

The Business of Cooperation

Peace and Profit through Joint Ventures

The idea of using trade to create political stability is not a new one. It took the form of imperialism into the late 19th century, when colonies helped the governments of industrializing countries handle social unrest at home. After centuries of change, the fundamental principle remains the same, though with a shift in focus. Now, private companies rather than mercantilist governments are attempting to foster peace between groups

in conflict by involving them in cooperative business ventures. David Lubetsky, CEO of one such company, PeaceWorks, says, "The more companies operate and profit together, the more they will gain a vested interest in preserving and cementing those bonds... and hopefully someday, prosperity will make stability prevail." This movement takes the socially conscious business practices of the last quarter century one step further; rather than just promoting donations, this new theory gives businesses an incentive to become involved in creating peace by establishing commercial and personal links between groups in conflict.

The need for socially conscious enterprise was initially recognized in the 1980s, when organizations like the Social Venture Network sought to create a network of entrepreneurs who would design and implement innovative ways in which business could be used to benefit society. Until recently, this agenda meant that companies gave away a certain percentage of their pre-tax earnings to a worthy cause or organization and supported projects for social change, which benefited children,

families, disadvantaged groups, and the environment. Since the 1990s, however, this original philosophy has evolved further.

Entrepreneurs for Peace

Several companies have conceived of a new type of enterprise that forms tangible links between cultures in conflict-ridden regions around the world. In this vision, social benefits do not come from donations but, instead, from self-sustainable economic ventures. These enterprises build a good reputation for the companies involved through trade and complementary comparative advantage, or the combination of the best quality component products of each company in order to form one composite product of greatest value. Essentially, businesses have realized that creating a highly profitable venture does not require a single-minded focus on boosting returns; businesses can simultaneously create profit and foster long-term economic stability and peace in their countries of operation.

One such company is Barilla Alimentare. Founded in 1877 by an Italian family, it is now one of the largest

producers of pasta in the world. Recently, it launched a subsidiary in the Middle East with the joint cooperation of Egypt, Jordan, the Palestinian Authority, and the Israel-based Peres Center for Peace. This agricultural venture will create a new strain of wheat that will be used to make pasta for local consumption and export, providing employment and technology to local producers and fostering links between Israel and the Arab states.

Siemens Data Communications (SDC), an Israel-based electrical-engineering company, has similar goals. Since the early 1990s, many companies such as Motorola, Microsoft, Intel, and IBM had created branches in Israel, in five years increasing Israel's foreign investment figures from US\$400 million to almost US\$4 billion per year. In October 1998, SDC and a Palestinian engineering company signed a pioneering joint venture in which SDC agreed to hire, train, and integrate Palestinian engineers into company projects. This contract neatly solved two problems: first, it lowered the high rates of unemployment among Palestinian engineers; and second, it filled the gaps in the Is-

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raeli labor market. As for the success of this joint venture, Ari Ben-Zichri, the head of research and development at SDC, noted, "During the training period at SDC there was no animosity of any kind," even though "[many of the Israeli employees] were in the army and helped to put down the uprisings in Ramallah." One of the Palestinian employees stressed that "as engineers, we all speak the same language and have the same goals. I think the only real hope for a peaceful settlement lies in such cooperative projects."

PeaceWorks, founded in 1994, also believes that peace may be reached through joint enterprise, but it is perhaps unique because it was established expressly for the purpose of encouraging the development of cooperative business ventures between different groups of people. To qualify for PeaceWorks' aid, companies must be co-owned by persons of different nationalities or ethnicities that have habitually been in conflict. PeaceWorks serves as a consultant for marketing these companies' products and facili-

tating distribution and sales. PeaceWorks is now a multinational corporation with more than 3,000 sales outlets in the United States alone. PeaceWorks Specialty Foods, a subsidiary of PeaceWorks, supports ventures between Israeli manufacturers who buy their raw materials from Palestinian farmers; it also oversees a project involving a Texan manufacturer and farmers in the strife-filled Mexican state of Chiapas. PeaceWear provides similar services to the textile and clothing industries. The Arab co-owner of a company with which PeaceWorks collaborates commented that "companies like this are good for the Arab people, better than making war."

PeaceWorks' local partners are not the only ones acknowledging its work so far. Global leaders have also acknowledged the success of PeaceWorks. At the 1997 Middle East/North Africa Summit, former US Undersecretary of State Stuart Eizenstat observed that PeaceWorks "is helping to strengthen the economic sinews of peace—that growing web of private-sector connec-

tions between people that may be separated by borders but remain united in their vision for a new, prosperous, and more peaceful Middle East."

The company has also been recognized, perhaps most significantly, by the World Economic Forum (WEF), a non-profit foundation created to stimulate global economic growth and social progress through the collaboration of business, political, and intellectual leaders. In 1997, PeaceWorks CEO Lubetsky was named a Global Leader for Tomorrow (GLT) by WEF. GLTs form a network of leaders in business, politics, public-interest advocacy, the media, and the arts and sciences; they are pioneers in their field who are making an impact on the world around them. The GLT recognition was created by WEF with the purpose of generating mutual support for the leaders of economic and social progress. That a proponent of cooperative business ventures was among those chosen as a GLT attests to the growing recognition of the importance of such companies' accomplishments.

**Can business do
some of the
work of policy?**



Peace, in Theory

Theoretical support for these ventures comes from a report produced at the 2000 Annual Meeting of WEF. A group of GLTs started the Business of Cooperation (BOC) Project to address the difficulty of building peace after war, and in its first report the group outlined the basic tenets of the

nesses are viable joint ventures backed by the personal interests of each party, they are more likely to thrive, and the parent company will also share in this prosperity. Additionally, such ventures will increase innovation through the diversity of the people employed and raise employee performance, as people who see a greater purpose in

to tangibly effect peace. After a cycle of retaliatory attacks following then-opposition leader Ariel Sharon's September 2000 march on the Arab holy site Temple Mount, talks have reached an impasse, and the possibility of reconciliation is daily becoming more distant. Ironically, with the election of Sharon as prime minister, the man who

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theory of economic cooperation.

The BOC model is built on the idea that business can create the setting necessary to reach long-lasting social understanding and prosperity in conflict regions while simultaneously achieving its business objectives. It works at three levels. First, human interaction: when people work together under conditions of equality, they overcome cultural stereotypes. Second, commercial cooperation: all businesses profiting from joint ventures attain a fixed interest in preserving those business ties. And finally, regional participation: the people participating in joint ventures "gain a stake in the system," which eventually leads to even greater stability.

Essentially, the model establishes a connection between states and private-sector companies that secure employment and technology for the areas where they operate. Barilla, SDC, and PeaceWorks have all put this theory into practice; not only do they provide links between different groups of people that have been at odds with each other, but they also create local employment, technological development, and profits.

While there is some risk in creating partnerships and branches in conflict areas, there are certainly benefits to doing so. Because these busi-

nesses usually work harder. Finally, a company that develops joint enterprises will cultivate the company image and gain international recognition, thus further boosting returns.

The BOC report outlines these potential gains, but it also warns of some difficulties in applying the model to real life. While it does seem feasible, the socioeconomic impact of the model is limited by the number of companies incorporating it into their operations framework. BOC committee members believe that before their model can have a powerful effect, it must reach "critical mass," with a sufficient number of corporations following its guidelines. The success of the model also depends on the assumption that joint business ventures are based on a relationship of equality between partners. If these relations are not rooted in an equal and honest alliance, the ventures may not succeed in alleviating the antagonism. Daily commercial interaction alone does not guarantee a peaceful coexistence, either. Widespread strife in the Middle East is largely a result of religious and cultural differences, which businesses may be hard-pressed to overcome.

Back to Reality

The latest spiral of deterioration in Israeli-Palestinian relations shows how far this theory must go to be able

precipitated this downward path in Israeli-Palestinian relations will now be in charge of peacekeeping.

Clearly, the social benefits of joint ventures have a limited scope; they merely touch their local communities. But the failure of peace talks and negotiations only serves to emphasize that politics are not sufficient, and that the BOC model may indeed be one of the better ways to guide the Middle East and similarly troubled regions to peace.

The emergence of the BOC and joint-venture companies signals a shift in the understanding of business and the purpose it can serve. Corporations such as Barilla, SDC, and PeaceWorks have begun a movement toward socially conscious enterprise that is much more dynamic and integrationist than any in the past. These companies illustrate that this duality of motive—of profit and peace—is beneficial to all parties involved. That the products of some of these companies already appear on the store shelves of far away places, from Israel to Puerto Rico, attests to, at the very least, the potential economic success of cooperation. With the support of international leaders and organizations such as the WEF, the BOC model gains credibility, but the realization of the ultimate goal of peace remains, for now, largely theoretical. ■