



CORPORATE SOCIAL RESPONSIBILITY AND PEACEBUILDING: A Case for Action in Israel and the Palestinian Territories

A White Paper from the Institute for Global Ethics

by Dale Lawton

Introduction

Recent headlines have been filled with bad news for business. From Martha Stewart to WorldCom, from Arthur Andersen to Global Crossings, allegations of impropriety have shaken the trust of stockholders and the general public, sending the world markets into a slump.

Yet the mounting bad news and public distrust of corporations obscures the growing sense of social responsibility shared by many businesses and industry groups. From support of local arts initiatives, to international efforts to improve the environment, socially responsible corporations are engaging in efforts to build a better world.

This paper has three goals:

- To provide basic information about the principles and practices of corporate social responsibility.
- To build the case for increased corporate involvement in activities designed to increase peace and stability in troubled spots around the world.
- To suggest that the current conflict between the Palestinians and Israelis is ripe for just such an intervention.

Corporate involvement in Israel and the Palestinian Territories certainly cannot take the place of ongoing international peace efforts at the government level. However, successes from around the world suggest that cross-sector partnership between socially responsible businesses, interested NGOs, government, and influential citizens has the potential to clear away roadblocks to peace and provide the economic opportunities and working relationships essential for a lasting end to the conflict.

CSR: A Growing Trend toward Responsibility

The phrase “corporate social responsibility” (CSR) refers to business practices intended to have a positive impact on society—not just the company’s bottom line. They can range from encouraging employees to volunteer in the community to providing humanitarian aid through a corporate foundation, from developing production strategies that are environmentally friendly to honoring the human rights of employees in developing nations. These activities are generally



seen as going beyond mere compliance with applicable laws or regulations. Instead, they aspire to do something for the public good.

While in the past these kinds of activities were usually limited to occasional gifts to a local church or charity, today the concept has grown into a major element of international business. A recent article in the journal *Brand Strategy* indicated that at least 75 percent of FTSE 100 companies currently engage in some form of CSR. A separate survey from Business in the Community, cited in the same article, found that 70 percent of chief executives feel that CSR is an “essential issue for their business.”¹

Why do so many businesses feel so strongly about socially responsible practices? At least one answer is straightforward: public image. While there is an active debate in the business community about the connection between socially responsible business practices and increased profitability, the benefits of a good public image are clear and manifold. Board members are more willing to serve, shareholders feel more secure about the company’s future, and customers have less reason to hesitate when considering a purchase.

But many corporations have an accompanying motive: altruism. Just as many successful people volunteer to serve on boards, donate time and money to local charities, or serve as mentors to young people, successful corporations may desire to share the fruits of their success with the community, nation, or world.

The growth in the popularity of CSR is illustrated by the increased use of “triple bottom line” reporting. This practice requires corporations to consider not only the financial aspect of their operations, but the impact on natural resources and society as well. Increasingly shareholders, prospective employees, and the buying public are looking for companies to do well on all three bottom lines.

In addition to calls from key business stakeholders, international organizations are exerting pressure on corporations to behave in a socially responsible fashion. One example is the United Nations Global Compact, which calls on business to embrace a set of nine principles in their business practices. The principles fall into three areas: human rights, labor, and the environment.

¹ Ruth Mortimer, “Cheque out the Charity Case,” *Brand Strategy*, May 2002, p. 20-23.



The UN Global Compact

Human Rights

- Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
- make sure that they are not complicit in human rights abuses.

Labor

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced and compulsory labor;
- the effective abolition of child labor; and
- eliminate discrimination in respect of employment and occupation.

Environment

- Businesses should support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility; and
- encourage the development and diffusion of environmentally friendly technologies.

Source: United Nations Global Compact Web site: www.unglobalcompact.org

As businesses around the world have increased their engagement in socially responsible business practices, reports to shareholders and the media about these kinds of activities have also become more common. However, the lack of a standard means of reporting on these activities and their impact has made evaluation and comparison of these efforts extremely difficult.

Recognizing this problem, the United Nations Environment Program and the Coalition for Environmentally Responsible Economies (CERES) established the Global Reporting Initiative (GRI) in 1997. The goal of the GRI is to develop international standards for reporting on the economic, environmental, and social activities of corporations, governments, and other organizations.

Working with 21 companies and a variety of noncorporate stakeholders, the GRI has developed the *Sustainability Reporting Guidelines*. The *Guidelines* have become the leading framework for corporations to use in reporting on these efforts and have played a part in shaping the reports of such major multinational businesses as AT&T, Nissan, and Royal Dutch/Shell.²

² More information is available on the GRI Web site: www.globalreporting.org.



In recent weeks, standardized reporting and international accountability have taken on a new importance. Corporate scandals have weakened public confidence in business as major corporations such as Enron have collapsed in a sort of business ethics meltdown. Enron, long considered a leader in implementing socially responsibility practices, had progressive environmental and human rights policies, in addition to extensive anti-corruption initiatives.³ Its downfall—followed by reports of wrongdoing at Tyco, Adelphia, Dynegy, Rite Aid, and elsewhere—has left many wondering if CSR is merely a smokescreen.⁴ The current public cynicism suggests the growing need for standardized reporting and benchmarks like those developed by the GRI.

Coupled with calls for good behavior, a growing number of business experts argue that the altruistic and the profitable can be combined through innovations aimed at improving the life of the world's poorest citizens. In "The Fortune at the Bottom of the Pyramid," C. K. Prahalad and Stuart L. Hart argue that real opportunities for both profit and socially responsible investment lie in the four billion people who make up the bottom of the economic pyramid.⁵ This largely untapped piece of the market consists of individuals who have an annual per capita income of less than \$1500, based on purchasing power parity in U.S. dollars.

Tapping into this market requires multinational corporations to reconsider existing profit structures. Instead of trying to develop products for sale at high profit margins in areas of poverty, cost-saving innovations appropriate to the local situation must be used to develop inexpensive products with very low profit margins available to a larger market.

³ Peter Carlson. "Shredded Ideals at Business Ethics," *Washington Post*, August 13, 2002, p. C01.

⁴ Two articles in the combined May/June-July/August edition of *Business Ethics* explore the public relations aspect of CSR and the danger of abuse in reporting.

⁵ C. K. Prahalad and Stuart L. Hart. "The Fortune at the Bottom of the Pyramid," *Strategy and Business* issue 26, pp. 2-14.



Hindustan Lever Ltd. and Wheel Detergent

In 1995, India's Hindustan Lever Ltd. (HLL), a subsidiary of the multinational corporation Unilever, based in the UK, introduced a new detergent aimed at competing in the market at the bottom of the pyramid. The new detergent, called Wheel, represented a new formulation, specifically designed to be more environmentally friendly to consumers who washed frequently in rivers and public waterways. HLL used non-centralized, local, means of manufacturing, marketing, and distributing the detergent, thereby adding value to the local economy and putting the detergent in the places where the very poor where likely to buy. They also sold Wheel at a very low price, to make it affordable to the target audience.

The detergent has been extremely successful. While the profit margin is very low on any one sale, the volume is very high, producing profit for HLL.

Source: "C. K. Prahalad and Stuart L. Hart, "The Fortune at the Bottom of the Pyramid

While the authors go on to describe the four elements necessary to a thriving four-tier market, the point here is that creative thinking, innovation, and commitment to socially responsible business practices can provide needed, high quality products to the poorest sector of the population. This type of investment in "inclusive capitalism" holds out the hope, they argue, of "lifting billions of people out of poverty and desperation, averting social decay, political chaos, terrorism, and environmental meltdown that is certain to continue if the gap between rich and poor countries continues to widen."⁶ In this context, the power of committed, socially responsible businesses is awe-inspiring.

CSR and Peacebuilding

While examples like this one of CSR in action abound, most of these are focused on the environment, humanitarian aid, and community development. However, a growing number of corporations and business groups are turning their CSR policies toward improving stability in conflict-laden areas of the world.

Businesses have a role to play in a peace-making process. It is very clear to all that businesses cannot sign or enforce peace treaties. However, businesses can help make the case for the economic benefits to be accrued by all parties in case peace is reached. In a way, businesses can sweeten a peace deal. Businesses can create the spaces where members of the conflicting groups can work together, learn to depend on each other, develop trust in each other and, over time, become agents of change in their respective societies. Once peace is reached, businesses can help

⁶ Ibid. pp. 2-3



sustain it through a variety of economic ventures and programs that improve the quality of life of people in conflict areas.

The report from the International Business Leaders Forum (IBLF), entitled *The Business of Peace*,⁷ provides several examples of the kinds of things that socially responsible businesses can do in a variety of circumstances. The report notes that “the private sector...has a vital role to play in creating wealth and promoting socio-economic development.” However, the IBLF’s findings further suggest that business “also has a role in contributing—both directly and indirectly—to the prevention and resolution of violent conflict.”⁸

The report builds a strong business case for corporate involvement in conflict prevention and resolution. The argument is based on a detailed analysis of the costs of doing business in areas affected by conflict, as well as on the benefits of stability. But beyond this appeal to the traditional bottom line, the report notes that there is a strong moral case for corporate involvement in peacebuilding: businesses should be involved because they can make a real contribution, thereby improving the lives of thousands, perhaps millions of people across the globe. The report quotes Sir Geoffrey Chandler, chair of Amnesty International’s UK Business Group, in a call to rise to the challenge. He urges that “to fail to do good when it is in one’s legitimate power to do so is rightly condemned by the world.”⁹

At a minimum, the report continues, businesses should ensure basic compliance with laws and regulations governing their industry. In places where these laws are not effectively enforced, or where local standards fall short of accepted international norms, corporations should be committed to living by the higher standard.

The Northern Ireland Confederation of British Industry: A Case Study

Northern Ireland is the site of one of the bitterest conflicts in the world. Hundreds have been killed and thousands wounded during decades of religious and political strife. Efforts by the government to quell the violence and arrive at an acceptable solution to the conflict have repeatedly failed.

Years of strife and instability have taken an economic toll on the region. In the early 1990s, the business community began to recognize the link between the region’s volatility and the struggling economy. The Northern Ireland Confederation of British Industry (CBI) decided that they must take a more active role in building peace and stability in order to improve the business and social environments.

⁷ Nelson, Jane. *The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution*, The Prince of Wales Business Leaders Forum (now the International Business Leaders Forum), 2000.

⁸ Ibid. p. 5

⁹ Ibid. p. 6



The CBI enjoyed a distinct advantage over other players in the peace process. As a non-governmental, non-partisan organization, with extensive membership across the divisive lines of the conflict, the CBI was perceived as being an honest broker. And, the member businesses endowed the organization with stature. These factors neatly positioned the CBI to take leadership of private sector initiatives for peace and stability in the region.

The CBI became involved as both a think-tank and lobbying organization. In its role as think-tank, the CBI published a paper making the economic case for peace. As lobbyist, the CBI joined forces with other prominent business and industry groups to form the Group of 7, which focused its lobbying efforts on highlighting the clear choice facing Northern Ireland: peace and prosperity or a continued future as “one of the world’s most irredeemable trouble spots.”

The future of the region remains uncertain. However, the efforts of the CBI and its allies highlight the role that socially responsible businesses can play in promoting stability—and the link between prosperity and peace.

Source: “The Business of Peace.” For full reference see note 4.

Beyond the basic level of compliance, the report calls on businesses to examine their activities in an effort to understand and minimize any damage they might be causing to the local environmental, political, and social structures. This approach can help eliminate unintentional (and intentional) support of situations that lead to conflict and violence.

Corporations truly committed to socially responsible practices should move beyond simple compliance and risk minimization. They should enact policies and engage in meaningful cooperation with elements of the societies in which they operate in an effort to create “positive societal value.”¹⁰

As the report notes, while many corporations are, wittingly or unwittingly, causing or exacerbating conflict, a few businesses and coalitions have taken an active role in creating stability and reducing violence in conflict regions. One example of an effective coalition of businesses lobbying for socially responsible change is the Sullivan Principles. These principles, developed by the Reverend Leon Sullivan in 1977, are widely considered to have played a decisive role in ending the apartheid system in South Africa.

¹⁰ Ibid. p. 7



The Global Sullivan Principles

1. Non-segregation of the races in all eating, comfort, and work facilities.
2. Equal and fair employment practices for all employees.
3. Equal pay for all employees doing equal or comparable work for the same period of time.
4. Initiation of and development of training programs that will prepare, in substantial numbers, blacks and other nonwhites for supervisory, administrative, clerical, and technical jobs.
5. Increasing the number of blacks and other nonwhites in management and supervisory positions.
6. Improving the quality of life for blacks and other nonwhites outside the work environment in such areas as housing, transportation, school, recreation, and health facilities.
7. Working to eliminate laws and customs that impede social, economic, and political justice. (Added in 1984.)

As a member of General Motors' board of directors, then the largest employer of blacks in South Africa, Reverend Sullivan began an economic campaign to end forced segregation and the systematic discrimination against blacks that existed under apartheid. Calling on other multinational firms, Rev. Sullivan eventually organized a boycott by more than 100 companies that severely constricted the South African economy. Those sanctions were seen by many as instrumental in forcing the South African government to reconsider its policies.¹¹

CSR and the Israeli-Palestinian Conflict

In South Africa, the economic pressure of the sanctions was understood to be a strong catalyst for successful change. The ongoing conflict between Israel and the Palestinians, by contrast, seems to call not for sanctions but for a kind of economic intervention that encourages rather than discourages the involvement of socially responsible businesses on a variety of fronts. What's needed, in essence, may be a kind of Sullivan Principles in reverse. As the violence has continued in recent months, both sides have felt the economic impact. Both sides have suffered loss of life and property, as well as heightened bitterness, fear, and loss of dignity. On the

¹¹ www.globalsullivanprinciples.org



Palestinian side, the conflict has left the economy in complete shambles, with unemployment and poverty at staggering heights and with little or no hope of attracting foreign investment. In Israel the ongoing conflict diverts public funds from other potential uses, dampens enthusiasm from international investors, and frightens tourist dollars to other destinations. Both sides are increasingly feeling the economic pinch. And as the conflict deepens, so does the disparity of income levels between the two sides—which, wherever it shows up in the world, portends a dangerous future of ongoing instability.

While the official peace process struggles forward, many experts have suggested that one key element is missing: economic development. Secretary of State Colin Powell prominently addressed the issue in an April press conference held in the region. Powell listed the need for the international community to “address . . . the long-term economic needs of the Palestinian people” as the “third element” of his three-pronged strategy for peace—a theme that remains central to the Bush administration’s efforts in the region.

It seems clear, then, that unless the peace process brings economic development, new jobs, and a promise of prosperity to the entire region, *peace* will mean little more than a temporary cessation of hostilities.

There have been, of course, previous international attempts at encouraging economic development in the region. One such initiative was the U.S.-led Builders for Peace. Launched in 1993 by a coalition of Jewish-American and Arab-American leaders, it was designed to be a catalyst for encouraging investment in the Palestinian territories. In spite of considerable backing from the U.S. government and other investors, however, the project failed to yield fruit and was dissolved in 1997.

Several reasons for the failure of the project have been asserted: the unwillingness of the U.S. to finance hotel and tourism projects in East Jerusalem and Gaza, the centralized power structure of the Palestinian Authority, very strict Israeli trade policies governing commerce in and with the Palestinian territories, and the stalled peace process. Clearly, each of these factors must be considered as new plans for economic development in the region go forward.

However, the driving force of Builders for Peace and other similar initiatives was the traditional bottom line: profit. The key argument for corporate involvement was focused on the promise that significant investment in the region will reap substantial financial returns. While that argument is not in itself unworthy, and while it has in fact borne fruit in other parts of the world, it has failed in this conflict. Needed, at this point, are new ways of looking at the corporate relationship to this conflict.

Fortunately, there are new arguments for corporate engagement in the Israeli-Palestinian conflict. The key difference lies in the concept of social responsibility. Just as socially responsible businesses have, in the past, found reason to turn their attention to the environment, child labor,



and human rights issues, similar reasoning can be developed to apply this thinking to the peacebuilding process. As the events of September 11 have made clear, global business is directly impacted by issues of war and peace, and the corporate world has an immediate and real stake in a peaceful world. Given the impact of the Middle East situation on the world as a whole, there is no more significant focal point for social responsibility than the Israeli-Palestinian conflict. Peacebuilding, in fact, may be the next logical frontier of the corporate social responsibility movement.

Why is it important to involve socially responsible businesses at this time? Largely because the time is now ripe for them to make a significant contribution to the peace process. The global business community, in fact, enjoys a number of advantages over the regular players in the peace process. These advantages, placing the business community in a unique position to lay the foundation for a lasting peace in the region, include the following:

- **Impartiality/Neutrality:** A significant obstacle facing both sides in any negotiation lies in finding an honest broker that everyone can trust. The key players are all seen as having their own agendas, leading to distrust on all sides. A carefully crafted coalition of international businesses, NGOs, and prominent citizens organized for the purpose of encouraging economic development could be kept free from the stain of suspicion. The goal of improving the economic conditions on both sides of the conflict is nonpolitical, supportive of both the immediate interests of the people involved and the long-term goals of the official peace process.
- **Leverage:** Multinational corporations can use the self-interested desire for economic advancement to encourage Palestinians and Israelis to cooperate in business dealings. Whether by establishing hiring procedures to promote diversity in the workforce of a business within the region, encouraging cross-border cooperation along the supply chain, or supporting joint Israeli-Palestinian ventures through micro-lending, socially responsible businesses can leverage their investments by stimulating cooperation. As people work together, they begin to shed stereotypes and misconceptions, developing more forthright and respectful relationships.
- **Capacity for quick and innovative action:** Unlike government bureaucracy, the private sector is usually able to move fast on project design, delivery, and implementation once it decides on a course of action. For example, if the private sector were to decide on a short-term job-creation program in the Palestinian territories, it should be able to put together in a short period of time a team to design the projects most suited to the region, build capacities in the region to deliver them, and fund their implementation. By bringing immediate tangible benefits to the parties in conflict—and thereby investing them personally in a long-term peace process—this effort would help sustain peace.



- **Available long-term capital:** While the governments of the region lack funds for creating new industry and opportunity, corporations possess capital designated for these purposes. And unlike government-created jobs that can disappear with changes in funding or regime, jobs created by the private sector offer long-term opportunities for growth and security.
- **Global perspective:** The governments of the region are, understandably, entangled in the thorny problems of day-to-day life in the region. However, international businesses can take a broader, more global look at the problems in the region from a perspective that is less involved in the partisan issues on the ground. This broader perspective can allow business to be more objective and creative in finding solutions, and can bring a freshness, energy, and new examples of cooperation to the peacebuilding process.

Clearly, there is a strong case for socially responsible businesses to take action in the conflict between the Israelis and the Palestinians. Three factors argue for that action to come sooner rather than later:

- Since September 11, the threat of global terrorism has become more apparent than ever. Part of the justification for attacks against Western targets is the perception of inequalities in the Middle East. Destabilizing organizations, often recruiting disaffected, radicalized young people with little to live for, are widely viewed as using the Palestinian refugee camps as recruiting grounds. To the extent that this may be true, there is a global imperative to reduce the success of that recruiting effort through long-term social and economic reforms, rather than simply through short-term military interventions.
- Global business has moved rapidly over the last decade to an acceptance of social responsibility. Given the jarring losses in the markets due to leadership and accounting scandals, growing numbers of corporate leaders understand the need to reinvigorate that sense of responsibility. They are willing to take visible and proactive steps to promote ethics and integrity.
- The situation in Israel/Palestine has become increasingly explosive. While that fact may make economic investment impossible at this time, it focuses world attention on the search for solutions. As socially responsible businesses become active in peacebuilding in ways appropriate to their sector, their efforts should meet a warm public response.



What Can Corporations Do?

Given the imperative need for action in the region, what can be done? The opportunities abound, but vary according to a corporation's capacities and the locations of its operations. A few possibilities are listed here:¹²

- Provide commercial support for rebuilding destroyed property
- Develop micro-credit institutions to encourage entrepreneurs—especially if they will work across the border
- Provide relief supplies to organizations serving the needy
- Support local education initiatives to develop a stronger workforce
- Support existing NGOs that are working to build civil society
- Encourage other companies to become involved in the region
- Investigate the possibility for decentralized assembly or manufacturing of products in the region
- Look for ways to encourage Israelis and Palestinians to develop business relationships around a product of your company
- Support local initiatives to improve health care
- If you have a business in the region, adopt hiring policies that encourage Israelis and Palestinians to work together

Conclusion

Each week's headlines bring fresh examples of destruction, fear, and poverty from Israel and the Palestinian Territories. Continued instability might give pause to anyone considering action in the region: Can it possibly do any good? Newton Minow and Robert Abboud deal head-on with this question in a recent *Foreign Affairs* article titled "Advancing Peace in the Middle East—The Economic Path out of Conflict:"

One might question the value of embarking on an effort in the Middle East before a comprehensive political settlement has been reached. However, the experience of businesspeople, more comfortable with risk-taking than are diplomats, shows that economic interaction often leads to political adhesion. Examples can be found in western and eastern Europe and increasingly in Asia. Politics follows commerce because commerce provides mutual benefits across the broad expanse of the population, regardless of race, color, religion, or ideology.¹³

¹² Many of these are taken from the IBLF report *The Business of Peace*. A more complete list appears on pages 64-72 of that report.

¹³ A. Robert Abboud and Newton F. Minow. "Advancing Peace in the Middle East: The Economic Path out of Conflict," *Foreign Affairs*, September/October 2002, Vol 81, No. 5, pp. 14-16.



One thing seems clear: There will be no “quick fixes” in the peacebuilding process in this region. Patience and endurance will be required of any effort, both to develop the necessary global momentum and to persist with programs after peace has arrived.

But if socially responsible businesses are to make a difference along this new frontier, the background work and the conceptual thinking cannot afford to wait until the situation itself becomes less heated. It needs to begin now. The more clearly the business community can articulate its concerns about peacebuilding, its interests in the region, and the conditions under which it would be prepared to support economic development, the more it will develop as a significant force for peace. Given the history of stalemate in the region, such a new force, however patiently it matures, may be the missing ingredient in compelling a new set of relationships among the warring parties that will lead to a conclusive and lasting peace.

Dale Lawton is director of the Project on Campaign Conduct, Public Policy Department, at the Institute for Global Ethics' office in Camden, Maine, USA.