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# The role of the private business sector in peace negotiations. Lessons from Guatemala

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**Abstract:** Private companies are increasingly considered a partner in the prevention, settlement and transformation of violent conflicts. While the question of how companies can avoid contributing to violent conflicts dominated the debate on the role of corporate actors in war-torn countries for some time, there is now growing interest also in how companies can contribute to the promotion of peace. However, so far there is still little knowledge on how companies perceive peace processes. This article seeks to add to a better understanding of private companies in peace processes in order to be able to better assess the potentials and limits of corporate engagement in peace support. For the case of Guatemala, the role of the local private sector during the peace process is discussed, with a particular focus on the time of the peace negotiations (1986-1996).

**Keywords:** Private sector, peace process, peace negotiations, Guatemala

## 1. Introduction

Private companies are increasingly assumed to be able to make a positive contribution to the promotion and maintenance of peace. Although the debate on the role of the private business sector in peace and violent conflicts was in the last years largely dominated by examples of businesses sustaining and fuelling violent conflicts (such as through »blood diamonds« in Sierra Leone or the timber trade in the DRC), there is growing interest in constructive ways to integrate companies in conflict management and peace support (See for example UN Security Council Press Release 2004; Bray

2006). Companies are considered to have skills and resources at their disposal, which can be harnessed for the prevention and transformation of conflicts and which can complement the activities of governmental and non-governmental organisations. Since conflicts are typically grounded in a complex set of causes, bringing about multifaceted challenges for the settlement of conflicts, successful conflict transformation is frequently assumed to require the capacities and the support of a wide range of actors, including of businesses. The private sector's ability to promote economic development, provide jobs for ex-combatants, or engage with various stakeholders are considered as potential ways for companies to assist in conflict management and peacebuilding (Nelson et al. 2000; Haufler 2001; Wenger/Möckli 2002).

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The idea of corporate support for conflict management is in part based on the assumption that business is economically self-interested in a stable and peaceful working environment. Violent conflicts lead to the destruction of infrastructure and production facilities, disturbance of labour markets and augmentation of insecurity, and can hence cause direct and indirect costs for businesses. Conflict-inflicted expenses are therefore assumed to create an incentive for companies to actively contribute to peace (for example Kanagaretnam/Brown 2005).

However, so far there is relatively little in-depth understanding of how private companies perceive violent conflicts and peace processes. Better knowledge on the private sector's views seems pertinent for an improved understanding of the potential and limitations of partnering with businesses in conflict management. In the following, the role, strategies and perceptions of domestic companies in Guatemala during the civil war and the peace process will be explored, concentrating on the time of the peace negotiations (1986 to 1996). Specifically, this paper discusses how business incentives for contributing to peace efforts worked in the Guatemalan case and influenced corporate strategies during the peace process.

## 2. Guatemala: Civil war and the peace process<sup>2</sup>

The civil war in Guatemala began in 1960 and ended after 36 years with the signing of the final peace accord in December 1996. The conflict left over 200,000 people dead and resulted in thousands fleeing the country. The civil war was fought between left-wing guerrillas (united in the *Unidad Revolucionaria Nacional Guatemalteca* – URNG – in the 1980s) and the Guatemalan government (different military rulers). The main causes of the civil war were interlinked social, economic and political factors, specifically ideological differences embedded in the global political struggle of the Cold War; the systematic political and economic exclusion of large parts of the population, particularly of the indigenous people; anti-democratic institutions; and the extremely unequal distribution of wealth, in particular land (Jonas 1991; Molkentin 2002). Still today, Guatemala is one of the countries with the greatest inequality in Latin America – the region itself being one with the greatest inequality in global comparison.

The peace process began in 1986, after Vinicio Cerezo won the first democratic national elections ending 30 years of military rule. In the initial phase, the process moved forward very slowly. But during the following years, 14 sub-treaties on different thematic aspects were signed, ranging from demobilisation to socio-economic issues and culminating in the signing of the »Agreement on a Firm and Lasting Peace« in 1996.

Contrary to what one might expect, the private sector in Guatemala was not a fervent supporter of the peace negotiations. Although the business community pleaded for an end to the violence in the form of a truce, it was highly sceptical of the

peace negotiations between the URNG and the government. This seemingly contradictory position cannot be understood by looking at the peace process alone, but must be situated against the wider background of the civil war.

### 2.1. The private sector during the civil war

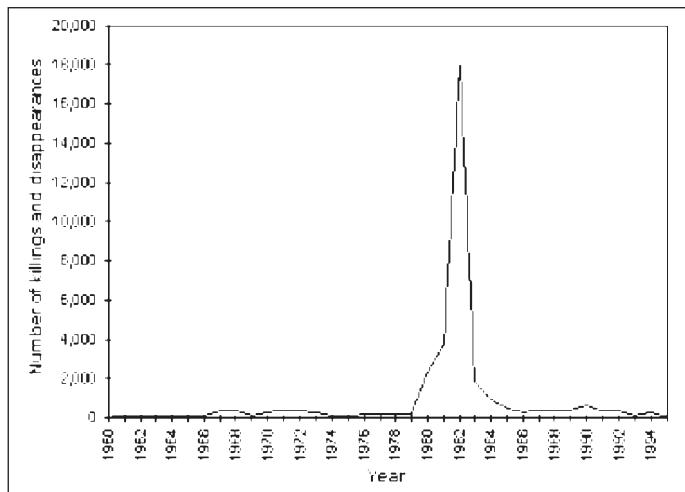
Costs inflicted on the business sector due to a conflict are assumed to be an incentive for companies to support peace. However examining the corporate costs of the civil war in Guatemala, it becomes clear that the economic costs of the conflict were relatively modest. Stewart, Humphreys and Lea, for instance, calculated that the cumulative loss as to GDP in Guatemala for the period from 1965 to 1990 was only 9.9 percent. In El Salvador and Nicaragua, in comparison, losses accumulated to 38.1 percent and 113.4 percent, respectively (Stewart et al. 1997). In fact, GDP growth rates in Guatemala remained positive for the majority of the civil war period, with the notable exception of the late 1970s and the early 1980s, when not only the intensity of the civil war surged significantly, but Latin America as a whole experienced an economic downturn.

### The following were key reasons for the moderate economic consequences of the civil war:

1. Fighting was largely *geographically contained* in mountain areas dominated by subsistence agriculture, with little presence of formal business operations. Although small parts of the main coffee cultivation zones overlapped with regions where military and guerrilla activities were high, the major war zones were outside the central industrial and agricultural zones. During most of the civil war, there were only occasional attacks in the capital and other economic centres of the country. In addition, the number of attacks against infrastructure targets remained relatively low, in particular when compared to the number of such attacks in civil wars in neighbouring countries.
2. Although the violent conflict in Guatemala was the longest conflict in Central America, with the highest number of casualties, the Guatemalan civil war was overall a *low-intensity war*. It was only in the late 1970s and early 1980s that fighting escalated significantly. In the years from 1960 to 1978, as well as from 1984 until the cease fire in 1996, the intensity of the conflict in terms of killings and disappearances was comparatively low (figure 1 and footnote 2). Although fighting and attacks, as well as targeted assaults against the private sector (including the collection of war taxes from *fincas*) influenced everyday life during the 36 years of conflict, the overall intensity of the conflict was low.

<sup>2</sup> The article is largely based on a PhD thesis on this subject (Joras 2007).

Figure 1: Number of killings and disappearances by year, 1960-1995<sup>3</sup>



(Source: Ball et al. 1996)

3. For most parts of the civil war, the military and the private sector were connected through a *close alliance*,<sup>4</sup> which made it easier for the private sector to defend its production facilities against guerrilla attacks. In addition, the pronounced political influence of the business community facilitated favourable and relatively stable economic policies (in particular low tax rates) that could at least in part »compensate« for the economic obstacles inflicted by the civil war.

The sectors most severely affected by the conflict were the tourism and coffee industries. Tourism arrival numbers and related income had dwindled since the late 1970s and only started recovering in the late 1980s, at a time when the peace process was already under way. With regard to the coffee industry, security problems for the sector resulted largely from the above mentioned overlap of areas of coffee cultivation and conflict zones. But coffee *fincas* were also a »symbolic« target for the insurgency, which collected war taxes and destroyed production facilities. For some guerrillas *finqueros* were tantamount to the socially and economically unjust system against which they fought. Although there are no details on the precise numbers of guerrilla assaults against corporate targets, it is known that in some isolated cases, *finqueros* decided to give up their *fincas* due to losses and high levels of insecurity (Stoll 1993; Durocher 2003).

But the violent conflict in Guatemala did not only have relatively modest economic costs for the business community, the civil war also had some *indirect* advantages for parts of the private sector. Although there is little evidence that companies

systematically and directly profited from the war (in the sense of »conflict entrepreneurs«),<sup>5</sup> the Guatemalan private sector can be described as structurally interwoven with the root factors leading to the violent conflict (Preti 2002), explaining in part why in the end the business community did not applaud the peace talks.

Historically, the economic elite in Guatemala built its wealth on the cultivation of coffee (or before, on other agricultural export products such as cochineal). Coffee still plays a vital role in Guatemala's economy, accounting for about 12 percent of total export earnings in 2005, and making Guatemala one of the world's leading coffee producers (8th globally in 2005). Coffee started to conquer the national economy in the 1870s and has never fully forfeited its significant position, although other economic activities gained importance over the years. In the past, the two limiting factors on the cultivation of coffee were the cost of land and labour. However, close alliance with the ruling regime allowed coffee planters to secure these factors through systematic exclusion and exploitation of the predominantly indigenous workforce. Under the auspices of the regime, the indigenous population was expelled from their land and were forced – directly or indirectly – to work on plantations. National legislation was moulded to the benefit of the coffee growers, as for example under a law prohibiting »vagabondism«, which secured labourers for coffee plantations (Paige 1997; Plant 1998). While private entrepreneurs had significant influence over the state apparatus since the beginning of colonial rule, with the coffee boom and the »period of liberal reforms« in the 1870s, coffee growers »seemed to own the state« (Williams 1994).

The persistent cronyism, as well as exclusion, exploitation and profound impoverishment of large parts of the population counted for some of the key factors that led to the violent conflict. The ease of access to cheap land and labour as well as the generally privileged position of parts of the private sector as an elite class in Guatemala were put at risk with the emergence of the guerrilla struggle. The left-wing insurgency stated clearly that their goals were land reform, better working conditions, strengthened labour rights and reduced political influence of the economic elite. Hence, although the private sector did not directly profit from the 36 years of warfare, it structurally contributed to some of the causes. Furthermore, the private sector, and more specifically the traditional economic elite benefited from the military taking up the fight against the guerrillas as a defence of their privileges and interests.

In this context, it is however important to stress that the private sector did not systematically and directly support the military. Although the military did request, particularly during Rios Montt's term in office from 1982-1983, that the Guatemalan business community support the army's counter-insurgency strategy, the private sector rejected these advances (McClintock 1985). Such support was to take the form of, for example, direct financial payments to fund the military or assistance in economic development measures targeted to im-

3 The figure »only includes cases of forced disappearance and killing in the CIIDH [Centro Internacional para Investigaciones en Derechos Humanos] database for which the year is known. [...] Adding cases of unknown date increases the total to 36,906. Even this larger number presents only a fraction of the deaths attributable to the Guatemalan state during the years of armed conflict« (Ball et al. 1996). Sources such as the official Historical Clarification Commission suggest numbers of about 200,000 deaths. Although the figure does not reflect the total number of estimated deaths, it gives a reliable indication regarding the distribution of killings and disappearances over the duration of the conflict.

4 Against the common assumption, the relationship between the private sector and the military was actually conflictive, with quarrels intensifying in the late 1970s and early 1980s.

5 For more information on this term and related terms, see for example the article by Steven Jackson on »Protecting Livelihoods in Violent Economies« (Jackson 2005).

prove the living standards of the poor as an element of the military's counter-insurgency strategy. Individual businessmen and particularly *finqueros* supported military efforts by, for example, offering the army their estates for use as military bases or by allowing them to use their private planes, but such examples did not occur on a systematic basis.

## 2.2 The private sector during the peace negotiations

In the previous section it is argued that the violent conflict in Guatemala had only relatively mild negative economic consequences for the local business sector and that the conflict did in fact have some indirect advantages for parts of the business community. The low economic costs of the civil war partly explain why the private sector had but a limited incentive to actively support the peace process. But the critical attitude that the majority of the Guatemalan business community held towards the peace process was also rooted in the subject matter of the peace negotiations. The following describes some of the most important ways in which the private sector influenced the peace talks offers an explanation of the main corporate risks that were associated with the peace talks.

### i. Meeting between the URNG and the business sector in Ottawa in 1990

From the point of view of corporate support of the peace process, the negotiations in Guatemala started on an unexpectedly promising note. In 1990, the National Reconciliation Commission organised a number of meetings between representatives from the URNG and civil-society groups, political parties as well as the private sector (so-called Oslo-Consultations).<sup>6</sup> For the business sector, a meeting was scheduled in Ottawa in August 1990. The private sector was represented by the corporate interest group, the *Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras* (CACIF) and some other interests groups. CACIF functioned as an umbrella organisation of various business chambers, such as the Chamber of Industry, the Chamber of Commerce and different agricultural chambers and was generally perceived as the most important and influential corporate interest group in the country (McCleary 1999). Long-winded internal discussions preceded CACIF's decision to participate in the meeting with the URNG. Yet, in contrast to all other meetings that were held in the context of the Oslo-Consultations, the consultation with the entrepreneurs was the only one that did not result in a joint concluding statement of the participating parties (Inforpress Centroamericana 1995). Although common points of interests were found during the talks with the URNG, because of *internal* disputes within CACIF, the business

representatives had decided internally *before* the meeting not to sign a joint document. With this arrangement, the private sector sought to accommodate those hard-line factions within the business sector that opposed a meeting with the URNG, while still allowing the meeting to take place.

### ii. Asamblea para la sociedad civil

A procedural accord (*Acuerdo Marco*) signed between the government and the URNG in early 1994 stipulated the establishment of the so-called *Asamblea para la sociedad civil* (ASC – Civil Society Assembly). The ASC was »open to the participation of non-governmental sectors of Guatemalan society, provided that their legitimacy, representative character and lawfulness have been recognized« (Alvarez 2002). The ASC's mandate was to debate the different issues that were subject of the peace negotiations between the URNG and the government; to provide suggestions; and to endorse the signed agreements. But the ASC did not have the right to vote against the agreements. A wide spectrum of non-state organizations joined the ASC. CACIF as the representative of the business sector was invited as well (explicitly and several times), but the umbrella organisation decided not to participate. CACIF gave several reasons for its decision. Among other things, it was argued that a single invitation to CACIF was not sufficient considering the number and importance of its sub-groups; or that reaching compromises with the other members of the ASC would be too difficult. Had CACIF participated in the ASC, it would in fact have been significantly harder or even impossible to come up with agreements within the ASC, given the Assembly's requirement of decision by consensus. However, the ASC's loss of representativeness and political influence due to CACIF's absenteeism weighed heavily. Instead of joining the assembly, CACIF established its own institution shortly after the foundation of the ASC, the *Comisión Empresarial para la Paz* (CEPAZ).<sup>7</sup> The business organisation therewith increased the fear of ASC members that the private sector would be able to shape the peace negotiations from outside the ASC (Holiday 1997).

### iii. Law suits and campaigns

In particular since 1994, when the treaties on the rights of the indigenous population and on socioeconomic and agrarian issues were negotiated, the organised business community had begun to initiate a number of activities to articulate its views and shape the outcome of the negotiations (see for example Rosada-Granados 1999).<sup>8</sup> In addition to numerous public statements in newspapers on specific and general issues related to the peace process, the business sector intensively

<sup>6</sup> Before these so-called »Oslo-Consultations« and as stipulated in a regional agreement, the government initiated in 1987 the »National Reconciliation Commission«, which was thought to be a platform for the peace process for different national stakeholders. Although the private sector was invited to the first national Dialogue that the Commission organized, CACIF decided not to join (Palencia Prado 1996).

<sup>7</sup> A working group with special focus on the peace process existed already before the establishment of CEPAZ. Major difference between CEPAZ and the earlier existing working group was the stronger visibility of CEPAZ and a better endowment with finances.

<sup>8</sup> This coincided with a general shift of position within CACIF from an overall rejection of the peace talks to a fundamental acceptance of the talks and the increased attempt to influence the outcomes of the negotiations.

lobbied government officials involved in the peace process;<sup>9</sup> they attempted to file law suits against the guerrilla commanders and the peace process; and, publicly requested that the government withdraw from the negotiations. The most severe corporate manoeuvre against the peace talks was probably a law suit filed by the *Coordinadora Nacional Agropecuaria* (CONAGRO), arguing that the peace negotiations would be invalid because the URNG was an illegitimate group and negotiations with an illegitimate group were against the law. CONAGRO was a smaller business association, representing a group of conservative hardliners within the larger business community. The charges were rejected immediately by the court and CACIF also distanced itself from CONAGRO's initiative.

Throughout the peace process, the main demands of the business sector were an immediate ceasefire before any further negotiations be held;<sup>10</sup> no agreements on land reform; only limited provisions regarding a tax reform; and no provisions for amendments of those paragraphs in the national constitution on the »function of private property«. From the point of view of the business sector, an immediate ceasefire would have implied an end to the negative economic consequences of the war, in particular a stop to the sporadic attacks and the collection of war taxes from *fincas*. In addition, it was widely assumed that a truce would have weakened the bargaining position of the guerrillas at the negotiating table – something of central importance for the private sector.

It should be remembered that despite continued sporadic fighting at the time when the peace talks were going on, the URNG had been considered as defeated militarily since 1984. But regardless of the URNG's diminished fighting capacity, the peace negotiations with the government made it possible for the guerrillas to make social, economic and political claims and to potentially realise them. Yet, many of the ideas for which the URNG had fought during the civil war and which were now presented at the negotiation table, were diametrically opposed to the interests of the private sector. Specifically the guerrillas' demands for a land reform and changes in the constitution conflicted with corporate interests. The business sector had experienced the threat of the guerrillas realising these demands through the use of force in the late 1970s/early 1980s especially, when the insurgencies came close to taking over the state. During the peace negotiations, the possibility of the guerrillas' demands being at least partially realised re-emerged, but now in the form of a deal with the government. The direct corporate risks and costs associated with violence, such as the destruction of production facilities, were largely although not fully curbed by the military. In fact, it should be acknowledged that the private sector did not oppose an end to the violence in the form of a truce, knowing the benefits that a cessation of hostilities would bring them. Parts of the business community were also aware of some other advantages of a potential comprehensive peace treaty, including

financial aid for post-conflict reconstruction or the possibility of being part of a free-trade zone with the USA. However, the potential costs associated with the guerrillas' political and economic demands made during the peace talks outweighed the potential benefits of a comprehensive peace process for large parts of the private sector and were fundamental for the business community's overall recalcitrant attitude towards the negotiations.

By the end of 1996, all peace agreements were signed, including the accord on socio-economic and agrarian issues – the most contentious treaty for the Guatemalan business community. The results were satisfactory for the private sector. There were only few provisions made in the accord that contravened the interests of the business community. There was, for instance, only a limited land reform included in the treaty (only a redistribution of land via the market aiming for increased land ownership by peasants) and no move was made towards constitutional changes of the function of private property. Only on fiscal issues, the agreement affected corporate interests through a significant increase in the ratio of taxes to GDP, establishment of a fair and progressive tax-system and closure of tax loopholes.

For some organisations, the outcome of the negotiations on socio-economic issues was disappointing since they had expected more far-reaching and detailed provisions, tackling more explicitly the profound inequality in the country, which had given rise to the violent conflict (Jonas 2000). However, allowance must be made for the fact that peace accords typically do not address socio-economic issues. Having provisions included on such issues as increased governmental spending on health, education or housing certainly offered an opportunity to address some of the burning social and economic challenges – although most of these aspects were not sensitive to the private sector.

The extent to which the outcome of the negotiations was shaped by the lobbying of the business sector is subject to interpretation. Although it can be considered as relatively certain that the activities by the private sector had an impact on the negotiations, it also has to be appreciated that the socio-economic accord was negotiated and signed under the government of the liberal political party, *Partido de Avanzada Nacional* (PAN), which held business-friendly views. From the outset, it was unlikely that this government would negotiate against the key interests of the business community. The fact that the socio-economic accord was signed under the government of the PAN was indeed very important for the business community. Under the preceding governments that negotiated with the URNG, it seemed more likely that the latter's demands, which were highly sensitive for the private sector, would be included in the peace treaty. Whilst the government of the PAN was in power, this risk was significantly lower, making the private sector slightly less sceptical of the peace process.

<sup>9</sup> The official peace commission of the government, COPAZ, for example, had nearly twice as many meetings with CACIF than with the URNG or any other organization in the months from April to December 1995, according to Héctor Rosada, head of COPAZ at this time (Rosada-Granados 1998).

<sup>10</sup> The cease-fire agreement was only concluded in 1996. Most of the peace talks, in other words, were held before a truce was signed.

## 2.3 Differences within the business sector

For a better understanding of the business sector's opinion regarding the peace process, it is also relevant to discuss the different factions within the business community, holding different views on the peace process. Generally, a private sector in a country is not a monolithic group. Interests and positions vary according to branch and sector, location, markets, etc. Regarding the peace process, the Guatemalan private sector did publicly take a relatively unified position for most of the period of the peace process, but differences in opinion existed.

When the peace talks in Guatemala started, the private sector drew on a strong tradition in unified political lobbying, bringing together the interests of different branches and sectors within CACIF. CACIF's decision-making process, for instance, only allowed for consensus agreements among the participating business chambers. The ability to come up with common positions was supported by close family ties that cut across branches and by historic experiences that »taught« the private sector the necessity of taking united actions (McCleary 1999). Also in the context of the peace process, a common, public position could be maintained for most of the time, despite internal disputes.<sup>11</sup> The opinions regarding the peace process varied from a hard-line position against the peace talks to more moderate attitudes. Overall, the coffee industry formed a group that held a more recalcitrant position against the peace process. Indeed, it is an interesting observation that despite the fact that the coffee industry was one of the sectors most severely affected by the conflict, it did not embrace the peace talks. The main reason for this is that although the peace process promised an end to the violence and an end to the collection of burdensome war taxes, the peace process was associated with threats that were particularly sensitive to the coffee industry (through land reform, increased wages, etc.).<sup>12</sup>

But the different opinions within the private sector concerning the peace process were not only rooted in different economic interests according to branch or sector. Hardliners in the agricultural sector, for instance, also found support among the industrialists. Generational aspects as well as ideological factors also played an important role. When, for instance, CONAGRO filed a law suit against the peace process, this was not so much an expression of the hard-line position of the agricultural sector, as the voice of an older generation of conservatives with very strong ideological resentment against the left-wing URNG. The group around CONAGRO traditionally had close links with CACIF. Also during the peace process, CACIF attempted to accommodate the views of this relatively small group of hardliners, but tensions deepened and the relation-

ship finally broke down when CONAGRO took legal action against the peace talks.<sup>13</sup>

Another interesting phenomenon when analysing the role of different corporate groups in the peace process is the role of the tourism sector – prominent in its absence. Indeed, although the tourism sector experienced severe losses due to the civil war but had in contrast to the coffee sector relatively little to loose from the peace talks, it did not become active in the peace process. The main reason for this was that the tourism sector was traditionally weakly organised and the severe economic damage of the war further weakened the industry, making it too frail to lobby for peace.

## 3. Lessons learned

The preceding paragraphs gave a brief overview of some of the main corporate positions and activities regarding the peace negotiations in Guatemala. Although single case studies allow only for limited general conclusions, the experiences in Guatemala seem to suggest the following findings:<sup>14</sup>

- i. Violent conflicts result in negative economic consequences, but they may not be sufficient to automatically spur the private sector into supporting a peace process. The Guatemalan case had shown that the civil war had detrimental effects for companies, but they were overall relatively modest and did not motivate the private sector to advocate for peace negotiations.
- ii. A peace process may bring about negative economic consequences for companies, outweighing the potential positive effects. In particular, comprehensive peace processes, which seek to tackle the root causes of a conflict, may threaten the economic interests of the (local) private business sector. In the case of Guatemala, the threat of negative consequences for the private sector resulting from the peace negotiations was closely linked to their status as part of the traditional economic elite of the country. These »economic costs of a peace process« may curb the corporate willingness to support a peace process.
- iii. It is necessary to distinguish between different groups within a business sector. The private sector is not a monolithic block. There may be sectors and branches more willing to support a peace process than others.
- iv. Economic self-interest in peace may not be sufficient to encourage private companies to support a peace process. Organisational capacity, for instance, is necessary but also a clear idea of what the private business sector can or should do. In the case of Guatemala, for example, the tourism sector was one of the most severely affected branches but did not have the organisational capacity to get involved in the peace process.

11 The arrangements set up prior to the meeting with the URNG in Ottawa, for instance, were made necessary due to opposing views within CACIF on whether or not to participate in the consultation.

12 The industrial and commercial sectors were not negatively affected by the civil war to the same extent as the coffee and the tourism industries. They also did not have as much to loose from the peace process as the coffee sector (e.g. land reform was not an immediate threat to them). However, a strong sense of unity among the private sector on the one side and the concern about a left-turn in the national economic policy on the other side made the commercialists and industrialists try to find compromises with the agriculturalists.

13 In Guatemala, a differentiation is commonly made between the traditional and the modernizing factions within the private sector. CACIF traditionally aims to accommodate both factions, but partly failed to do so during the peace process (Rettberg 2006).

14 A disadvantage of choosing Guatemala as a case study was certainly that the civil war as well as the peace negotiations happened largely before the debate on the role of the private sector in conflict management. Guatemala is, however, still considered a rather inclusive peace process, in which non-state actors (also NGOs, churches etc.) were actively integrated.

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