

# Companies and Conflict

## by Philip Nauwelaerts

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Jan Tinbergen, the Dutch 1969 Nobel laureate in economics who was a founding Trustee of Economists Allied for Arms Reduction, asserted that economic welfare and war are not compatible. I would add that war cannot lead to security. Quite the contrary, especially if the military capacities of the parties are unequal, as is the case for war by the United States against Iraq. War will only reduce security and increase terrorism.

### Economics and Business

Businesses, corporations, and also multinationals, cannot grow in an uncertain and destabilized environment. Through globalization multinationals extend their activities throughout the world, preferably in countries where production conditions are good, with stable government, fair working conditions and a positive "business environment." Some multinationals follow codes of conduct based on international regulations of the ILO, the OECD guidelines for multinational companies and the Universal Declaration of Human Rights.

Such norms build understanding between companies and their stakeholders, especially in poor countries, where abuses are sometimes difficult to keep under control. More and more leaders of large companies understand the value of "ethical entrepreneurship." In the long run companies benefit from ethical business practices and from showing respect for the environment and culture within which they operate. This improves their reputations and thus benefits their business results.

The reputation of a company is based on a number of complex subtle factors such as quality, correctness, and social and environmental responsibility. Peter Sutherland, Chairman of BP/Amoco, says: "Of course financial achievements are important, but you need more. Enlightened business people have realized that good business is good for business. Good business is sustainable: it is part of the global society, not at odds with it, and reflects values that are shared across the world."

### Economists and Iraq

Many economists in the United States and elsewhere oppose war against Iraq, because it is in large part a business war where one of the final goals is control over natural resources that will benefit a limited number of powerful companies. These companies, together with their colleagues in government, who have decided on war can afterwards divide the benefits among whomever they choose. On the other hand, should there be losses, these will be on the account of the tax payer.

Any such complicity between politics and business is not consistent with the goal of sustainable development. War not only harms the population, but also many corporations and whole industries. In Iraq, the economy will collapse as will that of other countries and many companies that are economically weak. Import-export trade and shipments will diminish, air traffic will be in crisis, tourism will fall significantly, all of which will reduce financial activity for financial institutions leading to downward cycles of economic deterioration.

Companies should not keep silent; they should raise their voices to oppose war. It is clearly unacceptable for a country to intervene militarily to secure its oil supplies. Any such action must be viewed as a form of neo-colonialism whenever one country secures its imports through any form of coercion.

### War as Good Business

Starting war for economic interests, or to open new markets for companies, is not the route to economic development. Leaving aside whether a war can be viewed as just or not, the outcome will always be uncertain, while the cost in human lives and social and environmental destruction is always clear. Let us remember the Vietnam example. More than one million Vietnamese and 50,000 Americans died, the country was (and still is) in environmental chaos, people suffered for many years, both during and after the war. What has been the benefit? Since the 1990s, Vietnam has developed international trade and business cooperation agreements that improve peace and well-being much more than any conflict has ever done. Good business promotes peace whereas economic production is not possible within an area of conflict.

In Iraq companies will be promised access to profitable contracts after the war. Oil contracts, reconstruction opportunities, business in many fields, will tend to go to companies based in countries that join the stronger side, and the costs of the war will be recouped by deals with such companies. This might be good business, but it makes the companies that are rewarded complicit in the war, whereas it is expected that French oil companies will be excluded.

A comparable war was the 1997-1998 civil war in Congo Brazzaville where two presidential candidates and two ethnic tribes opposed each other. The group that was supported and financed by American oil companies was promised new oil deals in the region, whereas the group led by Sassou Nguessou was supported by the French Elf-Total-Fina company. In the end, Sassou won the war, and French companies now dominate the oil industry in Congo Brazzaville. Thousand of people were killed.

Decisions to join or to oppose the war in Iraq were clearly influenced by fear of being excluded from valuable oil contracts. In the case of the new NATO Network in Eastern Europe the economic benefits related to the purchase of new military equipment.

## Conclusion

Companies and their leaders are accountable for their actions and like political leaders they are responsible for conflict prevention and resolution. They can be made accountable by stakeholders and civil society to observe the UN and OECD norms for sustainable business. This was also the view of Jan Tinbergen.

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