Between power and hegemony; business communities in peace processes

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Abstract. The support that businessmen and business organisations displayed for the peace processes in Israel and Northern Ireland was open and vocal, underscoring the supposed linkage between globalisation, peace and economic growth, and the supposed leadership role of business. The purpose of this study is to examine the motivations of the business communities in Israel and Northern Ireland in becoming involved in the peace processes, their organisation to promote peace, decision-making processes at critical junctures, and their actual impact on the political outcomes. Study of the business communities demonstrates that their empowerment enabled them to exert political influence but fell short of hegemony that would enable them to set the wider political agenda. The impact of both business communities, for different reasons, was therefore limited.

The support that businesspeople and business organisations displayed for the peace processes in Israel and Northern Ireland was open and vocal, underscoring the supposed linkage between globalisation, peace and economic growth. The shift of the regions from conflict to peace and stability, it was argued, would create a favourable economic environment, attract investment and facilitate economic growth. Economic incentives, often described as 'peace dividends', could thus change priorities towards reconciliation of conflicts previously considered protracted. While it is logical to assume that the business communities in these regions would have both a compelling interest in peace and considerable influence over the related economic growth, their decision to become politically active in the peace processes and their ability to actually influence outcomes requires a detailed study for two main reasons. First, despite the seemingly obvious economic incentives peace offers, political intervention bears associated costs and risks as well as entailing a collective action problem. Second, even if business decides that future benefits outweigh risks and costs, and the collective action problem can be overcome, the actual ability to achieve its goals, as the case studies demonstrate, is in no way guaranteed.

The limited impact of the business communities on the peace process, it will be argued below, suggests that while business gained significant political power and influence this may, as both cases suggest, fall short of hegemony. Hegemony, often required for a group that aims to set (or reset) the wider political agenda, rests on the capacity of a dominant group to present itself, and be perceived by the rest of society, as the bearer of a general interest. This capacity enables it to lead the rest of society in a direction that serves the group's interests but is widely perceived as serving society at large.[1] Promoting peace, unlike more specific economic issues that pertain to experts and are often discussed in closed circles, would require the

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[1] Giovanni Arrighi and Beverly Silver, *Chaos and Governance in the Modern World System* (Minneapolis, MN: University of Minnesota Press, 1999).

business community to convince society at large of its merits and an ability to set a wider political agenda. This comparative study of the involvement of business reveals not only mixed results and limited influence, but also a seeming paradox: despite the deeper involvement of the Israeli business community and, more important, its greater political leverage, it achieved less relative to its Northern Irish colleagues.

The purpose of this study is to examine the motivations of the business communities in Israel and Northern Ireland in becoming involved in the peace processes, their organisation to promote peace, decision-making processes at critical junctures, and their actual impact on the political outcomes. Several authors have alluded to the role of global economic influences in the amelioration of crises in zones of conflict and the involvement of business in peace processes. In a comparative study Shafir delineates the mobilisation of the South African and Israeli business communities for peacemaking, motivated by the desire to move beyond the economic 'wasted years' and seeking integration in the global economy.[2] Nitzan and Bichler explain the change in Israel towards peace as a shift, following world trends, in the nature of capital accumulation and the decline of 'war profits'.[3] Similarly, Shafir and Peled argue that the Israeli-Palestinian conflict became 'solvable' when it was reconceptualised as an obstacle to global integration of Israeli business.[4] The structural-economic changes the authors point to help explain the dramatic starting points of the peace processes. But the development of the peace processes and the actual influence of the business communities call for further research on the relationship between globalisation, business interests and political outcomes.

The involvement of businesspeople in the peace processes in Israel and Northern Ireland raises four interrelated research questions. First, how did businesspeople, despite increased global mobility, develop long-term 'local' interests on issues that are not purely economic? Second, how were businesspeople able to solve a collective action problem and act as a group to promote these interests? Third, what methods were used to promote their interests? And, fourth, the central question of this study, what was the actual ability of business to influence society at large, in Israel and Northern Ireland, when it decided to actively support the peace process? This study of the involvement of business in peace processes in Israel and Northern Ireland[5] is based on a series of interviews with businesspeople, documents and studies produced by business organisations during the period and media reports of the involvement of businesspeople in the peace process. Businesspeople interviewed belonged to (or owned) large and globally networked enterprises, were active members of business organisations and openly supported the peace process. The open-ended interviews were designed to understand their perceptions, interests and self-evaluation of their involvement. These interviews, as well as business organisation documents and media reports gathered reveal the organisational dilemmas and decision-making dynamics of businesspeople and organisations involved in the peace process.

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[2] Gershon Shafir, 'Business in Politics: Globalization and the Search for Peace in South Africa and Israel/Palestine', *Israel Affairs*, 3 (1998).

[3] Jonathan Nitzan and Shimshon Bichler, 'From War Profits to Peace Dividends: The New Political Economy of Israel', *Capital & Class* (Autumn 1996).

[4] Gershon Shafir and Yoav Peled (eds.), *The New Israel: Peacemaking and Liberalization* (New York: Westview Press, 2000).

[5] The research is part of my doctoral dissertation: Guy Ben-Porat, 'Globalization, Peace and Discontent; Israel and Northern Ireland', Johns Hopkins University (2001).

In the following section I will outline the theoretical framework of the relationship between globalisation, business organisation and influence, and peace. The second section will delineate the changes that took place in both societies – changes that endowed the business communities with confidence and determination. The third section will describe the different interventions of the Israeli and Northern Ireland business communities, decision-making at critical points and the logic behind the choices made. The fourth section will describe the 'moment of truth' in which the business communities had to decide whether they should become explicitly political and their limited will or ability to influence. Finally, in the concluding sections I will explain how the different international, regional and local contexts in which business communities operated influenced the outcomes.

Government, business power and globalisation

The power relations of business and the state received much attention in social science, particularly during the era of globalisation when the growing concentration of capital and its enhanced mobility seemed to empower business *vis-à-vis* the state and competing interest groups. Power, following Susan Strange, is defined here not in terms of resources, but rather as the ability of a person or a group 'so to affect outcomes that their preferences take precedence over the preferences of others'.[6] There are reasons and supportive evidence to believe that business interest groups wield disproportionate political influence.[7] Notably, Robert Dahl (with Lindblom) confessed to an error made in a previous discussion of pluralism regarding business people and business groups as regular interest groups, ignoring their unique power and 'distinctive privileged position' in politics.[8]

The privileged position of business is explained by close social and ideological ties between economic and political elites, contributions made to campaigns, skilled lobbyists employed by business to promote and protect its interests, the ability to shape public opinion, and by the dependence of the state on 'business confidence'.[9] Governmental officials, according to the latter explanation, must reckon with a group that is in position to tie up the economy.[10] The unique relationship of business to public welfare sets it on a 'plane apart from other interests and institutions that compete for political influence'.[11]

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[6] Susan Strange, *The Retreat of the State* (Cambridge: Cambridge University Press, 1996), p. 16.
[7] John W. Kingdom, *Agendas, Alternatives, and Public Policies* (Boston, MA: Little, Brown, 1984); H. Campbell, 'When Businesses Collide: Producer Interest Groups and the Politics of Regulation', *Policy Studies Journal*, 26:2 (1998), pp. 310–28.
[8] Robert Dahl and Charles Lindblom, *Politics, Economics and Welfare* (Chicago, IL: University of Chicago Press, 1976), p. xxxvi.
[9] For a review, see David Vogel, *Kindred Strangers: The Uneasy Relationship between Politics and Business in America (*Princeton, NJ: Princeton University Press, 1996); Graham K. Wilson, *Business and Politics: A Comparative Introduction* (London: Macmillan, 1985).
[10] John W. Kingdom, *Agendas, Alternatives, and Public Policies* (Illinois: Scott, Foresman, 1984), pp. 55–6.
[11] Vogel, *Kindred Strangers*, p. 245; Mark V. Nadel, 'The Hidden Dimension of Public Policy: Private Governments and the Policy-Making Process', *Journal of Politics*, 37 (1975), pp. 3–34.

Resources and capabilities, however, are not automatically translated into power over outcomes. Thus, the claims that business 'always gets what it wants' often meet empirical contradictions, when business is unable to exercise its supposed power and suffers political loses with economic consequences. The business community, as Mizruchi argues, despite its power due to a huge accumulation of resources, will be a powerful political player only to the extent it is capable of mobilising as a politically unified force.[12] Research indicates that the business community is often so fragmented that it is a 'community' in name only.[13] Conflicting interests (and political action) can exist between industry and financial institutions, between big and small business, and export- and local-oriented businesses.[14]

Unifying the business community requires not only a common interest, but also an organising mechanism to circumvent problems of 'free riding' and non-cooperation. Corporate activity can be coordinated by various means, including 'umbrella' business organisations that develop common policy, foundations and policy-planning organisations,[15] or by government activity that coordinates business and creates a centralised economy controlled by large corporate producers (with the help of big government) instead of one divided by conflicting interests.[16] The unity of business is a necessary but insufficient condition for influencing political outcomes as government and wider public interests have their own impacts. While the state and government are dependent upon business performance, business is equally dependent on decisions and policies of governments that protect its property and regulate its activity. Furthermore, while business can threaten to undercut its activities and move out, its flexibility due to exit costs is not unlimited,[17] leaving governments with significant influence and policy choices.[18] The variance of public choices of democratic capitalist governments attests to the uncertainty about the ability of business to exercise its power.

In certain instances, like those presented below, where political issues are wider in scope and pertain to questions of national identity and sentiments, the ability of business to influence outcomes is determined not only by its relationship with government, but also by its capacity to co-opt wider circles for support. Business success in those instances, therefore, depends on its ability to exercise hegemony. Hegemony is used here to describe the additional power that accrues to a dominant group by its ability to convincingly present its particular interests as universal and, by doing so, win the consent of those dominated by it.[19] The beliefs and practices of

[12] Mark Mizruchi, *The Structure of Corporate Political Action* (Cambridge, MA and London, 1992), p. 34; Kingdom, *Agendas*, p. 55.
[13] Vogel, *Kindred Strangers*, p. 11.
[14] Ronald Rogowski, *Commerce and Coalitions: How Trade Affects Domestic Political Alignments* (Princeton, NJ: Princeton University Press, 1989); Wilson, *Business and Politics*, pp. 14–15; Michael Moran, 'Politics, Banks and Markets: An Anglo-American Comparison', *Political Studies*, 32 (1984), pp. 173–89.
[15] Thomas R. Dye, 'Oligarchic Tendencies in National Policy-Making; the Role of the Private Policy-Planning Organizations', *Journal of Politics*, 40:2 (1978), pp. 309–25.
[16] Ira Katzenstein and Mark Kesselman, *The Politics of Power* (New York: Harcourt Brace Janovich, 1975), p. 118.
[17] David Marsh, 'Interest Group Activity and Structural Power: Lindblom's Politics and Markets', *West European Politics*, 6:2 (1983), pp. 3–14.
[18] Duane Swank, 'Politics and the Structural Dependence of the State in Democratic Capitalist Nations', 86:1 (1992), pp. 38–54.
[19] Antonio Gramsci, *Selections from the Prison Notebooks* (New York, 1971), pp. 55–60.

the dominant group that are disseminated to the public through various institutions become an intractable component of common sense.[20]

Descriptions of globalisation highlighted the governing economic culture of the world market and suggested that power has shifted to a transnational class[21] seeking the 'transnationalization of the state'.[22] But, the depiction of the business class as transnational seems to suffer from several weaknesses. First, many of those who fit the description of 'transnational' are committed to 'local' concerns and combine global perceptions with local attachments. Second, when trying to mediate between their local and global interests, they define themselves as leaders whose entrepreneurial and intellectual ability can serve an example for their fellow citizens to emulate and their success as benefiting their country. Third and finally, their global connections and economic success do not necessarily translate into 'local' political influence. Albert Hirschman's terms elucidate the last point. While globalization enhances the 'exit option' of business, as it is able shift its assets relatively easily, its 'voice option', however, can remain more limited:

To resort to voice, rather than exit, is for the customer or member to make an attempt at changing the practices, policies and outputs of the firm from which one buys or of the organization to which one belongs. Voice here is defined as any attempt at all to change, rather than to escape from an objectionable state of affairs . . .[23]

'Voice', therefore, can be described as an attempted hegemony when a group aims to change the political agenda by combining coercion with persuasion. While globalisation empowers the business class, the questions posed above regarding its ability to influence outcomes remain relevant. First, by enhancing the exit option globalisation may hinder the ability of business to unite around common 'local' interests. Second, for the same reason it could make the collective action problem of organising greater. And, third, using the exit option may help business to influence governments on specific economic issues, but with regard to political issues involving the public at large, its success is far from guaranteed.

Globalisation, peace and business interests

The resolution of a protracted conflict with adverse economic effects can present a common interest around which a business community can be formed. Crossing the

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[20] Douglas Iitowitz, 'Gramsci, Hegemony and the Law', *Brigham Young University Law Review*, no. 2 (2000), pp. 515–52.

[21] Leslie Sklair, 'Social Movement for Global Capitalism: the Transnational Capitalist Class in Action', *Review of International Political Economy*, 4:3 (1997); see also Sklair, *Sociology of the Global System* (Baltimore, MD: Johns Hopkins University Press, 1995); Sklair, 'Global System Theory and the *Fortune* Global 500', *International Journal of Politics, Culture and Society*, 12:3 (1999); Stephen Gill, 'Global Hegemony and the Structural Power of Capital', *International Studies Quarterly*, 33 (1989); Gill, 'The Emerging Hegemony of Transnational Capital: Trilateralism and Global Order', in D. Rapkin (ed.), *World Leadership and Hegemony (*Boulder, CO: Lynne Rienner, 1990).

[22] Gill, 'Emerging Hegemony'.

[23] Albert O. Hirschman, *Exit, Voice, Loyalty: Responses to Decline in Firms, Organizations and States* (Cambridge, MA: Harvard University Press, 1970), p. 30.

organising thresholds described above to become involved in the peace process is possible especially if businesspeople come to believe that a resolution of the conflict is attainable, that peace is linked with (or preconditions) economic growth and that the business community can positively influence the outcomes. The proliferation of peace studies at the end of the Cold War indicates not only the growing belief that there is a high potential for peace between the major states,[24] but also that economic incentives can promote peace.[25] The term 'peace dividends', originally used to examine the effects of redirecting 'unproductive' defence spending at the end of the Cold War, was used also to describe the attempts of regional and core powers to devise and influence peace in local, off-centre yet important conflicts.[26] The linkage established between peace and economic growth or prosperity allows more involvement (and influence) of business in peace processes. First, peace dividends are the result not only of decisions made by major states, but also of the investment strategies of private business. Second, in conflict zones the business community is sensitive to the costs of the conflict and, due to its global linkages, aware of the potential benefits of its resolution.[27] Thus, the potential or real peace dividends in the form of global integration could motivate the business community and its allies to actively support peace.[28]

But, while global integration can be an incentive for the business community and other groups to support compromise, it can leave some groups indifferent or even hostile. This is especially true if the benefits of peace are uncertain or unevenly divided, and the costs entail compromises over issues that pertain to national security and identity. Because globalisation is a process of mixed outcomes for countries, societies and individuals, it creates both 'winners' and 'losers', and, consequently, an amalgam of supporters and adversaries. Contrary to those who believe that integrating globally would improve their life, those who either have less to gain from global integration or prefer to remain attached to local identities may view the process as negative. The influence of the business community over the peace process, using the economic logic of global integration to persuade others, therefore depends on its ability to exercise its voice not only *vis-à-vis* government but also across society at large. The legitimacy and political efficacy business enjoys across society underlies its capacity to influence the peace process by presenting its interests – peace and global integration – as universal rather than particular.

[24] John A. Vasquez, 'Why Global Conflict Resolution is Possible', in Vasquez et al. (eds.), *Beyond Confrontation: Learning Conflict Resolution in the Post-Cold War Era* (Ann Arbor, MI: The University of Michigan Press, 1995).

[25] David Cortright, 'Incentive Strategies for Preventing Conflicts', in D. Cortright (ed.), *The Price of Peace* (New York: Rowman and Littlefield, 1997); Eileen M. Crumm, 'The Value of Economic Incentives in International Politics', *Journal of Peace Research*, 32:3; Etel Solingen, 'The New Multilateralism and Nonproliferation: Bringing in Domestic Politics', *Global Governance*, 1:2 (1995).

[26] Steve Chan, 'Grasping the Peace Dividend: Some Propositions on the Conversion of Swords into Plowshares', *International Studies Quarterly*, 39 (April 1995); Denis O'Hearn, 'Peace Dividends, Foreign Investment, and Economic Regeneration: The Northern Irish Case', *Social Problems*, 47:2 (2000); Paul W. Schroeder, 'The New World Order: A Historical Perspective', *The Washington Quarterly*, 17:2 (1994), pp. 25–43.

[27] See, for example, Kathleen Schwartzman, and Kristie Taylor, 'What Caused the Collapse of Apartheid?', *Journal of Political and Military Sociology*, 27:1 (1999), pp. 109–39.

[28] Denis O'Hearn, 'Peace Dividends', pp. 180–200; Shafir, 'Business in Politics'; Gershon Shafir and Yoav Peled, 'Peace and Profits: The Globalization of Israeli Business and the Peace Process', in Shafir and Peled (eds.), *The New Israel*.

Research hypotheses

It has been argued above that the power of business in capitalist democracies, as measured by its ability to influence outcomes, is not predetermined. Rather, specific interactions between business and politics vary in the nature of specific national political-bureaucratic structures, the perceived importance of the issues at stake, the wide influence and legitimacy of the business community and the strategies it employs to achieve its goals. Moreover, when it comes to questions such as peace, the interaction between business and politics is wider, involving not only political elites but also the public at large. What is examined when those types of issues emerge is not only the power of the business community in terms of available resources or its ability to influence the government, but also, and more important, its hegemony, the ability to lead society in a desired direction.

To assess the ability of a business community to promote and provide significant support for a peace process, we need, first, to determine that peace was perceived as a common goal for a business community. Second, we need to research the capacity of the business community to organise to promote this interest. And, third, we need to evaluate the strategies it employed to accomplish its interest, taking into account that it needed to influence not only government, but also the public at large. Consequently, context, the society within which the business community operates, matters greatly as the case studies reveal. This comparative research of the involvement of the business communities in Israel and Northern Ireland in the peace process draws six interrelated arguments from the discussion above:

1. In both cases, despite the differences in the nature of the conflict and the structure of the business communities, senior businesspeople came to associate peace with economic growth. Ending the conflict was defined a high priority that justifies and requires their intervention.
2. The institutional relationship between the business community and the political elite and the level of previous involvement determined the type and level of intervention. Specifically, the Israeli business elite was more willing to identify itself with the peace process and become politically involved.
3. The level of political involvement and actual influence are separate issues. The influence over the peace process was determined by the ability to co-opt wider sectors.
4. Political influence is dependent on the type of issues at stake and is not necessarily transferable from one issue to another. Rather, political power over one issue, where an exit option is valid, may undermine influence over another, when only a voice option exists, and *vice versa*.
5. Business influence in both cases was limited, but for different reasons. The Irish business community was hesitant to commit itself to a political position. The Israeli business community was more willing to commit itself, but its strategies failed to legitimise itself as acting for universal interests.
6. Paradoxically, the political power of the Israeli business community backfired as peace became associated with elite interests. The weaker Irish business community, in contrast, had to cooperate (and compromise) with unions and civil society organisation. As a result, support for peace in Northern Ireland, unlike in Israel, cut across sectors.

Business communities, politics and peace motivations

Since the mid-1980s the Israeli economy has been going through rapid liberalisation, shifting away from being state-led to a more Western-type liberal economy, well integrated in the global economy.[29] Between 1974 and 1985 Israel experienced its worst economic period with a spiralling inflation, which by 1985 came to pose a real threat to the state's fundamental legitimacy and economic viability. The government stabilisation programme initiated in 1985 managed to dramatically reduce inflation and revive business confidence. The plan also liberalised the economy by easing foreign currency regulation, privatisation and cutting the role of government in the capital market.[30] These changes initially hurt the big businesses who benefited from the spiralling inflation but eventually contributed to the development of an autonomous and self-confident business community with a desire and a growing ability to integrate globally.

The Israeli business community was historically well connected to the political arena through a network of personal and working relationships. Many members of the business and political elite cooperated in earlier periods when the government was more involved in the economy or in more recent times when government worked to direct investments and granted favoured status to chosen enterprises. Some became acquainted through other social settings such as the army or institutions of higher education. Studies of the business elite show that almost two-thirds of its members are *Ashkenazim* (Jews of European descent) who share similar lifestyles and ideologies and are closely related to the academic, political and bureaucratic elite, as attested to by the relative ease in which members move between elites.[31] Politically, the business community was always closer to the left-of-centre Labor party than to the more liberal-economic oriented Likud. This seeming paradox is explained by earlier ties established during the dominant period of the Labor party (pre-statehood through to 1977), the more moderate foreign policy agenda of the Labor party and, since the 1980s, the party's adoption of a liberal economic agenda undistinguished from that of its rival. Unlike in earlier periods when the affiliation to the Labor Party was based on privileges and protection, since 1985 it has become based on business's export oriented strategy and the seeking of global expansion.[32]

The changing perceptions of Israeli businesspeople regarding their relationship to the wider world were part of a wider development of Israeli society. If in the early years of statehood Israeli society sought to isolate itself from outside cultural influences, preferring to create a cohesive society, since the 1970s more and more Israelis, especially from the middle and upper middle classes, were exposed to foreign influence. Changes included consumerist patterns and values, leisure activities and

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[29] Yair Aharoni, 'The Changing Political Economy of Israel', *The Annals of American Political and Social Science*, 555 (January 1998); Michael Shalev, 'Liberalization and the Transformation of the Political Economy', in Shafir and Peled (eds.), *The New Israel*.

[30] Gershon Shafir, 'Business in Politics'.

[31] Eva Etzioni-Halevy, *A Place At the Top* (Tel-Aviv: Cherikover [Hebrew] 1998); Daniel Maman, 'The Social Organization of the Israeli Economy: A Comparative Analysis', in Levi-Faur, Sheffer and Vogel (eds.), *Israel: The Dynamics of Change and Continuity* (London: Frank Cass, 1999).

[32] Michael Shalev, 'Liberalization and Transformation', pp. 129–59.

cultural influences on music, literature and the media.[33] Overall, there was a growing desire among Israelis to 'normalise' the country, making it into what they considered an advanced, sophisticated and more tolerant society. In this atmosphere not only were business global ambitions and upper class cultural affiliations legitimate, but they also gradually became an example to follow.

What marred the successful economic reforms of 1985 was the continuation of the conflict and the rising costs of maintaining the occupation of the territories, particularly since the Palestinian uprising (the *Intifada*) in 1987. The business community gradually came to believe that economic growth depended not only on the liberalisation of the economy but also on the resolution of the conflict. This combination of liberalisation, peace and globalisation was perceived by the business community as an agenda it could set for Israeli society at large, leading Israel towards a new future. One senior businessman described this as a new form of Zionism:

> My generation, raised on the essential values of Zionism, was concerned that we were not passing this legacy down to the next generation. Has Zionism run its course? What are the relevant values of Zionism? My Zionism is peace. This is a new Zionist goal.[34]

In Northern Ireland, as in Israel, hope for economic growth drove business people to cross the threshold towards political involvement, though, because of its specific nature, a more restrained one. The Northern Irish economy, in a continuous decline since the 1970s, with growing unemployment, eased only by growing dependence on British subventions, was perceived by the late 1980s to have reached a dead end. The combination of the world recession of the 1970s, uncompetitive traditional industries and the ongoing conflict underlay the economic crisis of Northern Ireland. Political economists described the province as a 'workhouse economy' in which 'most of the inmates are engaged in servicing or controlling each other'.[35] Breakdown was only averted by the British government, which was worried about the political and social consequences of the economic crisis and therefore allocated resources to create jobs or sustain the otherwise collapsing industries. By 1986 public expenditure per head in Northern Ireland was approximately 42 per cent greater than in the rest of Britain.[36]

As a result of the growing influence of the UK over the Northern Ireland economy, members of the province's professional and business classes have become increasingly drawn into channels of communication and career advancements that encompass the UK and centre around the British state. The business community, dominantly Protestant, kept its distance from local politics as did their representative organisations, the Northern Ireland Chambers of Commerce and the CBI of

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[33] Maoz Azaryahu, 'McIsrael? On the "Americanization of Israel"', *Israel Studies*, 5:1 (2000); Chaim Nagid, 'The Americanization of Israeli Culture', *Skira Hodshit*, 8–9 (January 1993) [Hebrew]; Uri Ram, 'The Promised Land of Business Opportunities: Liberal post-Zionism in the Global Age', in Shafir and Peled (eds.), *The New Israel*.

[34] Benni Gaon, former CEO of Koor, Interview, 11 June 2000.

[35] Bob Rowthorn, 'Northern Ireland: An Economy in Crisis', in Paul Teague (ed.), *Beyond the Rhetoric: Politics, Economy and Social Policy in Northern Ireland* (London: Lawrence and Wishart, 1987), p. 117.

[36] Bob Rowthorn and Naomi Wayne, *Northern Ireland; The Political Economy of the Conflict* (Boulder, CO: Westview Press, 1988), pp. 22–3.

Northern Ireland, which maintained professional ties with British bureaucrats. As the economy was run from London, it was the Northern Ireland Office (NIO) rather than local politicians that served as the address for grievances. In contrast, involvement in local politics exposed their business to sectarian violence. With few incentives, greater risks and pessimism with regard to the ability to effect change, business chose to stay away from local politics.

It was in the early 1990s that the business community began to change its perceptions and hesitantly reorient itself toward local politics. First, it was realised that the economy under the conflict could not advance and that British subventions would most likely not last forever. Second, businesspeople became aware of new global and regional economic opportunities for the region that would materialise only if violence was significantly reduced. Third, the growth of the Irish Republic in the south, previously looked down upon by Unionists, made its mark not only on businesspeople in Northern Ireland. And, fourth, the changing agendas of the Irish and British governments and among the main Northern Irish parties indicated a wider interest in peace. Distanced from local politics and politicians, unlike their Israeli counterparts, organising for action was more difficult for the Northern Irish business community. Also, unlike in Israel, political involvement carried personal and individual risks. With new economic incentives and a changing political climate, however, the business community was ready to become involved:

> Once there was a little light at the end of the tunnel and one or two of the political parties started to talk to get the gun out of politics, that is when the business community has come out to say gently, but at every occasion that this is a good thing [the talks] and that we got to think about the future. We did not get out there to lecture but to state the obvious. But this was an obvious that was missing for years because we were not willing to risk our lives saying it.[37]

The two business communities in Israel and Northern Ireland, as will be detailed below, slightly differed in aims. The Northern Irish business community was seeking to integrate in the region and expand its ties with the Republic in order to promote economic growth. Global integration in itself was less explicit than in Israel. The Israeli business community, with its growing high-tech sector, was seeking new markets and investments that could not be found in the Middle East. Peace, therefore, was a springboard for global rather than regional integration. But, despite their different statures, both communities reached the conclusion that peace preconditions economic growth and, consequently, decided to become politically involved in promoting peace. Businesspeople of both communities perceived their interventions as based on pragmatism and rationalism, characteristic of business in their opinion. They were convinced that their skills of negotiation, their moderation and their readiness to compromise could be employed in the conflict which engulfed their society. Their belief in the necessity of peace was a combination of economic rationality and civic duty, underscoring the hegemonic attempt to set a new political agenda, based on their assessment that a successful (and liberalised) economy could make the peace real. One Israeli businessman summed up the position:

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[37] Interview no. 7, September 2000.

I strongly believe in the peace process. I don't believe a country can exist without a strong economy and peace is a part of it. We cannot continue living on support from abroad, and we must become independent. A strong state will not make the economy; rather, the economy should make the state strong and the peace real.[38]

First steps: mobilising for peace

A series of decisions and actions have made both business communities gradually associate themselves with the peace process, using their professional status to promote peace. After the Gulf War and as part of its 'New World Order', the United States pressured Israel to make strides towards negotiations with the Palestinians. The Madrid Conference convened in October 1991 under American pressure had no real results, but it did set a precedent for direct Israeli-Palestinian negotiations. The business community was weary of the continuous Intifada and hoped that Israel would receive the loan guarantees from the US that had been made conditional on the peace process. The daily *Haaretz*, a paper read by the Israeli business elite and reflecting their general attitudes, warned the government before the conference of the need to promote peace and receive the loan guarantees that were necessary for absorption of the mass immigration from the former USSR. 'This is how Israel can miss its chance of becoming a bigger and stronger state with greater human capital', the paper criticised the reluctant Prime Minister Yitzhak Shamir, 'but what interests Shamir is another road and another settlement in the West Bank – and to hell with immigration'.[39]

The business community expressed similar frustrations. Shortly before the 1992 elections, Dov Lautman, president of the Manufacturers Association of Israel, stated that the major obstacles to foreign investment were political instability and that progress in the peace process was necessary to stimulate investments.[40] Gradually Israeli businesspeople began to express some optimism about regional economic prospects. Fifty entrepreneurs interviewed from various businesses – real estate, tourism, manufacturers and others – all expressed belief in the new possibilities in the Arab world, exporting, importing, building hotels, highways and joint tourist ventures were all mentioned as potential investments.[41] More importantly, from that period onward, a growing number of high profile businesspeople began to make their voices heard, encouraging the government to make real strides towards peace.

The 1992 electoral victory of the Labor party, whose platform stressed the need to 'normalise' Israel by promoting the peace process, criticising the 'irrationality' of the Likud's policies, was a signal to the business community of the changing climate. The improved business mood was reflected in the stock exchange: two days before the elections, when the polls indicated a Labor victory, stock prices climbed by 3.5

[38] Michael Strauss, CEO Strauss, Interview May 2000.
[39] *Haaretz*, 11 October 1991.
[40] Yoav Peled and Gershon Shafir, 'The Roots of Peacemaking: The Dynamics of Citizenship in Israel, 1948–1993', *International Journal of Middle Eastern Studies*, 28 (1996).
[41] *Maariv*, 29 October 1991.

per cent and after the elections they climbed by another 7 per cent. 'Whereas in the ballot box investors vary in their political views', explained one economic analyst, 'in the stock market there was largely a consensus. For most investors the return of the left (the Labor) means higher chances for conflict resolution'.[42]

The new Labor-led government shared the business community's view of the linkage between peace and economic growth. The concept of a 'New Middle East' coined by then new Minister of Foreign Affairs Shimon Peres was embraced by senior businesspeople, and most importantly by those heading business organisations. Dan Gillerman, president of the Federation of Israeli Chambers of Commerce, reiterated Peres' ideas and spoke of an opportunity that should not be missed.

> Israel could become just another state . . . or, it could become the strategic, logistic and marketing center of the whole region . . . like a Middle Eastern Singapore or Hong Kong where multinational companies base their head offices . . . we are talking about an entirely different economy . . . Israel must act fast to adjust or this once-in-a-lifetime economic opportunity will be missed only for us to say: 'We could have'.[43]

But it was only after the political breakthrough, made by the political elite, that the business community gradually began to organise and throw in its weight to act as a business community. The news of the dramatic developments in the secret negotiations in Oslo that led to the signing of the Declaration of Principles (DOP) caught the business community, like the rest of Israel, by surprise. Business was quick to line up its support of the process not only through public statements expressing optimism in the economic future of Israel but also by acting collectively through its major organisations. Encouraged by the government, the business community moved quickly to exploit the new opportunities created in the region and, even more so, in new markets that opened in the Far East and elsewhere.

A different trajectory can be observed in Northern Ireland where in the 1990s the business community in search of new economic opportunities was looking to strengthen economic ties with the Irish Republic. These ties, argued senior businesspeople, could benefit both economies. Concerns were raised, both in the north and south, that increased competition from the EU threatened the 'peripherialisation' of the island and, therefore, cooperation would be required. Moreover, it was argued, multinational corporations were already regarding their Irish operations in island-wide terms. The 'Selling into the Republic' conference held in Belfast in 1990 was indicative of the growing interest in cross-border interactions. The organisers who had expected between 60 and 70 company representatives to attend were surprised by the attendance of some 300 representatives. More important, the Northern Ireland Confederation of British Industry (CBI) joined forces with its southern counterpart (IBEC) to enhance economic cooperation and influence their respective governments to create the appropriate infrastructure.[44]

While the business community was setting a precedent in this political initiative, it insisted this was a 'professional' or 'business only' issue. A hallmark statement was made by Sir George Quigley, Chairman of the Ulster Bank and the Institute of

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[42] *Haaretz*, 6 October 1993.
[43] Chamber of Commerce, Press statement, 31 August 1993.
[44] Etain Tannam, 'The European Union and Business Cross-Border Co-operation: The Case of Northern Ireland and the Republic of Ireland', *Irish Political Studies*, 11 (1996).

Directors (IOD), who proposed in 1992 that 'Ireland, North and South, should become one integrated 'island economy' in the context of the Single European Market'. Quigley argued that the SEM necessitated more economic cooperation between north and south as 'an exercise in synergy, not a zero-sum game where a wholly insufficient quantity of existing island wealth is simply redistributed'. Combining the north and the south into an economy of 5m people would enable greater economies of scale. This proposal, it was stressed, was purely economic, as Quigley warned, 'making a reality of the island economy is dependent on there being no political agendas, overt or hidden'.[45] The CBI backed the main part of the proposal, creating a Belfast-Dublin 'economic corridor', by a feasibility study that estimated it would pay off.[46]

In a region bitterly divided over the question of its constitutional status, however, any initiative relating to boundaries was politically sensitive. Protestant politicians, not only from the Loyalist DUP, but also from the relatively moderate Unionist UUP rejected what they considered a hidden political initiative. Esmond Birnie of the UUP argued that 'The unspoken political aim is that such economic integration will give momentum to a process of political integration which may prove unstoppable'. Jim Nicholson of the UUP argued that he 'would not like to see the large business interests North and South . . . carve up the cake for their own benefit' and advised business to realise that 'to continue to overlook the political interests within Northern Ireland would not bring long-term success'.[47]

Businesspeople, in their own defence, insisted that the development of an all-island economy was not only non-political, but also inevitable with the evolution of a globalised economy and a European market:

'I think there is already an all-island economy', explained one businessman, 'I don't see any tension with issues of identity. The UUP stance is nonsense, its all around defending what they believe is a union which has changed. In the UK of the 21st century and in a globalized world we can not have that sort of a union . . . an island is an island and it is natural that with no barriers there would be more flows. It's natural, nothing to do with politics and a united Ireland does not necessarily follow from this.'.[48]

'an all-island economy is my business and the only people that would blame you for doing business with the south are bigoted loyalists'.[49]

The business community was more successful in convincing the general public that they were driven by an economic rather than a political agenda. A survey conducted in February 1999 found that not only had resistance to North-South bodies among Protestants diminished, but also that a majority of Protestants considered them to be important.[50] The business community, possibly motivated by the relative success of the campaign, was more ready to talk about peace. In a survey

[45] James Anderson, 'A United Irish Economy: Economic and Political Aspects of Economic Integration', *Regional Studies Series, European Society for Irish studies*, 1:2 (1993).
[46] Coopers & Lybrand and Indecon Economic Consultants, *A Corridor of Opportunity: Study of Feasibility of Developing a Dublin-Belfast Economic Corridor* (CBI, Belfast: May 1994).
[47] *Belfast Newsletter*, 3 March 1992.
[48] Interview 2, September 2000.
[49] Interview 6, September 2000.
[50] Irwin, 2000.

conducted by the Financial Times in December 1993, the majority of businesspeople interviewed (anonymously) expressed a firm belief that the province would enjoy an economic boost and supported political concessions.

The major initial step of the business community towards involvement in promoting peace was taken by the CBI, which in the summer of 1994 published a paper titled 'Peace – A Challenging New Era'. The CBI argued that the joint statement of the SDLP and Sinn Fein in April 1993, and the Downing Street Declaration of December 1993 by the Irish and British governments, created a true opportunity for achieving a permanent cessation of violence. This achievement, the paper argued, would have significant economic implications:

> The impact of a permanent cessation of violence would be profound. There are clearly significant benefits principally relating to inward investment opportunities, tourism, the indigenous industrial base and the freeing up of public expenditure for wealth creation activities and social needs.

The CBI continued the pattern set in the issue of North-South cooperation using its professional status by putting numbers on the potential benefits and trying to make the argument economic rather than political. Yet the CBI delivered a clear message to policymakers that they must do everything they could to put an end to the conflict:

> [It is] vital that the government thinks through now the strategic implications of a permanent cessation of violence and develop policies and priorities to ensure that the benefits are maximized . . . the realization of the full potential of the Northern Ireland economy and the provision of more opportunities for its citizens will require a political settlement.

The CBI paper had a relatively large public impact, and with the link it made between peace and economic prosperity becoming popularised as 'peace dividends', could not have had better timing. Shortly after its publication, in August 1994, the IRA declared a cease-fire, followed six weeks later by a Loyalist declaration. The cease-fire seemed to confirm some of the economic predictions, as will be discussed below, and enabled further involvement.

Peace festivals

The economic developments that followed both peace processes seemed to confirm many of the previous optimistic statements made by businesspeople and politicians and encouraged the business communities, albeit in different ways and measures, to deepen their involvement. The 'peace festival'[51] in Israel began shortly after the disclosure of the DOP and reached its peak after the signing ceremony on the White House lawn. While it was undoubtedly an important breakthrough, the DOP only established the framework for further negotiations. But the Israeli government, needing to bolster support, chose to create and ride the waves of optimism for as

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[51] Gadi Wolfsfeld, *Constructing News about Peace: The Role of the Israeli Media in the Oslo Peace Process* (Tel-Aviv: Tel-Aviv University, Tami Steinmetz Center for Peace Research, 1997).

long as they lasted, being helped by the business community and the media. Business organisations and private businesspeople were quick to congratulate the government and line up support. This was especially true of the two large business organisations, the Manufacturers Association of Israel and the Federation of Israeli Chambers of Commerce.

The stock market was an indicator of the positive business mood, enabling it to reaffirm its message to the public at large. On 2 September, shortly after the announcement of the agreement, the stock market began to climb due to what one paper described as 'investors betting on peace'. Three days later the stock exchange reached an unprecedented peak, breaking all records and leading a major newspaper to declare: 'Arafat is the hero of the stock exchange'.[52] The daily Haaretz argued that the stock exchange was an indicator for the upcoming economic boom and that the peace accords were one of the best things that had ever happened to the Israeli economy.[53] Senior businesspeople contributed to the wave of optimism through rosy predictions and disclosure of their future plans.

In mid-September around the signing on the White House lawn, the media frenzy reached its climax. A week earlier the papers had run headlines and page titles such as 'on the road to economic prosperity' and mentioned over and over again the emerging interest of investors from around the globe. The closer it got to the agreement, the more enthusiastic the headlines become. 'In the air, the land and the sea – Israel is on the map', exclaimed a major daily.[54] The papers were drawing a new map of the world with countries such as Tunisia, Malaysia, Cambodia and Oman opening up to Israel and projected potential economic and political gains that Israel would experience.

After all signatures, reality will come. The quickest way to establish connections in the Arab world is through business. There is no reason why petrol and petrol money will not flow here. But the greatest gains will come from the West. All the multinational companies previously afraid to take a risk with us would come to the region. If Lebanon was the 'Switzerland of the Middle East' there is no reason that we should not be Hong Kong.[55]

Beyond the optimistic statements that contributed to the positive economic atmosphere, businesspeople also began quickly to establish business connections. One day before the ceremony in Washington, Koor, one of Israel's largest conglomerates, revealed an ambitious peace project secretly launched a year earlier. The project, known as 'Salaam 2000', was a $100m investment firm in which Koor had joined forces with a Spanish bank (Banesto), a large private Moroccan concern (ONA) and a group of Palestinians. Gaon, Koor's CEO, explained that the company reached the conclusion that the war industry has run its course, and that peace was, therefore, a better investment.

We were examining what to invest in and saw that in many things the market was saturated. How many food factories or shopping malls can you build? We focused on peace.[56]

[52] *Yediot Aharonoth*, 2 September 1993; 6 September year peak.
[53] Ibid., 7 September 1993.
[54] Ibid., 12 September 1993.
[55] David Lipkin, 'Economic Catch', *Maariv*, 15 September 1993.
[56] Sever Plotzker, 'Koor's secret peace project', *Yediot Aharonoth*, 15 September 1993.

Business people and the Labor Party elite saw eye to eye the relation between the peace process and the economy, but it was the entry of the business organisations that enabled business to act as a community and cooperate with the government. Dan Proper, the new president of the Manufacturers Association of Israel, in an interview titled 'Peace is Good Business', predicted shortly after the Oslo Accords were revealed 'a brilliant economic future for Israel due to the agreement with the Palestinians'.[57] A day earlier, Proper with 17 other leading businesspeople and other public figures published a support ad in the papers for the peace process. Through the major business organisations a working relationship was established between the business community and the political elite. In practice, the close relationship was manifested in businesspeople accompanying Rabin and Peres when travelling abroad. Right after the signing of the DOP in Washington, for example, the Prime Minister's plane with a delegation of senior Israeli entrepreneurs headed to Morocco to discuss joint investments.[58] The government, explained one businessman, conveyed a simple message to the business community: 'we (the government) are making the break-through in the peace process, and you (the business community) have to consolidate it'.[59] The steps taken towards peace by the government created new opportunities for businesspeople who, by exploiting them, were creating 'peace dividends' that were serving a dual purpose: consolidating the new relations between Israel and the Arab world and bolstering the Israeli public's support for peace.

There is no doubt that the business sector fulfilled a major role in the peace process. The government has opened the gate to peace and the business sector paved the road to the world. The peace process produced economic benefits, raised the standard of living and gave hope to a better future.[60]

On the one hand, I was operating as a businessman and my company was building factories and partnerships. On the other hand there was a public involvement in lectures, contacts, delegations and various attempts to convince the public that peace is good for the economy and for the general quality of life.[61]

The unofficial division of labour or partnership described above between the government and the business community had another important aspect regarding the economic part of the negotiations with the Palestinians. While the business organisations generally endorsed open economic ties with the future Palestinian entity, various concerns were raised over 'unfair competition'. The government, on its behalf, not only kept the business organisations informed during the negotiations held in Paris but also often consulted with them.[62] Critics of the economic protocol have argued that it overwhelmingly favoured Israeli interests at the expense of the Palestinians.[63] Economic relations with the Palestinians and the Arab states, how-

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57 *Yediot Aharonoth*, 3 September 1993.
58 *Maariv*, 13 September 1993, business supplement, p. 1.
59 Benjamin Gaon, Former CEO Koor, Interview 11 June 2000.
60 Ibid.
61 Interview 23 March 2000.
62 Interview with Dan Proper, former President of the Manufacturers Association of Israel, 6 April 2000
63 Sarah Roy, 'The Palestinian Economy after Oslo', *Current History* (January 1998).

ever, were limited due to the gaps between economies and, consequently, secondary to the new global opportunities opened for Israeli business. First, the annulment of the Arab boycott opened new markets in Asia for Israeli business. Second, multi-national companies were making their entry into the Israeli market and new partnerships with local businesses were formed. And, third, foreign investments in Israel have grown tenfold since the signing of the DOP. The Israeli economy, in sum, was prospering beyond any regional development.

The cease-fire in Northern Ireland in 1994 also confirmed business expectations of what a permanent peace could bring. Unlike the case in Israel, here the business community maintained its distance from the political elite. The wave of optimism became a self-fulfilling prophecy, tourism increased within the space of a year, unemployment was down to 11.5 per cent and over £30m in investment ventures was announced. The CBI and the Institute of Directors (IOD) delivered optimistic economic forecasts. It was estimated that up to 50,000 jobs could be created by the end of the decade, and that huge investments from the US could be expected.[64] The British government pledged to support the peace process as well as the EU that set up a Special Support Program for Peace and Reconciliation with a five-year disbursement of almost £400m targeted directly at cross-community cooperative projects. More investments and aid came from the United States, Australia, New Zealand and Canada, all with a purpose of advancing the prosperity of the region as a whole and strengthening support for the peace process.

At the end of 1994 the consulting firm Coopers & Lybrand reviewed the peace dividends of the cease-fire and the perceptions of businesspeople. The review found local business to be very optimistic, almost 90 per cent believing that the impact of the cease-fire would be quite positive or very positive, although on the 'micro level' (the individual business unit) the optimism was somewhat less. Especially optimistic were the manufacturing sector and the larger companies who believed that exporting would become easier. Sir George Quigley, as chairman of the Institute of Directors, described in an interview the new business state of mind, 'When you talk to business people they are in a very buoyant mood – surprisingly bullish, not a lot of pessimism around'.[65] As in Israel, the media in Northern Ireland highlighted the 'peace dividends'. One paper, calling the cease-fire 'Ulster Peace', described it as 'investor pulses racing' with more than 150 companies, including names like Nissan, Du Pont, Nokia and Bell Helicopters, expressing an interest in investing (or enlarging their current investments)in the region. The paper quoted an enthusiastic IDB executive who exclaimed 'There will never be a better time to invest in Northern Ireland than right now.'[66]

Unlike in Israel, the Northern Irish business community, while delivering messages of support for the peace process and taking advantage of new opportunities, kept its distance from the political elite. In one relatively rare example of cooperation, top level politicians, bureaucrats and business executives participated in a conference held in Washington DC, endorsed by President Clinton, intended to promote the peace by investment in Northern Ireland. In this conference, and in another held in

[64] *Irish News*, 1 September 1994.
[65] *The Independent*, 31 October 1994.
[66] Paul Rodgers, 'Ulster peace sets investor pulses racing', *Independent on Sunday*, 11 December, 1994.

Pittsburgh in October 1996, the Northern Irish representatives sought to interest foreign companies in the Province.[67] The business community in general, though, maintained its independence and was careful not to align itself with any party position. Paradoxically, it was John Hume, leader of the Catholic SDLP, whose views were closest to that of these dominantly Protestant business community. Hume and the SDLP were quick to catch on to the rhetoric of the EU and globalisation to advance their cause, resembling Peres' concept of the 'New Middle East'.

As we enter the 21st century, the world around us is changing fast. The old social and economic model of individual nation states is being superseded in the West by a model of a Europe of the Regions, with those Regions vying with one another for business and wealth . . . If the strategy is to be meaningful, it must be set firmly in an all-island and, indeed, a European context. It could even be argued that it should be set in a global context.[68]

Supporting the SDLP, however, despite the tacit agreement, was not an option for the business community. The Unionist parties, in contrast, seemed at times, in the opinion of the business community, not determined enough in the pursuit of peace. Thus, while the business community, like its Israeli counterparts, made a firm commitment to peace and sought to take advantage of the new opportunities, its co-operation with the political elite was far from that of the Israeli business community.

Moments of truth

The prospects of peace encouraged the formation of business communities with interest in peace and organisational capacities. Their influence or hegemony, however, was tested in later stages of the process when public support was declining and exercising of 'voice' was required. Peace processes have been described as a complex succession of transformations punctuated by several turning points and sticking points and often interspersed by long periods of inertia and setbacks.[69] I define 'moments of truth' as the periods in which either the initial euphoria of peace has turned into disillusionment or that major decisions over the peace process had to be made. The importance of these periods is twofold. First, in these periods the business communities were forced to reassess their strategies or to make new strategic decisions. And, second, their actions and their outcomes are a test not only to the power of the business community *vis-à-vis* the government but also of its hegemony over society. The elections of 1996 in Israel, and the breakdown of the cease-fire and the referendum of 1998 in Northern Ireland were moments of truth for the business communities that had to make explicit commitments and exercise their 'voice'.

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[67] *US Conference for Trade and Investment in Northern Ireland*, Pittsburgh, PA, 6–8 October 1996.
[68] 'Regional Development Across the North', SDLP discussion paper, June 2000.
[69] Hugh Miall, Oliver Ramsbotham and Tom Woodhouse, *Contemporary Conflict Resolution: The Prevention, Management and Transformation of Deadly Conflicts* (London: Polity Press, 1999), pp. 183–4.

The economic growth following the Declaration of Principles did not create the political results the Israeli political elite and the business community expected. Not only were the Palestinians, whose economy had gone from bad to worse,[70] disenchanted, but regionally also limited progress was made, and even among Israelis the peace process failed to gain wide support. Israel's policy of closures in response to Palestinian terrorist attacks led to high rates of unemployment and forced the Palestinian Authority to increase public sector employment and donor countries to redirect as much as 40 per cent of their disbursements from long-term investments to emergence budget support and employment generation.[71] Frustrated by setbacks in the process that delayed their independence and by continuing economic hardships, Palestinian support of the peace process was in decline. Arab states, on their part, were conscious of Israel's economic superiority and suspicious of its intentions, fearing an economic takeover and arguing that Israel had more to gain from cooperation.[72] Moreover, because Arab states conditioned economic cooperation on the developments in relations between Israel and the Palestinians, regional and bilateral cooperation remained limited in extent and influence.

Traditionally, peace movements in Israel were identified with the upper classes who failed to draw the support of low-income, traditional and non-*Ashkenazi* Jews.[73] The growing inequalities, a result of Israel's rapid liberalisation and the linking of peace and economic liberalisation, kept significant sectors of Israeli society alienated from the peace process, which they perceived as an upper-class interest. The business community, who enjoyed a privileged position that facilitated its cooperation with the government, invested few if any resources to incorporate alienated sectors. This strategy of elite cooperation proved costly when the peace process, after the initial euphoria, slowed down and reached several impasses resulting from unresolved disputes in the negotiations, Palestinian terrorist attacks and Israeli responses. The elections following the assassination of Prime Minister Rabin were undoubtedly a fundamental turning point of the peace process and an important test of the business community's influence. The election announced after the assassination seemed promising for the Labor party that held a comfortable lead due to the memory of Rabin's assassination being still fresh in the public's mind. But after a series of terrorist attacks, a poorly run Labor campaign and voters 'coming back home' to the Likud, the gap between the parties was rapidly closing. The possibility that the Labor party would lose the elections evoked deep concerns across the business community regarding the future of the peace process and a growing willingness for political involvement. On 3 May, two weeks before the elections, the business community made its position explicit, publicly supporting not only the peace process, but also the Labor party itself.

The event, organised by Dov Lautman, former president of the Manufacturers Association of Israel and a long-time peace activist, drew an impressive number of 350 senior businesspeople, even some previously identified with the Likud. The

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[70] Sara Roy, 'The Palestinian Economy after Oslo', *Current History* (January 1998).
[71] Roy, 'The Palestinian Economy'.
[72] Atif A. Kubursi, 'Prospects for Arab Integration after Oslo', in Michael C. Hudson (ed.), *Middle East Dilemma: The Politics and Economics of Arab Integration* (Washington, DC: 1999).
[73] Mordechai Bar-On, *In Pursuit of Peace* (Washington, DC: United States Institute of Peace, 1996).

participants wanted to publicise their concerns about the economic future of Israel after the elections. Michael Strauss, a businessman who had previously shied away from political gatherings, described this event as 'coming out' and explained his reasons, 'Board directors of multinational corporations I am in touch with expressed grave worries about the elections and if they are worried I should be worried as well'.[74] Dan Gillerman, president of the Federation of Israeli Chambers of Commerce, described what could happen to the Israeli economy if the Labor party lost the elections. 'We will find ourselves in the midst of an apocalyptic scenario. We will see the end of investments, running away of investors and foreign capital and unemployment among young people and immigrants. This is a frightening scenario that should not happen.'[75] The business community, as one writer explained, came out to support not only the peace process, but also the most liberal government Israel ever had. But the danger, pointed the writer, was that the party would become identified as the party of big business.[76] The problem for the Labor party and the business community was actually bigger than that. While the gathering of an overwhelming majority of the business community in support of Peres was indicative of their identification with the peace process, the result was indicative of their limited influence and unachieved hegemony. The event described above received limited press coverage, held little public appeal and failed to change the election's results. For the general public, as the election results demonstrated, the opinions of senior businesspeople seemed hardly to matter so that business, and the allied Labor political elite, failed to exert its influence.

In February 1996 the negotiations between the Northern Ireland parties reached a dead end over the issue of weapons decommissioning and the cease-fire broke down. Businesspeople described the breakdown as a 'moment of truth' in which all the economic gains achieved in the past two years could be eroded.

Business had a resilience which was a 'business as usual' approach. During the troubles, the level of expectations was quite low. But after the cease-fire, when people have seen what it was like [to live in peace] it was very difficult to accept that we were going to return to the period before the cease-fire.'[77]

Concerned with the political developments, the business community was becoming more involved, making bolder statements, sharpening and amplifying its call for peace:

We had a simple message, that no society that wants to prosper can afford the 'luxury' of violence and destruction. The continuation of violence sends a wrong message to the outside world and it leads to a loss of [business] confidence.'[78]

The perceived necessity for greater political involvement presented a dilemma for the business community: how to make a political impact without 'political connections'? The Northern Irish business community chose to maintain its distance from the political parties and to cooperate with other parts of civic society to pressure the

[74] Interview.
[75] *Haaretz*, 5 May 1996.
[76] Abraham Tal, 'Berl would not believe', *Haaretz*, 6 May 1996, Section B, p. 1.
[77] Stephen Kingdom of PriceWatersCooperhouse, Interview September 2000.
[78] Sir George Quigley, Interview, September 2000.

parties to return to the negotiating table. The Group of Seven (G7) was formed after the breakdown of the peace process and included representatives of business organisations, trade unions and other civic society organisations. Despite the differences between the groups over economic policies, they all found that they could cooperate over the issue of peace. Furthermore, the business community declared its commitment to 'social responsibility', understanding that its desire for market economics could not be fully realised.

The G7 began meeting with political parties to convince them that they must return to the negotiating table or face an economic catastrophe. The same message was delivered to the general public through a series of widely distributed public statements conveying the benefits of peace for the entire population. In a lengthy statement published in August 1996, the G7 argued that the people of Northern Ireland must choose between digging their heels in the ground and continuing the conflict and the economic betterment that compromise could bring.

A society which does not eschew violence and turmoil – whatever the perceived justification – is on the road to nowhere. Surely the *entire* population of Northern Ireland can accept that whatever else divides it, it has a common interest in rapid economic growth and jobs.

In retrospect, members of the G7 believe that they have made their mark on the process by giving necessary support to hesitant politicians, fearing public disapproval, to participate in the talks in which Sinn Fein was included and by making it more difficult for the parties to walk away from negotiations.[79] But the balancing act between 'professional' statements and holding together a diverse group of interests was difficult. The CBI, representing the larger businesses, was willing to make more explicit statements than the Chambers of Commerce, whose constituency of smaller businesses was more divergent in its views, including more traditional unionists or even loyalists. Their representatives were not always comfortable with the G7's position. Feeling that the G7 was becoming overtly political, in 1998 they decided to withdraw from the organisation, but continued to express support for the peace process.

One of the difficulties of the business community here is that sometimes there is a feeling that the G7 does not have the mandate to speak for business . . . We don't have a mandate to speak on issues like decommissioning. We can say that we need peace and stability but not beyond it.[80]

The return of the parties to the negotiating table and the deep involvement of the UK, Ireland and the US produced the Good Friday Agreement on 10 April 1998. The decision to hold a referendum over the agreement brought the second moment of truth to the business community, how to support a peace initiative, created by the political parties, without becoming politically identified. Until then the business community maintained its professional non-political status by adhering to general statements advocating negotiations and peace. In April 1998, however, a decision had to be made over a peace agreement that carried a 'price tag', namely concrete concessions. The CBI's statement published in the major newspapers prior to the

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[79] George Quigley, 'Background Notes: Role of G7 in the NI Peace Process', Unpublished, October 2000.
[80] Interview 5, September 2000.

referendum is the best example of the attempt of a major business body to give a 'professional' opinion about the referendum.

The CBI statement made an explicit link between the success of the peace process and the economic future of Northern Ireland. 'Our mission', it argued, is 'to help create and sustain the conditions in which businesses in the United Kingdom can compete and prosper'. Therefore, it argued that a vote for the agreement is a vote for economic prosperity.

The CBI believes that a 'YES' vote in the Referendum is a major step towards creating a more favourable and positive environment in which business can grow and flourish and more jobs can be created. It is only industry and commerce that creates the wealth which allows us to support our families, schools, healthcare and environment.

What the CBI statement carefully avoided was clearly telling the public 'vote YES', explaining instead that the referendum is for individuals, who must make up their own minds based upon their own judgment values.

We hope that every individual will vote in the referendum and we encourage them to do so . . . we have the confidence that the people of Northern Ireland and the politicians they support can help make Northern Ireland a better place in which to live and work.

The CBI also avoided taking an active part in the ongoing YES campaign, in order, they explained, not to damage its integrity by telling people how to vote on a political issue. Chris Gibson, the CBI chairman, in an interview given to the author, explained that the statement was a necessary compromise the organisation had to make.

While I said YES personally and worked hard in the YES campaign as an individual, we had on the council people who wished to say NO. We had to get a collective statement and this, to my judgment, was not a cop-out but a reasonable result.[81]

Other businesspeople maintained a similar stance. The Ulster Business magazine stated that 'it's hardly an appropriate time for business organizations to publicly espouse the virtues or otherwise of Agreement by which so much hinges either way'.[82] The pressure increased when the British Government through the Northern Ireland Office was trying to mobilise the business community for support, and businesspeople fearing they would be marked as 'government lackeys', attempted to maintain distance from the NIO. Pressure increased further when the document with the names of those approached was leaked to the press.

The business community continued to deliver its 'professional' message that peace and prosperity are linked, circumventing more sensitive and divisive issues. Business organisations that surveyed their members with the question of the level of involvement they should exercise received mixed messages that confirmed their belief over what could or could not be done.

We as a business community have always said we need peace and stability but the Good Friday Agreement had other elements in it that might have been against some people's consciences. I personally voted yes but I would not presume telling somebody who lost a relative how they should vote. All we could say as a business community is that in any

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[81] Interview, September 2000.
[82] *Ulster Business*, 2: 5 (2000).

economic scenario we need peace and stability. I did a survey among the members of the Chambers of Commerce and the message that came back was that they are happy as long as we stay in the economic stance, but there would be a big divergence once we move into the political.[83]

While the business community was hesitant, except for a few individuals, to explicitly say 'Yes', other parts of civil society took a different approach. The 'Yes Campaign' targeting the unionist community was an initiative taken by civic society, professionals, academics and some businesspeople who proposed and conducted a non-party and cross-party campaign. The campaign's priority target was 'middle unionism' concentrated in and around Belfast.[84] The people of the campaign found the business community, as well as some of the trade unions, less then supportive and were disappointed by their unwillingness either to align with a 'yes' vote, or to financially support the campaign.

The private sector kept its counsel too. Amongst those who had borne much of the economic burden of the troubles, they were also those amongst whom the most benefits would accrue most quickly. The economic case for political stability was overwhelming. We recalled Machiavelli's 1532 observation at this moment 'only lukewarm support is forthcoming from those who would prosper under the new order'. [85]

The people of Northern Ireland voted for the Agreement, but it is difficult to assess what the contribution of the business community was. In a poll conducted by NIO in mid-May, just before the referendum, only 30 per cent of Protestants supported the agreement, with 38 per cent against and 33 per cent undecided.[86] The business community found it difficult to say an explicit 'yes' to the agreement, but the mobilising of civil society for support and the use of the dividends argument established earlier with its support, explicit or implicit, played an important part in the transformation.

Conclusions

New opportunities and incentives have made the business communities in Israel and Northern Ireland prepared to become politically involved. Both business communities came to the conclusions that economic development would depend on achieving peace and, as such, that it is in the interest of business to advance the peace processes. In both cases it was senior businesspeople and the large business organisations that mobilised for peace, solved the collective action problem and lent a coherent voice to the business community.

Different strategies were employed by the Israeli and Northern Irish business communities, reflecting the different contexts in which they operated and especially their relations with the political elites. Unlike debates over economic policies that are often limited to the 'professional' realm between government, bureaucrats and

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[83] Interview with CBI Chairman, Chris Gibson, September 2000.
[84] Quintin Oliver, 'Working for "Yes"', Belfast, 1998.
[85] Ibid., and interview to the author, September 2000.
[86] Oliver, 1998, 'Working for "Yes"'.

businesspeople, allowing the latter leverage based on an 'exit option', peace processes pertain to ideological questions that involve the public at large and require the business community to have an effective 'voice'. Peace processes, in other words, are dependent upon public support and wide legitimacy, so for the business community to be influential hegemony is essential, so its interests must be convincingly set as universal. In both cases the business community's involvement fell short of hegemony and demonstrated the difficulty of translating resources into actual influence during 'moments of truth'.

But, as the developments of the peace process and the different outcomes demonstrate, context and strategies matter. If in the earlier, 'festive', stages of the peace processes the differences between the two business communities' strategies seemed minor, the 'moments of truth' showed their significance. Paradoxically, the politically weaker Northern Irish community achieved better results then its Israeli counterparts. The Northern Irish business community, lacking political networks, was more hesitant in its involvement, attempting to maintain a 'professional' position and a distance from politics. When the peace process suffered setbacks, the business community entered politics but maintained distance from politicians by aligning with other groups from across civic society. Unable to commit itself to a 'Yes' vote in the referendum, the business community allowed others to lead the way. Decisions made earlier to cooperate with other groups had an important impact on the perceptions of peace that, unlike in Israel, was not associated with the elites. The Israeli business community, closely related to the political elite, established a working relationship with the government in which political decisions and economic developments supposedly cross-fertilised. But, in its moment of truth, when the peace process suffered significant setbacks and public support declined, the difference between political power and hegemony became evident as the public, with significant sectors alienated from the peace process, declined to accept the message the business community delivered and voted against the Labor party and, essentially, against the peace process.