03.2008).

55 EITI was initiated by Tony Blair at the World Summit for Sustainable Development in Johannesburg in 2002. Before this, an NGO campaign was asking companies to "Publish What You Pay" to their host governments. EITI asks governments to publish what they receive and companies to publish what they pay. Shell is one of the official supporters of the initiative. [www.eitransparency.org](http://www.eitransparency.org) (10.03.2008).

56 The National Stakeholder Working Group is the governing body of NEITI. It consists of government, civil society and company representatives.

group. In 2007, the NEITI Act was passed and signed by then President Obasanjo.<sup>57</sup> While publishing data is now obligatory for companies in Nigeria, Shell's support from the very beginning for EITI on the global level and NEITI in Nigeria, as well as its representation in the National Stakeholder Working Group is a voluntary contribution to governance. It might be argued that this is an easy and not very costly governance contribution for Shell and critical civil society organizations questioned in interviews whether NEITI really helps to improve the situation of the people in the Niger Delta. However, the effect of EITI on the political debate and processes should not be underestimated and even critical voices see the initiative as a step forward to create transparency about oil revenues.<sup>58</sup>

In 'socio-economic' dimension, Shell commits to sustainable development, i.e. integrating economic, environmental and social considerations into business decision making. The company considers poverty to be one of the main factors that induces instability in the Niger Delta:

“In our view, there are three major factors at the root of instability in the Niger Delta – unfulfilled aspirations for political recognition and influence, poverty and historical neglect, and criminality.”<sup>59</sup>

Shell invests large sums into its community development programs: US\$ 53.3million in 2006 (Shell Nigeria 2007). These programs are located in the oil producing regions in the Niger Delta where Shell is operating. It is interesting to note that some community programs - albeit with a different focus and different design - started back in the 1960s. Protests and demands voiced by different groups in the oil producing communities make it an obvious fact that these programs were not and are not accepted by communities as a sufficient compensation for the oil taken from their land and for damages caused by oil production (Ite 2007: 3-4). The question is, who exactly is responsible for providing these goods and services to communities and how is responsibility divided between companies and governmental actors? Shell's community development program today covers four areas: health care, education, youth development, as well as economic empowerment and business development.<sup>60</sup> In contrast to the past, Shell now more often designs and implements its program in partnership with other organizations such as UNDP, USAID or Africare. Shell also seeks to negotiate “global memoranda of understanding” with communities to establish long term, transparent relationships when implementing programs (Shell Nigeria 2007: Sustainable Community Development). These changes are mainly due to community protest and partly violent unrest that forced Shell to react to secure its social license to operate in the communities. Environmental issues are also important to

57 “With this, Nigeria became the first EITI-implementing country with a statutory backing for implementing EITI”; [www.eitransparency.org](http://www.eitransparency.org) (12.03.2008).

58 [www.publishwhatyoupay.org/english/background.shtml](http://www.publishwhatyoupay.org/english/background.shtml) (12.03.2008).

59 [www.shell.com/home/content/nigeria/about\\_shell/issues/security/security.html](http://www.shell.com/home/content/nigeria/about_shell/issues/security/security.html) (12.03.2008).

60 [www.shell.com/home/content2/nigeria/society\\_environment/dir\\_community\\_development.html](http://www.shell.com/home/content2/nigeria/society_environment/dir_community_development.html) (12.03.2008).

consider in the context of the Niger Delta. It is obvious that oil production has caused severe environmental problems in the Delta region, including oil spills (partly due to sabotage and partly due to outdated facilities) and the practice of gas flaring. These environmental problems have consequently caused severe hardship for communities that depend on the environment for making their living (e.g. subsistence farming and fishing). Shell has committed to minimizing the environmental impact of its operations, but the company takes the national legislation as its point of reference (Shell Nigeria 2007: Environmental Performance). Therefore, Shell does not contribute to governance in this area, it mainly seeks to comply with existing laws. Moreover, interviews conducted with civil society organizations in Nigeria have shown that it is hard to evaluate Shell's behavior because stakeholders seriously challenge the company's statements and commitments, e.g. there are continual quarrels about compensation for communities after oil spills.

SPDC runs some programs in the 'socio-cultural' dimension. One example of such a program is conflict resolution training for Shell's employees to be able to better respond when facing conflicts in communities.<sup>61</sup>

To sum up, Shell makes efforts to contribute to governance in some fields, as shown by its contribution to transparency and anti-corruption issues, as well as community development, which is quite remarkable. In other fields, such as the environment, Shell refers to host state law as its main point of reference.

### **Summary**

Shell is engaged in direct security governance to a limited extent, by committing to the Voluntary Principles on Security and Human Rights and by exploring possibilities for their implementation. The case study further reveals that Shell contributes to governance in the 'political order' and 'socio-economic' dimension. It also shows a positive correlation between policy development and implementation and re-design of programs in the Niger Delta. However, Shell's existing governance contributions are much debated and contentious: critical voices highlight, for example, that Shell and other oil companies are not active enough in compensating communities for the negative environmental effects caused by oil production, nor in sufficiently involving communities in decision-making processes and that the companies' engagement is not designed to yield sustainable results (see, for example, Catholic Secretariat of Nigeria 2006: 140 f.). Others even argue that Shell should not be responsible for the provision of certain collective goods as that is a government responsibility.

61 [www.shell.com/home/content/envirosoc-en/society/using\\_influence\\_responsibly/human\\_rights/training\\_tools\\_guidelines/soc\\_nigeria\\_0504.html](http://www.shell.com/home/content/envirosoc-en/society/using_influence_responsibly/human_rights/training_tools_guidelines/soc_nigeria_0504.html) (10.03.2008).

The case study of Shell shows that governance contributions in some fields, no governance or even ‘bad behavior’ in other fields can go hand in hand and can change over time. Moreover, as governance contributions are voluntary by nature, Shell can choose how and in which policy fields it engages. While it has not been the focus of this short case study, it is widely agreed that Shell has changed its policies and has tried to institutionalize new policies in its operations over the past decade. Shell’s changing approach can be at least partly explained by civil society pressure from above and below, i.e. the pressure put on the company through a global civil society campaign and the protest of communities and local NGOs.

### 3.5 Comparison of case studies

A comparison of our four case studies reveals corporate engagement mainly in two dimensions: political order and socio-economic policy fields. Shell in Nigeria additionally shows some limited engagement in security governance by committing to implementing the Voluntary Principles on Security and Human Rights.

**Table 2: Comparison of company case studies**

Corporate governance contributions to peace and security in zones of violent conflict					
		Security governance		Governance contributions in other fields	
		Security	Political order	Socio-economic	Socio-cultural
1: Alpha in Rwanda	Policies		X	X	
	Activities		X	X	
2: Kuehne+Nagel in Northern Ireland	Policies		X	X	
	Activities		X	X	
3: Studiosus in Israel/Palestinian Territories	Policies		X	X	
	Activities		X	X	
4: Shell in Nigeria	Policies	X	X	X	
	Activities		X	X	

Within the political order and socio-economic dimensions, an accumulation of governance contributions to certain issues can be found: in the realm of political order, companies mainly have policies and activities for human and labor rights, as well as anti-corruption and transparency. In the socio-economic dimension, companies mostly contribute to governance in three areas: environmental standards, community development, and equal distribution of economic goods.

How can these findings be explained? Our first conjecture is that corporations contribute most to governance in those areas that relate to their core expertise, resources and

interests (Wolf 2008: 236). This expertise would also give them some legitimacy for their engagement as they are more clearly in a position to contribute to problem solving. This is particularly prominent in socio-economic activities, where companies might perceive their expertise to be strongest, though even political order (e.g. fighting corruption and enhancing transparency) relates to good corporate governance to some extent. Interestingly, companies themselves often do not consider their engagement in these fields, such as community development or ensuring transparency throughout the supply chain, to be 'political' activities. The field of 'political order' seems to be more sensitive for corporate engagement. In this field companies concentrate on only a few core topics (the fight against corruption, or addressing human rights issues).

In terms of security issues, three companies feel required to ensure security of their operations (all except K+N (NI) who operates in a highly regulated environment), and so are providing a private good. The provision of security as a collective good is, however, considered to be at the core of state responsibilities; engaging in security provision would then result in a deep entrapment in processes that are regarded as highly political and sensitive governmental responsibilities. This conflicts with the rejection of becoming a political actor, as expressed by many companies who perceive themselves as primarily economic actors. All companies perceive profit making as their primary task; through their policies and activities they seek to support host societies and governments, but not to substitute governmental action. Moreover, the level of regulation and access to government might influence the level of engagement in security governance even more than in policy fields only indirectly related to security. The example of Northern Ireland represents a state with a high level of regulation and a case where the host state is quite successfully in charge of security governance. In this case there is probably not much room left for companies to engage beyond the factory gates. If we further assume that governments also perceive security to be – for better or worse – at the core of their responsibility, governments might be able and willing to regulate access for companies to this very sensitive and political sphere.

Shell in Nigeria is the only case study company making a security governance contribution. Three reasons might help explain Shell's engagement. First, Shell is the only company that is very closely related to conflict (in the Niger Delta, Chapter 3.4) through its core business (oil production). In contrast to the other case studies, Shell can be almost considered to be a party to the conflict. Second, Shell has been the target of a civil society campaign, influencing its change in behavior over the last decade. This has also led Shell to revise its policies and activities for security provision (none of the other companies have been the target of such a broad civil society campaign). Third, engagement in security governance might also depend on the intensity and proximity of the conflict to a company's operations, which might influence its perceived need to act. The higher the level of violence and the more a company is affected by conflict, the more likely compa-

nies will show engagement if they want to continue their operations. This appears to particularly affect large production companies with considerable facilities on the ground. Alpha was in the past and Shell has for a long time been directly affected by violent conflict.<sup>62</sup> However, Shell has been closely connected to the conflict, it has been affected over a longer period of time and has a larger infrastructure including a large net of pipelines.

## **4. Conclusion and recommendations**

### **4.1 Clarifying expectations for and consequences of corporate engagement**

Companies contribute to governance in zones of violent conflict. These governance contributions are at least partly the result of the growing trend towards Corporate Social Responsibility. In this sense our company case studies represent a larger trend and the more explicit taking over of responsibilities by companies. However, the extent and quality of governance contributions as well as the policy fields in which companies engage greatly vary. It is important to note that governance contributions of companies are voluntary by nature: companies can pick and choose what kind of governance issues they address in zones of violent conflict. Despite expectations heightened by CSR and global governance debates, corporate governance contributions to peace and security cannot be taken for granted, as the variance between companies' engagement shows.

Two questions can and should be discussed by public and private actors alike. First, do we want companies to take over governance functions in zones of violent conflict or failed states more generally, and what are the consequences if corporations assume this role? Second, if we welcome corporate contributions to governance, then what exactly do we expect from companies and what are companies themselves willing and able to contribute? Both sets of questions should be discussed openly and honestly by all stakeholders involved.

The first question is a more fundamental and normative one, but leads to important questions that require further investigation. What is the responsibility of companies and what is the responsibility of governments? How can companies be held accountable for governance contributions provided? In the end, even governance contributions backed by companies' best intentions might have a limited or even negative impact, possibly because they are badly designed or they might have unintended negative consequences. In a dem-

<sup>62</sup> Depending on the level of alert, Studiosus has to suspend its operations. However, its local CSR projects remain exposed to the violent conflict. Kuehne+Nagel was not directly affected by a high level of violence because it only started operations after the beginning of the peace process in Northern Ireland.

ocratic system, it is possible to elect a new government in case the ruling government does not perform as expected, but there is no equivalent for companies. It is also unclear what consequences companies' engagement has for the capacity of governments in zones of violent conflict, i.e. whether corporate engagement supports responsible governance by governmental actors or whether it weakens or discourages governments' engagement as there is no perceived need to act if companies provide certain public goods.

Secondly, if we agree that the private sector is a potential and important contributor to governance in zones of violent conflict and if we want companies to engage, we also need to understand how best to use its potential, and where its limits are. If some undefined role for the business community is merely assumed, this may lead to a rude awakening when the business sector turns out to be incapable or unwilling to fulfill this role. Consequently, policy makers should enter into an honest dialogue with corporations on where corporations perceive opportunities and limits to what they are willing and able to contribute.

## **4.2 The need for a coordinated strategy of public actors**

What conclusions can we draw from this research for the political debate in Germany about the role of companies in zones of violent conflict? Unfortunately, this debate has more or less stagnated. This is partly due to the fact that companies perceive their engagement in zones of violent conflict as too sensitive to openly discuss. A further proposed argument is that there are no major German extractive companies operating in fragile states and therefore the topic is less relevant for German policy makers and companies alike. These arguments are too short-sighted: as our case studies show, companies from different industries might contribute to problem solving in several policy fields with varying activities and in different phases of conflict.

The stumbling of the German debate about the role of companies operating in zones of violent conflict, and more broadly in fragile states and developing countries might also be due to the fact that there are different responsibilities and signals from different ministries within the German government. The German Action Plan "Civilian Crisis Prevention, Conflict Resolution and Post-Conflict Peace-Building" mentions the growing importance of responsible corporate engagement for crisis prevention. The German Foreign Ministry started several discussions on the topic during a Security Council Session and organized a Wilton Park conference. However, these activities lack a clear vision of purpose or strategic direction. While the Foreign Ministry spearheaded these initiatives, the Ministry for Economic Development and Cooperation is also involved as it administers the public private partnership (PPP) facility through which the private sector can be financed, or developed, in developing countries (including zones of violent conflict). The German Technical Cooperation (gtz) also organizes the German Global Compact network, which might offer a sheltered environment (Chatham House rules, etc.) for an open discussion amongst sufficiently high-level representatives from politics, corporations and civil society. This forum could be used to discuss a policy vision for business contributions to peace and security as well as to specify the potential and limits of corporate en-



gagement in different sectors. At a more practical level, policy makers, corporations and NGOs can benefit from an exchange of experiences of the complex realities of violent conflict and post-conflict settings regarding each group's risk, impact assessment tool and methodologies. Only recently, the Ministry for Labor and Social Affairs has taken over the lead responsibility for CSR issues. If and how the ideas for the strategy and work program will materialize needs to be seen.<sup>63</sup> Furthermore, the Ministry of Economics and Technology is responsible for the National Contact Point for the OECD Guidelines for Multinational Enterprises.<sup>64</sup> However, it fulfills this role very passively, even though German companies were explicitly named in the UN Panel of Experts' report mentioned in the introduction. Currently, there is no coordinated approach to the issue of business in zones of violent conflict. This is not only true for Germany but for other countries as well. It is therefore urgently necessary for public sector actors and government agencies to develop a coordinated approach concerning issues such as the operations of companies in developing countries and especially fragile states, to clarify expectations and communicate these accordingly. The public sector can then also take the initiative to establish dialogue with the private sector and other stakeholders and support and push companies operating abroad to do so in a responsible manner.

Last but not least, it is important to place companies' governance contributions in a larger perspective. The first responsibility for solving violent conflicts remains with the governments and parties to the conflict themselves. Individual corporations or even entire industry sectors can only contribute towards conflict prevention and peacebuilding. Moreover, transnational companies are only one group among local businesses, development agencies, international organizations, and NGOs, etc., who can all contribute to governance in zones of violent conflict.

63 See speech of Minister Olaf Scholz at the CSR Conference on 29th April 2008 in Berlin, [www.bmas.de/portal/25988](http://www.bmas.de/portal/25988) (15.06.2008).

64 The OECD Guidelines for Multinational Enterprises "are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide voluntary principles and standards for responsible business conduct in a variety of areas. Including employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation", [www.oecd.org](http://www.oecd.org) (01.08.2008).

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## **Abbreviations**

BEIA	before exceptional items and goodwill amortization
bfai	Bundesagentur für Außenwirtschaft (German Office for Foreign Trade)
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
DIN	Deutsches Institut für Normierung (German Institute for Standardization)
DDR	Disarmament, Demobilization and Reintegration
DoP	Declaration of Principles
DRC	Democratic Republic of Congo
ECPAT	End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes
EITI	Extractive Industries Transparency Initiative
EMAS	Eco-Management and Audit Scheme
FDLR	Forces Démocratiques de Libération du Rwanda (Democratic Liberation Forces of Rwanda)
FPR	Front Patriotique Rwandais (Rwanda Patriotic Front)
GDP	Gross Domestic Product
G8	Group of 8
GmbH	Gesellschaft mit beschränkter Haftung (Limited Company)
GRI	Global Reporting Initiative
GTZ	Deutsche Gesellschaft für technische Zusammenarbeit (German Technical Cooperation)
HIK	Heidelberg Institute for International Conflict Research
IRA	Irish Republican Army
ISO	International Standardization Organisation
K+N	Kuehne+Nagel
K+N (NI)	Kuehne+Nagel Northern Ireland
NEITI	Nigerian Extractive Industries Transparency Initiative
NOG	Non-governmental Organization
OECD	Organization for Economic Cooperation and Development
PPP	Public Private Partnership

SPDC	Shell Petroleum Development Company
TNC	Transnational Corporation
TOI	Tour Operators' Initiative
UN	United Nations
UNDP	United Nations Development Programme
UNWTO	World Tourism Organization
USAID	United States Agency for International Development
VP	Voluntary Principles on Security and Human Rights