

**Local Business, Local Peace:  
the Peacebuilding Potential of the  
Domestic Private Sector**

**Case study  
Sri Lanka\***

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The logo for Sri Lanka, consisting of the text "Sri Lanka" in a bold, orange, sans-serif font, enclosed within a thin orange rectangular border.

**Sri Lanka**

## **Sri Lanka: business as an agent for peace**

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There is increasing recognition that business needs to play a positive role in conflict prevention and peacebuilding in post-conflict scenarios. Despite the identification of the private sector as a factor in conflict, there has been little effort to engage international and local businesses in catalysing and supporting peace processes.<sup>2</sup> This is often due to the fact that international and local communities tend to highlight instances where economic activities benefit from, or contribute to, conflict creation and escalation. There has been insufficient research into examples where business actors play a more positive role in pushing peace processes forward.

This report examines the relevance of existing literature on business and conflict in the Sri Lankan context. It also presents the findings of research into the existing role of business in conflict prevention and peacebuilding activities in Sri Lanka in the light of broader corporate social responsibility (CSR), a concept that is relatively new to the country but attracting increasing attention. It presents two business-led peace initiatives that have gained significant momentum in the last few years: the Sri Lanka First campaign, a peace advocacy initiative by Colombo-based big businesses; and the Business for Peace Alliance, an island-wide network of regional Chambers of Commerce that facilitates contacts and confidence building between province-based businesspeople across the country.

In order to generate broader learning from these cases and the wider business community's attitude to peace and conflict, research was carried out to gauge business opinions on broader social issues requiring urgent attention; impacts the conflict has on the business community; who in Sri Lanka carries responsibility for peacebuilding; and what factors motivate businesspeople to engage in peace interventions.

The research was carried out through an initial desk-based review of relevant secondary sources. This was followed by a series of qualitative, structured

interviews with selected informants, including 20 representatives from large, Colombo-based businesses, and 10 business representatives from the provinces of Galle, Kandy and Trincomalee. Finally, a quantitative survey was carried out among the owners or managers of 150 small to medium-sized businesses in Colombo. Of the survey respondents, 63.3 percent were Sinhalese, 12.7 percent Tamils and 24 percent Muslims. The size of the workforce in each business ranged from one to 21, with an average of 4.3 employees per company. The type of business ranged from retail shops, communication and video centres, jewellery shops, small restaurants, textile shops, manufacturing shops, small pharmacies, hardware shops and different informal services. A large 68 percent of the small businesses employed only workers from their own ethnic community; 25 percent had workers from two different ethnic communities; and only 7 percent employed workers from all three ethnic communities. Finally, a number of key informants' interviews were conducted throughout the research phase to enrich the analysis. Key informants were selected for their active involvement in conflict studies or advocacy, and their academic background.

Sri Lanka is located off the southern tip of the Indian subcontinent. National statistics indicated a population of 19.4 million people in 2004.<sup>3</sup> Sri Lanka contains an ethnic majority of Sinhalese, comprising 81.9 percent of the population; a Tamil minority of 9.4 percent; a Muslim minority of 8.1 percent; and smaller percentages of other minorities. In the years after independence from Britain, Sri Lanka built a reputation for high social indicators in terms of literacy, life expectancy, fertility decline and low infant mortality.<sup>4</sup>

Nowadays, Sri Lanka is beset by a number of political and social conflicts, characterised by a high degree of violence and sustained political instability. Armed insurgencies, orchestrated state terror and a separatist struggle have taken their toll on the country's social and economic fabric, undermining its developmental achievement. In addition, Sri Lanka is one of the countries most affected by the tsunami on 26 December 2004, with 31,000 lives lost, over 4,000 people reported missing and 550,000 people made homeless. The tsunami brought about immense human suffering and destroyed a massive volume of physical property, along more than two-thirds of Sri Lanka's coastline.

### The conflict in Sri Lanka

Sri Lanka has been scarred by violent conflict over three decades. Insurgencies against the state occurred in the south in 1971 and again in 1988-89, led by rural Sinhalese youth from the militant Janatha Vimukthi Peramuna (JVP). The state reacted brutally, with the result that close to 60,000 people were 'disappeared' during the insurgency.<sup>5</sup> The JVP was later brought into the political arena and now

plays an active role. In the northern and eastern parts of Sri Lanka, the Liberation Tigers for Tamil Eelam (LTTE) have staged a separatist struggle since the early 1980s. Both these conflicts are articulated as reactions against the state as a result of policies perceived or experienced as unjust and discriminatory.<sup>6</sup>

Nonetheless, the conflict between the LTTE and the government is also referred to as an ethnic war. The issues leading to armed violence by Tamil groups were the adoption of Sinhalese as the official language in 1957, making it a prerequisite for state employment; the issue of land and state-aided Sinhalese colonisation of Northern and Eastern provinces; the redrawing of borders of districts where Tamils were a majority; and state supported violations of the human rights of Tamils following the killing of 13 soldiers by the LTTE in 1983.<sup>7</sup>

For two decades, the state mainly sought a military solution to the conflicts with the result that the military balance of power became increasingly important. As of now, much of the interior of Northern and Eastern provinces is under LTTE control, with the exception of Jaffna, while the government controls the coastal areas, excluding Killinochchi and Mullaitivu districts. A third ethnic community, the Muslims, became politically significant following their forced displacement in the 1990s and has begun to play a more significant role in the political process.

Direct peace talks failed in 1995, but a ceasefire was signed in 2002 with the mediation of Norway. Peace stalled again in April 2003 over differences regarding the extent of self-governance to be extended to the north and east under LTTE leadership. There have been ceasefire violations by both parties, but especially the LTTE, which is reportedly rearming. Despite these challenges, both parties have upheld the ceasefire agreement, notwithstanding the change in political leadership in April 2004.

Shortly before this, a group led by an Eastern province commander seceded from the LTTE, citing regional discrimination within the movement. This led to increased tensions in the east and sporadic battles between the two groups took place in 2004. Although the rebel group disbanded, Eastern province continues to suffer targeted assassinations, random killings, grenade explosions and occasional armed skirmishes.

The new government, a coalition between the People's Alliance (PA) and the JVP, exploited widespread resentment regarding economic reform and the peace process during 2004, weakening a national commitment to the ceasefire and the resumption of peace talks. The recent tsunami and highly charged discussions over mechanisms for the distribution of aid contributed to a worsening of relations between the government and the LTTE. Up to the time of writing, the situation has continued to deteriorate since the November 2005 presidential elections.

The two conflicts have led to much suffering and destruction at local and national levels. While people continue to be emotionally and socially distressed by conflict-related incidents, the economic and material aspects of these experiences are a primary source of anxiety.<sup>8</sup> Social and community relations have suffered from a pervading sense of insecurity, disruption and vulnerability as a result of the development of new categories of people, disruptions to former groups and the strengthening or weakening of links between groups.<sup>9</sup> The conflict has eroded the political, social and legal rights of all Sri Lankans.<sup>10</sup> It has also resulted in damage to physical and social infrastructure; lost economic opportunities; withdrawal of investor confidence; the diversion of national funds from development to military purposes; the loss of cultivable land and other resources; and the displacement of large populations many of which now rely on relief.<sup>11</sup>

The tsunami impacted on the balance of power by stabilising a government on the verge of bankruptcy in December 2004 through an influx of aid money and materials.<sup>12</sup> The northeast was worst hit, accounting for over two-thirds of the total deaths and 60 percent of displaced persons, compounding the longstanding negative effects of the conflict. Though the overall, economic impact of the tsunami is expected to be marginal, poverty and deprivation in the affected and adjacent areas can be expected to rise.<sup>13</sup>

The tsunami, therefore, opened up new threats to the fragile ceasefire agreement, first by prioritising tsunami-affected communities – though they live side-by-side with unaffected but very poor, conflict-affected communities – and secondly, through the return to more centralised modes of governance in both the government and the LTTE's dealings with rehabilitation efforts. This runs counter to the policy of strengthening local and regional capacities, an important requirement for the proposed political solutions to ethnic conflicts.<sup>14</sup>

### Economy of Sri Lanka

Sri Lanka was the first South Asian country to adopt economic liberalisation policies in 1977 as a result of widespread discontent with the state-controlled economy.<sup>15</sup> The government liberalised foreign trade and exchange controls; and administered pricing systems and interest rate ceilings. Despite this early start, however, the reform process has been *ad hoc*, fitful and suffers from a lack of long-term perspective.

Although the export-led growth model gradually shifted to the promotion of private sector-led growth from 1977-94, the latter lacked any clear, consistent signal from subsequent governments. Little was done to address fundamental issues, such as loss-making public enterprises and a highly bureaucratic administration. The lack of a clear signal to the private sector about the extent and nature of policy reforms, as well as the inconsistency of these policies, resulted in an uncertain environment that

the Central Bank of Sri Lanka considers more harmful than not having any reforms at all, in terms of labour costs and productivity.<sup>16</sup>

Since 1995, there has been a continuing emphasis on privatisation and restructuring, partly through the conditions tied to international aid. However, attempts to privatise and restructure public enterprises have been challenged by the trade unions during the last five years.

The Central Bank recognises that the tsunami has changed the macro-economic outlook and poses new challenges in the shape of reconstruction and the provision of relief.<sup>17</sup> Economic growth in 2005 suffered, albeit marginally, since the tsunami mainly affected fisheries and tourism. Their impaired contribution to GDP is partly compensated by increased rebuilding. The Central Bank estimates the total damage of the tsunami at around \$1 billion (4.9 percent of GDP), while the three-year reconstruction programme is expected to yield around \$1.8 billion (8.9 percent of GDP).<sup>18</sup>

#### Annual GDP and growth rate

Sri Lanka's economy registered growth of 5.4 percent in real GDP in 2004, compared to 6 percent in 2003 (see Table 1). Growth was supported by exports, consumption and investment, and the continuation of the ceasefire. The deceleration in growth from 2003 is attributed to the poor performance of agricultural sub-sectors and electricity generation, as a result of adverse weather and outdated infrastructure. The average inflation rate showed a 7.9 percent increase in 2004.<sup>19</sup> The main sectors of the economy are services, industry and agriculture.

**Table 1 – GDP growth rate 1990-2004**

1990	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
4.6	4.3	6.9	5.6	5.5	3.8	6.3	4.7	4.3	6.0	-1.4	4.0	6.0	5.4

Source: Central Bank of Sri Lanka, 2004

#### Employment and the labour force

The labour force consists of 7.3 million employed and 0.7 million unemployed, yielding an unemployment rate of 8.5 percent.<sup>20</sup> Women dominate the workforce of the main exports of tea, garments and labour (maids), which contribute over 90 percent of Sri Lanka's total foreign exchange.

In 2004, unemployment among men stood at 6.3 percent and 13.2 percent for women.<sup>21</sup> Unemployment in the 20-29 years age group was 19.7 percent and 30.6 percent for those aged 15-19 years. Unemployment rates for those with GCE A-level and above were 18.2 percent.

With around 71 percent of all unemployed in Sri Lanka aged 14-24<sup>22</sup> and nearly half of youth between 15-29 unemployed or looking for a job,<sup>23</sup> the socio-political stability of Sri Lanka depends on the quick and effective implementation of youth employment policies.

### Regional distribution of GDP

Western province contributed 49 percent of GDP in 2004, in line with similar figures for the past decade (see Table 2).<sup>24</sup> Economic activity is concentrated in the west as a result of its better social, economic and physical infrastructure. Regional disparities in GDP contributions relate to inequalities in the provision of roads, electricity, telecommunications and other facilities. In fact, a provincial disaggregation shows that only Western province exceeded the per capita threshold of \$1,000 and that per capita income in some provinces is still below the \$500 level.

**Table 2 – Share of GDP by province 1990-2000**

	1990	1992	1994	1996	1998	2000
Western	40.2	41.4	41.9	43.5	45.0	49.4
North-Western	11.1	9.9	9.8	11.3	12.0	10.4
Central	12.1	11.8	11.7	10.6	10.3	9.9
Southern	9.5	9.6	9.6	8.9	9.2	9.3
Sabaragamuwa	8.1	7.6	7.8	9.1	6.7	6.7
Eastern	4.2	4.7	4.5	4.8	5.5	4.5
Uva	8.1	7.6	7.8	5.0	4.9	4.0
North Central	4.8	6.0	6.3	4.5	3.6	3.8
Northern	4.4	3.6	3.2	2.4	2.8	2.1

Source: Sarvananthan, M. (ed.) (2005) *Economic Reforms in Sri Lanka: Post-1977 Period* (Colombo, Sri Lanka: International Centre for Ethnic Studies).

Such geographical inequalities have serious social implications. These disparities, and the consequent perceptions of structural discrimination, appear to have been significant contributory factors in the armed conflict and insurgencies in the northeast and south.<sup>25</sup>

### Conflict impact on the economy

The armed conflict in the northeast severely impacted on the ability of Northern and Eastern provinces to contribute productively to GDP.<sup>26</sup> Since 1990, both provinces also suffered from a devastating economic embargo. Given that the region is predominantly agricultural, with an emphasis on food crops, livestock and fisheries, the embargo severely curtailed activities related to essential food items, medicines and agricultural

inputs. Furthermore, fishing permission was restricted to specific times and distances from shore for security reasons. In addition, illegal taxation and extortion by the LTTE, as well as corruption in the state structures, contributed to declining productivity.

The armed conflict has led to enormous economic losses at a national level in quantitative and qualitative terms. Based on purely economic costs, a systematic analysis in 2000 estimated the accumulated cost of war up to 1996 at around \$12 billion at 1996 prices (168.5 percent of GDP in 1996).<sup>27</sup> In making their analysis, the authors included direct and indirect costs. The direct costs include military expenditure by the warring parties, the cost of lost infrastructure and government expenditure on humanitarian relief. The indirect costs include lost income due to foregone investment, reduced tourist arrivals, lost human capital (dead, injured and displaced), lost foreign investment and the output foregone in Northern province.

There is increasing recognition among different stakeholders that the economic and social costs of conflict have to be reversed, and that this is a collective responsibility. While the state has to ensure conditions for further economic growth, the private sector, as the main engine of growth, needs to support the growth process. However, political instability complicates the definition of consistent policy strategies; at present, there are new elections every two years or so (and changes in the lines of responsibility for policy). This does not bode well for policy stability or a predictable operating environment in which business can flourish.

### Conflict impact on the private sector

Most Colombo-based big businesses interviewed for this report are of the opinion that the conflict affects the long-term development of businesses for several reasons. Firstly, it restricts their strategies, objectives and plans, and this has global and local consequences. Globally, foreign investments are hit by reduced business confidence. Equally, it negatively impacts the image of Sri Lanka's economy and foreign investors are likely to regard the country as high-risk.

According to capital-based businesses, provincial enterprises, especially those in the conflict-affected regions, are impacted differently by the conflict. Not only do they miss out on potential technology transfers and shared development, many have also adapted to the conflict and set their mode of operation to survival, rather than growth. Roadblocks, damaged roads, economic embargo and lack of demand for fast-moving consumer products have reduced the growth potential for businesses in conflict-affected areas.

Unsurprisingly, businesses in the south and east have different ideas about how conflict affects their activities. Southern businesses conceive the link in terms of the



risk stirred up by partisan politics, while eastern businesses identified a number of structural issues that compounded to make their activities more immediately vulnerable to the conflict and peace processes. Specifically, Tamil businesses are not seen as neutral, leading to differential treatment by police and military groups that hamper their operations. For example, there have been cases where Tamil businesses, though neutral in the conflict, are unable to claim insurance for damaged goods or property following ethnic attacks as a result of being denied police reports. Furthermore, the police had done nothing to prevent or contain the violence, with the result Tamil businesspersons continue to live in fear.

Both business communities recognised the cycle of poor investment in regional economic growth (including inadequate education), increasing unemployment and frustration among young people, and the heightened risk of violence, leading to even less investment. This was emphasised more by eastern business representatives, who pointed out that Trincomalee has considerable potential as a business centre, has the third largest harbour in the country and is a fairly cosmopolitan town; nonetheless, not a single commercial ship had visited in recent years. Lack of investment was perceived as a reflection of the discriminatory practices of the central government in Colombo. One businessperson from Trincomalee noted: “People who have enough money do not invest in Trincomalee because of the conflict risks, while people who live in Trincomalee and may be willing to invest in their town, do not have access to money for investing, such as loans.” He noted that with the increased tension, even NGOs were afraid to invest in Trincomalee.

### Private sector role in conflict

Little is known about the economic opportunities opened up by the conflict context, from which some actors clearly benefit. One rare study analyses how the LTTE successfully established different strategies by which to generate funds for their activities; namely, engaging in direct and indirect forms of coercion to obtain financial contributions from Tamil families and businesses; utilising international links with migrant Tamil communities; and conducting quasi-legal and illegal activities.<sup>28</sup> Apart from the LTTE, some businesses have benefited from the conflict by procuring arms, importing other equipment or purchasing aircraft. Both informal and extra-legal business activities flourish in a conflict context when there is less monitoring to ensure that businesses operate within established rules of ethics and transparency.

While it was generally acknowledged that businesses could contribute to conflict creation or escalation, there has been little research analysing these linkages in Sri Lanka, making such allegations difficult to verify. The majority of company representatives from Colombo conceded that common business practices such as discrimination played a large role in how businesses can create conflict, through

reinforcing structural dynamics, even unknowingly. At the same time, discrimination was related to the broader marginalisation experienced by some people in society, and it was noted that if businesses did not provide equitable opportunities for all, this could escalate or legitimise conflict. They recognised that the way businesses approach or operate in a given conflict or peace situation could heighten or defuse social tensions.

Eastern business representatives strongly supported this view, but related it more to the monopolies of specific ethnic groups over certain sectors and industries. An often cited example of this is the transport monopoly held by Sinhalese in eastern Sri Lanka as a result of their political links in Colombo. When members of the Muslim community introduced alternative services, the Sinhalese damaged their vehicles. It was also noted that the president of the Trincomalee Three-Wheeler Association is Sinhalese, although 80 percent of three-wheeler drivers are Tamils, 15 percent Muslims and only 5 percent Sinhalese. The appointment was allegedly made because, as a Sinhalese, the president would find it easier to negotiate with the police and other authorities. It was a shared opinion that politicians favoured and protected one sector of the community in order to secure their voting block. The same accusation was levelled by some groups at the LTTE as a parallel authority controlling the business environment in parts of the country.

## Business and society in Sri Lanka

### Corporate social responsibility in Sri Lanka

Domestic businesses' potential to play a positive role vis-à-vis conflict depends on the way they relate and contribute to society more broadly. Clearly, where businesses display social awareness and are perceived as doing so, they are more likely to be accepted as peacebuilding actors by wider society. By contrast, if their reputation is tarnished they will face mistrust from the wider population and have limited space in which to act. Sri Lanka has a long history of corporate philanthropy, which has been led by individual conviction rather than formal public relations or social responsibility policies. Over the past few years, in keeping with global trends, such activities have been re-conceptualised as 'corporate social responsibility' (CSR). CSR remains a diversely understood term, however, and it is unclear how most companies implement their CSR activities.<sup>29</sup> Without statutory compliance, one cannot be certain that the CSR activities claimed by companies actually take place in a meaningful way, or to the extent reported. Likewise, the relative insignificance in Sri Lanka of socially responsible investment and ethical consumption in the mass market mean that there is not much pressure on companies to adopt CSR policies, activities and monitoring mechanisms.

Nevertheless, the language of CSR is being increasingly used. The *Lanka Monthly Digest* has published a comprehensive overview of the CSR practices of major

companies that identified a wide array of activities, including sports, environmental awareness campaigns, English language classes, educational institutions, helping handicapped and disabled people, uplifting the rural economy through support to village-based projects, helping victims of natural disasters and youth entrepreneurship programmes. Only one company was involved in an island-wide approach (to support the creation of child-friendly pre-schools) and only one mentioned a particular employment policy ('employing disabled people').<sup>30</sup> In an opinion survey carried out in 2004, business leaders identified several roles they can play in the betterment of society.<sup>31</sup> Supporting developmental activities in poverty alleviation or social services (32 percent), providing employment or job training (22 percent) and funding religious activities (17.7 percent) were the leading roles identified.

One prominent corporate leader has pointed out that the increase in CSR activities is a direct response to the increasing problems Sri Lankan society faces. "In Sri Lanka the tremendous interest in CSR (in recent years) has been accelerated due to the alarming volume of social and environmental ills that plague the nation."<sup>32</sup> If true, this may mean that companies' currently uncoordinated use of CSR may serve as a useful vehicle for addressing issues pertaining to conflict.

### Business perceptions of peace and conflict

This study looked at the perceived links between business, conflict and peace. To do this, a number of questions were asked about the causation of, and solution for the ongoing conflict; concepts of peacebuilding and conflict prevention; mutual impacts of conflict and business; and the main groups responsible for leading peacebuilding efforts in the country. These were accompanied by questions about the business community's broader social concerns. As illustrated below, many of the social concerns identified overlap with conflict issues.

Colombo-based, southern and eastern businesses differ greatly in terms of the issues that are of most concern to them. Each reflects the specific context in which a business has to operate, as well as variations on the broader themes with which businesses have to grapple.

#### Political instability

The most commonly articulated issue of concern among Colombo-based, big business is increased political instability, which influences the predictability of long-term macro-economic policy and results in mixed signals about their economic role. For most Colombo respondents, this meant that the enabling environment was constantly in flux, discouraging them from investing fully and forging ahead with expansion plans. By contrast, for southern businesses the lack of political stability has translated into

increased tension between political parties at the village level, especially recently. Both southern and Colombo-based businesses accused political actors of neglecting the country's greater interests and failing to provide proper leadership.

A closely related issue was that of the importance politics has acquired in society. "The politicisation of everything," said one Colombo respondent, "has brought down standards in the society and is creating further conflict." One southern informant made a more serious allegation, noting that the government was playing two different roles and did not clearly define its political stand on important issues, thereby creating a situation where 'things could get out of hand, and become dangerously unstable'.

### **Deteriorating security and escalating violence**

In the east, all business leaders related the problematic political dimensions to the deteriorating security situation and the rise of violent conflict in their region. A specific issue cited was the refusal of all political parties to accept any individual, group or entity as 'neutral'. Because of the presence of almost all conflict stakeholders in the Trincomalee region, all political parties tended to make demands on the business sector in the form of favours. These ranged from financial contributions, to political rallies, to the use of property or other company services. If the demands of any one party were met, even under duress, other parties were likely to look askance at that business, negatively label the individual or entity, or increase their own demands. This created great tension in business communities in conflict-affected areas. Colombo-based businesses, at least, retained the luxury of withdrawing from a region if such demands were made, or if their neutrality were compromised.

Another issue that raised concern in the eastern business community was the parties' increasing calls for *hartals*, or politically motivated strikes. These affected the movement of goods and services, as well as reducing economic productivity. An additional issue was the patronage afforded to some communities in the east, but not to others. Some ethnic communities in the fisheries sector were said to enjoy beneficial links to ministry-level personnel in the capital. These communities actively discourage other communities from developing such linkages. Also mentioned was the monopoly of certain transport sector businesses by particular ethnic and/or regional groups.

### **The 'ethnic problem'**

Only two Colombo-based companies cited the 'ethnic problem' as an issue generating concern for the business community, and none of the southern companies did. However, in Colombo, the ethnic problem was linked to rising intolerance, demonstrated by the emergence of extreme nationalistic movements, and discrimination and tension along religious lines. One company mentioned the loss of skilled human resources following the emigration of many Tamil professionals after the 1983 riots.

Asked whether small businesses in Colombo had experienced any forms of discrimination that led to violent conflict between communities in their area, 36.7 percent of respondents answered in the affirmative. Delinquency, competition and unfair favouritism against businesses owned by ethnic communities were cited as examples. Nearly half of respondents (49.3 percent) knew of tensions in their area that could lead to violent conflict in future. This suggests that there may be potential for business perceptions at a local level to serve as indicators for increased threats of violent conflict.

### Breakdown of law and order

The breakdown of law and order, and the rise of corruption were also mentioned as serious problems by Colombo-based and southern businesses. While most did not articulate how the breakdown of law and order directly affected their activities, it appeared that the limited efficiency of justice and failure to uphold the law had reduced the protection offered to businesses, while increasing their costs. Southern businesses noted that the lack of enforcement of rules and regulations meant that there was uncoordinated competition by unregistered businesses and lack of appropriate economic information on the region. They felt this led to increased frustration and tensions in southern society. One Colombo-based company noted that one of the indirect effects of the breakdown of law and order was the loss of faith in the system, resulting in passive yet restless Sri Lankans who were indifferent to development and economic growth. Some businesses openly accused the administration of corruption and its deleterious effects on their activities, without elaborating on instances or specifics.

### The conflict: causes and solutions

The dominant perception of the main cause of conflict is the inadequacy of the political leadership over the last 20, even 60 years, according to Colombo-based and provincial informants. These inadequacies were categorised as: failing properly to understand the situation and social context when they first arose; failing to address the social issues in time; introducing discriminatory regulations such as the Sinhala Only policy, which forged a Sri Lankan identity as Sinhala Buddhist in spite of the multi-ethnic population; focusing on short-term political advantages; and lack of courage to 'do the right thing'. It was noted that the causes of conflict may have changed or evolved over the years, adding new grievances and shedding old ones. Similar perceptions were dominant among small business owners in Colombo: 56.5 percent perceived politics or politicians as the main cause for conflict in Sri Lanka; 30.5 percent linked the conflict to politically instigated ethnic discrimination; and 3.4 percent blamed economic problems. Among this sample there was hardly any awareness of the socio-economic roots of the conflict.

With regard to solutions, the most strongly articulated was to ensure equal rights,

opportunities and access for all citizens of the country. “It does not matter when we came here, or from where,” said one informant. “We are all here now, so what are we going to do to live together?” The second, most common solution was to build trust, interaction and communication between different groups. One informant suggested the following format for resolving the conflict: “First, the two major parties should bury their differences and work together. Then all (stakeholders) should sit together and come up with a joint proposal (rather than giving proposals to each other), which meets the aspirations of all (the Tamils, Muslims and Sinhalese). This should then be discussed with the country. Then all should have the will to carry out the articulated stand.” Interestingly, a few respondents from the south and Colombo suggested that an alternative solution was to have a strong, but benevolent, dictatorship.

### Peacebuilding

While many Colombo-based businesses understood the conceptual aspects of peacebuilding, provincial businesses mentioned specific activities as promoting peace. For most Colombo-based informants, peacebuilding is related to the development and promotion of understanding, trust, confidence, respect and tolerance among different communities. This was seen as especially important between people of different ideologies because people in general fear difference. Southern businesses similarly saw peacebuilding as a matter of exchange programmes, learning others’ languages and increasing contact with the ‘others’ in such a way as to increase interaction and understanding.

It was important to recognise, one company representative said, that ‘this is not a rational state of thinking, but rather involves the heart and enduring personal growth’. Another representative further clarified that it was the development of a unified identity where religion and ethnicity do not feature that would build peace – in this case, a sense of accepting all ethnicities and religions as ‘Sri Lankan’ and representative of Sri Lanka. It was noted that Sri Lankans had much ‘unlearning’ to do; firstly, to reverse racist thinking, and secondly to reverse the cycle of violent behaviour.

Many bigger, Colombo-based businesses (unlike the small business sector) identified peacebuilding with economic and social development to help redistribute resources and wealth in such a way that discrimination and marginalisation would be eliminated. Conflict in this case was linked to the ‘three Ds’: discontent, discrimination and division. As one informant stated, it is important that each individual has an equal chance of achieving success, determined by his or her own capacities and limitations. Other representatives echoed this sentiment somewhat differently. Peace was seen as a product of many things, but most prominently, of justice and fair play for all citizens in society, which could only be ensured by a strong, independent civil system. If justice is absent or inadequate, it was noted, people are likely to take matters into their own hands.

At the same time, some informants severely criticised the current situation of ‘no-war-no-peace’. While unsure precisely how to restore peace, they argued that Sri Lanka needed to develop a widely shared vision and meaning of peace; it appears that different people in different regions currently share very different ideas of what peace means. With regard to the small entrepreneurs in Colombo, nearly one third of respondents (30.9 percent) described peacebuilding as a process that promotes ethnic harmony between communities. Other prominent answers looked at ending the war (23.7 percent) and ensuring equal rights (17.3 percent) for all.

### Conflict prevention

Almost all business representatives, regardless of where they were from, related conflict prevention to a three-step process: an innate understanding of the root causes of conflict; mechanisms by which to anticipate potential conflict and violence; and acting to address or eliminate them before they reach a peak. However, many Colombo-based informants qualified this three-step process by stating that the mechanisms to anticipate conflict, as well as the actions to avert it, would have to be acceptable and accessible to all individuals and communities in society. In addition, they agreed that people needed to be aware that their actions could serve to escalate or defuse potential conflict. Many southern and eastern business representatives noted an additional component to conflict prevention – stopping the killing in conflict-affected areas. It was unclear whether the killings referred to were targeted at any particular community, or to both of them.

Eastern businesses had concrete suggestions regarding conflict prevention that had to do with discriminatory practices. These included dismantling indirect support for continued violence, such as the patronage of certain communities by the political elite; an end to the promotion of communalism as the primary political strategy in the wake of elections; and the promotion of democratic culture in the east. As a specific example of the first suggestion, one informant noted that the recent riots arising from the construction of a statue of the Buddha in the middle of Trincomalee town resulted from assurances by particular political parties to the organisers that the police would not intervene. With regard to the lack of democratic procedure in the east, one business representative noted that neither the government agent nor the urban council chairperson were local individuals.

One business representative was pessimistic about the possibility of conflict prevention in the current political, social and economic climate of the east. Despite this, it was heartening to note that almost all informants apparently preferred peaceful means of conflict resolution, through dialogue and discussions, to military solutions.

### Responsibility for conflict prevention and peacebuilding

Almost all informants believed that the primary responsibility for peacebuilding lay with the government and political parties, including groups such as the LTTE.



However, one company representative observed that the government lacked the capacity to lead peacebuilding and conflict prevention. Another pointed out that trust in government had declined considerably, diminishing its ability to fulfil this responsibility. Respondents acknowledged that other groups in society carried significant, but not primary, responsibility for peacebuilding. Civil society actors, village and community leaders, business representatives – especially of businesses with a record of good corporate governance – NGOs, academic and professional actors, community groups and charities were all identified as having some responsibility for peacebuilding. However, southern respondents noted that civil society actors were often perceived as biased and would need to demonstrate their sincerity by working transparently in all parts of Sri Lanka, while all three business communities considered academics and intellectuals appropriate peacemakers. Religious entities were also considered responsible for ensuring a peaceful society.

The high expectation that the government and political leaders will spearhead the peacebuilding process confirms other research that shows that the sentiment runs across Sri Lankan society. However, it is noteworthy that small businesses see religious leaders as significantly important actors, as well as media personnel. This might be important for future strategic alliances with the business community. Big business, on the other hand, ranks at the lower end of perceived suitability. However, it is interesting that twice as many Tamil respondents as Sinhalese or Muslim mentioned that big business should be more responsible for peacebuilding.

Some company representatives felt that responsibility for conflict prevention was shared equally between all actors, including individuals, civil society groups, political parties and the government. As one representative explained, different actors had different strengths with which to ensure a peaceful society: the state, because it was elected; the private sector, because it has the means; and civil groups, because they are able to educate people ‘out of their racist ideologies’. Peacebuilding, according to this small group, is a joint endeavour. “We act as though it’s the job of the government, political parties and military forces to ensure peace,” said one. “But it’s not, it’s ours.”

## Factors influencing business engagement in peacebuilding

### Motivations for business peace interventions

Many Colombo-based and southern businesses said it was recognition of how social issues impacted on the bottom line that motivated business leaders to commit to such endeavours. Businesses would only consider peacebuilding as an option if it were in their self-interest. With more foreign investment, new markets would open up, as would new resources for business utilisation. A few mentioned that engaging in peacebuilding initiatives was a matter of building corporate image and generating goodwill.



The ability to develop inter-regional linkages and thereby expand business opportunities was a motivating factor for some southern businesses. One respondent noted that linkages for the expansion of business required trust and friendship between different groups. Conversely, another interviewee said that economic linkages between regions could promote trust and friendship after a long separation. According to most eastern respondents, businesses were not more evidently engaged in peacebuilding due to a lack of motivation, being reluctant to become involved in the complicated and potentially dangerous politics of peacebuilding, or conflict-related interventions.

Some businesses were described as having a greater interest in peacebuilding because of the opportunity costs that the current conflict situation imposes. For example, businesses involving consumer or retail activities, or those that depend on the regular movement of goods and services are more likely to have a greater stake in peacebuilding. In the south, tourism businesses were seen to have a significant interest in promoting peace. Similarly, government and quasi-government companies were seen to have a greater interest in peacebuilding and conflict prevention.

Some types of businesses were considered more eligible to engage in peacebuilding activities. For instance, businesses that had long-term relationships with customers, such as banking, insurance, and education, are in a better position to change their customers' mindset. Additionally, businesses that create employment opportunities may be in a better position to influence people and the government. One respondent recognised that businesses that profit from the conflict, either directly or indirectly, are likely to undermine the peace process. Nonetheless, all representatives from the south and east agreed that only big businesses had the ability to influence the government from their dual advantage of both being located in Colombo and significant players in the economy.

### **Risk factors for business peace interventions**

Almost all companies agreed that there were risks for businesses that engaged in peacebuilding and conflict prevention. Because these are areas close to people's sense of identity, justice and morality, there was great potential for misunderstanding, misrepresentation and misinterpretation. Businesses might find they were accused of supporting a particular, political view at a time of instability in government. This was considered a heightened risk in conflict-affected areas because of the presence of all political parties, and an alleged lack of neutrality. Any accusation could lead a company or its representatives to being physically targeted by groups within or outside government. Government officials who misunderstood the intentions of a business could also make it hard for it to operate by imposing administrative, security and bureaucratic obstacles. There was also the danger of public stigma, thereby damaging the image or reputation of the company, or worse, eliciting the wrath of nationalist, extremist or militant groups.

Asked what problems they might face if they supported peace initiatives, members of Colombo's small business community mentioned political problems (42.9 percent), leading to trouble from politically controlled 'thugs'. Another 39.1 percent feared negative reactions from neighbours or other business members with more racist opinions. 'Problems with the business', mentioned by 11.1 percent of respondents, overlap with the first two statements. The fear that negative publicity could impinge on their businesses was of major concern for small firms with few reserves to cope with additional economic burdens.

Two respondents claimed that the risks only existed if one failed to plan sensibly to minimise them, and offered some ideas on how to do that. These included: doing market research to see if peacebuilding messages were going to be well received; planning the approach and strategy under informed conditions; and using the right mode of message delivery. They also recommended avoiding any appearance of using such initiatives for one's own benefit as this could be misrepresented. One means of minimising risk involved working collectively, being transparent and ethical, and combining peacebuilding messages with a stand for social development for all. In the east, many company representatives felt that peace was so important that some risk had to be taken by citizens to ensure peace.

### Other factors

Among Colombo-based and provincial businesses, there were diverse opinions on what factors might encourage them to participate or engage in peacebuilding or conflict prevention activities. The state featured strongly in their responses, with a clear government commitment to the peace process one of the most widely shared requirements. As one respondent said: "If all the parties agreed on the need for peace, it would be much easier [for us to support the peace process and peace activities]. But they have diverse agendas and then it is very difficult." Many businesses wanted only a stable government and stable directives to guide their participation towards peacebuilding and conflict prevention.

They also wanted appropriate mechanisms for business involvement. One respondent said that companies needed assurance that their peacebuilding activities would not be 'used' either by the government or any political faction. While some informants believed that the opportunity to expand into conflict-affected regions provided sufficient motivation, others were convinced that businesses would only undertake the risk if the government assured some level of basic security, or provided tax exemptions on the amount spent on peacebuilding, to businesses willing to assume the risks associated with conflict resolution.

Some Colombo-based companies feel that businesses could become engaged without state stability or intervention, if business leaders were to realise the gravity of the current political and economic situation, and its implications for their

activities. “When businesses are in their comfort zone,” said one company delegate, “they are not going to be active but, if businesses get affected, then they are likely to do something about this.” Financial incentives, such as knowledge about the opportunity cost of war or realising the economic benefits of peace, would motivate businesses to get involved in peacebuilding and conflict prevention, he added.

Other factors included: access to top decision makers; media support for peacebuilding activities; public support for such activities; more ideas on how businesses could get involved; seeing peers get involved; and more accurate information on the ongoing situation. At an operational level, one company noted transportation difficulties, lack of clearance into certain areas and the difficulty of obtaining approvals as factors that hindered the implementation of its current peacebuilding activities. For smaller provincial businesses, business viability played a role. In the east, security assurances were deemed vital.

#### Preferred involvement and leadership

Many Colombo-based participants from the corporate sector felt they had two possible bases from which to engage in peacebuilding activities. Business leaders already conduct charitable activities in an individual capacity, as members of groups like the Rotarians. Others were more activist, preferring to take stands on issues such as racism, discrimination and intolerance. Many informants said they would prefer to engage in peace interventions in a personal capacity rather than as a business activity. The reasons given were the time-consuming procedure of obtaining permissions from the company board, as well as protecting the organisation from fall-out if things go wrong.

A significant proportion of Colombo-based business believed there was clear advantage in conducting peace interventions through a corporate identity, though not many were willing to do so. A business-led intervention was seen to carry more credibility or influence, and could be part of a collective effort, thereby having a wider impact. A few felt they could conduct peacebuilding activities in both capacities, as there were ways to link the two spheres of influence. For example, a business executive could form, lead or join a collective effort for peacebuilding, while discouraging segregationist or war-mongering policies at work.

They could simultaneously encourage greater interaction between groups, support learning in the arts and culture of different communities, and set up different teams for sports and other leisure activities. However, east-based company representatives noted that there was greater risk at personal and business levels if they engaged in peace activities. They felt that CSR activities were more prevalent in the south than in the north and east because the kind of businesses that conduct such programmes are not prevalent in their areas and also because of the attached risks.

Among southern-based businesses, there was a distinct suggestion that peace interventions should never have a political flavour, but always be social in nature. Many felt that the profit motive would make peace interventions less genuine and more conditional, and a personal approach was therefore more appropriate. Big businesses were identified as the group most suitable to conduct peace interventions because of their resources and outreach.

There were diverse views on who should lead the business community in peacebuilding and conflict prevention initiatives. Some Colombo-based respondents said they would need to be representatives elected by their peers, while others believed that chambers of commerce were a useful platform for leadership. Others noted that the main sectors, such as services and industries, should lead the effort since they contributed substantially to the economy and were therefore in a position to influence significant actors in the peace process. Multinational companies were mentioned as possible lead actors since they could draw on their international experience. Others suggested that individuals with a low profile would be more effective in promoting peacebuilding initiatives. A few informants said that any company with integrity, belief in peace and strong leadership was in a position to engage. Island-wide efforts can only be achieved if different industries, strong in specific regions, are united.

Company representatives from the south felt that the time and effort required for peace interventions meant that only organisations with sufficient human and capital resources could lead initiatives. They noted that only businesses with a wide network were in a position to counter misunderstanding. The eastern-based businesses identified a range of potential leaders, but the majority were large employers, national chambers and the media.

### **Business initiatives in peacebuilding**

Having discussed the priorities, risks and opportunities identified by businesses themselves in addressing conflict issues, the report turns now to present two specific cases of business initiatives in peacebuilding. One is a peace-advocacy initiative by Colombo-based businesses, Sri Lanka First. The other is an island-wide networking and confidence-building initiative involving provincial chambers of commerce, the Business for Peace Alliance (BPA). The examples highlight the different approaches taken by big businesses seeking to influence the political level, and SMEs based in the provinces that focus on reaching out across the ethnic divide to strengthen a regional voice in Colombo-based policy processes.

## Sri Lanka First

Sri Lanka has long been seen as a country with steady economic growth despite a conflict lasting more than three decades. As a result, big business had little motivation to support peacebuilding initiatives. This changed with the bombing of Colombo International Airport in 2001 which, together with a crippling power crisis in the same year, demonstrated the vulnerability of key business sectors to the violence. The combined impact of the two events pushed the economy into negative GDP growth, the first time this had occurred in all the years of war.

As the economic costs of conflict became more evident, the pressure intensified on business to do something. For the first time, members of the Colombo corporate community joined in alliances to lobby for peace. The most prominent of these ventures was Sri Lanka First (SLF).

SLF was formed by a group of trade associations in the garment, tea, tourism and freight sectors and it was the first organised, high-profile campaign to mobilise citizens into supporting a call for immediate negotiations and a peaceful resolution to the conflict. Big business in Sri Lanka is almost entirely concentrated in the Colombo Metropolitan Area and is predominantly export-oriented. The Colombo Chambers of Commerce (CCC) represents some 500 of the country's biggest companies, which produce around 40 percent of national GDP. The SLF emerged from among members of the CCC in the latter half of 2001. The CCC has some influence at the government level and is also in a good position to lobby donors for funding development activities.

The emphasis of the SLF campaign was on raising public and political awareness about the economic costs of the war, and the social and economic benefits of a 'peace dividend'. SLF initiated a number of public demonstrations for peace, backed by a media campaign that lobbied for business to adopt practices that foster peace, but it stopped short of taking any political position in terms of solutions to the conflict. Its foremost task was to convince all parties to come to the negotiating table. The timing of the campaign was significant since it fell during the election of December 2001, and SLF-sponsored posters and press advertisements tried to influence voters towards supporting peace-oriented parties and candidates. This business-led advocacy helped to bring a pro-peace government to power.

After the signature of the ceasefire agreement in February 2002, SLF's lobbying activities largely halted, leaving the peace process in the hands of politicians. With the 'no-war-no-peace' situation bringing a degree of economic stability in the past few years, the Colombo-based business community has felt less need for more consistent activity. To inspire a core group of business leaders to re-engage as a

pressure group at a political level, International Alert brought the CEO of the South Africa Business Trust to Sri Lanka to meet business leaders. The visit generated the idea of an exchange visit by SLF to meet the personalities who had been so instrumental in the South African peace process. To this end, Alert facilitated a series of joint analyses with SLF and a group of 10 other business leaders to see how they might support the peace process. The participants identified two main challenges: the need to understand better how they could support the peace process and the need to show unified support for peace.

The delegation that visited South Africa in May 2004 included political players and journalists who, it was thought, could play a strong support and advisory role. It met a range of leaders critical to the South African peace process, including Rolf Meyer and Cyril Ramaphosa, respectively negotiators for the government and the African National Congress; and Theuns Eloff and Colin Coleman, leaders of the Consultative Business Movement which facilitated the political/constitutional dialogues central to the peace process. The meetings allowed for further exploration of South Africa's conflict-resolution experience and the development of ideas for the Sri Lankan context.

The trip provided delegates with a first-hand account of how business leaders responded positively to the peace process in South Africa and encouraged them to show a sectoral display of support for policies and programmes that move the process forward. It also instilled the participants with the confidence to address issues previously thought too risky, and created trust between them. As one participant noted: "Huge lessons were learned (in South Africa) ... Suddenly all Colombo's big businessmen realised the importance of taking care of the regions. The importance of forgiving and going forward – you don't have to forget. This was a big message for Sri Lanka!" Since its return, the group has remained focused and cohesive, meeting almost weekly. Their main objective has been to promote inclusiveness in the peace process. In South Africa they learned of the need for broad political support for a strong peace process.

The group has met individually with representatives of the political parties to understand better their needs and positions, and now hopes to act as a facilitator so that the parties can work toward reconciling their differences over the formal peace process. The visit led to a number of consultations with various political stakeholders in Sri Lanka and included visits by Sri Lankan business leaders to LTTE-held Vanni area. The political stalemate, however, has not led to a concrete response from either side, which may demonstrate that political solutions can only succeed if there is either interest in, or pressure to look for, alternatives to the existing conflict. In Sri Lanka, the actors on both sides were too preoccupied with their internal problems to take up new initiatives to reactivate the peace process.

## Business for Peace Alliance

The BPA was founded in November 2002 with support from International Alert and the UNDP. BPA is a working group of business members from the 17 regional chambers of commerce representing all Sri Lanka's provinces and ethnic business communities. Its objectives are to support reconciliation, business-to-business relationships across the ethnic divide and regional inclusion in the peace process.

It emerged from a lengthy process of consultation with individual chambers, identification of the appropriate individuals and trust building among the participants. "We had no business or personal connections with the south during the war," recalled one northern member at their first meeting. "The north sat on one side and the south on the other. We were a bit suspicious. There was a little friendship over tea, but we ate lunch separately. In those two days, we met many southerners. But soon after, we became friends. It was a real experience for us and the first time we started moving with southerners." Another member described how initial prejudices were slowly overcome and commonalities established. "It took time to understand each other's experiences. We had feelings that they were terrorists. Their appearance intimidated us. There was a feeling of anger that these people had caused such devastation ... but then we found that we could sit and talk with them. Within seconds, we realised there were common problems."

Individual members of the BPA are influential in the communities where they operate, and have access to politicians, officials, international organisations and other decision makers. They are, therefore, part of a network connected both to the grassroots and the top tier of society. They also have horizontal connections with the conflicting parties.

Regular bi-monthly meetings, facilitated by Alert and UNDP, combined with visits of each others' chambers across Sri Lanka, have created a strong spirit of fellowship that is already a significant achievement. Ongoing ideas for joint ventures and technology-transfer programmes between regional chambers are an indication that new relationship structures are being nurtured between northern and southern businesses, without interference from Colombo. In addition, friendship and high levels of trust have been built across the group at a personal level.

The BPA has convened 12 times at different locations throughout the country and launched a series of projects that combine private sector interests with peacebuilding:

- Business exchange visits between chambers in the rest of the country and the Jaffna Chamber of Commerce. The visits are intended to create cross-regional economic activity, as well as community and inter-personal understanding.
- Peace visits designed to replicate the reconciliation and cooperation that the BPA has provided to its own members. The BPA acts as a coordinator for



members of regional chambers who wish to make business and peace visits to other areas of the island. The visits always contain a business dimension, such as finding sectoral matching for investors, suppliers or distributors, but they also promote understanding and reconciliation.

- Training workshops focusing on topics such as communication and presentation skills, peacebuilding and CSR
- Coordination of the production of a directory of regional businesses that was distributed by the BPA in 2004, in conjunction with the CCC and the Federation of Chambers of Commerce and Industry Sri Lanka
- Acting as coordinators for local dialogue in the north and east that will identify economic and social development issues for the two regions
- Establishing a 'Peace Bridge' – an inter-regional trade and investment fair, promoting peace and including cultural and contextual sharing of food, music and cultural items
- In response to the tsunami, BPA member chambers have been supporting district coordinators in meeting local populations and communicating their needs to those responsible for rebuilding and planning.

Members of the business community also decided to become more vocal in their efforts to influence policy makers, particularly with to economic development and the challenges they face as provincial enterprises. The BPA has already had some success in this process. For example, the group lobbied the government to open a small and medium-enterprise (SME) bank with low interest loans, not reliant on collateral, to assist business and reconstruction. SME bank branches are now opening in Galle, Ampara and Jaffna. In another instance, the BPA successfully lobbied the government's Peace Secretariat to open an additional fishing channel on the Jaffna coast. It also lobbied for the A9 road to Jaffna to remain open 24 hours, rather than only in daylight. This road, which crosses LTTE-controlled territory, is an important supply route and the only land connection between the north and the rest of Sri Lanka. In the aftermath of the tsunami disaster the BPA lobbied (through its Colombo-based partner network, Sri Lanka First) that its representatives in the local chambers be invited onto and actively participate in the district-level taskforces set up by government to coordinate and direct relief and rehabilitation in affected regions.

The BPA needs to address a number of threats, including the risk that its focus may shift too strongly towards simply 'doing business'. While inter-regional business contacts can be positive in terms of peacebuilding, this may not be a sufficient justification to maintain a business-for-peace alliance in the eyes of its members, given time and financial constraints. The BPA also has to be careful to articulate its mandate in a manner that distinguishes it from other bodies, such as the chambers or local NGOs, so to avoid rivalry and 'mission creep.' Most important of all, it



needs to be sensitive about the widespread perception in the north that the economic opportunities opened up privilege companies in the south, rather than vice versa. The northern perception of itself as ‘a market for outsiders’ should be addressed with some urgency. Any joint ventures planned by or through the BPA must attempt to counter such perceptions among the local population. This may require the BPA to adopt a more active media strategy. Similar fears of domination may have to be addressed in business relations between Jaffna and Batticaloa, over which the former claims political and economic leadership.

The BPA is currently institutionalising what has so far been a fairly loose arrangement. This includes registering the BPA as a legal body and applying for project-related funding, which offers an opportunity to engage in concrete peacebuilding. Given that civil society structures outside Colombo are weak, it is an unusually sophisticated group with clear, local roots. Its strengths lie in its networking and relationship-building capacities, rather than the implementation of specific projects, and its members’ standing in local civil society provides an opportunity to further explore potential peace interventions.

## Conclusions

There has been an increasingly established discourse between business actors about CSR and other peace interventions since the economic downturn that followed the 2001 attack on Colombo International Airport. The resulting debate led to some initial successes, such as more widespread commitment to CSR, peacebuilding, and the right and responsibility of businesses to share their concerns about the conflict with the wider public. In this respect, Sri Lanka First, the Business for Peace Alliance and various individual attempts to engage with the conflict must be commended. Nonetheless, business actors continue to face a number of challenges, as is evident from the interviews in this study. These challenges can be broadly categorised into businesses’ capacities to engage in peacebuilding, the political milieu and culture. The following pages discuss ways forward, drawing out recommendations both for businesses themselves, and others working to support their role.

## Business capacities

### Developing socially informed approaches to CSR and peacebuilding

Businesses in Sri Lanka do not appear to regard social inequities as a structural problem requiring their involvement. They tend to approach the situation philanthropically, by helping individuals more than communities, or communities more than structures. These activities complement a wide range of potential peace interventions elsewhere, but they do so in a piecemeal or fragmented fashion. In this

sense, businesses' peace interventions do not emerge out of a systematic understanding of conflict-related issues or a strategic effort to overcome conflict potentials. This is somewhat surprising, given that most businesses also appear to see structural causes, such as discrimination and inequity, as primary instigators of the conflict.

With this in mind, the following are recommended:

- Provide the corporate sector with information/education about the structural nature of discrimination, inequity and power dynamics in a heterogeneous society. Forge more links between academics, professionals and the business sector to advance such understanding.
- Encourage businesses to support social and political institutions in a strategic and sustainable manner that qualitatively changes them and the services they provide, rather than individuals and selected communities/villages. Achieve this by providing businesses with innovative, bigger-picture ideas about CSR; help them to identify the most suitable institutions for achieving desired social outcomes; and provide technical guidance in the implementation of these interventions.
- Strengthen the awareness of local businesses about their potential role as sources of information on conflict issues and emerging conflict potential at the local level, and support the creation of early warning mechanisms.

### **Strengthening collective corporate action**

The study reveals that the culture and competence of collective strategic action/lobbying is inadequately implemented on social issues that generate concern in the business community. This may indicate that the diverse and relatively young business sector is inexperienced in lobbying for policy change, or lacks the means and mechanisms by which to engage in more effective lobbying. The competitive nature of business contributes to an inability to transcend divides, build solidarity and seek common ground. This inevitably results in weakened and isolated business groups.

The emergence of a single united business community in Sri Lanka with a shared viewpoint on such controversial political issues as: the proposed federal system; the LTTE offer to discuss an interim administration; or corruption may also never happen. It is, however, important to promote a shared understanding of the different viewpoints and their rationales, without necessarily aiming for total consensus. Building mechanisms for business communities to work together on conflict transformation, while accepting differences of opinion when confronting difficult issues could be important in moving business forward.

The following are recommendations to build greater capacities for collective action among the business communities:

- Encourage business forums and networks to identify common social concerns and develop strategic plans to address them, especially among big businesses in Colombo. Development and humanitarian project planning methodologies may be helpful.
- Encourage businesses to build better impact-assessment capacities so that they can monitor and assess the outcomes of their interventions
- Support businesses to reach beyond business networks and link up with other socially conscious groups in order to develop joint actions and shared visions. This involves building capacities to negotiate differences of opinion, of power, etc. and to reduce the danger of being singled-out or misrepresented.
- Encourage better linkages to professional groups who know their subjects and work for the same causes as business concerns, e.g. advocacy groups, universities, research institutions, educational institutions, the Human Rights Commission, etc. These may not be politically neutral groups, but the business sector can support them through acts of solidarity on common issues, and vice versa.
- Develop guidelines on corporate collective action, for instance by documenting successful efforts.

### Recognising the peace potential within one's company

While a number of businesses practice CSR in relation to their staff on matters of professional development and crisis support, few seem to recognise the potential for promoting a peaceful culture in their own company, even where staff is socially diverse and geographically widespread. Businesses refrain from capitalising on the fact that as employers they have access to a significant proportion of the population. If the culture promoted within the office premises or at workstations reflects a commitment to a multicultural society, this will influence those who spend significant time at work.

To ensure peacebuilding within companies, the following activities are recommended:

- Promote socio-cultural interactions and exchanges as much as possible. For example, festival days, factory arrangements, hostel accommodation and canteen cuisine are opportunities to celebrate diversity, rather than to segregate ethnic, religious and social differences.
- Establish a code of conduct that informs office behaviour and attitudes. This may have a more powerful effect if a group of companies sets up shared minimum standards for peacebuilding office conduct. Codes of conduct often spell out what people should not do (e.g. make sexist jokes), but they can also guide people on socially constructive behaviour, such as sensitivity to power dynamics, and interest in other cultures and communities.
- Develop more socially informed recruitment policies. Though businesses may be reluctant to adopt an affirmative-action approach to ensure better ethnic representation, it may be possible to go beyond the orthodox merit criteria to

include personal performance assessments and other means by which to ensure the most suitable candidate gets selected, given that there is little equitable access to quality education in Sri Lanka.

- Better utilisation of public and customer relations. Helpful ways of building a public consciousness about multi-ethnic society are: presenting an image of a diverse Sri Lanka by advertising in three languages; refraining from endorsing stereotypical images of rural, ethnic or religious groups in media campaigns; and ensuring sensitivity to the lived realities and needs of ethnic minorities or geographically remote populations.

### Going beyond peace rhetoric

A commitment to peacebuilding requires that businesses do more than advocate for peace, backing this up with more concrete actions. Many businesses are reluctant to be seen as politically and socially conscious, if not active, and some advocate that CSR programmes should not be structural in intent, but ‘only’ philanthropic. Given the inherently political nature of power dynamics in any society, let alone a highly politicised and violent one such as Sri Lanka, it is difficult to imagine how this could be done without involving some risk. Any contribution to, or intervention on behalf of a targeted group or individual means that others are left out, which can be misinterpreted, but that may be a necessary risk if larger change is to be achieved.

Within this context, the following recommendations are made:

- Inform the corporate sector that there are political dimensions to all CSR activities
- Seek opportunities to bring business back into the conflict-affected regions of the north and east. Given security risks, this could initially be achieved through gestures of collaboration and support to existing regional businesses, such as low-risk technology and infrastructure development for agriculture and fisheries sector, and better financing opportunities for these businesses.
- Recognise the existing dangers for businesses operating in conflict regions, where relatively better protected businesses can seek out ways to take political stands and actions that do not have to do with party politics, but with the need for social justice for all
- Develop regional specialist capacities, such as accountancy institutions, where people from the regions also benefit from opportunities for advancement.

### Political milieu and culture

#### Targeting political instability

An overriding element of the conflict has been Sri Lanka’s political instability in recent years. While most businesses and the public deplore this state of affairs, few

seem to be interested in understanding how to address the factors that contribute to political instability. Even where it has a direct impact on the expansion of their business, the corporate sector does not seem to have the will to demand a long-term economic planning agenda or to call for a dialogue on how best to diffuse the negative public perceptions of the private sector.

The recommendations are to:

- Address public concerns about unscrupulous business practices. Businesses could educate the public on corporate governance issues, set mechanisms to have more transparent pricing systems and create more distance between the corporate sector and political party agendas.
- Enter into dialogue with all political parties on what expectations and role there is for the private sector within their policy making, and demand a coherent and consistent policy for business growth and national development
- Educate the public on the economic losses and limitations to growth that result from the conflict, and the implications of these for the social good
- Recognise that these activities may be more difficult in the regions where tensions are higher, and disruptions to law and order more intense.

### The 'politicisation of everything'

Businesses acknowledge the increasing politicisation of issues and actions in Sri Lanka. This inevitably limits the scope for socially conscientious groups to advocate for justice and equity and against the rise of intolerant, extremist forces. Businesses appear unwilling to address this issue, even when it affects them directly. Rather than tackle such issues head-on, it may be possible to address the underlying causes and contributing factors.

The following may help to undermine the current trend of politicisation:

- Support the development of a proper training institute for journalists and identify/encourage ethical journalism
- Use business leverage to pressure media into non-sensationalist and balanced objective reporting standards
- Educate the public on good governance
- Develop public information materials to educate a more politically mature public that is able to avoid the short-term agendas of unscrupulous politicians.

### The dimension of violence

Most businesses acknowledge that there is a threat to the security of staff and property in high-risk areas. This is heightened for businesses that operate in conflict-affected regions because more severe repercussions may result for those that are politically active or engage in development/peace activities.

It is important to establish some means whereby businesses engaged in such

activities can be protected, either through anonymity or collective effort. One idea is to have a joint business and peace foundation, administered by a group of professional and corporate sector individuals, which could be used strategically in the north and east. This requires low-profile activities for the short term, which some businesses may be willing to engage in, though others will not.

### Acronyms

<b>BPA</b>	Business for Peace Alliance
<b>CCC</b>	Colombo Chambers of Commerce
<b>CSR</b>	Corporate social responsibility
<b>GDP</b>	Gross Domestic Product
<b>GoSL</b>	Government of Sri Lanka
<b>ILO</b>	International Labour Organisation
<b>INGO</b>	International Non-Governmental Organisations
<b>JVP</b>	Janatha Vimukthi Peramuna
<b>LMD</b>	Lanka Monthly Digest
<b>LKR</b>	Lankan Rupees
<b>LTTE</b>	Liberation Tigers for Tamil Eelam
<b>PA</b>	People's Alliance
<b>QLFS</b>	Quarterly Labour Force Survey
<b>SLCPI</b>	Sri Lanka Consumer Price Index
<b>SLF</b>	Sri Lanka First
<b>SME</b>	Small and Medium Enterprises
<b>UNDP</b>	United Nations Development Programme
<b>UNP</b>	United National Party

### Endnotes

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