

***Business-Led Peacebuilding in Colombia:
Fad or Future of a Country in Crisis?****

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Angelika Rettberg
Political Science Department
Universidad de los Andes
Bogotá - Colombia
rettberg@uniandes.edu.co

INTRODUCTION

Rubén Darío Lizarralde is a middle-aged man, elegantly dressed, soft-spoken and well-behaved. A gentleman. Several times each month he visits the palm oil plantations in the Magdalena River Valley where the company he manages under a scheme of worker cooperatives—*Indupalma*—concentrates its operations. During his visits, he stands under the protection of private bodyguards, although, as he says and as conflict indicators confirm, the conflict in the region has lessened in the past few years. There is a murky quietness in the region, a *calma chicha*, in his words. Rodrigo Guerrero is a former mayor of Cali, one of Colombia's largest cities. He shuttles between the United States, Europe, and Colombia raising funds for development projects sponsored by *Vallenpaz*, a private sector-led organization which aims to contribute to the local development of poor and conflict-prone municipalities in the neighbouring Valle and Cauca regions of central Colombia. “We need to buy peace” says Guerrero in reference to his work in the

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municipalities, and, he suggests, “look at how conflict has dropped in our zone of influence”. Daniel Suárez is an energetic and highly motivated community leader. His mission is to encourage socially responsible behaviour among business members. Since 1999 he has worked with the *Peace Group* at the President’s Forum of the Chamber of Commerce in Bogotá, promoting programs of *convivencia* (peaceful coexistence) in the capital’s schools and companies. It has not been easy for him to keep the group motivated, however, as managers are busy and like to see fast results. Still, they know that “to build peace requires everybody’s support”. Beatriz White led *Entretodos* until December of 2003. A brainchild of *Proantioquia*, one of the largest private sector think tanks, *Entretodos* was meant to become a city-wide project to promote peaceful resolution of conflicts in violent Medellín. But when a new city administration was sworn in 1998, the new mayor showed no interest in adopting the program. Disillusioned business members abandoned the effort to have city-wide impact and turned their attention to encouraging corporate social responsibility in individual Medellín companies.

Indupalma, *Vallenpaz*, the Peace Group of the President’s Forum, and *Entretodos* are examples of business-led peacebuilding in XXIst century Colombia. They are similar in that they believe that an eventual peace in Colombia will require development processes from below, including institution building and re-building, supporting community organization and governance by means of participation in education and employment programs, peaceful conflict resolution, and promoting productivity and wealth creation.

They also share a background of conflict. *Indupalma* was a company on the edge of bankruptcy in 1995, owing to pressure from the ELN guerrilla in the form of kidnappings and assassinations of company executives and increased workers’ demands on the company. *Vallenpaz* was a reaction to the massive kidnapping by the ELN of parishioners at the La Maria church in a wealthy Cali residential neighbourhood in 2000. Concerned and affected business members recognized the need to fill the void of state absence in the very municipalities expelling combatants to the guerrillas operating in the region. The Peace Group and *Entretodos* are both centred in urban settings. More in Medellín than in Bogotá, conflict has marked member companies’ context of operation and both emerged as responses to a rise in levels of national violence.

At the same time, these initiatives differ in many ways (see Table 1). The scope of their activity ranges from local (*Indupalma*) to municipal (Peace Group, *Entretodos*) to regional (*Vallenpaz*)— although not one of them is national in scope. Two initiatives focus their activities in rural areas (*Indupalma* and *Vallenpaz*) and two in urban centres (Peace Group [Bogotá, Colombia’s capital], *Entretodos* [Medellín, Colombia’s second largest city]). Their interpretation of what peace implies ranges from peaceful interpersonal relationships (Peace Group, *Entretodos*) to social and economic development, addressing what are considered the structural or root causes of violence (*Vallenpaz*), to increases in productivity as an antidote against violence-induced economic declines (Peace Group, *Entretodos*), to wealth creation and peasant empowerment (*Indupalma*).

They also vary in the degree to which they engage with—or seek to supplement—local and legal political authorities. *Entretodos* emerged as an effort to counsel local municipal

government but, upon encountering resistance by local officials, retreated into firm-level efforts to promote Corporate Social Responsibility (CSR) practices in specific companies. The Peace Group's leaders were closely linked to Bogotá's local government but since have developed individual ties to selected public schools and companies. *Vallenpaz* explicitly seeks to fill the state's void and re-build or consolidate local institutions as an antidote against ongoing conflict and to offset factors promoting either recruitment of local peasants by any of the armed actors or displacement. For this purpose it works closely with local authorities. *Indupalma* is the most important source of employment in the small town of San Alberto. This has invested the company with authority over local happenings; it is a crucial player in local politics and has endorsed candidates for the mayor's office.

Finally, they differ in the extent to which they have bargained with illegal actors. No documented bargaining has occurred in the case of Peace Group and *Entretodos*, which are shielded by their urban status. *Vallenpaz*, in contrast, has encountered resistance from guerrilla groups who—accurately—perceive *Vallenpaz* as a competitor for local authority. As a result, bargaining for political space and economic legitimacy is part of its daily practice. *Indupalma's* development model confronted and crowded out local guerrillas, but at the same time created a void that was filled by the rightist paramilitary who are now in control of the neighbouring areas.

Table 1. Four approaches to business-led peacebuilding

	Indupalma	Vallenpaz	Entretodos	Peace Group
Scope	Local	Regional	Municipal	Municipal
Urban/rural	Rural	Rural	Urban	Urban
Meaning of peace	Wealth creation and worker empowerment	Socioeconomic development	Peaceful coexistence; company-specific CSR	Peaceful and productive interpersonal relationships in schools and companies; CSR
Relationship with local authorities	Endorses mayor candidates	Seeks to fill institutional void	Activism and close collaboration, <u>then</u> retreat	Close collaboration, complement
Relationship with local armed actors	Confrontation	Active bargaining	No known bargaining	No known bargaining

These four initiatives are more an exception than the norm in the Colombian corporate response to conflict. Most domestic companies have remained passive, internalizing conflict as one additional operational cost.¹ As documented by the General Prosecutor's

¹ Juan Carlos Echeverri, *Las claves del futuro: Economía y conflicto en Colombia*, Bogotá: Editorial Oveja Negra, 2002.

Office, many are involved in the financing of private militias and paramilitary groups.² Some have identified an opportunity to increase sales, as demonstrated by the boom of private security and insurance companies.³ Many have engaged in capital flight, as reported by the president of the Bogotá stockmarket.⁴ Some business members and associations took part in negotiations while the Pastrana government's peace talks lasted,⁵ but only a few members of the Colombian private sector have and remain engaged in local-level peacebuilding.

Given a set of options for business response to conflict, and in the absence of specific incentives for business-led peacebuilding (such as tax exemptions), this paper asks why some local business leaders or firms choose a peacebuilding initiative. What explains business preferences for peaceful solutions at the local level? An answer to this question is important for several reasons. First, the business-led initiatives listed here show that, in addition to research on business and conflict,⁶ there is also a need for the academic literature on the post-Cold War conflicts to focus on business' contribution to peacebuilding. So far, the limited literature on the private sector's role in peacebuilding has investigated how transnational companies can prevent or mitigate conflict.⁷ A focus on the domestic private sector's role in peacebuilding will shed light on the very different options and limitations it faces in contrast with its transnational counterparts—for instance its constraints on exit, its stake in established networks in domestic markets, and its greater vulnerability to the costs of domestic conflict—and how they may shape business-led peacebuilding activity.

Secondly, as can be derived from the experience of other countries, the likelihood for peace to be built and consolidated in Colombia depends significantly on the domestic private

² As documented in several ongoing legal processes which draw from information obtained from police searches in the Córdoba and Valle del Cauca departments. 'Cacería a finanzas paras', *El Tiempo*, May 25, 2001; 'Rastreo a 40.000 giros', *El Tiempo*, May 28, 2001; 'El 8.000 de los paras (I)', *El Tiempo*, October 20, 2001; 'Las cuentas de las AUC (II)', *El Tiempo*, October 21, 2001; 'Estados Unidos cancela visas', *El Tiempo*, October 31, 2001; 'Colombia Cracks Down on Ranchers', *The New York Times*, June 7, 2001; 'Warnings on Colombian Paramilitary', *The New York Times*, September 7, 2000.

³ 'Los ejecutivos se atrincheran', *Portafolio*, September 16, 2002, p.10. While multinationals were the prime customers of security services in the past, anti-kidnapping insurance, bullet-proof jackets and cars, and bodyguards are now commonly demanded among Colombian companies.

⁴ Angelika Rettberg, 'Administando la adversidad: Respuestas empresariales al conflicto colombiano', *Colombia Internacional* – Universidad de los Andes, 55 (May - August 2002), pp. 37-54.

⁵ Angelika Rettberg, 'Is Peace your Business? The Private Sector and Peace Talks in Colombia', *Iberoamericana*, Hamburg, Germany, 11 (September 2003), pp.196-201.

⁶ Andrew Mack, *The Private Sector and Conflict – Global Compact Policy Dialogue*, Harvard Program on Humanitarian Policy and Conflict Research, 2002; Juliette Bennett, *Businesses in Zones of Conflict: The Role of the Multinational in Promoting Regional Stability*, New York: International Peace Forum/World Monitors Inc., prepared for the United Nations Global Compact Policy Dialogue, March 2001; International Peace Academy (IPA), *Private Sector Actors in Zones of Conflict and Policy Responses – IPA Workshop Report*, New York: International Peace Academy, 2001.

⁷ Joan Nelson, *The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution*, International Alert, Council on Economic Priorities, Prince of Wales Business Leader Forum 2000; Virginia Haufler, *A Public Role for the Private Sector: Industry Self-Regulation in a Global Economy*, Washington D.C.: Carnegie Endowment for International Peace, 2001.

sector's willingness to share the peacebuilding burden.⁸ In South Africa, for example, the business community's support for the transition to peace has been crucial for its success.⁹ In Guatemala, by contrast, more than seven years after the peace accords were signed, the private sector has consistently resisted paying higher taxes and meet donor demands for greater domestic responsibility in peacebuilding.¹⁰ Partly as a result of business resistance, the full implementation of the Guatemalan peace accords is, thus, a pending task.¹¹ By addressing the motivations underlying business-led peacebuilding activity in Colombia, this paper contributes to understanding the prospects of the domestic private sector for becoming a partner in the complex task of peacebuilding, while also pointing at its potential limits and obstacles.

Third, as documented by a rich neo-institutionalist literature on the formation of business preferences, economic actors are embedded in institutional contexts that shape their preferences and explain variation in terms of what they want, when they get it, and what they need to be effective.¹² An institutionalist approach points to specific constraints and facilitating conditions that make the choice to participate in peacebuilding more or less likely. At the same time, it helps forecast the sustainability of these business-led initiatives. In particular, institutionalism underscores the importance of context in shaping preferences and of learning processes in affecting the likelihood of certain outcomes.¹³ As applied to business-led peacebuilding, these insights help explain variation in how the Colombian private sector envisions and practices peacebuilding. In addition, they suggest the existence

⁸ J.-P. Azam; D. Bevan; P. Collier; S. Dercon; J. Gunning & S. Pradhan, *Some Economic Consequences of the Transition from Civil War to Peace*, Washington D.C.: World Bank, 1994.

⁹ Allan Gerson, 'Peace Building: The Private Sector's Role', *American Journal of International Law*, 95:1 (January 2001), pp. 102-119; Virginia Haufler, 'Is There a Role for Business in Conflict Management?' in Chester A. Crocker, Fen Olster Hampson & Pamela Aall (eds.), *Turbulent Peace: The Challenges of Managing International Conflict*, Washington DC: United States Institute for Peace Press, 2001.

¹⁰ Misión de las Naciones Unidas para Guatemala (MINUGUA), Report of the United Nations Verification Mission in Guatemala (MINUGUA) for the Consultative Group meeting for Guatemala, United Nations, 2002. Jenny Pearce, 'Peace-building in the periphery: Lessons from Central America', *Third World Quarterly*, 20:1 (February 1999), p. 51.

¹¹ Angelika Rettberg (ed.), *Preparar el futuro: Conflicto y post-conflicto en Colombia*, Bogotá: Universidad de los Andes – Fundación Ideas para la Paz – Alfaomega Grupo Editor, 2002.

¹² See Peter Evans, 'State Structures, Government-Business Relations, and Economic Transformation', in Sylvia Maxfield and Ben Ross Schneider (eds.), *Business and the State in Developing Countries*, Ithaca: Cornell University Press, 1997; Peter Evans, 'The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change', in Steven Haggard and Robert Kaufman (eds.), *The Politics of Economic Adjustment*, Princeton: Princeton University Press, 1992; Stephen Krasner, 'Approaches to the State: Alternative Conceptions and Historical Dynamics', *Comparative Politics*, 16:2 (January 1984), pp.223-246; Douglass North, *Institutions, Institutional Change, and Economic Performance*, Cambridge: Cambridge University Press, 1990, and Sven Steinmo, Kathleen Thelen, & Fred Longstreth (eds.), *Structuring Politics: Historical Institutionalism in Comparative Analysis*, New York: Cambridge University, 1992.

¹³ Chris Argyris, *On organizational learning*, (2nd Edition), Oxford, Malden & Mass.: Blackwell Business, 1999; Peter M. Senge (et.al.), *The dance of change : the challenges of sustaining momentum in learning organizations*, New York: Currency, 1999; Peter M. Senge, *The Fifth discipline fieldbook: Strategies and tools for building a learning organization*, New York: Currency, 1994; Dietrich Rueschemeyer & John D. Stephens, 'Comparing Historical Sequences – A Powerful Tool for Causal Analysis', *Comparative Social Research*, 16 (1997), pp. 55-72; Atul Gupta & Lalatendu Misra, 'The Value of Experiential Learning by Organizations: Evidence from International Joint Ventures', *The Journal of Financial Research*, 23:1 (Spring 2000), pp. 77-102.

of institutional trajectories in the formation of peacebuilding preferences. An institutionalist approach focuses our attention on the role of the Colombian context of conflict as well as the distinct characteristics of the companies involved (organizational, sectoral, etc.) to explain how peacebuilding preferences evolve.

Finally, the paper makes several contributions to the Crisis States Programme's (CSP) agenda of research. By studying and analyzing the factors shaping local business communities' decision to initiate activities aimed at constructing durable peace, this study shares the CSP's overarching aim "to provide new understanding of the causes of crisis and breakdown in the developing world and the processes of avoiding or overcoming them". The study adds to the overall CSP framework by placing additional emphasis on efforts to overcome conflict on behalf of sectors—such as the domestic private sector—which have received little attention in the literature on the micro-level's bottom-up contribution to overcoming conflict. In fact, while the literature tends to depict the private sector (especially the international private sector) as an actor with an interest in maintaining conflict, this project aims to provide evidence showing how substantial parts of the (domestic) private sector have a stake in overcoming crisis and act accordingly.

This report will first describe some of the main arguments of the recent literature on the relationship between private sector and conflict. Then it will outline the Colombian conflict, in order to provide the needed background for the description and discussion of the four cases in the third section. The fourth section will pull together the motivations driving these particular business-led peacebuilding initiatives. The conclusions will focus on the lessons they provide and the challenges they face.

BUSINESS, CONFLICT, AND PEACEBUILDING: AN OVERVIEW

Business, unarguably, plays a central role in capitalist societies. Ever since Karl Marx, scholars have pointed out the dominant position of the owners of capital and other means of production to explain policy design as well as the social and economic make-ups of a wide range of societies. More recently, Marxist and non-Marxist scholars alike have furthered our understanding of the privileged position of business in capitalist societies.¹⁴ Common to the literature is the argument about the "investment imperative"¹⁵—or the need for capitalist societies to accommodate the interests of capitalists or else face their destabilizing impact (by means of disinvestment, for example). In political terms, the investment imperative points at business's veto power over public policy given the ability to

¹⁴Fred Block, 'The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State', *Socialist Revolution*, 33 (1977), pp. 6-28; Charles Lindblom, *Politics and Markets*, New York: Basic Books, 1977.

¹⁵ Jeffrey Winters, *Power in Motion: Capital Mobility and the Indonesian State*, Ithaca: Cornell University Press, 1996; Adam Przeworski, & Michael Wallerstein, 'Structural Dependence of the State on Capital', *American Political Science Review*, 82:1, (March 1988), pp. 11-29; Duane Swank, 'Politics and the Structural Dependence on the State in Democratic Capitalist Nations', *American Political Science Review*, 86:1 (March 1992), pp. 38-54.

effectively manifest disapproval by means of exit (disinvestment) or voice (from party and campaign support to lobby by business associations to employer strikes).¹⁶

At the same time, scholarly work on the private sector has moved away from excessive determinism to account for the private sector's internal differences in terms of preferences and political capacity. Distinctions have been developed along sectoral¹⁷ and organizational lines¹⁸ as well as according to firm characteristics such as size¹⁹, asset specificity²⁰ and factor mobility.²¹

These qualifications have been important to account for differences in the political representation of private sector interests overall across countries and for divisions within private sectors faced with specific topics. In particular, as opposed to orthodox Marxism's belief in the epiphenomenal state (or the belief that political institutions are but instruments of the dominant class), more recent analyses of the relationship between private sector and politics qualify the dependence of the state on capital and allow for some degree of state autonomy in opposition to stated business interests.²² Business political preferences, it is argued, are shaped by varying access to and control over state institutions.

One important condition that increases access or control over policymaking is business' ability to "exit", either by disinvesting in a specific sector or country or by transferring capital, or by effectively threatening to exit.²³ "Voice"—the alternative to exit in the form of expressing dissatisfaction with a given set of circumstances—it is argued, is more effective when it is based upon a credible threat of exit, in which case it turns into a powerful political tool for business. According to the literature, large size, high mobility and asset-unspecificity are business characteristics that lend credibility to the possibility to exit and, thus, invest holders of large, mobile, and un-specific capitals with significant power. Conversely, small capitals, fixed and specific assets will face more limited choices. In addition, inasmuch as they are not backed by a credible threat to exit, they are less likely to be effective in gaining access to policymaking.

¹⁶ Albert Hirschman, *Exit, Voice, and Loyalty*, Cambridge: Harvard University Press, 1970; Maxfield (et.al.) (1997).

¹⁷ Peter Gourevitch, *Politics in Hard Times*, Ithaca: Cornell University Press, 1986; Michael Shafer, 'The Political Economy of Sectors and Sectoral Change', in Sylvia Maxfield (et.al.) (1997).

¹⁸ Angelika Rettberg, *Cacaos y tigres de papel: El gobierno de Samper y los empresarios colombianos*, Bogotá: Ediciones Uniandes (Facultad de Administración y Departamento de Ciencia Política) – Centro de Estudios Socioculturales (CESO), Universidad de los Andes, 2003; Ben Ross Schneider, 'Why is Mexican Business so Organized?', *Latin American Research Review*, 37:1 (2002), pp. 77-118.

¹⁹ Maxfield (et.al.) (1997).

²⁰ Jeffrey Frieden, *Debt, Development, and Democracy: Modern Political Economy and Latin America, 1965-1985*, Princeton: Princeton University Press, 1991.

²¹ James Mahon, *Mobile Capital and Latin American Development*, University Park, PA: Pennsylvania State University Press, 1996.

²² Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol (eds.), *Bringing the State Back In*, Cambridge: Cambridge University Press, 1985.

²³ Robert Bates & D. Lien, 'A note on taxation, development, and representative government', *Politics and Society*, 14:1 (March 1985), pp. 53-70; Hirschman (1970).

In addition to company-specific traits (such as size, mobility, and asset specificity), business is vulnerable to the pitfalls of collective action, as are other social groups.²⁴ Faced with the possibility of enjoying the benefits of an action without paying the costs—or getting a free ride—groups are unlikely to form. Furthermore, support for a mutually beneficial action or result is unlikely to endure when it derives in a public good, available to everyone, regardless of cost paid. As a result, when the cost of a specific result is high and free riders cannot be excluded from its enjoyment, beneficial actions may be left aside.

The implications of these theoretical insights for an understanding of the relationship between business and conflict are numerous and significant. First, conflict in many societies has historically revolved around the allocation of privileges accrued to members of the economic elites. In this sense, business as a defender of the status quo (the dominant mode of production) is a prime factor in explaining conflict as illustrated, for example, by studies of Latin American oligarchies, which made systematic use of coercion to repress popular protest and protect the status,²⁵ thereby contributing to the stifling of democratic openings as well as successive democratic breakdowns.²⁶

In addition, business promotes conflict in still other ways: To the extent that societies depend on investment, governments recurrently engage in actions to protect private interests, both national and transnational, often with an obvious cost to their citizens. One particularly salient case refers to the execution, in 1995, of popular leaders by the Nigerian official forces to protect oil giant's Royal Dutch/Shell's operations in Nigeria. Other examples abound, as documented by a rich literature on the participation of companies in the trade of resources that have been linked to conflict, such as “blood” diamonds, oil, drugs, timber, and coltan.²⁷ Other examples are not as violent, but also impose costs to host societies, such as corruption to gain lucrative contracts and money laundering, which deviate funds from developmental or peaceful purposes to goals that serve the continuation of conflict.²⁸

Third, inasmuch as it controls and generates capital, business is a key source of funds both for sustaining and for promoting conflict, as shown above, but also a key partner in overcoming conflict. A rich literature on the scope and requirements of peacebuilding has addressed the need to promote micro-level participation and attract key domestic

²⁴ Mancur Olson, *The Logic of Collective Action*. Cambridge: Harvard University Press, 1965.

²⁵ Jeffrey Paige, *Coffee and Power: Revolution and the Rise of Democracy in Central America*, Cambridge: Harvard University Press, 1997.

²⁶ Ernest Bartell & Leigh A. Payne (eds.), *Business and democracy in Latin America*. Pittsburgh: University of Pittsburgh Press, 1995.

²⁷ Indra de Soysa, ‘The Resource Curse: Are Civil Wars Driven by Rapacity or Paucity?’, in Mats Berdal & David Malone (eds.), *Greed and Grievance: Economic Agendas in Civil Wars*, Boulder: Lynne Rienner Publishers Inc., 2000, pp.113-135; Global Witness, *Conflict Diamonds: Possibilities for the Identification, Certification, and Control of Diamonds*, May 10, 2000; Global Witness, *A Rough Trade: The Role of Companies and Governments in the Angolan Conflict*, December 1998; Global Witness, *A Crude Awakening: The Role of the Oil and Banking Industries in Angola's Civil War and the Plunder of State Assets*, December 1999.

²⁸ Peter Schwartz & Blair Gibb, *When Good Companies do Bad Things: Responsibility and Risk in an Age of Globalization*, New York: John Wiley, 1999.

stakeholders.²⁹ While there is still little agreement on the exact nature of peacebuilding—especially after September 11, 2001 painfully brought home the need to stress short term security gains over long term development goals³⁰—one widely accepted requirement for stable peace is civil society involvement. In sum, micro-level peacebuilding in the context of crisis is possible, thus partially reversing or redirecting the downward spiral of violence and conflict.

Several authors have specifically pointed to the private sector's public role in terms of international conflict prevention and resolution,³¹ to the degree that some discuss the possibility of "privatizing peace".³² In the domestic realm, private sector support, both material and nominal, has been found to be crucial for peacebuilding activity to prosper.³³ Business generates the needed resources to make policies viable and sustainable. Whether intended or not, business decisions—such as to invest, employ, and produce—exert considerable pressure on political and policy decisions and effectiveness. In brief, efforts to overcome conflict hinge on business willingness to pay for many of the costs peacebuilding implies or at least refrain from hindering peace to advance. Costs include tangible expenses such as potentially higher taxes, but also opportunity costs and higher risks. In this sense, marketing peace to the private sector as a profitable undertaking becomes one of the crucial challenges facing policymakers seeking to build durable peace. Useful here are scholarly findings showing the cost of conflict to private sector activity, such as the destruction of infrastructure, and the interruption of trade flows.³⁴

While the cost to business may seem obvious, in the effort to make peace attractive enough for the private sector to actively support it, scholars and policymakers recurrently point out the difficulties associated with the public good quality of peace, that is that, once obtained, nobody can be excluded from enjoying peace's positive effects, regardless of whether s/he has paid its cost.³⁵ In this regard, the need for a peace dividend (actual or expected) has been pointed out as a necessary condition for reactivating productive activity in a war-torn country, fostering capital repatriation, and, more generally, for private sector peacebuilding to occur.³⁶ While the peace dividend requirement is a legacy of the post-Cold War debate over disarmament and the possibilities of converting military installations to civilian purposes,³⁷ it is useful in the context of domestic private sector peacebuilding as it points

²⁹ Chester Crocker, Fen Osler Hampson, & Pamela Aall (eds.), *Turbulent Peace: The Challenges of Managing International Conflict*, Washington D.C.: United State Institute of Peace, 2001.

³⁰ Necla Tschirgi, *Peacebuilding as the Link between Security and Development: Is the Window of Opportunity Closing?*, New York: International Peace Academy, December 2003.

³¹ Haufler (2001b); Andreas Wenger & Daniel Möckli, *Conflict Prevention: The Untapped Potential of the Business Sector*, Boulder, CO: Lynne Rienner Publishers, 2003.

³² Allan Gerson & Nat J. Colletta, *Privatizing Peace: From Conflict to Security*, NY: Transnational Publishers, 2002.

³³ Azam (et.al.) (1994); Gerson (2001); Pearce (1999).

³⁴ Charles H. Anderton & John R. Carter, 'The Impact of War on Trade: An Interrupted Time-Series Study', *Journal of Peace Research* 38:4, (July 2001), pp. 445-457.

³⁵ Mancur (1965).

³⁶ J. Azam (et. al.) (1994).

³⁷ Keith Hartley, 'The Economics of the Peace Dividend', *International Journal of Social Economics*, 24:1,2,3 (1997), pp.28-45.

our attention to the need to provide the private sector with proper incentives in order to produce its involvement in peacebuilding.

Finally, internal differences among private sector components explain different preferences and capacities in those businesses faced with a context of conflict. For example, while most companies are context-dependent, not all are context-specific, in the sense that, for their operations to be effective, they require the social, economic, legal, and political conditions only specific contexts can offer. In general, as suggested by neo-institutionalists, preferences depend on size, sector, organizational features, orientation, relations with the state, and ability to exit (see above). This suggests that companies facing conflict have diverse options, choose different strategies, and experience varying degrees of effectiveness. In other words, the private sector is not a homogeneous category and requires a more defined approach.

In line with neo-institutionalism's emphasis on the impact of context, we can expect those companies most exposed to conflict to develop a stronger preference for actively seeking solutions to conflict (mostly rural and largely immobile-low voice capitals). For this predisposition to be turned into a preference specifically for peacebuilding, factors such as institutional trajectories, such as previous experience in philanthropy, and company-specific traits can be expected to play a role. Finally, given the importance of context, for business-led peacebuilding to continue, either the threat of conflict needs to remain and/or free riding must be prevented. The previous hypotheses are useful for analysing and understanding the varied nature of the business-led peace initiatives described below.

BUSINESS, PEACE, AND CONFLICT IN COLOMBIA

The relationship between the Colombian private sector and conflict is a long-dated one, stretching back to the colonial period when local economic elites vied for control of national resources with representatives of the Spanish crown, sparking the struggle for Independence. The consolidation of the Republic was also marked by conflict among economic elites. In particular, the War of a Thousand Days (1899-1902) reflected competition among elites over the spoils of the export economy.³⁸ Popular opposition to economic elites in the 1950's helped give rise to a period of great national unrest and bloodshed, known, fittingly, as *La Violencia*. *La Violencia* ended when elites engaged in a consociational pact to share power in subsequent years.³⁹

³⁸ Charles Bergquist, *Coffee and Conflict in Colombia, 1886-1910*, Durham: Duke University Press, 1978; Marco Palacios, *Coffee in Colombia, 1850-1970*, Cambridge: Cambridge University Press, 1980.

³⁹ Jonathan Hartlyn, *The Politics of Coalition Rule in Colombia*, Cambridge: Cambridge University Press, 1988; Jonathan Hartlyn, 'Producer Associations, the Political Regime, and Policy Processes in Contemporary Colombia', *Latin American Research Review*, 20:3 (1985), pp.111-137; Jonathan Hartlyn, 'The Impact of Patterns of Industrialization and of Popular Sector Incorporation on Political Regime Type: A Case Study of Colombia', *Studies in Comparative International Development*, 19:1 (Spring 1984), pp. 29-60.

In recent decades, Colombian violence has been led by several armed groups, on an ideological spectrum from left (Armed Revolutionary Forces—FARC and National Liberation Army—ELN) to right (Self defence groups). Since the 1980s, looting of resources such as oil (ELN) and narcotics (first self defence groups, then FARC) has fuelled ongoing conflict by providing factions with funds to recruit and maintain growing numbers of combatants.⁴⁰

While business-related interests were often at the centre of Colombia's violent and non-violent power struggles—such as land tenure, the tax system, and other privileges—up until the mid 1990s conflict was not considered a general liability for business interests in Colombia. The confrontation was circumscribed to rural areas, which witnessed guerrilla pressure on land owners and cattle ranchers in the form of kidnappings and other forms of extortion, leading to the self defence or rightist paramilitary phenomenon in the 1980's. In business surveys conflict occupied a low spot on the list of concerns, which, instead, underscored the importance of state restructuring, boosting competitiveness in the face of external competition, and fiscal reforms. In the words of an important business leader in a public address, “for a long time, the war of guerrillas took place somewhere out there, in remote mountains and valleys, where neither society nor the state have been present, which is why their impact on urban life was of little significance”.⁴¹ Not surprisingly, business involvement in efforts to end peace by negotiated means during the 1980s was limited to a few inspired leaders, while the mass of entrepreneurs remained indifferent.⁴² Peacebuilding activity, which requires an even more active engagement, was not considered as an option.

Cost of conflict to business, 1995 - present

Only beginning in the 1990s did conflict encroach on business interests on a massive scale. According to Nelson,⁴³ the cost of conflict to business can be divided in two groups: A general (or social) cost refers to the context in which business operates and makes decisions, which affects their calculations, strategies, and financial results. This cost does not tend to discriminate among sectors of society. The specific costs, in contrast, directly affect the business community. While the limits between types of cost are fluid, the distinction is worthwhile inasmuch as it guides our attention to contexts that are more exposed to some of the costs, hence more likely to respond in different ways. Table 2 summarizes these costs for the Colombian case, and the following paragraphs discuss them in detail.

Table 2. Costs of Conflict to Colombian Business

⁴⁰ Alexandra Guáqueta, ‘Dimensiones políticas y económicas del conflicto armado en Colombia: Anotaciones teóricas y empíricas’, *Colombia Internacional* – Universidad de los Andes, 55 (May –August 2002), pp.19-36; Francisco Gutiérrez, ‘Criminal Rebels? A discussion of war and criminality from the Colombian experience’, Crisis States Programme, *Working Paper* No.27, April 2003.

⁴¹ Pedro Gómez, *Visiones frente al proceso de paz*, Public Address to the Second Alumni Meeting, Universidad Colegio Mayor de Nuestra Señora del Rosario, Bogotá, October 20, 2000, p. 6.

⁴² Angelika Rettberg, “The Business of Peace in Colombia: Assessing the Role of the Business Community in the Colombian Peace Process”, paper presented at the Annual Meeting of the Latin American Studies Association (LASA). Dallas, USA, 26-31 March 2003.

⁴³ Nelson (2000).

<i>General Cost (Context)</i>	<i>Specific Cost (Aimed at business)</i>
<ul style="list-style-type: none"> • Uncertainty and insecurity • Brain drain • Capital flight • Country risk • Destruction of infrastructure • Opportunity cost 	<ul style="list-style-type: none"> • Kidnapping • Extortion • “Law” 002 • Fiscal measures to raise war-related funds

Although Colombia has been able to maintain levels of economic growth similar to or higher than the Latin American average despite its internal troubles,⁴⁴ National Planning Department estimates suggest that the conflict cost the country between 2 and 4 GDP points per year between 1991 and 1996 and over 7 percent of GDP in 2003.⁴⁵ Particularly beginning in the mid 1990s the Colombian private sector has faced an increasingly unfriendly investment climate. Business operations are affected by the regular destruction of infrastructure such as energy and communication towers and roads.⁴⁶ In addition, between 1996 and 2002, the number of kidnappings has gone up 85.7 percent.⁴⁷ Business people are preferred targets of kidnappings. Of the more than 3,000 people kidnapped each year in Colombia since 1998, 15 percent belong to the business community.⁴⁸ The private sector also faces other types of extortion. The armed actors’ practice of charging regular fees to landowners is a common phenomenon especially in rural areas. According to Fedegán, the association representing cattle ranchers, between 1999 and 2001 the sector

⁴⁴ Echeverri (2002).

⁴⁵ Martha Elena Badel & Edgar Trujillo, *Informe especial: Los costos económicos de la criminalidad y la violencia en Colombia: 1991 – 1996*, Bogotá: Colección Archivos de Macroeconomía - Departamento Nacional de Planeación, Document 76, March 1998; Camilo Granada & Leonardo Rojas, ‘Los costos económicos del conflicto armado en Colombia: 1990-1994’, *Revista de Planeación y Desarrollo*, 26:4 (October – December, 1995), pp. 119-151; Mauricio Rubio, *Los costos de la violencia en Colombia*, Bogotá: Documentos CEDE- Universidad de los Andes, No. 97-10, 1997; María Eugenia Pinto (et.al.), ‘¿Cuánto ha perdido Colombia por el conflicto?’, *Cuartillas de Economía*, Departamento Nacional de Planeación, August 19, 2004.

⁴⁶ Dirección de Justicia y Seguridad, Departamento Nacional de Planeación, ‘Costos de la paz y de la guerra’, Powerpoint presentation, Bogotá, February 21, 2002 (http://www.dnp.gov.co/02_sec/justicia/justi.htm). See also, Ministerio de Defensa Nacional, *Informe Anual de Derechos Humanos y Derecho Internacional Humanitario 2002 y Avances Período Presidencial 2003*, Bogotá, August 2003.

⁴⁷ Departamento Nacional de Planeación, Dirección de Justicia y Seguridad, *Cifras de violencia 1996-2002*, 0:1, 2003.

⁴⁸ País Libre NGO, (<http://www.paislibre.org.co/>) accessed 26 October, 2002. A study of the National Planning Department suggests that, between 1996 and 2003, the payment of ransoms has generated an income of USD 56,5 million to illegal armed groups. Of these, 22.6 percent were paid for people in the retail business and 11.3 percent for cattle ranchers. See María Eugenia Pinto (et.al.), *El secuestro en Colombia: Caracterización y costos económicos*, Archivos de Economía, Document 257, Bogotá: Departamento Nacional de Planeación, June 9 2004, p.38. The rise in kidnappings has caused a related boom in the insurance-against-kidnappings industry. According to a kidnap insurance executive, “\$1 million-dollar coverage for a Bogotá family of five costs between \$9,000 and \$12,000 a year”. See Jason Webb, ‘What Price Freedom? Kidnap Insurers Have an Answer’, Reuters, May 15, 2003.

spent 299,560 million pesos on extortion, approximately 1 percent of the sector's product.⁴⁹ In April 2000 the FARC launched "Law 002", which imposed a "tax" of up to 10 percent on asset holders of more than USD 1 million, in exchange for exemption from attacks. Resistance to pay effectively prevented distribution of goods of Colombian companies in 100 municipalities nation-wide, showing that the FARC was serious about its revenue-collecting tool.⁵⁰ Since implementation in March 2000, the "law" has been an effective revenue-raising mechanism: Until April 2001, the FARC had been able to collect more than USD408 million.⁵¹

Business has also been pressed hard for resources from government. Since the mid 1990s, the state has collected more than USD four billion in different forms of security taxes and bonds (see Table 3).⁵² Recently, president Uribe increased the tax burden for a military buildup (or to provide "democratic security", as designated in the budget) against the Colombian insurgency by implementing a one time tax on working capitals of 169,5 million pesos or higher (approximately USD60,000), equal to 1.2 percent of their capital.⁵³ The category fits only 400,000 tax payers, due to high levels of evasion⁵⁴ and failure to register assets, but the prospect of having to reach deep into their pockets in order to contribute to the re-establishment of order and security matters to business overall, and, so far, has enjoyed the support of tax payers.⁵⁵

⁴⁹ Departamento Administrativo Nacional de Estadística (DANE), 'Colombia, Índice de Precios al Consumidor (IPC), variaciones porcentuales, 1990 – 2002',

http://www.dane.gov.co/Informacion_Estadistica/Precios/ipc_var_por/ipc_var_por.html, accessed December 1, 2002; 'La inseguridad, el mayor sobre costo de los ganaderos', *Portafolio*, July 26, 2001.

⁵⁰ 'Bloqueo por la '002'', *Portafolio*, June 26, 2001.

⁵¹ Gerardo Reyes, 'Las FARC cobran \$408 millones en impuestos', *El Nuevo Herald*, April 6, 2001. Recent estimates are not available.

⁵² Between 1994 and February of 2004, the Colombian state has collected \$4.061.313.914.200 Colombian pesos in the form of security taxes and bonds. This amounts to over USD 4 billion in constant 1994 US Dollars. See Presidencia de la República, Casa de Nariño, 'Decreto 1838 del 11 de agosto de 2002', March 18, 2004. (<http://www.presidencia.gov.co/sne/2004/marzo/18/05182004.htm>) and Presidencia de la República, 'Informe de la Veeduría Especial. Bonos de Solidaridad para la Paz. Ley 487 de 1998', September, 2002. (http://www.plancolombia.gov.co/contenido/fip/ley_487_de_1998.html). Accessed April 7, 2004. For the exchange rate see 'Tasa de cambio representativa de mercado -TCRM-. Promedio mensual desde 1950', (http://www.banrep.gov.co/estad/dsbb/sec_ext_011.xls). The average exchange rate for 1994 was \$826,56 Colombian pesos per US Dollar.

⁵³ The proposed tax was planned to 'provide \$800 million [*almost double the current annual defense budget, an increase Uribe promised during his campaign*] to pay for two elite army brigades with a total of 6,000 men, the hiring of 10,000 more police officers and the administration of a network of civilian informers. Much of the money was also meant to cover a deficit in the military budget'. Juan Forero, 'Burdened Colombians Back Tax to Fight Rebels', *New York Times*, September 8, 2002.

⁵⁴ Evasion rates are around 30 percent, amounting to 8 billion Colombian Pesos ₱1.688.696,18, at an exchange rate of ₱ 1 = \$4.743 pesos, August 23, 2004).

⁵⁵ Forero (2002). Revelations by the National Controller's Office (*Contraloría General de la Nación*) that the government had invested "democratic security" tax resources in Treasury Bonds (*Títulos de Tesorería – TES*) and to supplement resources in other areas of the state apparatus caused business criticism and fears that Uribe's promise of greater security may succumb to demands for other administrative expenditures. See *El Tiempo*, 'La 'mala suerte' de los bonos de guerra', February 23, 2003, and *El Tiempo*, 'Corte pide cuentas del 1,2%', November 26, 2002.

Table 3. Security-related taxes since the 1990s

1992. A fiscal reform during the Gaviria government approved the issuance of 270,000 million pesos in “Social Development and Internal Security Bonds”, which were purchased by companies with working capitals over 30 million pesos. The issuance was declared unconstitutional by the Constitutional Court and funds were accepted as down payments towards future taxes.

1997. During the Samper government, “Peace Bonds” (with maturity periods of five years) were issued to be purchased—as forced investment—by taxpayers with liquid assets over 150 million pesos. 412.000 million pesos were collected, which rendered 80 percent of inflation per year. Investment was over 0,5 percent of total working capitals).

1998. The 1998 fiscal reform of the Pastrana government approved an investment in “Solidarity Bonds” up to 2 billions of pesos. The goal was later modified and only 1,23 billions were collected. Contributions were fixed at 0,6 percent of liquid assets of companies and individuals owning working capital over 210 million pesos. Maturity rates for the bonds were 7 years, rendering 110 percent of inflation per year.

2002. The government of Álvaro Uribe proposed a tax (not bonds) for “democratic security” to support the military buildup against the Colombian guerrillas. The measure implements a tax of 1.2 percent on liquid net assets in the case of working capitals of 169,5 million pesos or above (approximately USD60,000).

Source: *El Tiempo*. 2002. “Cautela de gremios por bonos para financiar a Fuerzas Militares”, 22 July.

The cost of conflict to business has an important international dimension: A recent World Markets Research Centre report ranked Colombia as the country most likely to be targeted in a terrorist attack in 2004.⁵⁶ Potential investors have also been detracted by Colombia’s high risk rating (whereby investments in a given country are conditioned to the payment of an extra interest to compensate for the added risk). Colombian risk ratings of companies such as *Standard & Poors’s* and *Moody’s* have fluctuated around BB on a scale that ranges from AAA to C. In addition to variables such as the size of the fiscal deficit and the implementation of pension reform, rating companies consider the added risk due to internal conflict.⁵⁷

Due to the general climate of insecurity companies are spending 4 to 6 per cent of their budgets on protection of their staff, equipment, and operations.⁵⁸ Recent revelations on multinational companies posit even higher amounts, suggesting companies budget an additional 20 percent for their costs in Colombia to cover security⁵⁹ while insecurity consistently ranks among companies’ prime concerns (see Figure 1).⁶⁰ A recent report in *La Nota Económica*, a business magazine, provides advice on how to best protect companies

⁵⁶ *Houston Chronicle*, ‘9/11-style attack predicted in next year’, August 18, 2003.

⁵⁷ ‘Standard & Poor’s mantiene nota’, *El Tiempo*, November 6, 2002; ‘S&P mantiene calificación de riesgo a Colombia’, *Portafolio*, November 6, 2002.

⁵⁸ *The Economist*, ‘Few friends left for Colombia’s peace talks’, December 14, 2000 (Economist.com). According to the leader of the Association of Industry (ANDI), Luis Carlos Villegas, 2.7 percent of company sales are invested in security. Colombian News Broadcast, 17 December 2002.

⁵⁹ Jason Webb, ‘Chiquita Not Alone in Suffering Colombia Extortion’, Reuters, May 11, 2004.

⁶⁰ Coinvertir, *Obstáculos y oportunidades para la inversión extranjera en Colombia*, Bogotá: Departamento Nacional de Planeación, 2000.

against the threat of terrorism.⁶¹ In response to these predicaments, capital flight has risen, amounting to USD 10 billion in the past five years⁶² while more than a million Colombians have left the country, many of them highly educated and with investment capacity.⁶³ According to a survey of small and medium-sized entrepreneurs in 2000, 38.9% hoped to leave the country. This number climbed to 53.6% in 2001.⁶⁴ In reaction to extortion and the operations of a well-oiled kidnapping industry, some companies, especially in rural areas, have resorted to financing paramilitary groups and other private militias for protection.⁶⁵ The underlying logic is simple: “We pay the paramilitaries the same way we pay our doorman here in this building”.⁶⁶

The bombing of the exclusive Club *El Nogal* in Bogotá in April 2003 symbolized the escalating cost of the conflict to business and FARC’s willingness to bring the war to the cities. There were hardly any business people among the more than thirty dead, but the damaged club house in a high-scale residential area was considered a frontal attack against the country’s urban economic establishment.

⁶¹ ‘Su seguridad es cosa seria’, *La Nota Económica*, 84 (March 2003), pp. 18-24.

⁶² ‘Fuga de US\$10.000 millones’, *El Tiempo*, March 14, 2003; ‘El ahorro privado lo toma el gobierno o se va al exterior’, *Portafolio*, March 14, 2003. This amounts to only 0,18% of the Colombian GDP. However, official figures do not reflect large scale black market transactions, which, according to experts, account for the largest portion of capital flight. Interview with Mauricio Aristizábal Jaramillo, regional vice-president, Corporación Financiera del Valle, June 5, 2004.

⁶³ *BBCNews*, ‘Colombia’s Mass Exodus’, May 5, 2001; Juan Forero, ‘Prosperous Colombians Fleeing, Many to the U.S.’, *The New York Times*, April 10, 2001; Kirk Semple, ‘The Kidnapping Economy in Colombia’, *The New York Times*, June 3, 2001.

⁶⁴ ‘Los pequeños se quieren ir’, *El Tiempo*, March 13, 2001.

⁶⁵ Mauricio Romero, *Paramilitares y Autodefensas, 1982-2003*, Bogotá: Universidad Nacional de Colombia – Instituto de Estudios Políticos y Relaciones Internacionales, 2003.

⁶⁶ *El Tiempo*, ‘Hablan financiadores de paras’, May 22, 2004.

Figure 1. Main problems for industry, June 2000 and May 2002, according to the Industry Business Survey, commissioned by the Asociación Nacional de Industriales (ANDI)

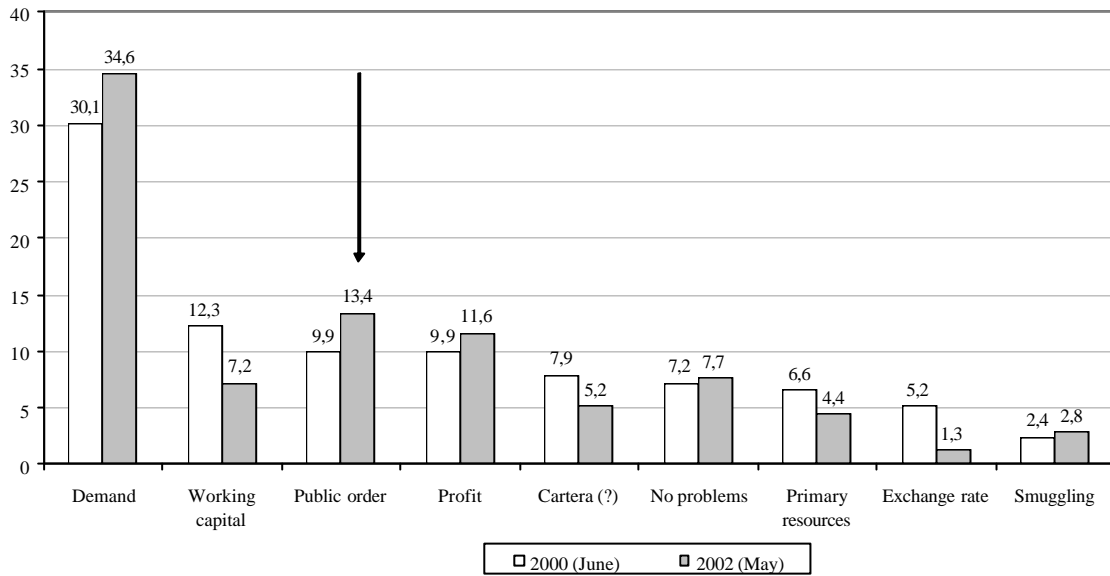
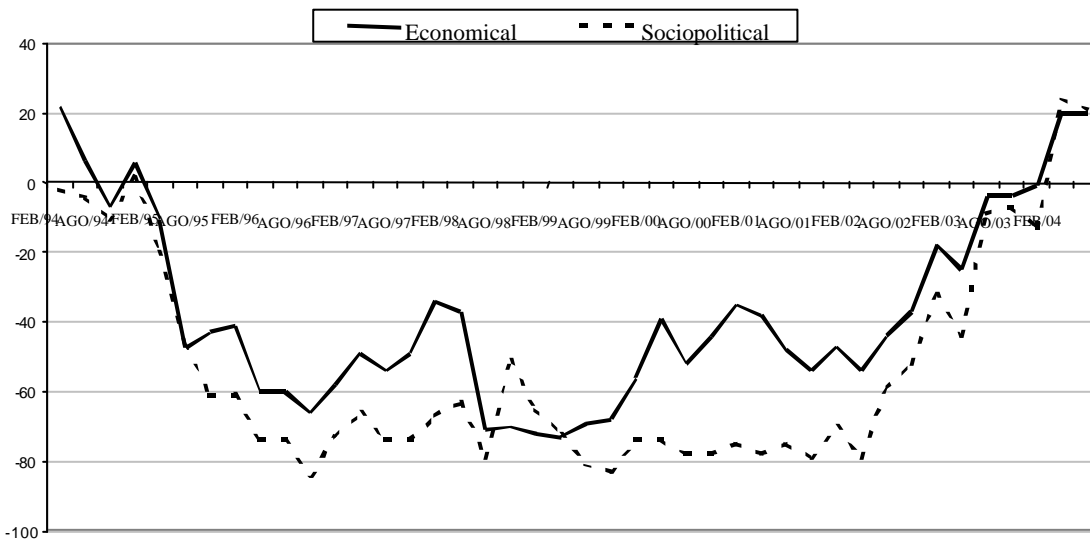


Figure 2. Economical and Sociopolitical Conditions for Investment, based on a tri-monthly business survey by FEDESARROLLO



Source: Encuesta de Opinión Empresarial, FEDESARROLLO, May 2004.

Exact data to quantify costs per sector are unavailable;⁶⁷ however, the different indicators listed above strongly suggest that for the private sector overall the long standing Colombian conflict has turned into a liability affecting the country's competitiveness in the region and worldwide. In addition, indicators hint that conflict affects sectors differently (kidnappings are more common for agricultural business in rural areas while uncertainty about the country's future affects retail and investments more). Finally, business surveys confirm that conflict intensity stands as one of the main concerns of the Colombian private sector. Figure 2, for example, illustrates the evolution of business perception of socio-political conditions for investment as documented in a tri-monthly survey.

Peacebuilding as a business response to conflict

Colombian business has often been accused of indifference faced with the escalation of the Colombian conflict.⁶⁸ In fact, it has produced quite different, often overlapping, responses. These range from passiveness to flight to financing private security.⁶⁹ Percentages of each response or combination of responses are not known, in part due to methodological problems (for example, few companies would admit to financing the paramilitary, because this may generate judicial consequences). One of these business responses to conflict, by no means the most common one, has been an increased interest in seeking ways to precipitate an end to conflict. The underlying rationale is simple, as stated by one Colombian executive: "Peace is better business".⁷⁰

Colombian business' interest in peace has taken quite different forms: First, an "enchantment" with a negotiated solution at the beginning of the Pastrana government, and, then, when Pastrana's peace process failed, with the expectation that a strong hand approach under the new government of Álvaro Uribe would end conflict rapidly. The following paragraphs will briefly describe these periods as they provide important contextual information for our understanding of business-led peacebuilding.

Business is not a newcomer in Colombian peace negotiations. Ever since the 1980s, representatives of business associations have taken part in talks, both indirectly as advisors and members of the government negotiating teams as well as directly as representatives of the private sector.⁷¹ However, this participation did not reflect a widespread concern with conflict or peace on behalf of the whole Colombian private sector. Conflict levels were still low as compared to current standards and Colombian society's attention was more

⁶⁷ A proposal to conduct a nation-wide survey on business perception of conflict costs is currently under consideration of a funding agency.

⁶⁸ The advisor for Colombia to the Secretary General of the United Nations James Lemoyne, for example, pointed out the Colombian elite's high levels of tax evasion and its lack of support for social reform. See, for example, 'El regaño de Lemoyne', *Portafolio*, May 20, 2003; and 'La Frase', *Portafolio*, May 20, 2003.

⁶⁹ Rettberg (2002b).

⁷⁰ Interview with Sabas Pretelt de la Vega, President of Fenalco (Federación Nacional de Comerciantes), Bogotá, December 5, 2002.

⁷¹ Rettberg (2003a)

concerned with the growing drug trade and its impact on domestic criminality.⁷² As recalled by the president of ANDI's office in Bogotá, "at that time there was no awareness among business people that we should be a part of this [*effort to negotiate peace*] (...). The private sector in the 1980s was either skeptical or clearly opposed to peace negotiations. (...) This was during the Cold War".⁷³

The seeds of current business peace activism were sown during the controversial government of Ernesto Samper (1994-1998).⁷⁴ During his administration, popular mobilization against the questioned leader coincided with a surge in conflict intensity, nurturing business peace activism. Samper's successor, Andrés Pastrana, benefited from this activism and included business advisors as members of his negotiating team.⁷⁵

More importantly, however, the Pastrana administration saw the development of unprecedented business-led peacebuilding activity in addition to participation in talks. Both at the firm-level as well as at the group-level it became fashionable to be involved in discussions about peace. Business congresses, workshops, and other public events sponsored by business referred to the importance of a peaceful solution to the conflict while prominent business leaders made a point of referring to the private sector's responsibility in peacebuilding. The President of *Suramericana de Seguros* and head of one of the country's four largest conglomerates, Nicanor Restrepo, gave public addresses and later published "The Right to Hope" ("*Derecho a la Esperanza*"), a booklet discussing the causes and costs of the Colombian conflict and lining out steps towards overcoming conflict.⁷⁶ Similarly, during his address to alumni at the Universidad del Rosario, real estate magnate Pedro Gómez Barrero underscored the costs of conflict for business.⁷⁷ Finally, Javeriana University and *Confecámaras*, with the sponsorship of the U.S. Agency for International Development (USAID) organized a series of events on the private sector's role in conflict resolution throughout the years 2000 and 2001.

Public activity was complemented with initiatives on the ground. Media and academic attention focused on specific companies and groups of companies engaged in a wide variety

⁷²Salomón Kalmanovitz, 'Los gremios industriales ante la crisis', in Francisco Leal & León Zamosc (eds.), *Al filo del caos: Crisis política en la Colombia de los años 80*, Bogotá: Tercer Mundo Editores – IEPRI (Universidad Nacional), 1991.

⁷³ Interview with Juan Sebastián Betancourt, Vicepresident Suramericana, Bogotá, November 7, 2002.

⁷⁴ The presidency of Ernesto Samper is better remembered by the corruption scandal that clouded his administration. Faced with evidence that drug money had poured into Samper's presidential campaign and with the possibility that the U.S. government would impose economic sanctions, business associations mobilized to demand the president's resignation. In their efforts, they were joined by numerous civil society organizations, explaining why Samper's government also became known as a time of civil society revival. Opposition against Samper was unsuccessful and Samper finished his constitutional mandate. However, faced with a surge in conflict intensity, the momentum gained by these organizations served to nurture an incipient movement determined to seek a negotiated end to the Colombian conflict. In this sense, while the government itself was too busy fending off opposition to pursue any meaningful peace strategy, civil society organizations—primarily business—took on a leading role in this matter. See Rettberg (2003c).

⁷⁵ Rettberg (2003a).

⁷⁶ Nicanor Restrepo, *Derecho a la Esperanza*, Bogotá: Tercer Mundo Editores – Cambio, 1999.

⁷⁷ Mario Gómez, *Los gremios empresariales y la construcción de paz: El caso colombiano*, Bogotá: Unpublished document, commissioned by International Alert, 2001.

of peacebuilding and CSR activity. MacDonald's youth promotion program was showcased, while *Pollo Frisby's* and *Acesco's* efforts to promote community-building were also underscored. *Confecámaras*—the national organization of chambers of commerce—held sector-specific workshops with the support of the United States Agency for International Development (USAID) to identify how the needs of particular business activities could be addressed through strategic peacebuilding.⁷⁸

Meanwhile, Pastrana encountered increasing difficulty in the development of peace talks, eventually leading to their breakdown in 2002. The same business surveys that had enthusiastically endorsed Pastrana's bid were now just as enthusiastically demanding their termination. While a Gallup poll of 500 executives in March 2000 showed 70 percent to be in favor of negotiations with the guerrilla,⁷⁹ the percentage had dropped to 11 percent and 60 percent of respondents believed the Armed Forces could defeat the guerrillas.⁸⁰ Frustration with peace talks was reflected in growing support for Álvaro Uribe's candidacy for the presidency of the Republic, which he won in June 2002.⁸¹ Elected with a wide margin over his rival, Álvaro Uribe embodied the promise that a strong hand approach to conflict would bring more tangible results in precipitating an end than the four preceding years of lingering talks.⁸²

Enchantment with Uribe's strong hand approach—and indications that his security strategy is yielding results⁸³ (kidnappings are down,⁸⁴ the steady flow of Colombians has abated,⁸⁵ and company profits are up⁸⁶)—took a toll on business-led peacebuilding, in rhetoric and in practice. The peace discourse disappeared from public agendas and gave way to the “fight against terrorism” rhetoric. Many business-led projects were frozen and business surveys more candidly reflect the expectation that the Colombian state will “win the war”.⁸⁷ However, some business-led peacebuilding has endured. While this does not reflect

⁷⁸ Sectors were power, electricity, and transportation. See Confecámaras – Instituto de Derechos Humanos Universidad Javeriana - USAID, Documentos y memorias, CD Rom, May 2001. The author was a participant at on of these meetings.

⁷⁹ ‘Dirigencia raja gestión de paz’, *El Tiempo*, March 20, 2000

⁸⁰ ‘Few friends left for Colombia's peace talks’, *Economist.com*, December 14, 2000.

⁸¹ ‘Carta blanca a Uribe’, *El Tiempo*, July 1, 2002; ‘Los empresarios son optimistas’, *El Tiempo*, July 17, 2002; ‘Dramáticos datos sobre inseguridad y violencia’, *Portafolio*, May 20, 2002; ‘Uribe, firme entre empresarios’, *Portafolio*, February 14, 2002; ‘Vientos de guerra’, *Semana*, August 19, 2002.

⁸² ‘De los anuncios a la realidad’, *Portafolio*, September 5, 2002.

⁸³ See, for example, Ann Mason, ‘Colombia's Democratic Security Agenda: Public Order in the Security Tripod’, *Security Dialogue*, 34:4 (2003), pp.391-409; Francisco Leal, ‘La seguridad durante el primer año del gobierno de Álvaro Uribe Vélez’, *Análisis Político*, 50 (January– April 2004); and Fundación Seguridad y Democracia, *Coyuntura de Seguridad, Informe Especial*, 5 (April – June 2004).

⁸⁴ ‘Colombia: menos secuestros’, *BBC.com*, May 4, 2004. See also Pinto (et.al.) (2004b), p.38.

⁸⁵ ‘Disminuye éxodo de colombianos al exterior’, *The Miami Herald.com*, July 9, 2004.

⁸⁶ Coinvertir, ‘100 of the most important companies in Colombia duplicated profits’, May 03, 2004. (<http://www.coinvertir.org>), Accessed May 7, 2004; ‘Ganancias de las empresas crecieron 40%’, *El Tiempo*, August 2, 2004.

⁸⁷ Invamer – Gallup Trimester Poll, July 10, 2003.

<http://www.elcolombiano.terra.com.co/proyectos/resumen2003/enero-junio/textos/grafico.htm>

See also, *Semana*, ‘¿Imparable?’, 1153 (7-14 June 2004).

opposition to Uribe's security policy, it does indicate persistence in pursuing an alternative course of action based on local needs.

Against this background, the question that gave rise to this research appears even more relevant today: Given a set of alternative courses of action, why do firms choose peacebuilding strategies? The next sections will describe four cases of business-led peacebuilding with an emphasis on the factors shaping business preferences for these initiatives. The cases are *Vallenpaz*, based in the city of Cali, Valle del Cauca department; *Indupalma*, a palm oil company in the Magdalena River Valley; the *Peace Group* at the President's Forum of the Chamber of Commerce in Bogotá; and *Entretodos*, located in Medellín, department of Antioquia.

THE CASES

Vallenpaz

Corporation for Development and Peace of the Valle and Cauca regions (Corporación para el Desarrollo y la Paz del Valle y el Cauca)

Illustrating the close link between the cost of conflict and business-led peacebuilding, the kidnapping of over hundred people—including women and children—during a religious service at La María parish in a wealthy Cali neighborhood by the ELN, in May 1999, sparked the founding of *Vallenpaz*, a business initiative led by former Cali mayor Rodrigo Guerrero. In January 2000, Guerrero gathered several business leaders in a project to support and rebuild local state institutions as well as promote socioeconomic development in guerrilla strongholds in the neighbouring Valle and Cauca regions. Most of the founders or their families had been targets of kidnapping and other attacks, reflecting not only an increase in attacks targeted specifically against the economic establishment in this region but also an overall increase in violence, as measured by homicides, attacks on towns, massacres, kidnappings and other types of extortion (see Table 4 and Figure 3).

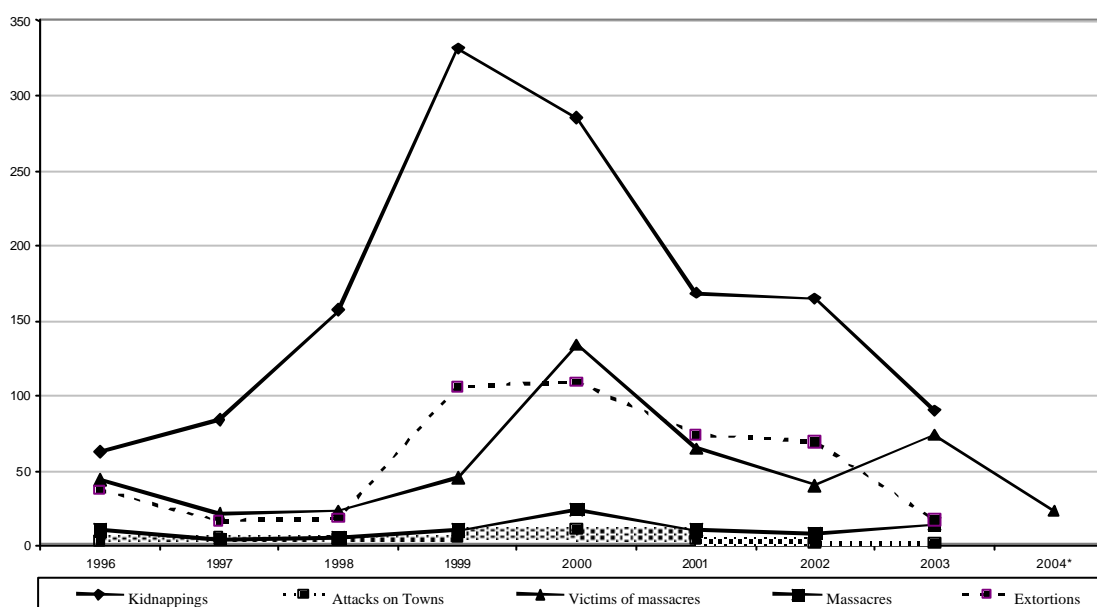
Most of La Maria prisoners were released shortly after the kidnapping, and only a few were held until they paid ransoms. However, this and subsequent attacks on Cali's wealthy business sector (most notably the ELN kidnapping of over fifty people at an upscale restaurant outside the city of Cali) faced the Cali business community both with the immediacy of conflict as well as with their own vulnerability. In this way, in the words of one of its members, *Vallenpaz* and other forms of corporate social responsibility represent "an insurance for personal safety".⁸⁸

⁸⁸Interview with Alfonso Ocampo, President of Propal – Propal Foundation, member of the Vallenpaz Board, Cali, March 4, 2004.

Table 4. Indicators of Violence in the Valle and Cauca Regions⁸⁹

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001
Guerrilla attacks									
Cauca	16	29	14	26	20	17	37	34	25
Valle	17	10	10	8	13	16	11	35	8
Total	33	39	24	34	33	33	48	69	33
Households affected by displacement (push and pull)									
Cauca				13	34	39	42	716	1.987
Valle				5	7	30	314	4.523	1.338
Total				18	41	69	356	5.239	3.325

Figure 3. Valle, Indicators of Violence, 1996-2003

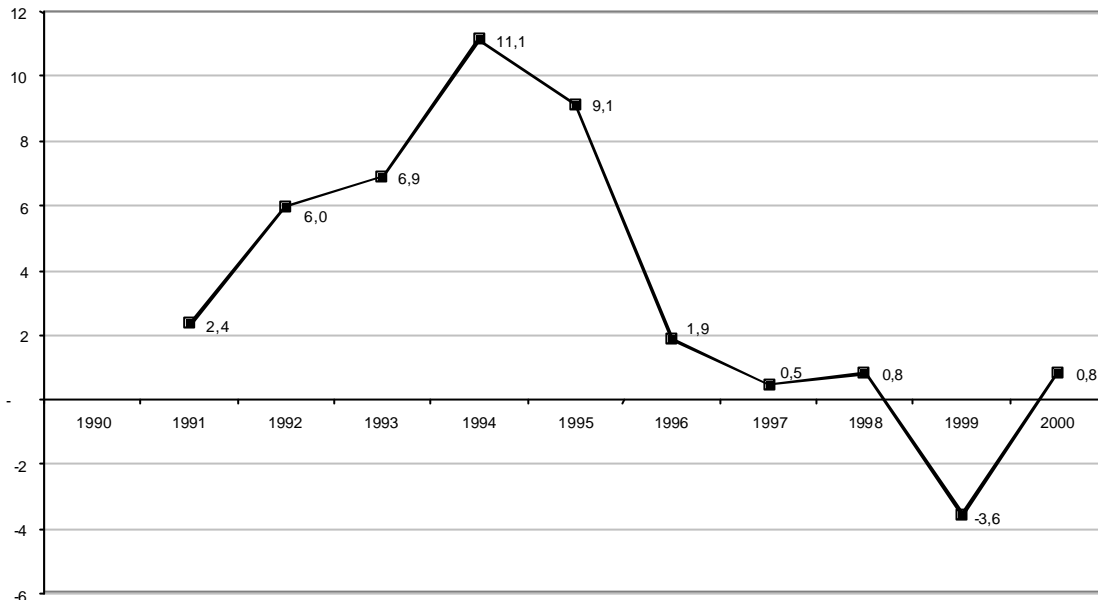


In addition, as shown in Figure 4, after the mid 1990s the Valle Department witnessed a severe drop in regional economic growth, caused in part by the retreat of the Cali drug cartels⁹⁰ and in part by the liberalization reforms of the 1990s, which severely affected its agriculture-based economy.

⁸⁹ Miguel Fadul, 'Vallenpaz: Documentación de una experiencia joven', en Consejería Presidencial para la Política Social de la Presidencia de la República y Programa de las Naciones Unidas para el Desarrollo (PNUD) (eds.), *Conflicto, reconstrucción y capital social. La política social: 1998-2002*, August 2002.

⁹⁰ Fadul (2002).

Figure 4. GDP Growth Valle, 1990-2000



Source: Cuentas Regionales – DANE

This mix of recession and conflict provided an impulse to *Vallenpaz*' over 700 founding members. While the list of members is long—including peasant organizations, NGOs, and educational institutions—middle-sized and a few large companies as well as prestigious corporate foundations (such as *Fundación Carvajal*) make up the bulk of *Vallenpaz*' membership and executive board. Most of these are fixed-asset companies with a stake in agriculture and, to a lesser extent, in manufacturing, which have traditionally operated in the region.

Guerrero and his supporters endorsed a structural interpretation of violence, attributing it to rampant poverty and state neglect in specific areas of the country. As described by one *Vallenpaz* supporter, “We need to create a *modus vivendi* for the rural population, which is better than living in Cali shantytowns. If they [the peasants] have nothing to eat, they steal. We need to teach people to live on the land”.⁹¹ In addition, they viewed poverty as a limit to growth. For both reasons, business-led intervention was perceived to be necessary to regain a business-friendly climate.

As a result, *Vallenpaz* proposed an approach of bottom-up sustainable development based on criteria of social equity, economic competitiveness and environmental soundness, with an emphasis on rebuilding social capital. Crucial for *Vallenpaz*'s purpose was the strengthening of local institutions and the empowerment of local communities as collective

⁹¹ Interview with Bernardo Quintero, director of *Riopaila – Castilla* sugar mills, October 4, 2002.

enterprises, centred on systems of production and commercial distribution that would skip—and therefore end dependence on—intermediaries.⁹²

The focus of *Vallenpaz*' interventions are 1,600 families in nine neighbouring municipalities deeply engulfed in conflict and poverty ("red zones", in Colombian conflict jargon).⁹³ In *Vallenpaz* logic, intervention in these areas will be most effective because it will contribute to avoiding the displacement of the local population (hence stop the flow of poor people to cities such as Cali) by armed actors, offer potential combatants an alternative to joining an illegal army, turn local communities into productive private sector and state allies by increasing productivity and recovering agriculture's contribution to regional growth, provide alternatives for illicit crops, and provide companies the opportunity to regain a business-friendly environment.

"Our purpose is to offer peasants an alternative. They are in a very complicated situation. They live with the guerrillas, who take what they need, the peasants cannot say anything" said one of *Vallenpaz*' supporters, who was among the victims of the ELN kidnappings.⁹⁴ "Our purpose is to strengthen local state institutions" said one member of *Vallenpaz*' administrative staff.⁹⁵ According to Guerrero, "people are shocked, but it is true: We are buying peaceful coexistence (*convivencia*); you need to sell to buy peace".⁹⁶ "We had to improve conditions of the community so there would be no social problems with the company", added one *Vallenpaz* member.⁹⁷ Most business members are prompt to share one of the most important regional corporate patriarch's recommendations: "There cannot be a healthy company in an ailing society".⁹⁸

The specific nature of the projects varies, but all focus on the promotion of sustainable development in agricultural products, such as sugar cane and cocoa.⁹⁹ In addition, they require community organization and participation and have privileged access to commercial networks under the control of *Vallenpaz*' associates.

Despite regional business' key role in initiating *Vallenpaz* and in its current management, and despite the benefits it would yield should the initiative be effective in stemming violence and promoting economic growth, the corporation's starting capital was only 330

⁹² Fadul (2002).

⁹³ *Vallenpaz* Promotional Leaflet, "Vallenpaz es el sueño colectivo de muchos colombianos que añoramos la paz para poder progresar con nuestro propio esfuerzo" (*Vallenpaz is the collective dream of many Colombians who long for peace in order to progress with their own effort*), no date.

⁹⁴ Interview with Bernardo Quintero (2002).

⁹⁵ Interview with Gustavo Hernández, Cali, October 3, 2002.

⁹⁶ Interview with Rodrigo Guerrero, Cali, March 16, 2001.

⁹⁷ Interview with Adolfo Ocampo (2004).

⁹⁸ See <http://www.fundacioncarvajal.org.co>,

⁹⁹ *Vallenpaz* selected nine productive projects focused on the towns of Dagua—Asociación Agropecuaria del Queremal and Asociación Agropecuaria del Alto Jordán; Jamundí—Asociación Campesina Zona Alta de Jamundí y Palmira Asociación de Usuarios del Distrito de Riego de Cabuyal (Asocabuyal), Asociación de Usuarios del Distrito de Riego de Toche (Asotoche), Asociación de Productores de La Albecia (Asoalbecia) and Asociación de Productores de La Quisquina (Asoquisquina), in the Department of Valle; and in Ca loto Resguardo Indígena de Tóez y Buenos Aires—Corpo Buenos Aires in the Department of Cauca.

million Colombian pesos (around £63,251), a modest amount considering the involvement of some of the largest regional companies.¹⁰⁰ In addition, further support has been hard to come by. One *Vallenpaz* member ironically referred to the difficulty in raising funds: “Only a few really committed funds, the rest did not exceed demonstrations of affection”.¹⁰¹ *Vallenpaz*’ former executive director expresses similar concerns: “We met with 350 Valle del Cauca business people. They all said ‘how nice’, but [when it came to committing funds] nothing”.¹⁰²

To compensate for limited business support in terms of funding, resources have been raised increasingly from institutional and international donors, such as the European Union, the national government, Plan Colombia’s Peace Investments Fund (FIP), and the U.S. government through the Organization for International Migrations (OIM) and the US Agency for International Development (USAID) for a total operating capital of \$5.000 million pesos (US\$ 2 million). Local business support, instead, has concentrated on office space, training *know how*, managerial capacity, and legitimacy (reputation).

Crucial for *Vallenpaz*’ success in raising funds has been the positive reputation and connections of its founder and current director, Rodrigo Guerrero. A former mayor of Cali, Guerrero was also the director and founder of one of the most reputable national philanthropic foundations (*Fundación Carvajal*), and the former coordinator of the social component of Plan Colombia, the large aid package provided by the United States to combat narcotics and conflict in Colombia. Not surprisingly, he has been able to identify and attract potential donors.

Guerrero’s political and negotiating skills can also be partially credited with (so far) effective bargaining with local guerrilla leaders for entry into the areas and protection against attacks. In each region, project initiation was preceded by contacts with local commanders to seek approval and avoid obstacles. According to Guerrero, he told one commander: “We do the project, it’s not for you [emphasis added]”. And, he continued, “they [the guerrilla] can hardly say no [to our work], despite the fact that we are competing with them [for local dominance/hegemony]”. He described one meeting with guerrilla commanders as follows: “I went to visit the Commander of FARC’s Southwestern Front to negotiate a project. He said ‘I don’t like this, you could deactivate us’ and I said ‘yes, that’s what this is for, we want to end marginality’”.¹⁰³ So far, bargaining has proved effective for protecting *Vallenpaz*’ operations; in fact, Guerrero and fellow *Vallenpaz* members proudly point to a drop in guerrilla attacks in their region of influence.¹⁰⁴ However, instances of failed communication among commanders and communities have already led to situations

¹⁰⁰ To keep the initiative as open as possible, initial contributions were set at a minimum of \$11.000 (less than 3 pounds).

¹⁰¹ Interview with Bernardo Quintero (2002)

¹⁰² Interview with Gustavo Hernández (2002).

¹⁰³ Interview with Rodrigo Guerrero, Director VALLENPAZ, Cali, March 16, 2001.

¹⁰⁴ Interview with Rodrigo Guerrero, Director VALLENPAZ, Cali, March 5, 2004.

in which members of the projects and of *Vallenpaz* have been exposed to risk, indicating that this may be a fragile equilibrium.¹⁰⁵

The commander's fears hint at yet another feature of *Vallenpaz's* actions: As it is based on a diagnosis of state incapacity and neglect in the affected region, it seeks to reverse this neglect by strengthening local institutions. While it is not their intended effect to supplant the state, their intervention may contribute to state strengthening as an externality, a secondary effect of their activity. On the other hand, while it seeks bottom-up development through the consolidation of social capital, *Vallenpaz* approaches this task top-down, by providing peasants with guidelines and incentives for desirable behaviour. As a result, instead of empowering local communities *Vallenpaz* may be turning into the new local patron.

It is still too soon to pass judgment on *Vallenpaz's* effectiveness, as most projects are in process and will not conclude before the medium to long term. In addition, new projects, affecting 2,800 families, are planned.¹⁰⁶ Observers have noted the poor quality of the community's projects, while the specific criteria for project approval further limit potential community participants.¹⁰⁷ In addition, while continued funding of *Vallenpaz* projects by organizations such as USAID reflects external support of this business gamble to build peace, it also underscores the vulnerability of the initiative inasmuch as it depends on ongoing willingness by international donors' to provide funds, an increasingly difficult task in the post-September 11 world, marked by shifts in spending priorities.

In terms of motivations underlying the initiation and continuation of business-led peacebuilding, *Vallenpaz* neatly reflects the impact of cost of conflict (actual and perceived) on business willingness to engage in peacebuilding. As expressed by one business leader, "problems have intensified and this has caused [business] people to get moving".¹⁰⁸ As documented above, the sudden increase in the cost of conflict for Valle and Cauca business made an already unfriendly economic environment unbearable and explains widespread support of a local initiative to seek an end to conflict, with the added incentive that it would specifically target areas of Valle and Cauca business operations, as opposed to, for example, nation-wide approaches.

In addition, *Vallenpaz* points to the importance of the learning process in the generation of the business initiatives under study. Guerrero, its founder, was a leading figure in *Fundación Carvajal*, one of the country's strongest philanthropic organizations, a successful Cali mayor, and social director of Plan Colombia. This provides him with the

¹⁰⁵ Fadul (2002), p. 206. Interestingly, in some of these cases the communities intervened in defense of *Vallenpaz*. This fits Mason's argument inasmuch as *Vallenpaz* may be in the process of becoming a local alternative authority, Ann Mason, 'Constructing Authority Alternatives in Colombia: Globalisation and the Transformation of Governance, Crisis States Programme, London School of Economics, *Working Paper*, 40, February 2004.

¹⁰⁶ *Vallenpaz* Institutional Power Point Presentation, "Vallenpaz, Corporación para el Desarrollo y la Paz del Suroccidente Colombiano", September, 2002.

¹⁰⁷ Fadul (2002).

¹⁰⁸ Interview with Carlos Arcesio Paz, General Manager of Harinera del Valle S.A., Cali, March 5, 2004.

needed know how, credibility, and contacts both for attracting local business as well as negotiating with armed actors in the target regions. Similarly, some of the most active member companies have led philanthropic organizations (such as *Fundación Carvajal*) and, thus, have institutional experience and know how with CSR practices.

Third, *Vallenpaz* reflects the impact of company-specific traits on business-led peacebuilding: Most are medium-sized, fixed asset (mostly agricultural) companies, which are not only context-dependent but context-specific. Few have the option to exit the economy as a strategy faced with conflict. Given their size, they are also not nationally prominent business players so as to exert pressure on policymaking in conflict management. Their choices are limited to locally-based approaches, including business-led peacebuilding.¹⁰⁹

The choice is made easier by the possibility to free ride on the benefits of peacebuilding financed mainly by external—not their own—resources. In fact, while the local business community provides few of the material resources, it gets credited with the initiative's beneficial effects, documenting the private sector's commitment to peacebuilding. If successful, the initiative may contribute to improving local conditions. Some members, in fact, already point to a drop in violence indicators in *Vallenpaz*-covered municipalities.¹¹⁰ Not surprisingly, members' support has endured (at least in discourse) and appears strong, illustrating that *Vallenpaz* is an initiative easy to support in rhetoric, as its cost is low while actual and potential benefits are high.

Indupalma Magdalena River Valley

The Middle Magdalena River Valley has long been a hot spot in Colombia's violent geography.¹¹¹ Several guerrilla groups, most importantly the *Ejército de Liberación Nacional* (ELN), have been active in the region, demanding nationalization of natural resources and agrarian reform. Their territorial control has been successfully disputed since the 1980s by factions of the counterinsurgent self-defense groups or paramilitaries. The confrontation has cost many lives,¹¹² while the region ranks among the highest in the number of kidnappings.¹¹³ Today, patches of the territory continue shifting from one group

¹⁰⁹ Of course, this includes strategies such as financing paramilitary groups, as in fact reflected in the growth of self-defence groups in the area and as suggested by legal processes against corporate leaders accused of providing financial support to these rightist organizations. See, for example, 'El 8.000 de los paras (I)', *El Tiempo*, October 20, 2001; 'Las cuentas de las AUC (II)', *El Tiempo*, October 21, 2001; and 'Los informantes de las AUC (III)', *El Tiempo*, October 22, 2001.

¹¹⁰ Interview with Rodrigo Guerrero, Cali, March 16, 2001; Interview with Bernardo Quintero (2002).

¹¹¹ Manuel Alberto Alonso, *Conflicto armado y configuración regional: el caso del Magdalena Medio*, Medellín: Universidad de Antioquia, 1997.

¹¹² Departamento Nacional de Planeación (2003). Observatorio del Programa Presidencial de Derechos Humanos y DIH, *Colombia, conflicto armado, regiones, derechos humanos y DIH*. 1998-2002.

¹¹³ Pinto (2004b).

to the other as competition over a new resource—land for coca plantations—further fuels conflict in this precious strategic corridor.

Indupalma, one of the largest companies in the palm oil extraction business, is located in the midst of the Middle Magdalena River region. Its over 10,000 hectares (24.752,4 acres) of palm plantations supply the national market in fats and contribute significantly to Colombia's exports to countries such as the United Kingdom, Peru, Brazil, and Venezuela.¹¹⁴ Founded with Colombian capital and French counselling in the 1950s, *Indupalma*, and its host municipality, San Alberto, illustrates one more twist of Colombian business reactions faced with conflict.

In contrast with other cases documented in this paper, *Indupalma's* relationship with conflict dates back almost to its founding. The forceful colonization of the region and its repressive labour practices—including forceful migrations to make available the company's workforce—put the company at the centre of numerous disputes with its workers as well as with local guerrillas.¹¹⁵ The company's labour union was founded early, in 1963. But when a high ranking administrative company employee was killed in the early 1970s, persecution by other company employees caused labour activities to slip into dormancy. However, antagonistic relationships between workers and company prevailed.¹¹⁶

A crucial year for the company occurred in 1977. In that year, a national strike provided an impulse to *Indupalma's* labour union, which resumed its demands on the company. Support by local guerrilla groups, especially the ELN and the now demobilized M-19, proved crucial in promoting a worker strike demanding improvements in salaries and social benefits. To exert pressure on the company, the M-19 kidnapped the company's general manager, a move that proved successful: In order for the manager to be freed, the company signed a vast labour agreement with its workers.¹¹⁷ While the agreement overcame the company's historical deficit in the recognition of workers' legal entitlements, such as contract stability and health benefits, consecutive demands by the workers exceeded legal requirements, such as free dental care and the recognition of sport accidents as workrelated accidents if they occurred during business hours.

While it significantly improved conditions for workers, the agreement laid the foundations for a deep structural crisis of the company, as expenditures consistently outweighed income, productivity was low, and possibilities for diversification were limited. However, continued pressure and infiltration by local guerrilla groups of the company's labour union made efforts to renegotiate the agreement difficult for company managers concerned with

¹¹⁴ Colombia is the world's fourth producer of palm oil. At present, only 180.000 hectares (445.544,5 acres) are planted, but the potential is 3.5 million hectares (8.663.366,3 acres). Interview with Rubén Darío Lizarralde, General Manager of Indupalma, Bogotá, February 16, 2004.

¹¹⁵ Diana Fernández, Diana Trujillo & Roberto Gutiérrez, *Indupalma (A1): los primeros años, 1961–1977*, Social Enterprise Knowledge Network (SEKN), Business School, Universidad de los Andes, May 13, 2003.

¹¹⁶ Fernández (et.al.) (2003).

¹¹⁷ Just previously, the M-19 had executed an influential labour leader, lending credibility to its threat that it would punish the company executive should their demands be left unheard. Echeverry, Jorge, 'De la crisis a la salvación de Indupalma: apuntes para la siembra de un sueño', Documento no publicado, 2000, pp. 71-72, cited in Fernández (et.al.) (2003).

their families' safety. In fact, the company has been administered from Bogotá since the mid 1980s.¹¹⁸

The late 1980s and early 1990s painfully brought home the need to seek drastic solutions. While booming palm oil markets had allowed the company to prosper despite difficulties associated with its permissive labour regime and guerrilla pressure, beginning in 1988 the international price of palm oil dropped sharply while Colombia's trade liberalization policies opened the national market to competition from foreign producers.¹¹⁹ In addition, the permanent threat to its staff and products caused the company to pay "a lot for its security, such as trucks for the military (...) We spend 2.000 million pesos (around £421.674) per year on security and equipment. This is an important percentage of the company's income", says Rubén Darío Lizarralde, the president of *Indupalma*.

Climbing costs of conflict and economic hardship confronted the company with the possibility of bankruptcy. Its commitments in terms of retirements, health services, and other worker benefits had surpassed the company's capacity to pay, a prospect made worse by plummeting international palm oil prices. According to a memorandum circulated among company employees, while a ton of raw palm oil cost USD350,000 in 1990, this price had dropped to USD 230,000 only a year later, contrasting with producer estimates of USD500,000.¹²⁰ In contrast with previous administrations, this time the company chose to launch a campaign to transmit these facts to workers including leaflets, public addresses and a visit by company managers to Caracas, Venezuela, where representatives of the Colombian guerrillas were negotiating a (ultimately failed) peace accord with the Colombian government.¹²¹

Intimidated by appalling accounting reports and fearing the company would close, many workers chose early retirement. Thus, in 1993 only 994 workers of the 1,592 employed in 1990 had kept their jobs.¹²² Remaining workers accepted a conversion of their labour regime, giving up some of their benefits. The conversion was neither immediate nor painless. "They accepted a switch to Law 50 [a new employer-friendly labour regime, consistent with the early 1990s so-called neoliberal economic reforms]. But many did not return, they were "disappeared" [euphemism to refer to the forceful, undetermined, and unprosecuted elimination of a person, generally a political opponent] for signing", says Rubén Darío Lizarralde, illustrating the double pressure workers are exposed to in this formerly leftist guerrilla-controlled region.

Even these measures proved insufficient. In what became the backbone for *Indupalma's* present corporate model, in 1995 the company, under the leadership of Lizarralde, took an even bolder step: It outsourced most of its production process to its former workers in the

¹¹⁸ Fernández (et.al.) (2003).

¹¹⁹ Miguel Fadul, "Alianzas por la paz: El modelo Indupalma", Bogotá: Programa Nacional de Alianzas para la Convivencia y la Superación de la Pobreza, 2001, p.16.

¹²⁰ Memorandum to Indupalma employees and workers. Indupalma Institutional Document, September 30 1991.

¹²¹ Fernández (et.al.) (2003).

¹²² Fernández (et.al.) (2003), p.3.

form of cooperatives. In exchange for the commitment to buy their output (palm oil beans), *Indupalma* sold the cooperatives equipment and seeds and acted as intermediary to obtain credits in national financial institutions for cooperatives to buy land. In addition, the company provided continuous training in areas ranging from software use, to accounting, strategic planning, social insurance regimes, and credit applications to successful leadership practices, including self-help courses on “Entrepreneurial Spirit” and “Living with a Purpose”.¹²³ In total, in the period 1995—1999 19 cooperatives were founded, including a so-called pre-cooperative for children. In 2004, 980 workers were affiliated with the cooperatives.¹²⁴

Contracting out to the workers was a master move, as it allowed the company to concentrate on its core business—exporting palm oil—while shedding its labour burden, solving problems with the dwarfed union, generating local good will, and enhancing its production environment. Workers gained inasmuch as they kept their jobs and income, received training, and were instilled with a vision of a future as property owners. Quality is ensured by the company through the periodic renewal of contracts. Cooperatives that fail to keep their books up to date or to pay for their affiliates’ social insurance face cancellation of their contracts with *Indupalma*, a dire prospect in this town where one third of the population contracts directly or indirectly with the company and most derive at least some of their income from its presence in town (providers of food and beverages, etc.).¹²⁵

Recently, the company took the cooperative model a step further. With a financing scheme supported by the Colombian state’s *Finagro*, Plan Colombia, and two private financial institutions—the *Megabanco* and the *Banco Agrario*—it supported the purchase of two vast portions of land (3,500 hectares – 8.663 acres—denominated peace territories—for 280 cooperative associates to plant palm oil trees. If successful, at the end of twelve years the members of these five cooperatives will be the legitimate owners of the land.

This project, too, is consistent with the company’s peacebuilding rhetoric, which it adopted since it initiated its current cooperative model and which is centred on the promotion of wealth creation and the formation of an entrepreneurial community—turning peasants into entrepreneurs—as the solution both to economic hardship *and* conflict in the region. “Our prime interest is economical: profit. Profit for the company and profit for its partners, in this case the worker cooperatives, will have a positive effect on the establishment of a new and vigorous community”.¹²⁶ “Before, they were peasants who owned nothing; now they own the equipment [and, soon, the land, one might add]”, says Lizarralde. And, “with the possibility for [economically] stabilizing the countryside resides your ability to build peace

¹²³ Indupalma, Departamento de Planeamiento y Control, *Indupalma S.A. ¡Sigue Adelante!*, Bogotá: Institutional Power Point Presentation, 2000. Workers who fail to attend training sessions are fined.

¹²⁴ Interview with Rubén Darío Lizarralde, General Manager of Indupalma, Bogotá, February 16, 2004.

¹²⁵ Fadul (2001). According to the mayor of San Alberto (2004-2008), Dairo Méndez, “Indupalma is the Number 1 source of income and jobs in San Alberto. (...) San Alberto is what it is thanks to Indupalma.” Interview in San Alberto (Cesar), February 20, 2004.

¹²⁶ “Lo social paga”, Indupalman Institutional Presentation, 2001.

[...] “The social for the social doesn’t pay. (...) If you get economic development you will generate the needed peace to work tranquilly”.¹²⁷

To support the creation of a peaceful and economically prosperous community and to complement the cooperative model, the company invested in several peaceful conflict resolution projects in San Alberto and neighbouring towns. This includes “Soccer for Peace”—a game played according to rules promoting tolerance, respect for diversity, and cooperation—and training sessions in interpersonal skills. Children’s playgrounds and computer rooms were also made available to the community.¹²⁸

More difficult has been a third strategy to bring peace to the region, namely the effort to support change in political office holders, and to secure support for the company’s larger model of society and rural development at the level of municipal institutions. Among the potential candidates for mayor’s offices of three neighbouring municipalities openly supported by *Indupalma*, paramilitaries killed one. This reflects an important shift in the territorial division of the Middle Magdalena Valley, as paramilitaries have successfully encroached upon previously unchallenged ELN and FARC strongholds. The impact on electoral politics is clear: “They [the paramilitary] want military and political control of [the region], just as FARC in the demilitarized zone. They [the paramilitary] killed Luis F. Rincón, the mayor of [neighbouring town] Aguachica. After that, nobody wanted to run”, says Rubén Darío Lizarralde.

Thus, while guerrillas have retreated from this region and have ceased to represent a threat to the company and its workers, the void has been filled by the paramilitaries. In terms of the numbers of homicides, conflict levels have dropped. “Now there are not as many dead people (*as before*)”, said San Alberto’s mayor. And he added “the situation in this town is better by 90 percent and the public order situation is good”.¹²⁹ Figures confirm his assertion: Homicides in the town have dropped from 42 per year in 1993 to a little over 10 in 1998.¹³⁰ However, a drop in homicides does not equal peace: The mayor admitted to being under a death threat, as well as his two sons, causing him to seek the permanent protection of body guards. In addition, *Indupalma*’s general manager can only make unannounced visits.

Similarly, worker cooperatives face threats from both the Right and the Left. *Indupalma* has made clear that it rejects any form of intimidation by illegal armed actors; should workers give in to paramilitary pressure to make payments, contract termination will be the consequence. For the company it is simple to confirm if paramilitaries are on the worker cooperatives payroll, as transparent accounting practices, reviewed several times a year, are required for an ongoing working relationship. Not in vain, then, Lizarralde complains that, despite their contributions in kind to the Armed Forces, “we’re exposed to guerrillas and paras, we are not backed by any authority.”¹³¹

¹²⁷ Interview Rubén Darío Lizarralde (2004)

¹²⁸ Fernández (et.al.) (2003).

¹²⁹ Interview with Dairo Méndez (2004).

¹³⁰ Fadul (2001), p.56.

¹³¹ Interview with Rubén Darío Lizarralde, Gerente General Indupalma, Bogotá, December 9, 2000.

On the economic side, *Indupalma's* initiative shows more encouraging results: According to company managers, productivity has climbed since the implementation of the cooperative model and the company has managed to expand its plantations up to a total of 10.345 hectares (25.606.4 acres)¹³². In addition, the region has experienced economic recovery. Workers can make USD300 per month, three times the minimum salary. Even the price of land has gone up, reflecting a recovery in the security perception of the region.¹³³

The *Indupalma* cooperative model has been in operation a little over eight years. What began as an effort to both secure the financial viability of the company and ameliorate conflict levels in the region has turned into a development initiative seeking to build peace by promoting an entrepreneurial mindset in previously disgruntled workers. In this way, the case neatly illustrates the strong link between the actual and/or perceived costs of conflict, economic hardship, and a company's decision to engage in radically innovative strategies. Indeed, in contrast with the 1960s, 1970s, and 1980s, the shift in *Indupalma's* corporate practices—from antagonism and confrontation to bargaining and empowering—is remarkable.

Most likely the company would have collapsed in the absence of the profound restructuring effort. Hit hard by armed actors (first the guerrillas and then the paramilitaries), concentrated on fixed assets, extremely immobile, context-specific, and highly vulnerable to international price fluctuations and market conditions, *Indupalma* was not a company able to exit—or to threaten with exiting—the economy or big enough to force a protective response by the weak Colombian state in this region of the country.¹³⁴ “Stuck” in this stateless region, where the company owned vast extensions of land and still is the main economic driving force, as well as one of the main sources of local authority, sunk costs increased the stakes of shutting down the company and made corporate innovation feasible.

Financial results in the past years—showing a boost in sales and an improvement in the company's incomes, as well as in the region's economic performance—along with a drop in visible violence suggest that the model has at least partially fulfilled both expectations, to save the company based on a strategy combining internal aspects (organizational restructuring) and external aspects (making the local community feel empowered). At the same time, however, President Lizarralde cannot announce his visits to the plantation and knocks on wood while he says: “Up until now, it [the model] has let us survive”,¹³⁵ suggesting that this model's contribution to lasting peace in the region is still uncertain.

¹³² Rubén Darío Rizaralde, ‘Visión prospectiva de Indupalma S.A.’, downloaded from the Centro de Pensamiento Estratégico y Prospectiva, Business School, Universidad Externado de Colombia, p.3. <http://administracion.uexternado.edu.co/centros/pensamiento/matdi/Visi%C3%B3n%20Prospectiva%20de%20Indupalma.doc>

¹³³ Indupalma manager Rubén Darío Lizarralde attributed the inflationary effect to the rise in the number of drugtraffickers in the region, who seek to both launder money as well as identify possible new locations for planting coca. Interview Rubén Darío Lizarralde (2004).

¹³⁴ In fact, as demonstrated by donations in kind to the local military battalions, and as reflected in company executives' skepticism, the relationship between company and Armed Forces is one where the company provides the Armed Forces with resources but can expect little protection in return.

¹³⁵ Interview with Rubén Darío Lizarralde (2004).

Peace Group, President's Forum Bogotá

An outgrowth of Colombian business' enthusiasm for —and high expectations about— President Andrés Pastrana's peace process with the Marxist FARC guerrilla, a consortium of Bogotá company presidents organized a working group to explore areas of possible intervention in the capital city to contribute to peace. It was 1999, a year when business surveys showed high levels of support for Pastrana's peace policy and the business community—especially in Bogotá—displayed unprecedented levels of peace activism. Through roundtables, opinion pieces in newspapers, books, and participation in public debates, prominent business leaders made their case for the private sector's contribution to peacebuilding and role in post-conflict Colombia.

Members of the private sector "Peace [Working] Group" were all affiliated with the Bogotá Chamber of Commerce's President's Forum, an organization of 140 companies founded in 1989. While the Chamber has over 10,000 members with operations in a wide variety of sectors, only medium-to-large-size companies, with annual sales over USD 2 million, were invited to the President's Forum, and only eleven of its members became part of the Peace Group.

The Forum regularly invites experts to discuss general economic and political topics in a closed setting. Inspired by the Young Presidents Organization (YPO)'s peer network model,¹³⁶ the forum additionally breaks up into smaller groups, so-called *juntas de mejoramiento* (boards of improvement), designed for company presidents to share personal to professional concerns with peers in a setting of trust and privacy. Member presidents are prompt to list the forum's three goals: "to help members become better human beings, better entrepreneurs, and better citizens".¹³⁷

Approximately a third of the Forum's members also participate in spin-off working groups dedicated to specific projects.¹³⁸ These projects focus on areas as diverse as the improvement and beautification of city streets (*Corposéptima*) and fostering leadership skills in local schools (*Líderes Siglo XXI*).¹³⁹ The projects share an interest in enhancing local governance and an emphasis on quality, as prescribed by the 1980s' Japanese Total

¹³⁶ For more information, see <http://www.ypo.org/>. Accessed 28 July 2004.

¹³⁷ Interview with Francisco Manrique, Manager Soluciones Inmobiliarias, Member of the *Grupo de Paz Foro de Presidentes de la Cámara de Comercio*, Bogotá, February 5, 2002. See also "Planeación estratégica Foro de Presidentes", unpublished document, November 2001.

¹³⁸ Interview with Alberto Espinosa, President and founder of the *Foro de Presidentes de la Cámara de Comercio de Bogotá*, President of Meals de Colombia, Bogotá, February 12, 2002.

¹³⁹ Diana Trujillo, *Líderes Siglo XXI: Expansión y profundización del programa*, Facultad de Administración – Iniciativa en Empresas Sociales (IESO) – Universidad de los Andes, Bogotá: 2002.

Quality management model.¹⁴⁰ The forum's activities have born fruit: After over a decade of operations, public-private alliances have turned the Forum into an important partner of city government in raising the quality of public education and job training in Bogotá.

Bogotá has for long remained somewhat of a safe haven in Colombia's violent landscape, displaying a level of crime and delinquency common in cities in the developing world, but not the kind of systematic, politically-shaped violence related to the internal conflict that dominates the countryside. In this setting, significant portions of Bogotá business activity—accounting for the largest percentage of entrepreneurial activity in the country as percentage of GDP—¹⁴¹ could develop unaffected by conflict. Even the 1989-1990 wave of bomb attacks—organized by Medellín drug-traffickers seeking to deter the government from pursuing extradition of criminals to the U.S.—hit civilians and governmental targets, but left private sector assets, such as factories and production networks, intact. This explains wide rifts in the early 1990s' business perception of public security, pitting rural cattle ranchers, owners of ground transportation companies and agro-business against city-centred bankers, importers and exporters, and construction entrepreneurs.

The increase in nation-wide levels of violence beginning in the mid 1990s, the growing boldness of guerrilla attacks, and the perceived incapability of the Armed Forces to stem the guerrilla's advances took a toll on the perception that Bogotá was immune to the conflict.¹⁴² These concerns were underscored by massive numbers of displaced people that began pouring into the capital city seeking protection after having been violently expelled from their hometowns.¹⁴³ Combined, these factors illustrated the progressive encroachment of conflict on the city as well as the profound weakness of the Colombian state.

At the same time, the Colombian economy slipped into a deep economic recession. As shown in Figure 5, between 1995 and 1999, annual national economic growth fell from 5.2 percent to -4.2 percent. The banking and construction sectors were hit especially hard, as illustrated in Figure 6. Beginning in 2001, GDP growth has slowly begun to recover, but the effects of the crisis are long lasting.

In reaction to economic recession and widespread conflict, emigration figures increased and capital flight accelerated. In the words of one Bogotá businessman, "people think that the solution is going to Miami".¹⁴⁴ Yet at the same time President Andrés Pastrana's proposal

¹⁴⁰ Esin Sadikoglu, "Total Quality Management: Context and Performance", in *The Journal of American Academy of Business*, Cambridge, September 2004, pp.364-366.

¹⁴¹ Secretaría de Hacienda Distrital, Dirección de Estudios Económicos, 'Actualidad Económica de Bogotá', Third Trimester 2002.

¹⁴² Vicepresidencia de la República, Observatorio de Derechos Humanos y Derecho Internacional Humanitario, *Panorama actual de Cundinamarca*, Bogotá: Fondo de Inversión para la Paz, December 2001.

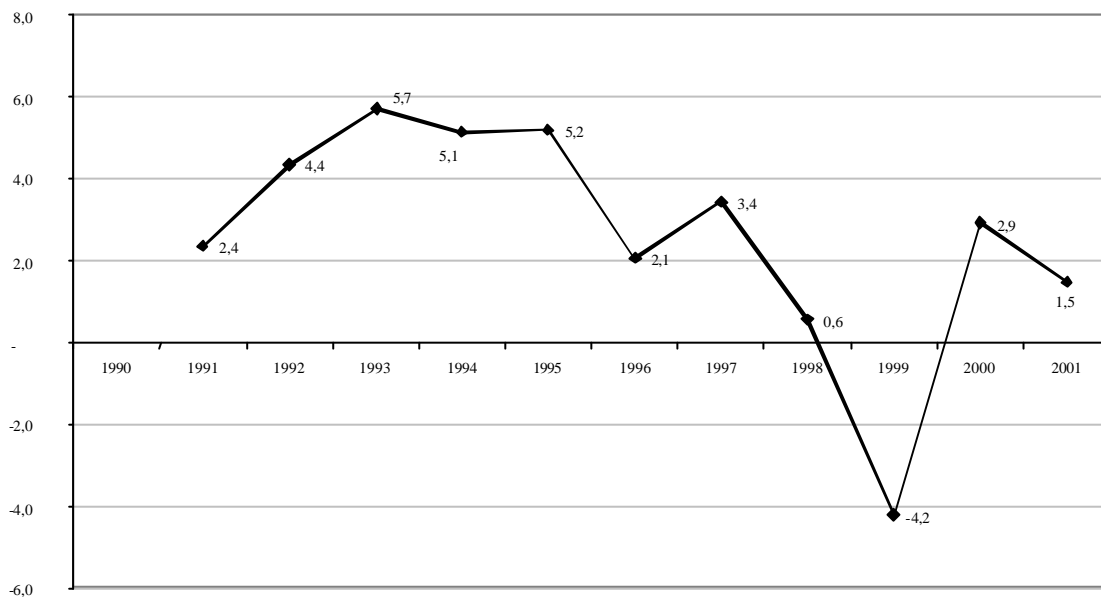
¹⁴³ According to CODHES (Consultant Office on Human Rights and Internally Displaced People) estimates, between 1985 and 2002, approximately 2.914.853 people have been forcibly displaced. Edgar Forero, 'El desplazamiento interno forzado en Colombia', paper presented at the *Conflict and Peace in Colombia: Consequences and Perspectives for the Future* meeting, Organized by the Kellogg Institute, Woodrow Wilson Institute for Scholars and Fundación Ideas para la Paz, Washington D.C., September 22, 2003, p. 2. Accesible at: http://www.ideaspaz.org/eventos/download/edgar_forero.pdf

¹⁴⁴ Interview with Alberto Espinosa (2002).

to engage in peace negotiations with the FARC enjoyed massive business support (see sections above). “Either we pull this together or there will be no company tomorrow!”¹⁴⁵ a businessman exclaimed, a widely shared assessment at the time.

In this context, the President’s Forum Peace [Working] Group became explicitly involved in a search for peacebuilding mechanisms at the local level. Made up by eleven medium-sized companies with reduced investment capacity and limited mobility, corporate responsibility in seeking an end to conflict had not been a part of their concerns up until then. “We were all very busy, [we thought] that’s for psychologists, for ladies”¹⁴⁶ one Peace Group member recalls. In addition, most businesspeople felt that their “role is to generate wealth and welfare, that’s their main function faced with peace”.¹⁴⁷

Annual Variation in GDP Growth, 1990-2001



Source: Departamento Nacional de Estadísticas (DANE), “Colombia, gastos y producto interno bruto a precios constantes de 1994”, <http://www.dane.gov.co>, accessed July 30, 2004.

¹⁴⁵ Interview with Camilo Almonacid, Vending de Colombia, Bogotá, February 7, 2002.

¹⁴⁶ Interview with Camilo Almonacid (2002).

¹⁴⁷ Interview with Alberto Espinosa (2002).

Construction activity in Colombia, 1990-2002



Source: *Revista del Banco de la República*, 68:818 (December 1995); 71:854 (December 1998); 73:878 (December 2000); 76:914 (December 2003).

The shattering economic crisis and the intensification of the conflict became catalysts for the changing perceptions of this group. Instrumental in this shift was a young inspiring community leader, Daniel Suárez, an *Ashoka* fellow.¹⁴⁸ Trained in peaceful conflict resolution and guided by the conviction that lasting peace depends on private sector commitment, Suárez, although not a businessman himself, sought to generate a successful business initiative in peacebuilding for other business sectors to model their behaviour after. With the financial support of *Ashoka*, Suárez worked full-time on engaging the Peace Group company presidents in activities to, first, identify their area of intervention, and, second, develop their working agenda.

Members dedicated “a minimum four hours per month”¹⁴⁹ to this effort, making use of their institutional networks, know how, and good will, as well as their managerial and organizational skills. Notably, members are, in their majority, actual company presidents, reflecting an important commitment by the highest echelons of company management. While they are still accountable to shareholders and partners, their participation demonstrates a higher level of corporate commitment to peacebuilding than the designation of lower level staff members. In joint working sessions, the Peace Group agreed that it should concentrate on an area the President’s Forum had already developed an expertise in:

¹⁴⁸ Ashoka is an international organization seeking to foster social entrepreneurship. According to their webpage, “the job of a social entrepreneur is to recognize when a part of society is stuck and to provide new ways to get it unstuck”, accessed, 30 July, 2004.

¹⁴⁹ Interview with Daniel Suárez, Peace Group coordinator, Bogotá, 25 February 2004.

public schools. Regardless of the duration of the conflict, members agreed that investing in education would contribute to the country's transformation.

However, members insisted that interventions should also involve their own companies, as experiences and sources of educational value. It was decided that the group would "lead processes of participation among business to contribute to building a culture of peace and coexistence in entrepreneurial and educational settings, and seek to add value to the larger purposes of the President's Forum".¹⁵⁰ Specifically, the group aimed to contribute to peacebuilding by developing peaceful conflict resolution skills in member schools and companies with an eye to fostering entrepreneurship and improving productivity. In the words of one Peace Group member, "we need entrepreneurship to offset the negative impact of conflict; productivity equals peace".¹⁵¹ Explicit here, then, was the expectation that improved economic performance would enhance the likelihood for constructing lasting peace. By creating "an entrepreneurial-educational alliance", the group would "contribute to building political and economic peace for citizens from within these organizations [schools and companies]".¹⁵² Companies, according to the group's guidelines, were to become "territories of peace".¹⁵³

However, when the proposal was presented to the Chamber of Commerce in 2001, it encountered strong opposition. Chamber officials feared it would compete with other ongoing projects that also concentrated on conflict resolution curricula in education, albeit in different schools. The Chamber denied the Peace Group's request for a minimal budget for administrative staff and office expenses, bringing to the fore deep differences between the Chamber and the President's Forum in relation with their organizational autonomy. Although the President's forum had enjoyed high levels of independence since its founding, the Chamber now decided to reign in its members and submit the group to a new set of rules.

Unwilling to give up their project so easily, Peace Group members, who continued their affiliation with the Chamber of Commerce and the President's Forum, provided the project with new impulse by creating the *Programme of Productive Coexistence*, a splinter group independent from the President's Forum and the Chamber of Commerce, but identical in its original membership and mission. Further illustrating the split between the Forum and its previous host (the Chamber), in February 2004 the Forum proclaimed its independence from the Chamber constituting itself as an autonomous organization.

In terms of the Peace Group's activities, again Suárez's input was crucial in steering the transformation from Chamber subsidiary to autonomous initiative. Working full time on convincing member companies and schools to cling to the project, he was able to enlist the support of seven companies and five schools (of a total long term goal of forty, each), that

¹⁵⁰ Grupo de Paz del Foro de Presidentes Cámara de Comercio de Bogotá, Institutional Power Point presentation, no date.

¹⁵¹ Interview with Francisco Manrique (2002).

¹⁵² Foro de Presidentes Cámara de Comercio de Bogotá y Cámara de Comercio de Bogotá, 2002-2003, Institutional Power Point presentation, no date.

¹⁵³ "Proyecto Comunidad Empresarial de Bogotá", unpublished document,

are now developing the projects under Suárez and his co-workers' guidance. His work centres on achieving financial viability for the Productive Coexistence foundation by raising donations and selling its services. Group members uniformly acknowledge Suárez's engagement.¹⁵⁴

Up until December 2003, only one company had drawn from its own physical resources to support the group's activity, providing office space. The others invested time and energy, but no financial support. "It doesn't even cost us", one group member said.¹⁵⁵ However, illustrating a learning process at work, as well as the progressive integration of the project into company priorities, beginning in 2004 four Peace Group members (*Lime*, a janitor services provider, *Prolibros*, a publisher, *Schott*, a glass producer, and *Cemex*, a Mexican cement company) are funding the Productive Coexistence programme enough to cover its operating costs. Until December 2004, Suárez's salary will still be provided by *Ashoka*, but then his salary is expected to be covered by the companies and schools contracting the foundation's services.

While intra-institutional rivalry raised doubts about the sustainability of the Peace Group's activities, the creativity of its leadership, the organizational autonomy of the group, and the ongoing support by founding business members has provided new opportunities for the group's transformation and the continuation of its work. As in other cases, it is too early to know whether this model of peacebuilding will endure; however, important steps have been taken towards its consolidation.

While neither Bogotá business, in general, nor Peace Group members, in particular, have been direct targets of violence as frequently as in rural settings, the perception that the conflict was encroaching on the city, combined with the onset of a deep economic crisis (which hit small and medium-sized companies—like those involved in the group—hardest), motivated Peace Group members to search for ways to contribute to building peace at their local level. In addition, the formation of the Peace Group reflected the optimism surrounding the initial stages of the Pastrana peace talks.

At the same time, the President's Forum experience in corporate social responsibility efforts at the local level underscores the importance of the learning process and spill-over effects in the development of preferences for peaceful business initiatives. It highlights the link between corporate social responsibility and the propensity to develop peaceful business initiatives. Indeed, the Peace Group experiment suggests the existence of an incentive structure in which experiences in one type of activity (the Forum's different projects in education, job training, and local governance) increase the likelihood of engaging in similar activities.

Furthermore, the decision by member companies to take the step towards funding the programme while it becomes self-sustainable illustrates an important spill-over effect. As regards other sectors of Bogotá business, the failure of the Pastrana peace talks, the success

¹⁵⁴ Interview with Francisco Manrique (2002).

¹⁵⁵ Interview with Camilo Almonacid (2002).

of President Uribe's democratic security strategy, and the progressive economic recovery have taken a toll on private sector peacebuilding initiatives, illustrating how the absence of significant threats to personal safety, operations, or distribution networks diminish a sense of urgency propelling business to adopt peacebuilding approaches. In contrast, while exposed to the same external conditions, Peace Group members—who so far had been able to free ride on Daniel Suárez's efforts and on the continuing availability of external funds to sustain his work—are now committed to seeing their initiative succeed, increasing the perspective of consolidating the Productive Coexistence Programme.

Entretodos (Among All Alliance), Proantioquia Medellín

At the beginning of the 1990s, the city of Medellín was the epicentre of urban violence in Colombia. As its homicide rate attests (above 230 per 100,000 inhabitants in the early 1990s), Medellín was the most violent city in Colombia, which tops the list of most violent countries in the world.¹⁵⁶ Poor Medellín youth served as mercenaries of the drug mafias and were also becoming increasingly attracted to urban factions of the leftist guerrillas and the rightist self-defence groups.¹⁵⁷

In response to this critical situation, in 1989 the Colombian presidency created a special Advisor's Office for Medellín, to support and coordinate national programs aimed at improving local conditions.¹⁵⁸ The office undertook several peace negotiations with factions of the guerrillas, so-called urban militias.¹⁵⁹ In exchange for disarming, involved

¹⁵⁶ María Victoria Llorente and Angela Rivas, 'An Overview of Crime and the Criminal Justice System in Colombia', in Tedd Leggett and Lucia Dammert (eds), *Project on Latin American Criminal Justice Systems*, Draft, February 20, 2004; Rodrigo Losada, 'Estudios explicativos sobre la violencia contemporánea en Medellín', en *Colombia Hoy Informa*, Bogotá, 112 (April 1994); 'Lustro de dolor en Medellín', *El Colombiano*, January 18, 1996.

¹⁵⁷ Carlos Miguel Ortiz, 'El sicariato en Medellín: Entre la violencia política y el crimen organizado', *Análisis Político*, 14 (September - December 1991), pp. 60-73; Ramiro Ceballos, 'Actores recientes del conflicto armado en Medellín', *Desde la Región*, 25 (April 1998), pp.5-8.

¹⁵⁸ Presidencia de la República, Programa Presidencial para Medellín y su Área Metropolitana, 'Medellín: En el camino de la concertación - Informe de gestión (1990-1992)' FECHA; Presidencia de la República, Dirección del Programa Presidencial para Medellín y su Área Metropolitana, *Medellín reencuentro con el futuro*, Documento CONPES 1992 - 1994 Fecha? finales de 1991; Consejería Presidencial para Medellín y su Área Metropolitana, IV Seminario 'Alternativas y estrategias de futuro para Medellín y su área metropolitana', September 1995; Consejería Presidencial para Medellín y su Área Metropolitana, *Medellín: Alternativas de Futuro*, 1992.

¹⁵⁹ Ana María Jaramillo, 'Milicias Populares en Medellín: Entre la guerra y la Paz', Medellín: Corporación Región, 1994; Ana María Jaramillo, 'Milicias populares en Medellín entre lo privado y lo público', *Revista Foro*, 22 (November 1993), pp. 25-36; Ana María Jaramillo, 'Consideraciones sobre el conflicto armado en el Medellín de los años noventa', *Estudios Políticos*, 10 (January - June 1997), pp.150-159; Mireya Téllez, *Las milicias populares: Otra expresión de la violencia social en Colombia*, Bogotá: Rodríguez Quito Editores, 1995.

youth were offered jobs and training.¹⁶⁰ In this way, officials hoped to provide an attractive alternative to criminal activity and to lower levels of violence city-wide.

In order to fulfil these promises, the Advisor's office sought to engage the Medellín private sector.¹⁶¹ Companies were asked to provide jobs for demobilized youth.¹⁶² Several companies followed the call. However, the process encountered two difficulties, which made the private sector's participation in this process marginal. On the one hand, the lack of technical skills and work ethic among the youth turned them into a burden for companies. One businessman said: "When you offer them employment they say 'What you pay me I can get at the corner in five minutes'. Many of them do not accept a minimum-wage job".¹⁶³ On the other hand, administration officials and youth criticized companies for providing only menial jobs requiring little training and responsibility, failing to fulfil expectations of better incomes and of substantial post-demobilization personal progress. One former Advisor for Medellín thus referred to private sector participation as "little symbolic operations".¹⁶⁴

Reflecting the difficulties of this model, many former gang members gave up their jobs and resumed gang and political activity.¹⁶⁵ One businessman said: "Business has participated in demobilization processes (...), [that was] a total failure. Many [former gang members] died."¹⁶⁶ In addition, some of these former employees became involved in criminal activities targeted at their recent employers. Rumours spread among the business community that access to the companies and inside information had provided the former combatants with information they now filtered to kidnappers and thieves for purposes of extortion.¹⁶⁷

This experience had a strong impact on future involvement of the private sector in urban-based peacebuilding and business people in Medellín today point to this process as a failure

¹⁶⁰ 'Alcaldía se la juega con las cooperativas', *El Colombiano*, April 8, 1995; 'Consejería para Medellín reiteró compromisos', *El Colombiano*, February 25, 1995; Juan Gonzalo Betancur, 'Un experimento complejo en vía de perfeccionamiento: El proceso con las milicias populares', *El Colombiano*, February 25, 1995; 'Reinserción de milicianos seguirá adelante', *El Colombiano*, February 18, 1995; 'Más empleo para jóvenes del Barrio Antioquia', *El Colombiano*, February 6, 1995; 'Más milicias negociarán', *El Colombiano*, January 25, 1995; Interview with Jorge Orlando Melo, former Presidential Advisor for Medellín, April 4, 2002. Luis G. Pardo, *Reinserción Antioquia*, Medellín municipal administration, October 18, 2001.

¹⁶¹ According to government archives, the first Presidential Advisor for Medellín, María Emma Mejía, held meetings with private sector representatives, who committed 2 billion Colombian pesos to support NGO activity. See "Actividades de la Consejera Presidencial para Medellín y su área metropolitana, doctora María Emma Mejía, los días jueves 23, viernes 24 y sábado 25 de agosto de 1990".

¹⁶² According to government archives, 12.500 new jobs were to be created in 1992 alone. Presidencia de la República, Dirección del Programa Presidencial para Medellín y su Área Metropolitana, Departamento Nacional de Planeación, *Medellín: reencuentro con el futuro*, Bogotá, 1991.

¹⁶³ Interview with J. Mario Aristizábal, Medellín, October 17, 2001.

¹⁶⁴ Interview with Jorge Orlando Melo (2002).

¹⁶⁵ 'Incidente con Unase, muertos dos de Coosercom', *El Colombiano*, May 8, 1995; 'Desaparecen a una madre y su hijo', *El Colombiano*, February 29, 1996.

¹⁶⁶ Interview J. Mario Aristizábal (2001).

¹⁶⁷ Interview with Mauricio Cadavid, Proantioquia, Ex Adviser for the *Consejería para Medellín*, Ex Government Advisor in issue of internally displaced people, October 18, 2001.

and a disincentive for becoming involved in new projects. As one Medellín businessman said “business people did not appreciate that youngsters in the demobilization and job training program entered their companies. They feared contagion and decay in the behaviour of other [employees]”.¹⁶⁸

At the same time, the persistence of violence in the city and its cost to business in terms of safety and productivity kept concern over violence high, especially with respect to its cost for economic performance. Business “desired peace because of [threats to their] security, infiltrations [by armed actors], theft of vehicles for goods transportation, and extortion” listed a Medellín business association leader.¹⁶⁹ More importantly, “for businesspeople in Medellín there is a relationship between coexistence and greater productivity and efficiency”, said a member of a business think tank.¹⁷⁰ “They know that a bad economic environment is unproductive”, added Medellín’s former Special Advisor.¹⁷¹ As illustrated by numerous studies, violence in the city was a retardant factor for development.

As elsewhere in the country, peacebuilding was not the sole, or even the main, business response to conflict escalation. Medellín is the capital of Antioquia, the administrative department that gave birth to rightist self-defence groups that committed crimes against the guerrilla as well as civic leaders and human rights activists.¹⁷² Antioquia is also the home of the controversial *Convivir*, peasant security cooperatives founded during the presidency of Ernesto Samper (1994-1998) and actively promoted in the department during the governorship of Álvaro Uribe (1995-1997). Considered a justifiable defence mechanism for peasants faced with pressure from different armed actors, in practice the cooperatives served illegal paramilitary groups to legitimate their criminal activity, resulting in their prohibition in 1998.¹⁷³ Illustrating the relationship between Antioquia business and paramilitarism, one business leader said: “Philosophically, many business people support paramilitarism, although few support it with money”.¹⁷⁴

Despite this background, in 1996 a local business think tank and foundation, *Proantioquia (Fundación para el Desarrollo de Antioquia)* founded *Entretodos*, an initiative inspired by corporate social responsibility principles and intended to promote coexistence (*convivencia*) in the city of Medellín. *Proantioquia*’s members include some of the region’s largest and most traditional companies—all under the umbrella of the *Sindicato Antioqueño* economic conglomerate, which accounts for approximately 5 percent of national production.¹⁷⁵ Many of these companies have philanthropic foundations, including *Éxito*, the country’s largest retail player, *Bancolombia*, one of the country’s largest banks,

¹⁶⁸ Interview with Mauricio Cadavid (2001).

¹⁶⁹ Interview with Antonio Picon Anaya, Fenalco, Medellín, October 19, 2001.

¹⁷⁰ Interview with Beatriz White, Secretaria de Solidaridad, Alcaldía de Medellín, Ex Director of Entretodos, Medellín, March 18, 2004.

¹⁷¹ Interview with Jorge Orlando Melo (2002).

¹⁷² See, for example, Observatorio del Programa Presidencial de Derechos Humanos y Derecho Internacional Humanitario, “Panorama actual del Oriente Antioqueño”, Vicepresidencia de la República, August 2004; Interview with Clara Inés Restrepo Mesa, Corporación Región, Medellín, October 18, 2001.

¹⁷³ ‘Algunas Convivir sí están armadas’, *El Colombiano*, January 16, 1996.

¹⁷⁴ Interview Jorge Mario Aristizábal (2001).

¹⁷⁵ For a detailed description of this economic group and others see Rettberg (2003c).

insurance giant *Suramericana de Seguros*, *Concreto*, a construction company, and *Corona*, which leads national ceramics production.¹⁷⁶ The foundation's activities date back to the 1970s and range from promoting children's nutrition to community development, and from supporting the fine arts and higher education, to micro-enterprises and worker training.¹⁷⁷

Medellín's violence being primordially a phenomenon of poor, disenfranchised youth, few of these companies had been specific targets of conflict. In this sense, *Entretodos* was more a preventive measure in a context of generalized and increasing violence than a response to an explicit attack. In the words of its director, "there's no concrete threat, there hasn't been a bomb. It's reactive, there has been no detonating factor".¹⁷⁸ Still, the need for investing in peace as a measure of protection was intense: In the words of *Entretodos'* founder, "the question was clear; they [Proantioquia's members] came and asked 'what do I need to do so they don't plant a bomb [in my office or factory]?' (...) There are those who ask, shall I bring the Army or do I build six schools?".¹⁷⁹ "Business men say 'either we contribute or we get swallowed up'" added a Medellín conflict analyst.¹⁸⁰

In contrast with private sector involvement in the early 1990s that targeted violent youth as a specific sector of the population, *Entretodos'* goal was to lower citywide levels of violence with a comprehensive program to promote conflict resolution and good governance. With the participation of NGOs, the Catholic Church, the police and the mayor's office, business people and their representatives sat down together and, with input from an array of technical studies,¹⁸¹ designed a broad-based program built on four themes: Corporate social responsibility, civic participation, peaceful coexistence, and communication skills, grouped under the Security and Peaceful Coexistence Programme (*Programa de Seguridad y Convivencia Ciudadana*). Central to the proposal was the belief that "peace and coexistence are the best investment to make social development and economic growth possible".¹⁸²

¹⁷⁶ According to *Entretodos'* institutional presentation, the following are members of this initiative: Proantioquia, Fundación Social, Fundación ConCreto, Jaime Uribe y Asociados, Enka, Corporación Fenalco Solidario, Simesa, Fundación Corona, Fundación Bancolombia, Fundación Éxito, Fundación Suramericana, and Fundación Cámara de Comercio.

¹⁷⁷ For information about these foundations visit the following websites: <http://www.exito.com.co/FundacionExito.aspx>; http://www.suramericana.com/Company_gestion.aspx; <http://www.fundacioncorona.org.co/Default.htm>; and <http://www.fundacionsocial.org/>

¹⁷⁸ Interview with Beatriz White (2004).

¹⁷⁹ Interview with Beatriz White (2004).

¹⁸⁰ Interview with Mauricio Cadavid (2001). Others added a different perspective to understanding business faced with conflict in Medellín. "Here they live in a crystal tower. They live as if nothing was happening. They buy insurance against kidnappings. Their companies' profits must be high enough to keep them here. Kidnappings haven't touched them much, [they have affected] middle class and small entrepreneurs more. This situation makes them sensible to war, not to peace. I don't see any serious commitment to peace, only what the foundations do, such as *Entretodos* and *Concreto*". Interview with Clara Inés Restrepo Mesa (2001).

¹⁸¹ Interview with Beatriz White (2004)

¹⁸² *Entretodos* institutional presentation folder.

The programme's goals were to improve citizen oversight of local government through technical supervision and accountability mechanisms, to increase political participation by instilling democratic values in school children (for example by promoting school governments and encouraging youth leadership skills), and to promote peaceful coexistence practices in schools and companies. In the workplace, specifically, the programme sought to train managers and top executives in communication skills.¹⁸³ Linking peaceful coexistence to economic development, the program also proposed the development of productive linkages, which seek to strengthen small economic units in peripheral areas of the city by means of entrepreneurial tutoring aimed at increasing their productivity and integrating them into the city's economy. In the words of the former Advisor for Medellín, the project sought to "control the environment by means of social programs",¹⁸⁴ reflecting the close link between the perception of threat from insecurity and the willingness to engage in peace-oriented corporate activity.

Central to the proposal was that the goal of peaceful coexistence be turned into public policy. "Otherwise we would achieve little", explained *Entretodos'* coordinator.¹⁸⁵ Thus, hopes ran high when mayor-elect Juan Gómez Martínez (1998-2000) committed to turn this into his administration's flagship coexistence programme.¹⁸⁶ Providing an important boost to the project, the Interamerican Development Bank (IADB) committed USD 15 million.

However, once the new administration was in office, *Entretodos* clashed with the inefficiencies of public administration. "We knew there needed to be some time for adjustment, but three years? People were frustrated with the politicking. They [the administration] lacked political will, it wasn't a priority for them. And IABD oversight was not effective at exerting pressure. When the projects got to the [administrative sub-units] they wanted to reformulate, reorient, object, change, defend their territories, and add their own projects. [...] For us, public-private cooperation was a disappointment. We shouldn't have handed over our project, but rather controlled it from here [*Proantioquia*]"¹⁸⁷ In addition, the administration centred its work on neighbourhood-by-neighbourhood negotiations with gangs and militias, hoping to pacify the city in a piecemeal approach.¹⁸⁸

Following this clash between the world of business and the world of politics—where negotiation and compromise, rather than productivity and efficiency, reign supreme—companies retreated into their own organizations, focusing on their workers and on only a few target populations, such as youth, and on the productive linkages in peripheral areas of town.¹⁸⁹ "Business will decreased. It felt like failure. The result was, 'we make the

¹⁸³ Entretodos, *La empresa: Escenario de convivencia: Modelo comunicacional para la promoción de la convivencia empresarial*, Medellín, 2001.

¹⁸⁴ Interview with Jorge Orlando Melo (2002).

¹⁸⁵ Interview with Beatriz White (2004).

¹⁸⁶ Alcaldía de Medellín, *Programa de Convivencia Ciudadana*, Medellín, February 1999.

¹⁸⁷ Interview with Beatriz White (2004).

¹⁸⁸ Alcaldía de Medellín, Asesoría de Paz y Convivencia, *En Medellín primero la paz – Segundo marco estratégico de la construcción de paz*, October 1999.

¹⁸⁹ Since 1993, the Medellín private sector has supported the GTZ-funded Paisa Joven, an organization focusing on Medellín youth in risk. Interview with Juan Carlos Hernández, Paisa Joven, Medellín, October

decisions, we will do it on our own, you can't do it with the state'. (...) Distrust increased and, in a way, there was a reversal in business attitudes toward how to deal with conflict; they began to support building up the Armed Forces, solutions of strength and control, buying weapons; it's very disappointing".¹⁹⁰

As a result, while several components of the programme remain and are in operation, *Entretodos*'s project failed to turn into a citywide initiative with the support of municipal institutions. Today, its main activities focus on three companies and their philanthropic foundations: the construction and cement company *Concreto*, the *Fundación Social* and its adjacent financial corporation *Colmena*, and the retailer *Éxito*. In all, *Entretodos*' director claims to be directly and indirectly targeting 30,000 people, in the workplace and the community¹⁹¹ (amounting to only 1.5 percent of Medellín's population, the original goal of their coexistence programme).

While other cases presented in this document show the mutual advantages of public-private cooperation in peaceful initiatives, the case of *Entretodos* stands out as a failed effort to coordinate public and private goals and a retreat into private realms. In part, this was due to the nature of the project involved. "They need to be doing things that resemble what they normally do", said a former Advisor for Medellín.¹⁹² Designing a city-wide programme for peaceful coexistence clearly distracted companies from their core activities, failed to build on—and complement—company expertise, and required a significant investment of time and resources which, when confronted with the difficulties of public administration and once beyond their direct control, promptly ran out of steam.

In fact, *Entretodos*' proposal to the municipal administration underestimated and misinterpreted the workings of the policy process. Despite Mayor Gómez's interest in implementing the coexistence programme, adjustments and the mediation among multiple interests—especially in an area as politicised as the shape and scope of local-level peacebuilding—are common to any policymaking process. *Entretodos* members were unwilling to accept the modification of their proposal and the accompanying delays. Perceived as a setback for *Entretodos*, the administration's failure to adopt the programme in its original shape confirmed company prejudice against public sector politicking, corruption, and inefficiency, leading them to retreat back into their closed realms.

In addition to the complications of dealing with public administration and their unwillingness to modify their programs, the fact that *Entretodos*' members had largely been spared by local conflict helps explain the smooth transition from the city-wide scope of their coexistence programme to more company-specific CSR activity. In the absence of direct threats, the need to pursue and persist with city-centred peacebuilding was not perceived as urgent. While *Entretodos*' mission clearly links peace to productivity—and in that way sends the message that even when not directly targeted by conflict business may

19, 2001. According to data from the Fundación Éxito, 100 small productive units are covered by the program of productive linkages, <http://www.exito.com.co/FundacionExito.aspx>, last accessed August 13, 2004

¹⁹⁰ Interview with Beatriz White (2004).

¹⁹¹ Interview with Beatriz White (2004).

¹⁹² Interview with Jorge Orlando Melo (2002).

gain from peace—in practice, the possibility to circumvent the associated costs proved more attractive.

As in previous cases, *Entretodos'* most active members have built on their CSR experience, which they fell back on when the experiment in public policymaking failed. This not only illustrates the importance of their institutional trajectories, which both facilitated their decision to promote city-wide peaceful coexistence and provided an appropriate infrastructure to continue their work in after their frustration about working with the municipal administration. In this way, institutional know how in CSR provided an adequate basis for transforming while maintaining—instead of ending—member companies' commitment to addressing problems of their social environment.

Finally, *Entretodos'* experience is important as it illustrates business' many choices faced with conflict. In the words of its director, despite their commitment to peacebuilding “they will not stop paying for security or getting insurance against a bombing attack. (...) Nobody is as naive as to think that by building schools you avoid an attack on your factory”.¹⁹³ This realism puts peacebuilding as a private sector response to conflict into perspective, as it underscores the dispassionate assessment of costs and benefits undertaken even by companies in violent contexts, suggesting that peacebuilding is but one of many possible strategies.

THE CONTEXT AND THE COMPANY: FACTORS SHAPING BUSINESS PREFERENCES FOR BUSINESS-LED PEACEBUILDING AT THE LOCAL LEVEL

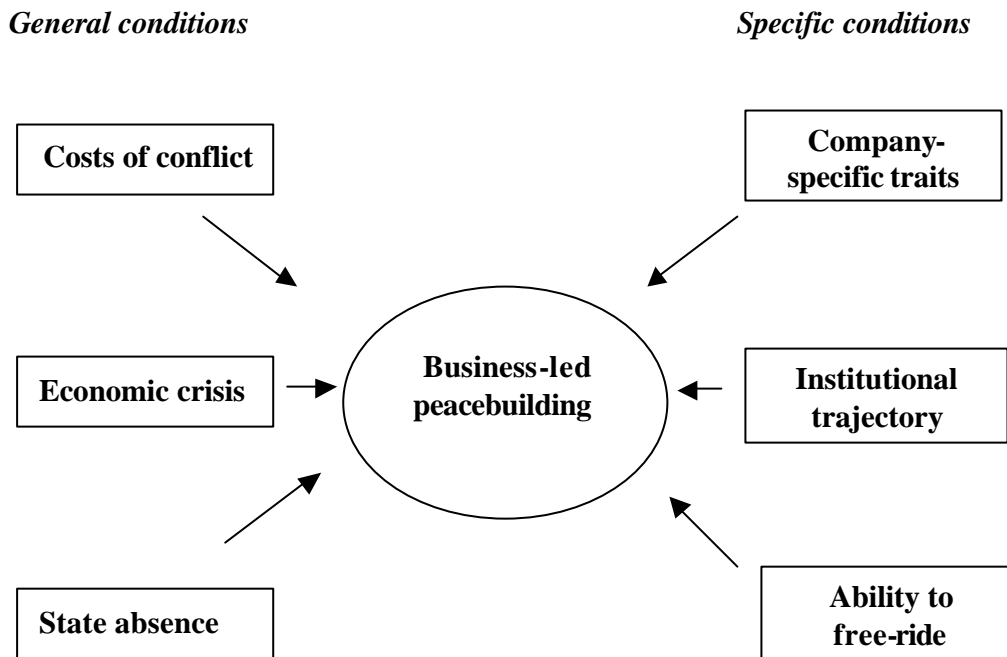
Although the four cases discussed above differ in many ways, they share a common theme of corporate peacebuilding initiatives. Methodologically speaking, they are quite unique cases: They represent best-case-scenarios of corporate peacebuilding because they have endured, in contrast with private sector pro-peace activism, generally, and with other business initiatives, specifically.

The cases offer important insights into what may explain business-led peacebuilding as a corporate strategy in contexts of conflict. As illustrated in Figure 7, two groups of factors appear to play important roles in fostering business-led peacebuilding. One group of factors relates to context, which in the Colombian case combined an increase in conflict costs, a severe economic downturn, and state absence both in specific regions as well as in key policy areas. While these are necessary factors for business-led peacebuilding to occur, they are in and of themselves insufficient, as most Colombian companies face the same challenges but only a few respond with a peacebuilding strategy. In addition to context, company-specific characteristics matter. The following sections will discuss the most salient of these factors: company sectoral affiliation, size, mobility, and location (which are important for identifying the availability of alternative courses of action for companies

¹⁹³ Interview with Beatriz White (2004).

faced with conflict), philanthropic background and know how (which point at the institutional trajectories and learning processes fostering business-led peacebuilding), and ability to free ride on external—as opposed to making available one’s own—resources (financial and other).

Figure 7. Factors shaping preferences for business-led peacebuilding.



First and foremost, an intensification of conflict costs— actual or perceived, general and specific—was crucial in prompting the business-led peacebuilding initiatives described above. The massive kidnapping in the case of *Vallenpaz*, pressure by leftist guerrillas in the case of *Indupalma*, the urban violence epidemic in Medellín, and the perception of a nation-wide increase in conflict in the case of Bogotá vividly conveyed to companies their growing vulnerability and propelled them to take action. Conversely, the tangible results yielded by president Uribe’s security strategy has heightened a sense of confidence in their safety, dampening interest in peacebuilding activities as conflict drops in priority among private sector concerns.

Combined with bleak economic prospects or economic crisis, conflict costs became increasingly unbearable. Most clearly illustrated by the cases of *Indupalma* and *Vallenpaz*, economic recession and an actual increase in the cost of conflict proved crucial for explaining their choice of peacebuilding strategies. More explicit in the case of *Indupalma* than in the case of *Vallenpaz*, local peacebuilding was a corporate survival strategy, illustrating the potentially creative impact of crisis in sparking innovative strategies. In the cases of Bogotá and Medellín, there were also links between economic recession, high conflict costs, and peacebuilding although local circumstances were less dramatic. In these

two cases, the relatively lower impact of conflict on the involved companies' economic performance may explain why these initiatives today seem the least likely to endure. All four cases share an expectation of a clear link between peace, increased productivity and resumption of economic growth.

State absence is the third element of this peacebuilding context trilogy. Without exception, the business-led peace initiatives were a response to the lack of local state presence. Public authorities were not only unable to provide protection to companies from kidnappings, extortion, and other attacks, but were also ineffective at addressing social and economic conditions perceived to cause local populations to either join or support illegal armed actors. Whether addressed explicitly—as in the case of *Vallenpaz*, which lists institutional rebuilding as one of its objectives, or in the case of Medellín, where *Entretodos* emerged as a response to the lack of a city-wide coexistence programme, or in the case of the Bogotá Peace Group, which seeks to foster peaceful coexistence via agreements with public schools—or an indirect result of their actions—as in the case of *Indupalma*, which substitutes state functions in areas such as citizen empowerment, peaceful conflict resolution, and education—the business-led peace initiatives compellingly bring home the Colombian state's poor performance in crucial areas such as security and socioeconomic development.

Compounding these context-related factors is a group of more company-specific traits, which illustrate how conflict and economic recession hit companies and sectors differently, affecting their preferences and shaping their strategies. Notably, conflict and economic recession were most deeply felt in the two rural cases of *Vallenpaz* and *Indupalma*. In contrast, the urban Peace Group (Bogotá) and *Entretodos* (Medellín), albeit concerned with growing conflict levels, had not been direct targets of conflict and reacted more in line with president Pastrana's peace process enthusiasm (Bogotá Peace Group) or with general CSR concerns in a deteriorating social and political environment (*Entretodos*). Perhaps unsurprisingly, these two cases have experienced the greatest difficulty in sustaining their efforts.

In addition to the rural/urban distinction, the lack of mobility and fixed assets of companies such as *Indupalma* and several of the *Vallenpaz* members limit the number of feasible and effective alternative strategies in a conflict context. Exit or even relocation is an unlikely option for these context-specific companies. Moreover, small to medium company size, as described in the case of the Bogotá Peace Group, further limits the prospects of succeeding abroad or switching investment because of high dependence on local social, legal, and economic networks and low investment capacity. In a way, due to their size, companies are tied to succeeding in the domestic market. The availability and feasibility of alternative options thus provides an important incentive for peacebuilding action. Company strategies faced with conflict are confined to those that can be implemented on the spot.

With the exception of *Indupalma*, in which the depth of the two crises alone seemed to be sufficient to produce the peacebuilding strategy, all business-led peace initiatives are based on and sustained by the previous philanthropic experience of their member companies. *Fundación Carvajal* (in the case of *Vallenpaz*), the President's Forum (in the case of the

Peace Group), and the numerous foundations of *Entretodos'* corporate members indicate that the learning process associated with business philanthropy supports and facilitates decisions to engage in peacebuilding, which have obvious synergies with other aspects of the broader relationship between companies and their social, political, and economic environments. In this sense, previous philanthropic activity generates institutional capacity and some initiative towards peacebuilding activity. Put differently, philanthropic experience has created an incentive structure that makes it more likely for business to engage in peacebuilding and harder to let go or withdraw from their peacebuilding trajectory.

At the same time, philanthropy is not immune to setbacks. In Medellín, despite member companies' charitable inclinations, two consecutive failures in the attempt to engage the private sector in peacebuilding (in the beginning of the 1990s with the Presidency-initiated demobilization job creation programme and at the end of the 1990s with the peaceful coexistence fiasco) caused potentially interested companies to retreat into the domain of their own organizations, distancing themselves from public-private partnerships. Like any other business enterprise, peaceful initiatives are result-dependent and, as strategies, are reversible, which points to the importance of early and sustained success in enhancing the viability of initiatives.

Finally, the ability to free ride is an important element of private sector participation in peacebuilding. Most clearly illustrated in the case of *Vallenpaz* and the Bogotá Peace Group, peace is a public/collective good that provides actors with incentives to free ride (on international cooperation funds in the case of *Vallenpaz* and on an external institution's financial support of the coordinator's work in the case of the Peace Group). In the absence of a severe threat, or in the presence of improved security conditions, companies will probably abstain from investing resources in peacebuilding. If external resources, in the form of "buffer" capital (domestic or external), are available to sustain peacebuilding action and if public-private risk sharing is an option, companies can benefit and take the credit, and will most probably free ride. The Bogotá Peace Group provides an important caveat to this respect. While free riding was the dominant characteristic until recently, the expectation that the joint programme may turn out to be effective has generated collaborative behaviour on behalf of its members, illustrating a learning process at work as well as the need to account for shifts in the incentives structure.

The previous factors not only provide guidelines as to what motivates business-led peacebuilding, but also indicate what may cause peace initiatives to prosper in one place but not another, in this way providing inputs for the "best practice" approach to policymaking. Clearly, an ongoing perception of threat is an important factor explaining business commitment to peacebuilding initiatives. Neatly reflected in the slimming of the public agenda on peace issues ever since violence levels have dropped and the economy has improved, the reduction of threat makes it more difficult to maintain a peacebuilding momentum. Specifically, it has been increasingly hard for business-led peacebuilding promoters to obtain material—as opposed to rhetorical—support from business members. Only in those cases where a potential deterioration of conflict looms over local conditions, such as in Valle and in the Middle Magdalena River Region, the effort continues.

In addition, peacebuilding is more likely to prosper when it addresses issues of direct relevance to involved companies, such as worker training, community relations, strengthening of local distribution networks, and other forms of raising productivity and profitability. Business, after all, has a mandate to be profitable and is generally risk-averse; it will most likely not engage in peacebuilding behaviour where this is completely unprofitable or unrelated to core activity. As a result, business-led peacebuilding can only be a by-product, not the main purpose of corporate strategy. Devoid of these considerations, it risks failing to enlist more than charitable support. This link between peacebuilding and company core activities is also a call for caution for philanthropic organizations. While the cases suggest that philanthropic learning processes are an important basis for peacebuilding to take place, the more it is linked to, builds on, and complements company-related activities the better the chance it will avoid degenerating into simple window-dressing.

Finally, the ongoing availability of external resources provides an important incentive for durable business-led peacebuilding. In most cases, involved companies were the least responsible for generating the bulk of resources underlying peacebuilding activity. Instead, external sources (from the European Union and Plan Colombia, in the case of *Vallenpaz*, from *Ashoka*, in the case of the Bogotá Peace Group, and from the municipal government and the Interamerican Development Bank, in the case of *Entretodos*) were the main source of funds to support these initiatives. As most clearly demonstrated in the cases of *Vallenpaz* and the Peace Group, were it not for the availability of external funds, these experiences would have faced great difficulty to consolidate.

IMPLICATIONS FOR PRACTICE AND THEORY

This document sought to respond a simple question: What motivates business-led peacebuilding? It has found that, while the majority of Colombian companies do not take part in these efforts and the number of private sector peacebuilding experiments has dropped in the past few years, several initiatives remain active and offer important lessons for scholars interested in tracking the formation of business political preferences as well as policymakers interested in attracting the private sector to the crucial but difficult peacebuilding task.

As should become clear, altruism is a minor element of business motivations. While all the business initiatives express an interest in supporting development at the local level in order to contribute to peacebuilding, a closer look reveals that these initiatives also represent innovative and quite pragmatic solutions to the specific needs of companies faced with conflict. This is good news for policymakers, as it widens the pool of potential private sector peacebuilding partners beyond a few inspired and charismatic individuals and foundations. In particular, it suggests that specific contexts as well as specific company traits represent important opportunities for engaging the private sector in peacebuilding, as is widely recommended by the academic and practitioner's literature.

Notably, this research suggests that the relationship between business and peace is multifaceted and variable. For example, business-led peace initiatives may be independent of what goes on—or fails to go on—in terms of private sector participation in formal peace talks between the heads of government and the guerrillas. Thus, while the Pastrana peace process (1998-2002) certainly spread much enthusiasm among the business community, thereby giving rise to the peacebuilding fad, and while it is true that much peacebuilding activity ended when the peace process was cancelled, the business initiatives described here continued even in the absence of talks and today as well as in the future will remain focused on local processes instead of national dialogue.

Scholars interested in tracking the formation of business political preferences will find support for the institutionalist premise that context affects business faced with conflict in quite different ways, providing constraints and facilitating conditions that make the choice to participate in peacebuilding more or less likely and that underlie intra-organizational learning processes. Tracking the formation of these preferences in the specific cases under study is one of this document's most important contributions and suggests the usefulness of unpacking the amorphous and general category of "private sector" faced with conflict.

This research has important implications for other areas of knowledge. One of these is the relationship between business and the state. In line with a rich body of work on the weak nature of the Colombian state,¹⁹⁴ the cases discussed here point at state weakness as a propelling factor for business-led peacebuilding. In fact, business initiatives, as most clearly demonstrated in the cases of *Vallenpaz* and *Indupalma*, become local-level state substitutes, adopting functions and responsibilities that tend to be ascribed to the state's exclusive domain. These "authority alternatives", as described by related Crisis States Programme research,¹⁹⁵ pose important questions regarding state strength and legitimacy. Indeed, while business-led peacebuilding initiatives may be filling the void left by the state, they may also be contributing to new crises because they are not held accountable, because they may potentially deepen existing regional inequality in terms of state attention and services, and because, by taking on the responsibility to lead local development and peacebuilding processes they are, in a way, letting the state off the hook (failing to exert pressure on the state to fulfil its functions properly).

The reverse argument also finds support in the cases discussed here. For the consumer of public services—the citizen—it may ultimately be irrelevant who is satisfying his/her needs. If the involved actor shrouds his/her activity in a statebuilding cloak, the state may indirectly—perhaps undeservingly—become the actual beneficiary of business-led peacebuilding. As clearly shown in the cases of the Bogotá Peace Group and *Vallenpaz*, progress in local development (*Vallenpaz*) and in public education (Peace Group) may work to the credit of the state. Instead of further weakening, local business-led peacebuilding might then actually contribute to strengthening the state.

¹⁹⁴ See, for example, Ana María Bejarano, 'Recuperar el Estado para fortalecer la democracia', in *Análisis Político*, N° 22, mayo a agosto de 1994, and Francisco Leal, 'El Estado colombiano: ¿Crisis de modernización o modernización incompleta?', in Jorge Orlando Melo (ed.), *Colombia Hoy: Perspectivas hacia el Siglo XXI*, Bogotá, Tercer Mundo Editores, 1995.

¹⁹⁵ Mason (2004).

In the context of the CSP, this points at how initiatives like the ones described here contribute to overcoming crisis, especially at the local level, but perhaps also at the national level, which is built on widely distributed pockets of legitimacy. In this way, these local-level private sector initiatives would neatly illustrate a dynamic whereby an engaged, activated civil society—regardless of motivation—can make an important contribution to Colombia’s quest for a lasting socio-political solution to its conflict.

Further research will have to address remaining voids in this research, such as an additional set of cases, the actual (quantifiable) impact of these initiatives on local conditions, and the inner workings of companies engaged in peacebuilding. In addition, further research will have to test some of the implications listed above.

For most in the Colombian business community, business-led peacebuilding, if at all considered, is “a Sunday support, something you do when you are off work”.¹⁹⁶ In addition, what little peacebuilding there had been collapsed under the weight of an improvement in security and in economic conditions, which put into question the peacebuilding dividend. However, as a Cali business man legitimately contends, “it is not true that we all sit with our arms crossed, that nothing is being done, or that everybody is living in Miami”.¹⁹⁷ As reflected in the cases studied here, this assertion is correct. By focusing on the impact of context and on clearly visible company traits this research has provided an important first step in understanding Colombian business-led peacebuilding. These insights provide important directions for fostering business participation in an eventual peace construction effort.

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¹⁹⁶ Interview with Jorge Orlando Melo, former Presidential Advisor for Medellín, April 4, 2002.

¹⁹⁷ Interview with Manuel José Carvajal, Member Administrative Council, Carvajal Foundation, March 2004.

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