

**THE ROLE OF BUSINESS IN
INTERNATIONAL PEACE NEGOTIATIONS:
STRATEGY, POWER AND INFLUENCE**

**EVIDENCE FROM BUSINESS NETWORKS IN THE MIDDLE EAST AND
CYPRUS PEACE PROCESSES**

Master of Arts Capstone Project

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The findings, interpretations and conclusions contained in this paper are those of the author, and do not necessarily represent the views of the United Nations Secretariat or any other institution. The geographic and functional designations employed in this paper do not imply the expression of any opinion concerning the legal status of any country, territory, frontiers or authorities.

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Executive summary

Businesses have an increasingly relevant role in international peace negotiations. However, research into their ability to work with both official parties and civil society in order to shape negotiation processes highlights differences in their degree of influence. This raises the question of what characteristics can explain their relative effectiveness in influencing negotiations in some cases, or their diminished standing in others. In order to answer this question, we analyze a number of business networks, such as chambers of commerce or other private sector associations, in the context of the Middle East and Cyprus peace processes. We use negotiation theory and focus on two specific variables: the independence/alignment of business networks' strategies with official parties'; and the authentic/aspirational structures of business networks in the context of power relationships underpinning conflict situations. These variables are central to international negotiations and form an analytical framework to assess the role of business networks in the Middle East and Cyprus peace processes.

Based on a review of secondary sources, including interviews with businesspeople and other negotiation stakeholders, we find that independence appears to be associated with the relatively high influence of business networks in the Cyprus peace process, while strategic alignment can partly explain the diminished influence of business networks in the Middle East. Furthermore, although business networks in Cyprus are mostly authentic, mixed findings about the impact of aspirational structures calls for more research in that area. The analysis also considers, beyond these two variables, alternative factors in peace processes that may explain differences in these variables, and ultimately in the influence of business networks. The paper concludes with a set of recommendations for practitioners of international negotiation who seek to harness the contribution of business to peace processes.

I. Introduction

“The economic dimensions of armed conflict are often overlooked, but they should never be underestimated. The role of business, in particular, can be crucial, for good and for ill.”¹

– Former United Nations Secretary General Kofi Annan

Since the Peace of Westphalia, states have been the foremost actors in international negotiations on matters of peace and conflict. They have the legitimacy to designate national diplomatic services and other ad hoc envoys, as well as to establish official regional and international fora for negotiation. Also known as "track one" diplomacy in negotiation theory, this traditional model has been progressively complemented by additional layers of non-state actors with an interest in taking part in negotiations. "Track two" diplomacy refers to the involvement of such non-official actors and encompasses, among others, the multifaceted role of business in peace and conflict.

In order to be perceived as relevant players and effectively exert influence in negotiations, non-official actors often engage in coalition-building. They can establish networks that draw on individual actors' various perspectives in order to define interests and positions, which are strengthened by the pooling of resources. Some examples of institutionalized business networks include chambers of commerce, industry alliances and other ad hoc business groups.² Context is essential to understanding the involvement of such networks in peace negotiations. For instance, business networks may predate a conflict and have been established primarily for industry

¹ United Nations (2004), "Statement: Secretary-General's remarks at Security Council on 'The Role of Business in Conflict Prevention, Peacekeeping and Post-Conflict Peacebuilding.'" Available at: <https://www.un.org/sg/en/content/sg/statement/2004-04-15/secretary-generals-remarks-security-council-role-business-conflict>.

² Throughout this paper, we refer to the role of institutionalized business networks, which are networks established as part of a formal organization, as opposed to informal or social networks for businesspeople. In the United States, some examples would include the U.S. Chamber of Commerce (general), or the industry-specific Renewable Fuels Association. Institutionalized business networks are established and managed by businesspeople.

networking; or they may have been created with the explicit goal of serving as a vehicle for businesses to engage with official actors in a conflict setting. Furthermore, their membership may include businesses associated with a single state, or with a larger number of states, some of which may be official parties with different interests and positions in the negotiation at stake. Finally, business networks may have different levels of independence vis-à-vis states and their official positions in negotiation, owing to issues in political economy and the agendas of individual political entrepreneurs, in the private or public sectors – and in the hybrid space between the two sectors.³

This paper utilizes negotiation theory in order to assess the determinants of influence of institutionalized business networks in international peace negotiation processes, with a focus on the cases of Republic of Cyprus / Turkish Republic of Northern Cyprus (“TRNC”), and State of Israel (“Israel”) / State of Palestine (“Palestine”).⁴ Hereafter, these cases are referred to as the “Cyprus peace process” and the “Middle East peace process,” respectively. The two were selected due to their ongoing status, similar issues, and comparable degrees of business involvement. The guiding research question for this paper is: *What characteristics of business networks explain their relative effectiveness in influencing negotiations in some cases, as opposed to their diminished standing in others?*

³ For a thorough analytical introduction to business networks, see Franz Traxler and Gerhard Huemer (2007), *Handbook of business interest associations, firm size and governance: a comparative analytical approach*, New York: Routledge. From the perspective of interactions between business and political processes, the Center for International Private Enterprise provides resources and guidance on the development of business associations: <http://www.cipe.org/publications/detail/business-association-development-cipe>.

⁴ The Republic of Cyprus is the name of the state that emerged from the 1959-1960 London and Zurich agreements, and now is governed by Greek Cypriots, but legally refers to the whole of Cyprus and the bicomunal arrangements that were agreed in London and Zurich. The TRNC is the name of the internationally unrecognized entity governed by Turkish Cypriots, which declared independence in 1983 in the Northern area of Cyprus. Israel corresponds to the state that declared independence in 1948 and was recognized by the United Nations in 1949. Palestine designates the territories in the West Bank and the Gaza Strip, currently under Palestinian Authority, Hamas and Israeli control, pending international recognition with regard to borders, statehood and governing authority.

Given the large number of theoretical frameworks that could inform an answer to this question, as well as the wealth of information available on the two chosen processes, this paper explores two specific negotiation issues: strategy and power. The hypotheses we test are:

1. Business networks that are able to express positions that are relatively more independent vis-à-vis those of official parties appear to be more effective at influencing negotiations. In the Middle East process, the Israeli government-led strategy of “economic peace” has weakened the ability of business networks in both Israel and Palestine to effectively influence negotiations. Conversely, the perceived relative independence of business networks in Cyprus and the TRNC vis-à-vis official parties' negotiation strategies allowed business to gain influence in the Cyprus peace process, by being able to dovetail interests between official parties and civil society.
2. Business networks whose power or governance structure reflects the existing conflict dynamics are more effective at influencing negotiations than those that create aspirational structures, however well-intentioned. By structure, we mean the composition of network boards, their executive directors, and more generally the decision-making capacity of business networks, considering the parties to a conflict. The establishment of pseudo-inter-party business networks in Israel, such as the Israeli-Palestinian Chamber of Commerce or the Breaking the Impasse initiative, attempted to transcend the divide between Israelis and Palestinians in their governance structures, but were perceived by stakeholders as being out of touch with wider power dynamics. On the other hand, the concurring involvement of the Cyprus Chamber of Commerce and Industry and of the Turkish Cypriot Chamber of Commerce, each representing a different constituency in the Cyprus process, contributed to their perceived ability to influence negotiations.

In order to assess these hypotheses, this research paper draws on secondary literature about the involvement of business networks in the Cyprus and Middle East peace processes, as well as theoretical contributions from negotiation theory. The analyzed secondary literature is partly based on fieldwork and interviews with relevant stakeholders, such as current or former members of business networks involved in the Middle East and Cyprus peace processes; representatives of official parties to negotiations; and other representatives from international organizations and mediation initiatives.

Section II of this paper provides a literature review that presents scholarly contributions to the analysis of business in peace negotiation processes, and the theoretical framework that undergirds this paper. This is followed, in Section III, by background information on the role of business in the Middle East and Cyprus peace negotiation processes, and in particular a description of the main business networks that we will analyze. Section IV delves into the analysis, as follows:

- Business networks and influence in peace processes: scope and variables;
- The strategic relationship between business networks and official actors in peace negotiations: how alignment/independence affects cross-party influence;
- Power and governance structures in business networks and their relationship to conflict dynamics: the effectiveness of authentic or aspirational approaches; and
- Coordination of intra-organizational and inter-stakeholder and impact on influence.

Finally, Section V provides a conclusion, in which the paper extracts findings on the role of business in the Middle East and Cyprus peace processes, and identifies pending questions and relevant avenues for future research in peace and conflict studies. These results are also translated into recommendations for diplomats and other international negotiation practitioners on the potential – and the challenges – of harnessing the contribution of business to peace negotiations.

II. Review of literature and analytical framework

1. *A primer on the heterogeneous scholarship of business and peace*

Scholarship on the interactions of business with peace negotiations is wide-ranging and is expanding at a significant rate, as more academics and practitioners seek to understand the role of business in a field that was traditionally the province of official actors. This literature is varied in terms of its scope, methodological focus, and positive or normative ambitions.

Relevant interactions can be inferred with regard to the long-term economic determinants of peace and conflict, such as industrial development and employment levels, in which businesses play a relevant role. Given the complexity of identifying correlations or even causal relationships between economic and peace and conflict factors, this literature has typically been associated with theoretical, rather than empirical approaches. The foundations of this stream include the work of 18th century philosophers Kant and Montesquieu, who defended a positive correlation between commerce and peaceful societies, as part of what has been called the “liberal” theory of peace.⁵ Non-liberal thinkers, on the other hand, came to see an inverse relationship between certain aspects of commerce and peace prospects. Emblematic of this strand are Marx’s writings on the political economy of peace and conflict, which underscore the role of the workers in dismantling the oppression of businesspeople.⁶ In international relations theory, the liberal and realist paradigms also reflect these opposing views on the link between economic interdependence and, respectively, peace or conflict.⁷

⁵ Immanuel Kant (1795), *Perpetual Peace: A Philosophical Essay*. Translation and notes by Robert Latta (1917). London: George Allen and Unwin. Charles de Montesquieu (1748), *The Spirit of Laws*. English edition (1777). London: T. Evans.

⁶ Karl Marx (1867), *Capital: A Critique of Political Economy*. Translation and notes by Samuel Moore and Edward Aveling (1887). Moscow: Progress Publishers.

⁷ For an example of the realist argument that trade and economic interdependence lead to war, see: Kenneth Waltz (1979), *Theory of International Politics*. London: Addison Wesley.

More recently, research by scholars of business administration and social science narrowed the scope of inquiry in order to identify more specific linkages between business and peace, in particular in the context of corporate social responsibility (CSR). For instance, Oetzel et al provide a broad survey of this literature, focusing on the perspective of business ethics; and Kolk and Lenfant analyze the potential impact of multinational enterprises' CSR practices on conflicts in Central Africa via interactions and partnerships with local actors.⁸ Whether in the style of grand theories or through finer analyses of specific CSR programs, one overarching characteristic of the literature presented above is its normative focus on the “potential” of business to influence peace and conflict, with often naïve or cynical biases, depending on their espousal of liberal or non-liberal theories of peace.⁹

Another large body of literature focuses on private sector development in post-conflict contexts, highlighting the importance of business cooperation with reconstruction efforts in the aftermath of violent episodes. This literature tends to be more empirical and policy-oriented; much of the work in this area is linked to, or supported by, the efforts of intergovernmental organizations, including the United Nations and the World Bank, as well as national and regional development initiatives. Analyses typically draw on the work of economists and other social scientists, and may be intensely technical, delving into topics such as privatization policies in post-conflict economies, or the regulation of extractive industries.¹⁰ A seminal broad contribution

⁸ Jennifer Oetzel et al (2009), "Business and Peace: Sketching the Terrain." *Journal of Business Ethics* (Vol. 89/4); Ans Kolk and François Lenfant (2013), "Multinationals, CSR and Partnerships in Central African Conflict." *Corporate Social Responsibility and Environmental Management* (Vol. 20/1).

⁹ An example of naïve bias, applied to the Middle East peace process, consists of Bijaoui's prescription of an "economic reconciliation process." Bijaoui contends that, by developing cross-borders industrial districts, free economic zones and other “hybrid economic models,” Israelis and Palestinians would share common economic interests which, in line with liberal thinking, would provide incentives for conflict resolution. See: Ilan Bijaoui (2014), *The Economic Reconciliation Process: Middle Eastern Populations in Conflict*. New York: Palgrave Macmillan.

¹⁰ Rajesh Venugopal (2016), "Privatization, Private Sector Development and Horizontal Inequalities in Post-Conflict countries" in *Horizontal Inequalities and Post-Conflict Development* (eds. Arnim Langer, Frances Steward and Rajesh Venugopal). New York: Palgrave Macmillan; and Paivi Lujala et al (2016), "Engines for Peace? Extractive

is Nelson's work on the "business of peace," in which she provides a framework for analyzing the engagement of business in conflict settings, including indicators for prevention, crisis management, and post-conflict management across core business activities, philanthropy activities, and policy dialogue.¹¹ Whereas some authors stress "conflict sensitive" private sector development, too often this literature looks at the post-conflict context as a political and historical vacuum, bereft of the bargaining processes and tensions that define peace negotiations, and which in fact continue to linger during reconstruction efforts. This may lead authors to underestimate some potential obstacles to reconstruction that are tied to such tensions, or in some instances to make policy recommendations that could even rekindle conflict dynamics, albeit unintentionally.¹²

A third field of scholarship, which lies somewhere between the two discussed above, looks at the role of business during the very process of peace negotiations. Negotiation, in this case, encompasses the establishment of mediation mechanisms for bargaining and reaching a settlement, track one and track two diplomacy, building and strengthening constituencies for peace, and steps for the implementation of negotiated agreements, among others. This literature usually draws on negotiation theory, which lies at the intersection of social science, strategic

Industries, Host Countries, and the International Community in Post-Conflict Peacebuilding." *Natural Resources* (Vol. 7/5).

¹¹ Jane Nelson (2000), *The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution*. London: Prince of Wales Business Leaders Forum.

¹² For a conflict-sensitive perspective, see Bray's analysis of different industries' approaches to entering post-conflict markets, which states that business development can be endogenous to conflict dynamics: John Bray (2009), "The role of private sector actors in post-conflict recovery." *Conflict, Security & Development* (Vol. 9/1). Conversely, some examples in the "mobile money" industry that do not thoroughly address conflict dynamics include Loretta Michaels (2011), "Can Mobile Money Support Post-Conflict Development?" *CGAP*, available at <http://www.cgap.org/blog/can-mobile-money-support-post-conflict-development>; and Maha Khan (2010), "Building Peace: One Mobile at a Time." GSMA, available at: <https://www.gsma.com/mobilefordevelopment/programme/mobile-money/building-peace-one-mobile-at-a-time>. In both cases, we note a lack of analysis about whether the development of mobile money can increase actual or perceived inequalities between communities in the conflict, focusing instead on market penetration opportunities and the interests of donor countries that fund mobile money initiatives.

studies and psychology.¹³ Cognizant of the hubris of generalization in assessing conflicts, research typically focuses on empirical analyses of specific negotiation processes, from which it may attempt to draw relevant lessons and make theoretical contributions. Such is the analytical framework employed in this paper, in particular with regard to issues of strategy of positions and interests, as well as the distribution of power in peace negotiations.

Interestingly, we note the paucity of negotiation theory research into the specific characteristics that affect the influence potential of business networks, as opposed to the private sector in general, or of individual business actors, in peace negotiations. Business networks nevertheless are relevant actors in policy negotiations with official parties related to traditional business matters (such as corporate taxation or profit); in the context of businesses' increasing role in peace negotiations, they are often the institutional vehicle through which businesspeople, and more generally business communities, make their voices heard at the negotiation table.¹⁴ In order to understand how business networks interact with both official and non-official actors in order to make their voices heard in peace processes, we focus on the fundamental issues in strategy and power. This paper intends to provide a contribution in this topic, in light of the valuable perspectives described below.

2. *Strategy and influence: business networks vis-à-vis other conflict stakeholders*

Iff et al provide insights into the influence of businesses in peace and conflict mediation, and in particular the way they can mobilize resources, expertise and networks in track two processes. Their analysis focuses on “business actors,” a general term which encompasses

¹³ A seminal work in this field is Roger Fisher, William Ury and Bruce Patton (1991), *Getting to Yes: Negotiating Agreement Without Giving In*. New York: Penguin Books. References to "interests," "positions," "coalitions" and "power," among others, draw on their framework for negotiation analysis.

¹⁴ With regard to traditional business matters, see the analysis by Franz Traxler and Gerhard Huemer (2007) in case studies for European countries. As for business network involvement at the negotiation table, empirical evidence for the Cyprus and Middle East peace processes are provided in Sections III and IV.

business networks as well as individual entrepreneurs. The authors recognize that the engagement of businesses in negotiations is not a given, and that business actors can also act as “spoilers” in peace processes – for instance, by steering the terms of peace agreements to their own benefit, to the detriment of society as a whole.¹⁵ This means that the influence of business in peace processes is not necessarily a positive contribution to achieving a peaceful outcome that is considered fair by communities in the conflict. Tripathi and Gündüz share this realistic view of business actors, and establish a framework for their involvement in peace negotiations: direct participation in official negotiations by promoting (or resisting) peaceful settlements, as well as a number of indirect coalition-building actions to build (or deter) civil society support for such settlements.¹⁶ In the same vein, Fort and Schipani claim that businesses can engage in track two diplomacy through three main channels: the ability to interact with a broader range of actors than official parties to a conflict, which can be useful in relaying unofficial messages to government officials; unofficial ambassadorship, providing a positive image to stakeholders outside of the country or territory where the business is based; and “employment ripening,” by bringing together populations that are parties to a conflict, showing that “the enemy has a face.”¹⁷ As an illustration of different strategies that business networks can choose to explore, International Alert provides a large number of concrete examples of business influence in peace processes, outlining the formal and informal mechanisms through which they have interacted with official

¹⁵ Andrea Iff et al (2010), “Money Makers as Peace Makers? Business Actors in Mediation Processes.” *swisspeace* Working Paper, available at:

http://www.swisspeace.ch/fileadmin/user_upload/Media/Publications/WP2_2010.pdf.

¹⁶ Salil Tripathi and Canan Gündüz (2008), “A role for the private sector in peace processes? Examples, and implications for third-party mediation.” *OSLO Forum Network of Mediators*, available at: <https://osloforum.org/sites/default/files/Salil%20Tripathi%20Mediation%20Business%20WEB.pdf>.

¹⁷ Timothy Fort and Cindy Schipani (2004), *The Role of Business in Fostering Peaceful Societies*. Cambridge: Cambridge University Press.

parties and civil society in conflict situations.¹⁸ Significant mechanisms include formal membership in delegations at the negotiation table, or more informal activities in building trust, providing good offices or mobilizing public support for a peace settlement. Their analysis of such mechanisms is based on a series of conflict case studies, which are then grouped into thematic chapters in order to achieve a more rigorous assessment of influence.¹⁹

These channels of influence are expected to be more effective if the involvement of business networks is perceived as credible and legitimate by other parties to the negotiation, such as official envoys and the communities they represent. Indeed, parties may be skeptical of whether business has an actual interest in supporting a peace process, or if instead businesspeople have their own agenda, driven by private profits without consideration for the public good. The resources businesses are willing to employ as part their involvement in peace processes may provide a measure of their credibility, especially in contexts with high costs for negotiations (e.g. the risk of losing business opportunities due to certain negotiation positions). Dealing with potentially illegitimate actors could also in fact disrupt negotiation processes, or achieve outcomes that are unsustainable and may not earn the buy-in of civil society and the population as a whole. This leads to a discussion about the motives for business to engage in peace processes in the first place. The interests that drive business involvement with peace negotiations are, according to Rettberg, “need” for stability in order to maintain commercial operations, “creed” of the positive value of social change, and “greed” for increasing profits in post-conflict scenarios

¹⁸ International Alert (2006), *Local Business Local Peace: The Peacebuilding Potential of the Domestic Private Sector*, available at: <http://www.international-alert.org/publications/local-business-local-peace>.

¹⁹ The case studies include Afghanistan, Bosnia and Herzegovina, Burundi, Colombia, Democratic Republic of Congo, El Salvador, Guatemala, Israel and Palestine, Kosovo, Nepal, Nigeria, Northern Ireland, Philippines, Sierra Leone, Somalia, South Africa, South Caucasus and Sri Lanka; and are grouped into thematic chapters on formal peace negotiations, economic reconstruction, relationship-building, security issues, and the gender dimension of peacebuilding.

(the so-called “peace dividend”).²⁰ The perception of business networks’ credibility must also take into consideration the motivations of official actors, and in particular the relationship between the two types of actors. However, the literature on the role of business in peace processes does not elaborate on how the relationship between the motivations, positions and strategies of business actors, on the one hand, and official actors’, on the other hand, shapes the actual or potential influence of business networks. The role of business in peace negotiations can be better understood by assessing the relationship between the positions of businesspeople and official actors’, and how this affects business networks’ access to the channels of influence described by Tripathi and Gündüz, or Fort and Schipani described above.²¹

In this paper, we define the "independence/alignment" variable as the extent to which the interests and positions of business networks are independent from, or aligned with, the negotiation strategies of official actors. From a negotiation perspective, this variable is interesting because it provides an insight into the different engagement strategies of business networks vis-à-vis official actors, and how this can shape their influence on peace processes. Hypothesis I for this paper suggests that business networks whose engagement in the peace process is independent from official actors’ negotiation strategies are relatively more influential regarding issues related to peace negotiations; for instance, by being able to broaden the scope of issues being negotiated and thereby explore more possibilities of dovetailing interests among parties to the peace process.

This analysis considers that independence can be observed from differences in positions, interests and negotiation strategies, de facto or as perceived by other parties to the peace process, including civil society. Such positions, interests and strategies constitute variable parameters,

²⁰ Angelika Rettberg (2016), "Need, creed, and greed: Understanding why business leaders focus on issues of peace." *Business Horizons* (Vol. 59).

²¹ Salil Tripathi and Canan Gündüz (2008), Timothy Fort and Cindy Schipani (2004); see p.9.

which can be assessed based on primary and secondary sources, such as media articles, interviews with official or non-official negotiation actors, and case studies about peace processes.

3. *Power structures of business networks in the context of peace processes*

Tripathi and Gündüz argue that individual business actors can influence peace negotiation processes by mobilizing collective business support among both large and small businesses.²² More precisely, Iff et al define business networks as “local, regional and international (business) associations, multi-sectoral groups and initiatives, as well as representation through boards or chambers of commerce.”²³ A key assertion they make is that business networks may be more effective than individual businesses in mediation processes, due to their organizational structure and the inherent bargaining of interests between different businesses that are members of the network, which may decrease the risk of spoiler behavior. However, underlying this potential is businesses' ability to act collectively and their experience of social engagement. Killick et al also stress that businesses are more effective at influencing peace processes when they are aware of their perceived role within society and politics, as opposed to views of business activity as an exogenous variable, within a vacuum of power.²⁴ Between actual and perceived roles lies the multifaceted notion of power, or the ability to affect negotiation parties' strategies. For instance, Rouhana and Korper stress the importance of taking into account power asymmetry in intergroup conflict, arguing that lower- and higher-power groups typically have diverging perspectives on negotiation issues. This framework is useful in assessing the constitution of business networks,

²² Salil Tripathi and Canan Gündüz (2008).

²³ Andrea Iff et al (2010), p.12.

²⁴ Nick Killick et al (2005), “The Role of Local Business in Peacebuilding.” *Berghof Research Center for Constructive Conflict Management Handbook*. Available at: http://www.berghof-foundation.org/fileadmin/redaktion/Publications/Handbook/Articles/killick_et_al_handbook.pdf.

especially when their power or governance structure includes businesspeople identifying with more than one party to the conflict.²⁵

There is, however, limited research into the effect of discrepancies between the power structure within the business network, and the negotiation context at large. Power also shapes the relationship between business networks and official negotiation actors: for instance, the private sector may be highly dependent on a particular government party in order to carry out its activities; or conversely the government party's economy could depend on tax revenue generated by a business that influences, or may seek to influence, the peace process. We therefore uncover a complex web of power interrelations among different official and non-official actors, warranting rigorous analysis. Pfetsch suggests a theoretical model for analyzing power symmetry or asymmetry among parties to an international negotiation process at different stages of the process, and posits that more symmetrical relationships contribute to more stable outcomes in negotiation.²⁶ This highlights that power is a dynamic variable which both shapes and is shaped by the peace process, opening various avenues for research.

In order to investigate how power shapes the influence of business networks, this paper constructs a second variable, "authentic/aspirational," which describes whether the governance structure and decision-making processes of a business network accurately reflect, or intentionally deviate from, the power relations in the underlying peace process.

In negotiations between individuals, Tng and Au argue that authenticity – defined as the interpersonal characteristics and performances of parties – enhances the parties' chance of extracting concessions when they express their positions to their negotiation counterparts. This

²⁵ Nadim Rouhana and Susan Korper (1996), "Dealing with the Dilemmas Posed by Power Asymmetry in Intergroup Conflict." *Negotiation Journal* (Vol. 12/ 4).

²⁶ Frank Pfetsch (2011), "Power in International Negotiations: Symmetry and Asymmetry." *Négociations* (Vol. 2/16).

enhanced chance can be seen as a measure of influence.²⁷ We translate this intuition about the role of authenticity to the realm of business networks' engagement in peace processes, focusing on whether business networks appear to adopt authentic or aspirational power or governance structures, relative to the underlying conflict. We suggest that authentic behavior occurs when business networks' structures reflect peace processes' constituencies in an organic way. By contrast, aspirational behavior in business networks seeks to explore other power structures – often with legitimate and even noble intentions – and is associated with more activist approaches to the role of business in international peace negotiations, such as bicomunal chambers of commerce. In this case, we describe business networks as authentic when they adopt organic power and governance structures – for instance, in negotiations between Israelis and Palestinians, business networks that represent either Israeli or Palestinian businesses are considered authentic. On the other hand, aspirational business networks attempt to transcend the party divide – an example would be business networks that bring together both Israelis and Palestinians as part of the same institutionalized group.²⁸ In dealing with official actor counterparts, which typically adopt authentic structures (such as states that represent one community in the conflict), business networks' authenticity or aspirational make-up may have an impact on their ability to extract concessions, echoing Tng and Au's argument for interpersonal negotiation. Our hypothesis is that authentic networks acknowledge, and even embrace the power asymmetry in a conflict, and that this allows them to exert more influence on peace processes.

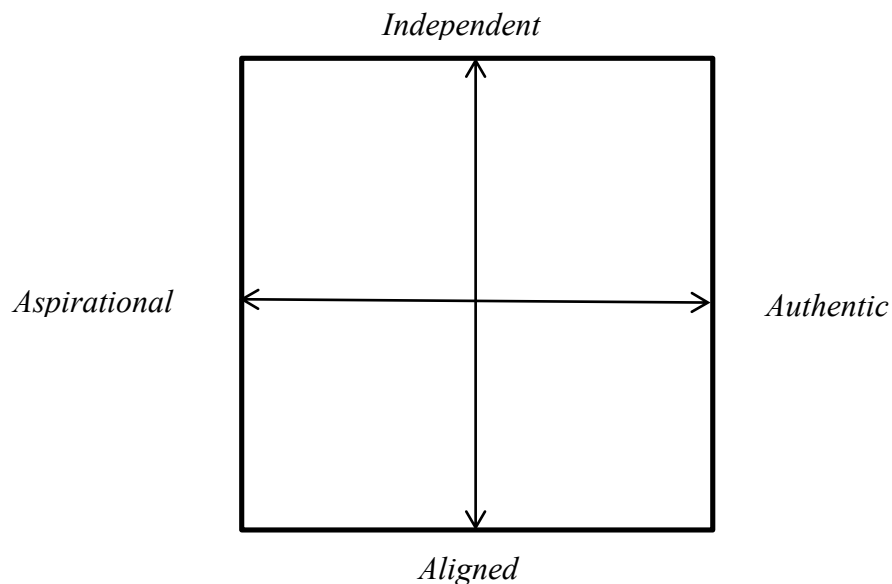
²⁷ Han-Ying Tng and Al Au (2014), "Strategic Display of Anger and Happiness in Negotiation: The Moderating Role of Perceived Authenticity." *Negotiation Journal* (Vol. 30/3).

²⁸ Note that, in the latter, power continues to be an essential lens, since aspirational business networks may reproduce, sometimes involuntarily, the power asymmetries that underpin the conflict – for instance, by concentrating the decision-making power or leadership positions of the networks in the hand of the community that has a more developed private sector. This issue is relevant not only for business networks, but more generally for institutionalized initiatives that seek to build coalitions across conflict lines, as discussed in Kelman (1993).

Parameters for measuring the authentic/aspirational variable include the composition and membership of business networks (especially with regard to bringing together businesspeople from one, or more communities that are involved in the underlying conflict), and the relationship between business networks that represent different communities (including joint activities), in the context of specific peace processes and their power distributions.

4. *Analytical matrix for assessing business networks in peace processes*

Based on the two variables outlined above, we establish an analytical framework for assessing the role of business networks in peace processes, which can be represented in the following matrix:



The vertical axis represents the independence/alignment variable, which applies to the relationship between the interests and positions of the business network and those of official parties to a peace process. The authenticity/aspiration variable, on the horizontal axis, assesses the relationship between the power structure of the business network, and dynamics of the conflict which the network attempts to influence. There are various intuitive arguments for why

different values of each variable could have both negative and positive impacts on the influence potential of business networks. In the following sections, we seek to test our hypotheses and identify if particular combinations of these variables are associated with the enhanced or diminished influence of business networks in international peace processes.

Our approach is first to address each of the two variables independently, using the existing evidence to compare and contrast the characteristics of business networks in Cyprus and in the Middle East, and their outcomes in terms of influence. We then blend the analysis by bringing the two variables together within the analytical matrix outlined above, and consider issues in correlation, causation and cross-variable relations which may play a role in explaining differentials in the influence of business networks in international peace negotiations. For instance, the hypotheses enunciated in Section I assume that each of the two variables has an independent impact on business networks' influence; in our empirical analysis, we consider whether that assumption is correct, recognizing the dynamic nature of negotiations and influence. Throughout the analysis, we also consider caveats about the suggested relationship between these variables, as well as the existence of external factors which may have an impact on the two variables, the influence of business and, more generally, the actual or perceived effectiveness of the Middle East and Cyprus peace processes.

A fundamental element of this analysis lies at the heart of much of the literature on the effectiveness of specific contributions to peace process: what does influence mean in concrete terms, and how can it be measured? Chigas suggests a typology of micro-, meso- and macro-level contributions. In our analysis of business networks and international peace processes, we refer mainly to the macro-level: influence on the substance of negotiation processes, and on change in

public attitudes towards negotiation and support for a peace settlement.²⁹ Evidence of influence, or the lack thereof, is identified in the literature on the role of business in the two peace processes, including interviews, or drawn from media articles available in the public domain.

In the context of the hypotheses presented in Section I, we will analyze to what extent the influence of business networks in the Cyprus and Middle East peace processes can be explained by variations of the independent/aligned and authentic/aspirational variables. Note that this framework assumes that these two variables are indeed relevant from the perspective of negotiation theory, but does not necessarily posit that these are the two most important criteria in explaining the influence of business networks. The choice of these variables in examining business networks was based on mainstream frameworks for negotiation analysis, which underscore the importance of issues in strategy and power in order to assess how parties to a negotiation seek and achieve influence.³⁰ The two variables also draw on the author's own experience and reflections on the Middle East peace process, and in particular the interplay between the Israeli official strategy of economic peace and the role of aspirational business networks, such as the Breaking the Impasse initiative (see Section III). It is possible to suggest other variables that could be just as, if not even more relevant: for instance, the quality of strategies undertaken by business networks, the entrenchment of institutionalized networks within the business community as a whole, or the level of engagement of business network leaders (such as heads of chambers of commerce), among others. The analytical approach of this paper could be useful in exploring a range of hypotheses about the characteristics of business networks and how they shape their ability to influence negotiations on peace and conflict.

²⁹ Diana Chigas (2015).

³⁰ See, among others, Roger Fisher William Ury and Bruce Patton (1991); and Roger Fisher (1991), "Negotiating Power: Getting and Using Influence," in *Negotiation Theory and Practice* (eds. J.W. Breslin & J.Z. Rubin). Cambridge: PON Books, 1991. pp. 127-140.

III. Background

1. *Business networks in peace negotiations*

We provide in this section an overview of economic issues in the Middle East and Cyprus peace processes, the main business networks involved, and the various channels through which they have attempted to influence negotiations. Note that this section does not intend to describe in detail the history, politics, or general negotiation context of the Middle East and Cyprus peace processes. The very existence of such complex and protracted peace processes attests to the large number of events and perspectives that are fundamental in order to gain a proper understanding of current and past issues. However, analysis of the role of business and other non-official actors provides perspectives that are often sidelined, and may contribute to a deeper understanding of conflict issues.

2. *The Middle East peace process*

In the Middle East, issues in trade and investment have been at the core of peace negotiations since the 1947 United Nations Partition Plan for Palestine, which called for "economic union" between two independent Arab and Jewish states.³¹ After different rounds of negotiations throughout the 1950s-1990s, culminating in the Oslo Accords, these issues gained renewed relevance in the late 2000s, when Prime Minister Benjamin Netanyahu embraced the concept of "economic peace" as an official Israeli strategy in the process. The strategy seeks to disarticulate economic and political issues in the short-term: negotiations would focus on economic issues, such as employment or infrastructure development, as a means to improve the relationship between Israel and Palestine. In the long-term, such economic bargaining would "prepare the terrain" for the settlement of political issues, such as borders and government

³¹ United Nations (1947), "Resolution adopted on the report of the ad hoc committee on the Palestinian Question." Available at: [http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/181\(II\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/181(II)).

authority. On the Palestinian side, former Prime Minister Salam Fayyad has also argued that economic cooperation could contribute to achieving development interests in the West Bank, although not necessarily as a path to a political settlement. Various parties in Israel and Palestine have expressed nuances on the role of business in the conflict, ranging from efforts to establish binational industrial zones to complete non-normalization of commercial relations between the two.³² In light of protracted negotiations over key issues, including the management of tax revenue in the West Bank, support for economic peace (and the Middle East peace process more generally) appears to have waned in recent years. This has occurred due to limited results in negotiation on economic issues, such as the allocation of tax revenue to West Bank authorities, as well as doubts about the actual linkage between such issues and the prospect of discussions on Palestinian statehood. For instance, skepticism of economic peace has been reflected in the emergence of the Boycott, Divestment, Sanctions (BDS) movement.³³ The latter holds that, contra the economic peace strategy, non-normalization of relations with Israel (including in economic affairs) could weaken the Israeli best alternative to a negotiated agreement (BATNA), thereby strengthening the Palestinian position in an eventual negotiation about the establishment of an independent state. This would occur because Israel's alternative to a peace deal – the status quo – would be marked by deteriorated economic indicators, such as growth, employment and investment flows, which have an impact on policy, government popularity, and the welfare of its population. In other words, the movement refuses the disarticulation of economic and political issues that is central to the economic peace strategy.

³² For an overview, see: Peres Center for Peace (2009), "Economic Peace: An Alternative or an Illusion?" Available at: http://www.lacs.ps/documentsShow.aspx?ATT_ID=2228.

³³ Robert Mason (2013), "The Price of Peace: A Reevaluation of the Economic Dimension in the Middle East Peace Process," *Middle East Journal* (Vol. 67/3).

Against this historical backdrop, a number of business network initiatives have, at some point, attempted to influence peace negotiations:

- The Israeli-Palestinian Chamber of Commerce and Industry (IPCC) was established in 2008 by Israeli businesspeople, with an explicit interest in bridging trade and peace: "economic inter-dependence (as) ... a means to peaceful relations between Israelis and Palestinians." The network does not formally include Palestinian members, although it supports bicomunal exchange. The IPCC is involved in business cooperation and research initiatives, for instance the establishment of a free trade zone in the Ariel-Qira area.³⁴
- Another relevant business network is the Breaking the Impasse (BTI) initiative, led by Munib al-Masri, chairman of the Palestine Development and Investment Company, and Israeli technology investor Yossi Vardi. This group was founded in 2012 at the World Economic Forum, in Davos, and has supported the relaunch of formal peace negotiations. As of 2014, the organization was reported to have more than 300 members.³⁵
- Founded in 1921, the Manufacturers Association of Israel (MAI) is the largest umbrella network of businesses in Israel and is an influential player in policy matters in Israel and abroad. For instance, it has been involved in taxation reform, as well as in the fight against the BDS movement through its "business ambassadors" program.³⁶
- The Federation of Palestinian Chambers of Commerce (FPCCIA) was established in 1936 as the association of chambers of commerce in the West Bank, Gaza and Jerusalem, with the stated goal of building a dynamic private sector in Palestine.³⁷ In 2005, the MAI and

³⁴ IPCC official website: <http://www.ipcc.org.il>.

³⁵ BTI official website: www.breakingtheimpasse.org.

³⁶ MAI official website: <http://www.industry.org.il>.

³⁷ FPCCIA official website: <http://www.pal-chambers.org>.

the FPCCIA joined forces as part of a project to both boost business cooperation and engage in peace efforts in the region within the context of the Ankara Forum, with the stated belief that "business association networks can lead change."³⁸

3. *The Cyprus peace process*

At the heart of Cyprus peace process is the story of independence from British colonial rule in a context of two ethnic communities: Greek Cypriots and Turkish Cypriots. The excluding positions of *enosis* (union of Cyprus with Greece) and *taksim* (official partition of Cyprus between Greece and Turkey) laid the foundations for political friction between the two communities. The 1959 London and Zurich agreements, negotiated between Greece and Turkey, ruled out both *enosis* and *taksim*, and proposed a constitutional framework for a unified Republic of Cyprus which would require bicomunal cooperation. Disagreement over the terms of such cooperation led to progressively intensifying conflict, which reached an apex in 1974 with the de facto partition of Cyprus into two ethnically homogenous territories: Greek Cypriots to the South, and Turkish Cypriots to the North, divided by the "Green Line." The administration of the south is the Republic of Cyprus, the internationally recognized sovereign force on the island; Turkish Cypriots in the North established the TRNC, which is officially recognized by Turkey alone. The issue of economic cooperation gained relevance in the 2000s, in the context of Cypriot negotiations to join the European Union, while territory administered by the TRNC remained cut off from international trade and cooperation. Efforts for settlement of the conflict and

³⁸ Union of Chambers and Commodity Exchanges of Turkey (2005), "Industry for Peace Initiative." Available at: http://www.tepav.org.tr/upload/files/1265709030r8671.Industry_for_Peace_Initiative.pdf.

reunification of Cyprus have in recent years been supported by civil society, and in particular the two main business networks operating in Cyprus and the TRNC.³⁹

- The Cyprus Chamber of Commerce and Industry (CCCI) was founded in 1927 and is the federation of chambers of commerce operating among the Greek Cypriot community. It is the largest and foremost business network in Cyprus, and states that its mission is to safeguard and develop the Cypriot economy. Its executive committee is composed of Greek Cypriot businesspeople, from different areas of industry and services.⁴⁰
- Founded in 1959, the Turkish Cypriot Chamber of Commerce (KTTO) represents businesses based in or operating in the TRNC. It was created in order to foster economic development and union among Turkish Cypriots in the aftermath of the Zurich and London Agreements. Mirroring the CCCI, the KTTO's membership is composed solely of Turkish Cypriot businesspeople, and after the 1974 partition became the main business network in the territory administered by the TRNC in Northern Cyprus.⁴¹

The CCCI and the KTTO have in recent years been heavily involved in the Cyprus peace process, reflecting a process of change in the attitudes of the business communities and networks on both sides towards the peace process. This change has been driven, among others, by political developments in the peace process, and in particular the Annan Plan proposal in the early 2000s.⁴² At the time, in cooperation with other civil society entities and left-leaning political figures in the TRNC, the KTTO played an important role in pushing for approval of the Plan by

³⁹ Summary drawn from: Diana Chigas (2015), "The Harvard Study Group on Cyprus: Contributions to an Unfulfilled Peace Process" in *Across the Lines of Conflict: Facilitating Cooperation to Build Peace* (eds. Michael Lund and Steve McDonald). New York: Columbia University Press.

⁴⁰ CCCI official website: <http://www.ccci.org.cy>.

⁴¹ KTTO official website: <http://www.ktto.net>.

⁴² "Annan Plan," or the Comprehensive Settlement of the Cyprus Problem (2004). Full text available at: http://www.hri.org/docs/annan/Annan_Plan_April2004.pdf.

Turkish Cypriots, as will be discussed in Section IV.⁴³ The CCCI became more involved in the peace process after the Plan referendum in 2004, partly due to its contacts with the KTTO, which pushed the network to expand its activities outside the narrow agenda of business facilitation and development.⁴⁴ The international community also played an important role in fostering the engagement of the CCCI and the KTTO in the peace process, particularly through the Economic Interdependence project, which was funded by the United Nations Development Program (UNDP) and the United States Agency for International Development (USAID).⁴⁵ Business networks' involvement has occurred through various initiatives, including confidence-building measures and support for the customs system of trade in goods across the Green Line.⁴⁶ This is the system that manages the trade of goods within Cyprus, between the territories controlled by the Republic of Cyprus and the TRNC, which is essential to enhancing the diversity and competitiveness of both economies, and eventually to enabling the economic unification of the island. The current leaders of the CCCI and the KTTO, respectively Phidias Pilides and Fikri Toros, are high profile figures in peace negotiations, attending summits and negotiation rounds as representatives of business communities on both sides, and have at different times expressed their support for the reunification of Cyprus.⁴⁷

⁴³ The Portland Trust (2013), "The Role of Business in Peacemaking: Lessons from Cyprus, Northern Ireland, South Africa and the South Caucasus." *Portland Trust* report, available at: http://www.portlandtrust.org/sites/default/files/pubs/role_of_business.pdf.

⁴⁴ Ibid.

⁴⁵ Project summary on the UNDP website:

http://www.cy.undp.org/content/cyprus/en/home/operations/projects/action_for_cooperation_and_trust/economic-interdependence.html.

⁴⁶ The Portland Trust (2013).

⁴⁷ For a recent overview of Pilides and Toros's perspectives on the peace process, see: Valérie Gauriat (2017), "Phidias K. Pilides: Cyprus's economy 'cannot reach its potential without reunification,'" and "Fikri Toros: Cyprus could be the EU's long-awaited success story," *Euronews*. Available at: <http://www.euronews.com/2017/02/23/phidias-kpilides-cyprus-s-economy-cannot-reach-its-potential-without> and <http://www.euronews.com/2017/02/23/fikri-toros-cyprus-could-be-the-eu-s-long-awaited-success-story>.

IV. Analysis

1. Determinants of business networks' influence in peace processes

In this Section, we will build on the analytical framework and the background information on the role of business in peace processes, presented respectively in Sections II and III, in order to test our hypotheses in light of empirical data from the Cyprus and Middle East peace processes. We begin with analysis of business networks' independence/alignment, and how the variable appears to have affected the influence of business networks in influencing negotiations, comparing and contrasting the two peace processes. In particular, we find that the relative independence of business networks in Cyprus, among both Greek Cypriot and Turkish Cypriot business communities, from their respective official actors' negotiation strategies (respectively the Republic of Cyprus and the TRNC), is associated with their enhanced influence. Conversely, the evidence suggests that the alignment of business networks in Israel and Palestine with government agendas, particularly the Israel-driven strategy of economic peace, has contributed to their diminished relevance in the Middle East peace process.

Afterwards, we use the same method to analyze the aspirational or authentic nature of business networks in the Middle East and Cyprus, and the relationship of this variable with the influence of businesspeople. We identify both aspirational and authentic governance or power structures for business networks in both peace processes, which leads us to ponder whether different approaches to the distribution of power in business communities may serve different purposes in the context of influencing complex negotiations. For instance, influence channels described in the literature may be more effectively explored through a combination of networks, with public and non-public bargaining efforts.

Finally, we integrate the two variables using the analytical matrix in order to have a broader picture of how the characteristics of business networks shape their influence in peace processes, given the available data in Cyprus and the Middle East.

2. *The interests and positions of business networks and official actors:
Between strategies of alignment and calls for independence*

a. Business networks in the Middle East: between alignment and limited influence

The Oslo Accords, which continue to cast a shadow on the terms of negotiation in the Middle East peace process, established the idea of Israeli-Palestinian economic cooperation as a key component of peacebuilding efforts. Even though its Protocol on Economic Relations does not explicitly address the role of the private sector, the Oslo framework made references to “cooperation in the field of industry” so as to promote Israeli-Palestinian joint ventures, especially in the “textile, food, pharmaceutical, electronics, diamonds, computer and science-based industries.” The Plan also outlined an Economic Development Program, which would include “a small and medium business development plan.”⁴⁸ While these initiatives did not materialize as expected, they suggest that the interaction between economics, business and peace lies at the heart of the Oslo process in the Middle East. This is due not only to parties’ perspectives on negotiation processes, but can also be explained by a presumed interest in the concrete economic benefits of achieving a negotiated settlement for conflict resolution: the “peace dividend.”⁴⁹

In her analysis of economic peace from an Israeli perspective, Davis argues that the influence of Israeli business communities on the peace process is hampered by a tight web of relationships: “the strongest of Israel’s business interests cannot be disentangled from Israel’s

⁴⁸ Full text of the 1983 extracted from the United Nations "Peacemaker" database of peace agreements, available at: <http://peacemaker.un.org/israelopt-osloaccord93>.

⁴⁹ Peres Center for Peace (2009).

political elite.”⁵⁰ Davis argues that the private sector in Israel values ideology over commercial interests, and that “the absence of a strong, independent business community driven by profit explains why free-market capitalism does not characterize Israel’s interest in Palestine.”⁵¹ This phenomenon is compounded by the relative concentration of power within the private sector: she reports that, between 1995 and 2006, on average, the ten largest business groups controlled 30 percent of market capitalization on the Tel Aviv Stock Exchange, one of the largest market shares in the Western world. Building on Press-Barnathan’s two-stage model for peace processes, which starts with a “cold peace” and then may move towards “normal peace,”⁵² Davis argues that “well-connected business leaders (in Israel) are insufficient ushers” for the process of achieving the peace transition as a result of their positional alignment with the Israeli government.⁵³

Delving deeper into positions that Israeli businesspeople have undertaken in the Middle East peace process, Golan-Nadir and Cohen claim that a number of factors have shifted their track two negotiation efforts from the industry or group level to more fragmented initiatives, or even efforts at the individual business level. Some of these factors are the risk that advocacy efforts may affect businesspeople’s political connections, which not all members of the business network were willing to incur; perceived skepticism of businesspeople’s intentions from society as a whole; and the complex issue of affiliation with politically sensitive issues.⁵⁴ In other words, what they describe is a web of incentives that has discouraged independent engagement in the peace process, and has led to the diminished influence of mainstream business networks (such as the MAI). Israeli businesspeople, they continue, have explored other avenues for influence on

⁵⁰ Rachel Davis (2014), “Economic peace through the Israeli lens.” M.A. thesis prepared at the Naval Postgraduate School under Robert Springborg. p. 12

⁵¹ Ibid, p. 51.

⁵² Galia Press-Barnathan (2006), “The Neglected Dimension of Commercial Liberalism: Economic Cooperation and Transition to Peace.” *Journal of Peace Research* (Vol. 43/3).

⁵³ Rachel Davis (2014), p. 59.

⁵⁴ Niva Golan-Nadir and Nissim Cohen (2016), “The role of individual agents in promoting peace processes: businesspeople and policy entrepreneurship in the Israeli-Palestinian conflict.” *Policy Studies* (Vol. 38/1).

negotiations. Golan-Nadir and Cohen discuss some of the resulting initiatives, which they describe as narrower and more private organizations, which seek to influence official actors' positions, but refrain from publicly engaging with civil society. The authors' interviews with business network members show varying degrees of alignment with the official Israeli position. In describing BTI, one businessperson they interview shows clear alignment by indicating that "(BTI wants) to act as a tailwind, letting the political elite know that (the business community is) right there behind them in the peace efforts."⁵⁵ On the other hand, Golan-Nadir and Cohen indicate that a recent initiative, called Israel Peace Initiative (IPI), has been more willing to make public statements that express their independence from Israeli government action. One representative reportedly declared "(not to) see (IPI's) job as being cheerleaders asking the state for an agreement, but (to) bring (their) own plan and ask the state to refer to it."⁵⁶ Golan-Nadir and Cohen are cautious, however, to underline that the opportunities for IPI to go beyond soft measures remained limited, and that "most businesspeople refuse to jeopardize their status and connections with the political arena."⁵⁷ As such, we see a narrowing of the channels for business influence in peace processes, as outlined in the Tripathi and Gündüz framework, as businesses both avoid involvement with formal negotiation processes, and restrict their informal actions for coalition-building with civil society.⁵⁸

On the Palestinian side of the conflict, Cohen and Ben-Porat have conducted interviews with Palestinian businesspeople in order to identify the reasons why Palestinian business networks appear to have had limited influence on the Middle East peace process. These interviews included individuals directly involved with local business networks, such as the

⁵⁵ Ibid, p. 33. The interviewee remains anonymous and is described as a "director and chairman of large national and international companies." Interview conducted in Tel Aviv, Israel, on October 23, 2014.

⁵⁶ Ibid, p. 34. The interviewee remains anonymous and is described as "co-head of a peace (non-governmental organization)." Interview conducted in Tel Aviv, Israel, on November 20, 2014.

⁵⁷ Ibid, p. 34.

⁵⁸ Salil Tripathi and Canan Gündüz (2008).

Palestinian Chamber of Commerce in Bethlehem. According to the authors, three main factors arise from their interviews: limited commitment to peace in the local business community; an inability to organize effective collective action; and ultimately just a lack of significance, in terms of the decision-making process in Palestine. Even for those business actors that surpass all three limitations, the authors argue, the estimated risks and costs of political involvement are deemed to be too high, meaning that cooperation between individual Palestinian businesspeople with their Israeli counterparts, when it occurs, is usually kept at a low profile so as not to compromise political connections.⁵⁹ This phenomenon reflects the challenges of establishing “coalitions across conflict lines,” whether in the context of business or other civil society actors in negotiation processes.⁶⁰ Some of these challenges include issues in coalition members’ identities (and how such identities shape their perspectives when engaging in the coalition), mutual distrust, and concerns about third parties’ perceptions of cooperation as an act of communal betrayal. As for the role of business networks, one interviewee states that “the institutions of the private sector (in Palestine) ... are not functioning as expected of them. They are characterized by an attitude of indifference and bitterness.”⁶¹

A report from the Peres Center for Peace’s Business and Economics Department compares Israeli and Palestinian perspectives on the role of economics in the peace process. In the former, Ashkenazi and Greenapple argue that economic development in Palestine could only support the promotion of the political process for peace, rather than stand as an alternative to it.⁶²

⁵⁹ Nissim Cohen and Guy Ben-Porat (2008), “Business Communities and Peace: The Cost-benefit Calculations of Political Involvement.” *Peace and Change* (Vol. 33/3).

⁶⁰ Herbert Kelman (1993), "Coalitions Across Conflict Lines: The Interplay of Conflicts Within and Between the Israeli and Palestinian Communities" in *Conflict Between People and Groups* (eds. Stephen Worchel and Jeffrey Simpson). Chicago: Nelson-Hall.

⁶¹ Ibid, p. 439. The interviewee remains anonymous and the Cohen and Ben-Porat do not describe his or her identity. Interview conducted on January 8, 2005 at an undisclosed location.

⁶² Adi Ashkenazi and Barak Greenapple (2009), “Economic Peace? A Political Solution with Economic Prosperity,” in Peres Center for Peace (2009).

It is revealing that Ashkenazi and Greenapple thoroughly discuss a number of economic issues, from employment to industrial production, without specifying the actual economic actors which would be responsible for carrying out these activities: private companies, state-led ventures, or other mixed economy structures. While the article does highlight that it builds on discussions that brought together businesspeople and policy-makers from both Israel and Palestine, the absence of explicit references to the private sector may represent tacit support for Davis's point about the lack of independence of business elites in Israel. This point informs the nature of the decision-making process and the limited possibilities for independent negotiation strategies in Israeli business communities, and a fortiori Israeli business networks. Responding to Ashkenazi and Greenapple, with a Palestinian perspective, Awartani also sees Israeli-Palestinian economic relations as a path toward a positive role. Among his recommendations, he suggests that chambers of commerce in different Palestinian cities could assume a more proactive role in improving the business development climate in the territory, but does not address their potential influence in the Middle East peace process.⁶³ To use Rettberg's typology, it appears that Palestinian business communities are ambiguous about the "creed" motivation for business engagement in peace negotiations, whereas a relative lack of "need" may explain the Israeli business community's position.⁶⁴

This dynamic of perceived lack of independence between business networks and the Israeli official strategy of economic peace is further supported by statements and position papers disseminated by one of Israel's allies, the United States. For instance, U.S. officials from the Department of State were reported in 2008 to have been involved in the negotiation and oversight of the construction of the Gilboa Israeli-Palestinian industrial park, a key business cooperation

⁶³ Hisham Awartani (2009), "Palestinian-Israeli Economic Relations: Towards a Revived Positive Role," in Peres Center for Peace (2009).

⁶⁴ Angelika Rettberg (2016).

initiative that was hailed as an illustration of the economic peace negotiation strategy.⁶⁵ This phenomenon also goes beyond the official U.S. position and encompasses non-official foreign actors, such as the think tank Center for American Progress. In 2016, this entity published a report in which it argued that strengthening the Palestinian economy was important in order to keep a two-state solution viable. Among others, the report highlighted the importance of an “invigorated private sector,” and conducted interviews with Palestinian businesspeople in order to assess promising industries that could drive growth and job creation.⁶⁶

Mirroring the U.S.-Israel support of the economic peace negotiation strategy, Cohen and Borat expand their analysis of business influence on the Middle East peace process to also comprise the business community in Jordan, which is often seen as a Palestinian ally. The authors argue that, although several networks exist, such as the Jordanian Business Association, the Amman Chamber of Industry or the Jordanian Chamber of Commerce, businesspeople “(estimate) that (their) political influence is limited to internal matters and is negligible with regard to issues of foreign affairs.”⁶⁷ More generally, businesspeople in Jordan are reported to refrain from public efforts to normalize business ties with Israel, with one interviewee stating that

“people who cooperate with Israel are under immense pressure ... the danger is that (their) name will be published and (their) business will be boycotted ... Without talking about peace, working for peace and even without real peace you can do business with Israel ... without anyone knowing about it”.⁶⁸

⁶⁵ Haaretz Service (2008, September 28), “Joint Israeli-Palestinian Industrial Park to be Built in North.” *Haaretz* online version, available at: <http://www.haaretz.com/news/joint-israeli-palestinian-industrial-park-to-be-built-in-north-1.253441>.

⁶⁶ Hardin Lang and Rudy DeLeon (2016), “Strengthening the Palestinian economy to Keep a Two-State Solution Viable.” *Center for American Progress* brief. Available at: <https://cdn.americanprogress.org/wp-content/uploads/2016/04/12143137/PalestinianEcon.pdf>.

⁶⁷ Nissim Cohen and Guy Ben-Porat (2008), p. 435.

⁶⁸ *Ibid*, p. 437. The interviewee remains anonymous and the Cohen and Ben-Porat do not describe his or her identity. Interview conducted on January 18, 2006 at an undisclosed location.

As a result, we see that the alignment of business networks' strategies with official parties', whether in pursuit of the Israeli negotiation strategy of economic peace, or alternatively the Palestinian negotiation strategy of skepticism vis-à-vis normalized business ties, can also be extended to coalitions of official parties in the Middle East peace process. In both cases, the overarching result is that business networks in this peace process are seen as being relatively aligned with their relevant official parties, and relatively ineffective in influencing negotiations, whether through track two activities or other grassroots action.

b. Greek Cypriot and Turkish Cypriot business networks as independent and influential drivers of the Cyprus peace process

Unlike in the Middle East peace process, economic considerations were originally not core issues in Cyprus. For instance, the only reference to economic issues in the London and Zurich agreements is in fact negative, in Article 1: “the Republic of Cyprus ... undertakes not to participate, in whole or in part, in any political or economic union with any state whatsoever.”⁶⁹ This reflects the fact that, in spite of a similar configuration of territorial dispute between two distinguishable populations, and unlike the case of Israel and Palestine, there was general agreement among foreign official parties to the conflict that Cyprus would eventually constitute a unified state, and thus that language about economic and business cooperation within the island would be redundant. More recently, the 2004 Annan Plan contained several references to “economic transition and harmonization,” including the rights of businesspeople in Article 52.

According to Katsos and Forrer, from the early 2000s business networks became involved with track two negotiation efforts in the Cyprus peace process, which soon were turned into proxies for track one negotiations between the Republic of Cyprus and the TRNC, as the CCCI

⁶⁹London and Zurich Agreements (1959). Full text available at: <http://web.deu.edu.tr/kibris/articles/app.html>.

and the KTTO “were designated ... as semi-official representatives and worked in formal coordination with official negotiators.”⁷⁰ The latter officially granted the business networks binding authority to reach a settlement as part of the Green Line trade directive, so as to establish a framework for regulating and facilitating trade between the Republic of Cyprus and the TRNC. According to a report by the Portland Trust, it is remarkable that, “from a zero-base in 2003, the actions of the (business networks) helped establish the mechanisms for Green Line trade and business cooperation.”⁷¹ Considering that official negotiations between the Republic of Cyprus and TRNC were frozen for most of the twentieth century, and especially in the aftermath of the 1974 de facto partition, it appears that the CCCI and the KTTO have been relatively influential in the Cyprus peace process. It is unclear, however, if this influence was achieved thanks to, or in spite of, official actors' positions and negotiation strategies in Cyprus. Furthermore, it is also important to assess the nature of the influence, and whether it pertains to a narrow definition of economic matters (such as trade relations), or to enhanced participation in the formal negotiation process. It is also important to consider a historical perspective on the evolution in the engagement of the CCCI and the KTTO in the peace process, given the politics of the Republic of Cyprus and the TRNC. In particular, changing relations between governments and the leadership of business networks have shaped business networks' willingness to take independent positions – which was not necessarily the case prior to 2003.

Katsos and Forrer conducted interviews with both Greek Cypriot and Turkish Cypriot businesspeople, uncovering relevant insights about their involvement with the Cyprus peace

⁷⁰ John Katsos and John Forrer (2014), “Business practices and peace in post-conflict zones: lessons from Cyprus.” *Business Ethics* (Vol. 23/2), p.161.

⁷¹ The Portland Trust (2013).

process.⁷² The CCCI and the KTTO cooperate not only in facilitating customs inspections for intra-Cyprus trade, but also in the promotion of traded products, and more generally awareness-raising of the potential of more extensive commercial contacts, such as joint-ventures, cross-border employment, intra-Cyprus franchises, and labor union cross-training, among others. In spite of such extensive cooperation efforts, Katsos and Forrer add, “the leaders of (the Greek Cypriot and Turkish Cypriot) groups are not political leaders; rather, they function as business representatives.”⁷³ The pursuit of cooperation efforts by both the CCCI and the KTTO has not been met with universal acclaim: Katsos and Forrer argue that anti-trade stances are prevalent among both Greek Cypriots and Turkish Cypriots, which serves to highlight the activist and almost confrontational stance of business networks in Cyprus:

“One owner in the South voiced the desire ‘not to assist the enemy,’ even if he had to pay extra for a product that was produced on his side of the Green Line. This attitude was rejected by the CCCI and KTTO, but prevalent among actual Greek and Turkish Cypriot business owners and managers”.⁷⁴

Within each of the networks, the paper states, there are staff who act as focal points for bicomunal work, and who also address criticism within their own community for such “collaboration” efforts. We see that the CCCI and the KTTO are engaged in many of the channels of influence suggested by Fort and Schipani, including the idea of bicomunal employment as a vehicle for dialogue between Greek Cypriot and Turkish Cypriot communities, or more generally the concept of “unofficial ambassadorship” from one community to the other.⁷⁵

⁷² While the authors do not provide transcriptions of the interviews, Katsos and Forrer indicate in the methodology appendix that they “(conducted) on-site visits and extensive interviews with people with an array of perspectives and experiences: heads of the (TCCC) and (KTTO), franchisees of multinational companies in both the North and the South, (and) ... numerous owners of businesses in the north and South ...” For a full description, see John Katsos and John Forrer (2014), p. 164.

⁷³ John Katsos and John Forrer (2014), p. 159.

⁷⁴ Ibid, p.160

⁷⁵ Timothy Fort and Cindy Schipani (2004).

As an expression of their independence vis-à-vis the official parties of the Republic of Cyprus and TRNC administrations, the CCCI and the KTTO reportedly issued joint statements on the benefits of reunification throughout negotiations surrounding the Annan Plan, even when this meant confronting political leaders.⁷⁶ For instance, Rauf Denktash was the president of TRNC from 1983 to 2005, and stood in opposition to the final terms of the Annan Plan. According to Chigas, in 2003 the KTTO, as part of a coalition of over ninety non-governmental organizations, opposition political parties and trade unions, “staged mass demonstrations calling for the signing of the Annan Plan and the resignation of Denktash.”⁷⁷ Furthermore, the KTTO also held meetings and events, as well as financed publicity campaigns about the positive impact of economic reunification. This episode provides considerable evidence of the independence, and in fact almost direct opposition, of the KTTO vis-à-vis the official position of the TRNC in the Cyprus peace process. Not only that, the outspoken position was enhanced by coalition building within the Turkish Cypriot community, beyond the scope of the business community. As a result of these actions, the Portland Trust argues that, from a macro-influence perspective, KTTO’s campaign played an instrumental role in the acceptance of the Annan Plan by 65% of the Turkish Cypriot community in the 2004 referendum.⁷⁸ The enhanced influence of the KTTO was achieved not only through an independent perspective, but also thanks to coalition-building with other local political and civil society stakeholders in the TRNC, in a context of opposition to the Denktash administration. The enhanced influence itself also contributed to KTTO’s ability to forge alliances in the TRNC. This is an example of influence by the KTTO that went beyond purely economic matters, touching upon on a key step in validating (or rejecting) the negotiated agreement. It appears that 2003 represented a significant change in the interests of the business

⁷⁶ The Portland Trust (2013).

⁷⁷ Diana Chigas (2015), p. 236.

⁷⁸ The Portland Trust (2013).

community, which translated into an escalation in the level of engagement of the KTTO with the peace process. One possibility is that the Annan Plan was perceived as a window of opportunity for a settlement, signaling the ripening of negotiation positions. This window was closely related to negotiations on Cyprus accession to the European Union at the time, with consequences for business relations that would open commercial opportunities for the Greek Cypriot business community, but not for the businesspeople operating from the TRNC.⁷⁹ However, we see unambiguous evidence of the KTTO's willingness to campaign against the TRNC administration, which underscores its independence vis-à-vis the local official position.

The Portland Trust contrasts the KTTO's campaign in favor of the Annan Plan with the lack of similar efforts by the CCCI among Greek Cypriots. Indeed, over three-fourths of the Greek Cypriot community eventually voted against the plan. The then president of Cyprus, Tassos Papadopoulos opposed the plan and encouraged the Greek Cypriot community to reject the referendum, famously claiming that he had "received a state (and would) not deliver a community."⁸⁰ Furthermore, in addition to the official position of the Papadopoulos administration, other political parties and influential civil society organizations, including the Church of Cyprus, opposed the Annan Plan.⁸¹ In this context, it is unclear if the CCCI's reluctance to support the Annan Plan was a consequence of the lack of opportunities for coalition building, a realistic assessment of the prospect for influencing the referendum process, or a sign of less independence when compared with the KTTO. Echoing Rettberg's discussion on motivations, whereas both business networks appear to share "creed" and "greed" motivations, development asymmetries suggest that the KTTO's "need" was more pronounced than the

⁷⁹ For a thorough review of the impact of the accession talks on the Cyprus peace process, see Nathalie Tocci (2004), *EU accession dynamics and conflict resolution: catalyzing peace of consolidating partition in Cyprus?* Aldershot: Ashgate Publishing.

⁸⁰ As reported, for instance, by Constantinos Psillides (2014, April 25), "Parties mark Annan plan anniversary." *CyprusMail* online edition, available at: <http://cyprus-mail.com/2014/04/25/parties-mark-annan-plan-anniversary>.

⁸¹ The Portland Trust (2013).

CCCI's.⁸² Similarly, the TRNC's BATNA was weaker than the Republic of Cyprus', given differentials in economic development and market access, especially in the context of Cyprus' accession to the European Union, since the TRNC would not have access to the common market.⁸³ This suggests that, while the business networks may have shared interests in supporting integration initiatives, the TRNC's weaker BATNA led to a bolder position by the KTTO in favor of the Annan Plan. Further research, including interviews with CCCI staff and businesspeople in Cyprus could provide more clarity on the business network's position in this context, and what it means in terms of strategies for business engagement with the Cyprus peace process. It is also important to look at the relationship between the CCCI leadership and Cypriot politics, and in particular differences in behavior under left-wing (AKEL) and right-wing (DISY) administrations, which may help understand the evolution of CCCI's engagement with the peace process, and its ability and willingness to forge independent negotiation strategies vis-à-vis the Republic of Cyprus'.

In contrast with the Middle East peace process, there is significant evidence in Cyprus of both business networks' enhanced influence in the peace process, as well as their more pronounced independence vis-à-vis official parties' strategies (especially in the TRNC). Both among Greek Cypriots and Turkish Cypriots, the commitment of local business networks to a peace settlement and to the reunification of Cyprus has been expressed via track two activities, and more generally awareness-raising initiatives to improve bicomunal relations, understood by the business networks to be a necessary step towards the effective reunification of Cyprus.

⁸² Angelika Rettberg (2016).

⁸³ In line with the European Union embargo against the TRNC, confirmed by a 1994 decision of the European Court of Justice. See: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A61992CJ0432>.

3. *Power and governance structures of business networks:
The choice between authentic and aspirational dynamics*

a. Aspirational business networks in the Middle East: a mixed record

Highlighting the relevance of the issue of power in the Middle East peace process, Davis argues that power inequality in negotiation has had a significant negative impact on the overall effectiveness of the economic peace strategy. “The elite-driven economic peace that is currently being advocated by political leaders and groups,” she argues, “will not address the underlying grievances of the Palestinian people,” nor successfully engage Israeli society as a whole.⁸⁴ Leaving aside judgments on the political situation, Davis’s assertion is interesting in acknowledging how the power distribution occurs, or is perceived to occur, with different configurations at the level of elites and within the underlying conflict in the Middle East peace process. Considering the elitist nature of business networks – since, by definition, they are association of prominent businesspeople in their communities – this raises the issue of power and governance structures of business networks, and whether they are authentic, or if they aspire to transcend the power asymmetry between Israelis and Palestinians.

In his analysis of how coalitions can be built across conflict lines, Kelman looks at both intergroup and intragroup conflicts. Regarding the latter, he recounts his experiment with negotiation workshops for Israelis and Palestinians and identifies a number of barriers to coalition work. Among these is the issue of mutual distrust, which can be overcome, he suggests, by a process whereby parties test each other’s sincerity and authenticity. At the same time, Kelman argues that excessive deviation from group identities among workshop participants could lead to their labelling as exceptional “non-members” of certain communities, which could be counter-productive for sustained peacebuilding efforts. As such, once Israeli and Palestinian

⁸⁴ Rachel Davis (2014), p. 38.

representatives had passed the "test of trust" in the described workshop, Kelman included a final stage in which participants revealed their community identities (e.g. Palestine Liberation Organization members, or dedicated Zionists), which clashed with their "non-member" expectations. According to Kelman, this learning experience "(opened) up the possibility of peace with one's enemies as they are ... without assuming that peace becomes possible only if these enemies undergo conversion and abandon their national ideology."⁸⁵ This paper applies the same intuition to the role of business networks in peace negotiations: our hypothesis is that it may be counterproductive to construct a conflict-transcending power structure within the network, if it does not reflect the reality of power beyond the network. In other words, aspirational business networks that attempt to influence the Middle East process may be creating the conditions only for a peace process that in fact does not exist – one between elite members who float above the web of power relations between Israeli and Palestinian nationalist projects. Conversely, authentic business networks, whose governance structure more accurately reflects the power asymmetry in the conflict, would achieve higher levels of influence on the peace process. For instance, the perceived authenticity could increase their persuasiveness in advancing interests in a formal negotiation setting, or might be an asset in helping build grassroots support for a peace settlement. This could occur by addressing the identity-based issues that underpin the Middle East process.

Ayoub, an Arab-Israeli businessman who previously was the head of the Arab sector of the MAI, argues that economic issues should be used as a "tool for moderation," rather than a "weapon." He illustrates the two uses by contrasting the development of industrial zones with the official Israeli negotiation strategy of, in some instances, withholding tax revenue from the

⁸⁵ Herbert Kelman (1993).

Palestinian Authority.⁸⁶ Providing a glimpse into the membership of business networks, Ayoub states that he was the sole Arab Israeli to work at the MAI, out of a staff of about 100, and that this dynamic in many ways reflected the existing distribution of power, within Israel, between Arabs and Jews. He discusses a number of initiatives for business cooperation between Israelis and Palestinians (e.g. New Generation Technology, Olives of Peace, MEJDI Tours organization), without delving into the breakdown of responsibilities, funding and project execution. Ayoub also describes the IPCC as a promising initiative which has "succeeded in creating strong social networks as well as mutual trust between the two sides."⁸⁷ His optimistic tone is reminiscent of the business and peace literature that tends to focus on the "potential" of business in peace processes, as described by Oetzel et al.⁸⁸

In contrast with this perspective, Palestinian critics of Israeli-Palestinian cooperation efforts have used interviews and ethnographic analyzes in order to investigate the impact of joint initiatives and, more generally, the economic peace negotiation strategy. For instance, Tartir argues that these initiatives have failed to improve the rights of populations in the West Bank, as well as decreased the incentives for resistance to Israeli action in the West Bank.⁸⁹ With relation to efforts under Fayyad to improve economic development, an interviewee from the Balata camp in the West Bank stated that

“maybe it is important to have growing businesses, fancy cafes and cars, build new cities, have five-star hotels, organize investment conferences and

⁸⁶ Nieme Ayoub (2016), "Economic Growth and Business Collaboration: A Tool for Peace Building in Israel-Palestine." *Atkin Foundation - International Center for the Study of Radicalization and Political Violence Paper Series*, available at: <http://icsr.info/wp-content/uploads/2016/06/ICSR-Atkin-Paper-Series-Nieme-Ayoub.pdf>.

⁸⁷ Ibid, p.8.

⁸⁸ Jennifer Oetzel et al (2009).

⁸⁹ Alaa Tartir (2015), "Securitized development and Palestinian authoritarianism under Fayyadism." *Conflict, Security and Development* (Vol. 15/5).

international festivals ... However, all of these can't mask the picture of reality. Depoliticizing our struggle can only help Israel.”⁹⁰

Such criticism is also echoed by Dana, who sees in Palestinian cooperation with economic peace a “political economy of capitalist peace in the context of colonization.”⁹¹ Both Tartir and Dana's perspectives focus on legitimacy issues, with arguments that top-down processes that are elite-driven, such as business networks, have little legitimacy to represent the interests of the Palestinian population. Reversing the conflict party and elite/non-elite perspectives, similar discrepancies can be found by analyzing the literature on Palestinian businesspeople and Israeli activists, such as settler groups in the West Bank. For instance, Awartani contends that Palestinian businesspeople view joint ventures and advanced normalization as politically premature, which may risk alienating both the official position in Palestine and grassroots activists.⁹² In a thorough review of “the peace business” in the Middle East, Bouillon argues that

“cooperation in industry and trade favored the Israeli business community on the regional level and large elite conglomerates domestically in Jordan and the Palestinian Territories. The peace process consequently increased the gap between the elites and the echelons of all three societies, which in turn led to a rejection of the peace process among the lower segments of Israeli, Jordanian and Palestinian societies.”⁹³

Research into recent activities organized by BTI or IPCC yields limited results in the public domain. A revealing interview with current IPCC president David Simha showcases the challenges of cooperation at the business network level:

⁹⁰ Alaa Tartir (2015), p. 492.

⁹¹ Tariq Dana (2015), “The symbiosis between Palestinian 'Fayyadism' and Israeli 'economic peace': the political economy of capitalist peace in the context of colonization.” *Conflict, Security and Development* (Vol. 15/5).

⁹² Hisham Awartani (2009).

⁹³ Markus Bouillon (2004), *The Peace Business: Money and Power in the Palestine-Israel Conflict*. London: I.B. Tauris

“It is frustrating for us that we can't write about our activities in the paper the next morning. I wish I could publish a huge article after each meeting, announcing that 50 Palestinians came to Tel Aviv. We don't do that because we know that maybe next time they won't come. Simple as that.”⁹⁴

The discrepancy between the power asymmetry among Israelis and Palestinians in the context of the Middle East peace process, and the attempt to attain more balanced power relations in Israeli-Palestinian business cooperation, thus appears to partly explain the lack of influence of business networks. The gap between the intentions of actors like Ayoub, Simha or Palestinian businesspeople interviewed by Awartani, and the perceptions shared by Alar and Dana, may be the result of business communities' relative lack of understanding of the distributions of power within and beyond business networks in peace processes. It also touches on deeper challenges of building coalitions in contexts where different parties may frame negotiation issues in significantly different ways – for instance, normalization for Israelis, and political change for Palestinians – and raises the issue of how negotiation processes can be shaped to address the concerns of all parties. This issue of framing is intertwined with the power distribution asymmetries in the context of aspirational business networks in the Middle East.

Aspirational business networks, which bring together businesspeople from both sides of the conflict, are especially targeted for their alleged lack of sensitiveness vis-à-vis wider debates on non-normalization; or for being based on the premise that economic issues can be dovetailed with political negotiations in order to lay the foundations for peace agreements. This echoes Killick et al's idea about the "perceived role" of business in conflict situations, and the difficulty of achieving the necessary legitimacy to engage in negotiation processes.⁹⁵ The suggestion that networks with aspirational structures, such as the IPCC or BTI, might be forced to conduct their

⁹⁴ Elhanan Miller (2014, February 11), "Israeli business leader: Failure in talks will be 'catastrophic.'" *The Times of Israel*, available at: <http://www.timesofisrael.com/israeli-business-leader-failure-in-talks-will-be-catastrophic>.

⁹⁵ Nick Killick et al (2005).

activities away from the public eye – if at all – when compared with authentic networks, contributes to our mixed assessment of their influence in the Middle East peace process. At the same time, publicized efforts to bring together different Palestinians and Israelis are bound to be limited and highly sensitive, given the current dynamics of the Middle East. It is also possible that less publicized initiatives, such as BTI, may still be able to influence the peace process through non-public methods, such as arranging direct contacts between businesspeople and officials involved in formal negotiations.⁹⁶ Furthermore, it is possible that the choice to engage in low-key activities in fact reflects businesspeople's understanding of power relations in Israel and Palestine. Confronted with resistance to public coalition-building across conflict lines, but cognizant of the importance of reaching out to business actors in different conflict stakeholders in order to strengthen their position, businesspeople may see little publicized (or even non-public) aspirational networks as a relevant alternative for exerting influence in negotiations. As we discuss further in Section IV.4, it is important to consider the political situation, and more generally the political economy context of the conflict, in order to assess the space for business networks' options in coalition-building. For instance, diminished resistance to coalition-building among Turkish Cypriots and Greek Cypriots in recent years, when compared to dynamics in the Middle East, may partly explain the extent of intercommunal cooperation in business.

Thus, the analysis of business network involvement in the Middle East peace process provides no conclusive findings about the role of authenticity in enhancing influence. Our research shows the limited effectiveness of pseudo-inter-party business networks in Israel, but this may also be seen in the wider context of challenges in coalition-building. Furthermore,

⁹⁶ However, observation and testing of this hypothesis remains challenging, given parties' intent not to disclose information about such influence channels.

methodological issues in peace and conflict research may explain the absence of specific findings about action undertaken by entities such as BTI or IPCC.

b. Chambers of Commerce in Cyprus: authentic vehicles for the influence of business communities on peace negotiations

In the Republic of Cyprus and the TRNC, both the CCCI and the KTTO appear to be authentic business networks, in the sense that their governance structures do not seek to deviate from the underlying conflict dynamics, or to tone down the identities of Greek Cypriots or Turkish Cypriots. Although both networks may have taken independent stances, including vis-à-vis business communities at large, as argued in 2b, they remain committed to each of the two communities. We identify a correlation between this authenticity and the business networks' influence in shaping ongoing peace negotiations.

A report from UNDP highlights the commitment of both CCCI and KTTO to the Economic Interdependence project, and their joint management of the European Union Green Line Trade Regulation project, introduced in 2004.⁹⁷ UNDP also recalls the 2011 episode when the main electricity plant in the Greek Cypriot community was destroyed, and the business networks brokered an agreement whereby electricity from the Turkish Cypriot side could be transferred to the south of the island. “The episode showed,” UNDP stresses, “how the private sector could be at the forefront of reconciliation efforts, irrespective of the state of the formal peace process.”⁹⁸

Showcasing the value of authenticity in projecting influence in peace processes, Katsos and Forrer argue that the most significant impact of business networks in Cyprus was to alleviate identity-based barriers to peace. According to them, businesses are best equipped to deal issues of

⁹⁷ UNDP (2013), *Citizen Peacemaking in Cyprus*. United Nations report, available at: <http://www.cy.undp.org/content/cyprus/en/home/library/actionforcooperationandtrust/citizen-peacemaking-in-cyprus.html>.

⁹⁸ *Ibid*, p. 19.

identity when they operate as honest brokers.⁹⁹ Honesty, in this case, relies on business networks' ability to engage with their respective constituencies (Greek Cypriots, Turkish Cypriots) in a manner that avoids the impression of conflicts of interest, or of the elite/non-elite divide discussed in the case of the Middle East peace process. One hypothesis is that the social segmentation between Turkish Cypriots and Greek Cypriots contributed to the entrenchment of identity-based positions. For instance, the UNDP report indicates that the 1974 de facto partition of Cyprus led to the independent development of civil society sectors both sides, and that only in the early 1990s activists from both Greek Cypriot and Turkish Cypriot backgrounds “began to find creative ways to start a dialogue on how they could support a solution to the Cyprus question.”¹⁰⁰ We note that, prior to 2003, the divide between Greek Cypriot and Turkish Cypriot businesspeople in many ways resembled the status quo between Palestinian and Israeli businesspeople today, with dangers of boycott in case of actual or perceived cooperation with the other side (see Section IV.2.a).

This ability to provide honest mediation is relevant in the Cyprus peace process because parties share significant identity-based concerns, including with regard to economic issues. Stavrinides discusses the economic context of Cyprus, and in particular the issue of interdependence. He stresses that the Turkish Cypriot community is not economically self-supporting, and that it survives thanks to economic assistance from Turkey, the only country that recognizes the legitimacy of the TRNC administration. In this perspective, the integration of the Cypriot economy also represents a risk that Greek Cypriot investors and businesspeople would become dominant in the North, thereby exerting influence in employment practices, which could result in identity-based frictions and trigger violent episodes. This leads Stavrinides to describe

⁹⁹ John Katsos and John Forrer (2014).

¹⁰⁰ UNDP (2013), p.10.

negotiations in Cyprus as the search for "two one-sided 'just' solutions."¹⁰¹ Further expanding on this subject, Apostolides et al describe how the relaxing of barriers to movement within Cyprus in April 2003 has weakened the ability of the Green Line to compartmentalize the Greek Cypriot and Turkish Cypriot societies – and economies. Adopting a normative stance, the authors argue that “economic interdependence is defined as something positive,” and support the action of the CCCI and the KTTO in enabling trade across the Green Line.¹⁰² They indicate, however, that

“surveys undertaken as part of the project ... showed that in both communities there are significant psychological constraints, which restrict some businesspeople and some consumers from participation in Green Line crossings and trade. These psychological factors are partly based on perceptions of the modern history of Cyprus, but also on confusion as to what is the official policy of the political leadership of both communities on Green Line economic interdependence.”¹⁰³

Even though business networks in Cyprus engaged in activities that highlight the benefits of interdependence, Katsos and Forrer argue, they also recognized identity-based power dynamics, and the fact that even in the event of reunification, Greek Cypriot and Turkish Cypriot constituencies would continue to exist, with their singular characteristics. For instance, rather than plans for a full merger between the two business networks, they have considered plans for cooperation in a post-settlement environment.¹⁰⁴ The Portland Trust reveals that, in contrast with the more naïve literature about business cooperation in Cyprus, “the relationship between the two chambers is not always easy ... (even if) it has never broken down.”¹⁰⁵

¹⁰¹ Zenon Stavrinides (2014), "The Intercommunal Negotiations in Cyprus: Searching for Two One-sided 'Just' Solutions." *The Cyprus Review* (Vol 26.2).

¹⁰² Alexander Apostolides et al (2012), "From Conflict to Economic Interdependence in Cyprus." *Peace Review: A Journal of Social Justice* (vol. 24/4).

¹⁰³ Ibid, p. 433.

¹⁰⁴ John Katsos and John Forrer (2014).

¹⁰⁵ The Portland Trust (2013), p.17

In fact, our research indicates that the solid relationship between the CCCI and the KTTO has, in some instances, transcended the distribution of power in Cyprus and allowed the business networks to explore aspirational structures as well. According to the Portland Trust, the KTTO has a unique characteristic that has played a relevant role in enhancing its ability to partner with Greek Cypriot institutions and thus contribute to bicomunal efforts to influence the Cyprus peace process. Because it was established in 1958, before the 1974 partition of the island and the creation of other Turkish Cypriot institutions (such as the TRNC), the KTTO is recognized by all parties to both track one and track two negotiation processes as a legitimate stakeholder in the peace process.¹⁰⁶ Together, the two business networks established the Cyprus Producers' Network (CPN), which provides matchmaking services for businesses seeking to work together across the Green Line. In a sign that the business networks understand the importance of acknowledging power relations in the conflict, however, the CPN respected "the wishes of both communities to operate under the radar," ensuring that "the portal was only accessible at the initiative of members and promotion was low key."¹⁰⁷ This self-awareness echoes the sensitiveness to power relations that, Rouhana and Korper suggest, can contribute to ensuring that peacebuilding efforts are not restricted to "exceptional non-members," such as active members of the KTTO or the CCCI, but rather encompass the wider Greek Cypriot and Turkish Cypriot constituencies.¹⁰⁸

We can trace a parallel with the activities of the IPCC or BTI in the Middle East, and note the difference in influence between organizations committed to aspirational (CPN) and authentic (CCCI, KTTO) power and governance structures. It appears that, in the Cyprus peace process, businesspeople's strategy of influencing negotiations mainly via monocommunal networks, which

¹⁰⁶ The Portland Trust (2013).

¹⁰⁷ Ibid, p. 16.

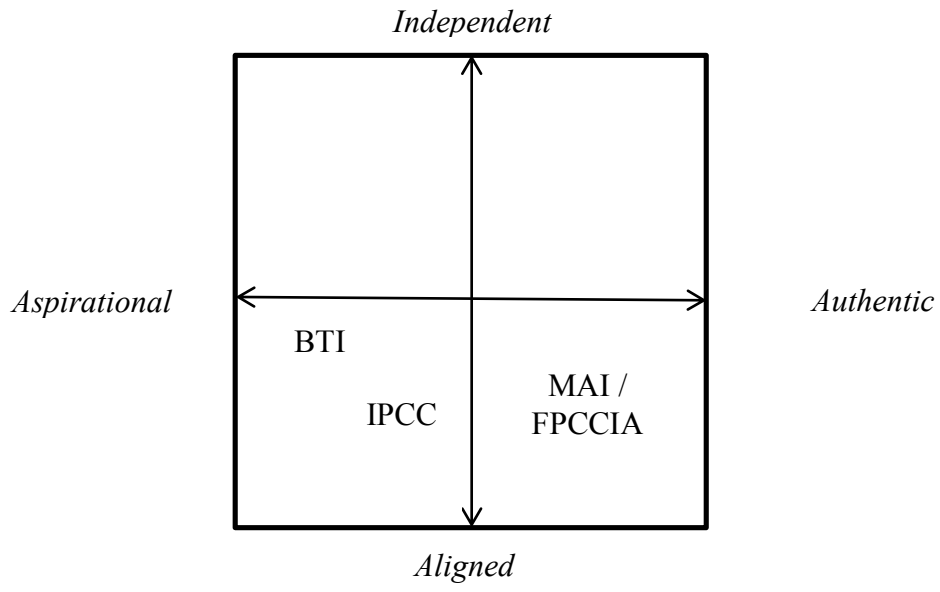
¹⁰⁸ Nadim Rouhana and Susan Korper (1996).

accurately reflect the conflict dynamics between Greek Cypriots and Turkish Cypriots, can be correlated with enhanced influence. At the same time, the existence of the CPN underlines that business communities, and more generally parties involved in mediation efforts, do ascribe some value to aspirational networks. Caveats mentioned in the case of Israel and Palestine are also relevant for Cyprus: for instance, methodological challenges in obtaining (and a fortiori analyzing) evidence of how less publicized initiatives, such as the CPN, have influenced the Cyprus peace process.

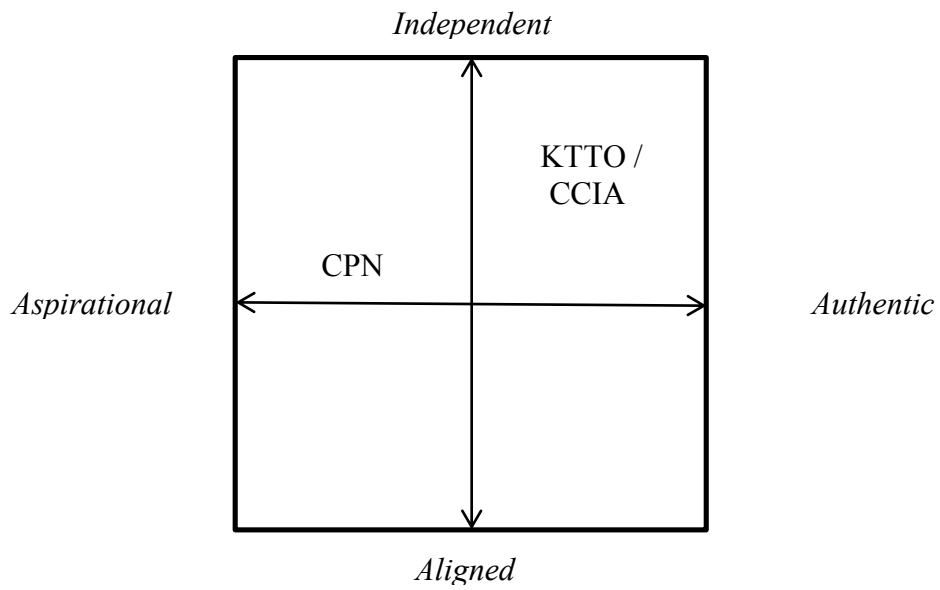
4. *Business networks in peace negotiations:*
Coordination of intra-organizational and inter-stakeholder issues

Summarizing this paper's analytical findings in the matrix presented in Section II, we identify characteristics of business networks that appear to be associated with enhanced or diminished influence on peace processes, as follows:¹⁰⁹

¹⁰⁹ The location of data points on the matrices corresponds to the presented qualitative findings, and acknowledges that both the characteristics of business networks and their influence on negotiations are dynamic variables that have considerably evolved over the years. They represent a static approximation that seeks to present the current status of business networks' influence in the Middle East and Cyprus peace processes.



Middle East peace process: relatively **low** influence of business networks



Cyprus peace process: relatively **high** influence of business networks

Our analysis suggests that the strategic independence of business networks vis-à-vis official parties' agendas is positively correlated with achieving enhanced influence in peace processes. This phenomenon is observed unambiguously in both the Middle East and in Cyprus, which constitute cases of, respectively alignment/low influence and independence/high influence. It is true that other factors may play a role in explaining the differentials in the influence business networks exert on the two peace processes; however, the evidence presented in this paper makes a persuasive case for considering the relevance of the independent/aligned variable. In the Middle East, the alignment of the private sector, combined with the Israeli-led strategy of economic peace, has diminished business communities' credibility in influencing negotiations. On the other hand, in Cyprus, the independence of business networks has been a significant factor that explains their influence, whether through formal channels (e.g. the recognition of KTTO as a valid stakeholder for Greek Cypriots) or in building grassroots support for a settlement (such as the KTTO campaign surrounding the 2003 referendum).

However, whereas authenticity is mostly positively associated with the influence of business networks in the Cyprus peace process, business networks in the Middle East peace process have adopted both authentic and aspirational approaches to the distribution of power, and in both cases have had little influence in shaping track two discussions or building support for peace. In Cyprus, in spite of being authentic and influential, the KTTO and the CCCI also decided to establish the CPN, thereby suggesting that businesspeople interested in supporting cooperation efforts see value in the activities carried out by aspirational networks. It is possible that business networks in Cyprus are more embedded in civil society, both among Greek Cypriot and Turkish Cypriot business communities, and that the concurrent use of monocommunal and bicommunal networks reflects a sophisticated understanding of how they can enhance their influence on the peace process. In the delicate endeavor of building and managing coalitions

across the Green Line, one hypothesis is that business communities see that some activities are carried out more effectively through authentic networks (KTTO, CCCI), but that others can draw on the aspirational structure of the CPN. Testing this hypothesis requires, however, obtaining more detailed information about the genesis of the CPN and businesspeople's strategies. In other words, instead of a simple correlation relationship, the relationship between the aspirational/authentic variable and business networks' influence on peace processes may need to be broken down by influence channel or other contextual factors. For instance, it is possible that aspirational networks are relatively more effective in influencing the formal process of crafting a peace agreement, in cooperation with official actors; but that authentic networks are more influential in the process of "selling" the agreed-upon terms to larger conflict constituencies.¹¹⁰

Bridging the gap between negotiation theory and the literature on the political economy of business and peace, it is also essential to understand the overall context in which negotiations take place. Cohen and Ben-Porat argue that, in liberal democratic polities, there is more space for business communities to take independent stances and, in line with our hypothesis, influence international peace negotiations.¹¹¹ Indeed, it is important to make a distinction between the Cyprus and Middle East peace processes, considering different levels of international support and funding for negotiation facilitation initiatives, including with regard to business networks. At a high political level, the Annan Plan represented a window of opportunity for a settlement in Cyprus; there has arguably not been an equivalent episode in the Middle East since the Oslo Accords.

At the same time, identity-based issues that define conflict, and in particular the distribution of power between parties to peace processes, also shape the range of options

¹¹⁰ From an empirical perspective, future research could assess the roles of the KTTO, the CCCI and the CPN (among others) in the Crans-Montana negotiation round between Greek Cypriots and Turkish Cypriots.

¹¹¹ Nissim Cohen and Guy Ben-Porat (2008), p. 439.

available to business networks. An example of pragmatic and strategic dovetailing that is applicable in the Cyprus context, but not in the Middle East, is the generic labelling of products. For instance, products that are traded between the Republic of Cyprus and the TRNC can carry the “Made in Cyprus” label, so as to avoid discrimination in purchases¹¹² – a strategy that cannot be replicated in trade between Israel and Palestine. This highlights to what extent the political economy of peace and conflict shapes the influence potential of business networks, beyond issues in independence or authenticity. At the same time, it is likely that establishing this label was itself the result of complex negotiations between the CCCI, the KTTO, as well as other official and non-official parties involved in the trading interface between the Republic of Cyprus and the TRNC. “Made in Cyprus” is not only a commercial label, but also the outcome of political discussions about the very meaning of “Cyprus” as a territory, a political entity, and ultimately as an identity. This constitutes an example of how the business networks in Cyprus have been able to engage with the politics of the conflict, while remaining committed to their authentic missions as networks for Turkish Cypriot or Greek Cypriot business communities.

Understanding the assumptions of parties when they engage in coalition-building, whether they are Turkish Cypriots and Greek Cypriots, or Israelis and Palestinians, would also help observe some of the building blocks for the effective structuring of aspirational business networks, from the perspective of business communities.

This brings this paper to a conclusion that summarizes results, and qualifies them in light of other variables that can affect the relationship between strategy, power and influence.

¹¹² John Katsos and John Forrer (2014).

V. Conclusion

1. Findings and the way forward

In this paper, the independence/alignment and authenticity/aspirational variables formed an analytical framework to assess the characteristics of business networks in the Middle East and Cyprus processes, and explore correlations with their enhanced or diminished influence.

The overarching analytical findings are that, in the Cyprus process, business networks were both independent, in the sense that their interests and positions were not primarily driven or captured by either the Republic of Cyprus or the TRNC; and mostly authentic, insofar as their power or governance structure accurately reflected the power relationships between Green Cypriots and Turkish Cypriots. Conversely, in the Middle East process business networks were perceived as being aligned with the Israeli official negotiation strategy of “economic peace”; and, in many cases, they aspired to transcend the divide between Israeli and Palestinian business communities, contrasting with the prevailing power relations in the conflict. At the same time, evidence about the impact of business networks in the two peace processes overwhelmingly indicates that their influence in shaping negotiation positions, interests and processes has been more significant in Cyprus than in the Middle East.

Based on these findings, we elaborate on the research hypotheses outlined in the introduction, as follows:

1. Business networks that are relatively more independent vis-à-vis official parties appear to be associated indeed with enhanced influence in negotiations; and
2. The mixed records of authentic and aspirational business networks suggest that further research would be necessary in order to tentatively validate or reject this hypothesis,

and assess whether influence differentials may be explained instead by other context-specific variables.

This paper's analysis is cognizant that developments and outcomes in the two processes depend not only on the influence of business networks, and that a large number of other factors also play a role. For instance, local negotiation cultures, varying attitudes of official parties toward non-official parties, as well as foreign policy considerations are also likely to enable, or hamper, the influence of business networks in peace negotiation processes. It is, furthermore, important to highlight the difference between correlation and causation. While the hypothesis and the presented evidence suggest the impact of independence on influence, the causal relationship could in fact very well run in the opposite direction: openness to business participation in peace negotiations could be a sign that empowers business networks to espouse independent positions.

As for authentic and aspirational networks, more detailed data sources, such as focused interviews with leaders of business communities who have been involved in both kinds of networks, could yield relevant results. The cited papers stress that the private nature of business networks, as well as the sensitive political contexts of peace processes, make this approach quite challenging. In order to ensure that inputs obtained via interviews are useful for research, it is important to develop appropriate relationships with business communities, overcome linguistic and cultural barriers, and establish conflict-sensitive research protocols that take into consideration the biases inherent to any negotiation process.

We expect that additional research into the determinants of business influence in international peace negotiations will investigate more cases, beyond the Middle East and Cyprus peace processes, and employ a wide range of methodologies in order to refine and qualify this paper's findings.

2. *Lessons learned*

Peace and conflict studies, while drawing on scholarly contributions across a range of disciplines, typically have concrete applications. Scholars often happen to also be practitioners of diplomacy or conflict mediation, conducting research in order to improve existing tools or create innovative instruments to facilitate progress towards peaceful or even peace-loving societies. Positive analysis informs normative goals, which in turn provide the incentives for a commitment to rigorous research – to the extent possible in a field where the epistemological challenges of social science are compounded by the unique emotional components of violence and warfare.

Iff et al argue that, “as normative actors, mediators need to apply due diligence processes to assess whether engaging business actors will be an added value or not.”¹¹³ The same applies to diplomats and other officials involved in matters of international peace and conflict. The normative goal of achieving peace in conflict situations requires ambitious efforts to mobilize available resources in the pursuit of negotiated agreements. This goal compels practitioners, however, to have a realistic view of the role of business. Echoing Annan, practitioners may be inclined to consider their potential to influence peace processes, "for good and for ill."¹¹⁴

As a final contribution, we draw some lessons on the potential and the challenges of harnessing the contribution of business to international peace negotiations.

First, business engagement in peace processes should be welcome, but this does not mean that businesspeople should necessarily be part of official delegations, gain access to insider information about negotiation strategies, or be beholden to official parties' strategies for achieving a peaceful outcome. A vibrant and independent private sector can be more influential in terms of effective coalition-building in track two initiatives, or in building support for a

¹¹³ Andrea Iff et al (2010), p.10.

¹¹⁴ United Nations (2004).

settlement among civil society. Officials should therefore resist the temptation of trying to rally all parties around a unified strategy: rather than artificial harmony, pluralism in points of view can lay the foundation for effective negotiations.

Fostering independence does not mean that the international community should avoid engaging with business networks. The experience of Cyprus shows, in fact, that cooperation between business networks was supported, among others, by UNDP, USAID, the Peace Research Institute Oslo, the Harvard Study Group on Cyprus, and the Brussels Business Group, which was convened under the auspices of Richard Holbrooke, then U.S. president Bill Clinton's Special Envoy to Cyprus.¹¹⁵ In particular, the Brussels Business Group focused on "proposals that could be realized without involving political leaders, as the participants were eager to emphasize that business leaders could engage outside the purely political arenas."¹¹⁶

The temptation to establish aspirational organizations of businesspeople that seek to transcend power relations, while noble, should be viewed with caution. Such organizations can certainly send a strong signal that cooperation and coexistence among different parties to a conflict are possible, and even desirable; they should nevertheless be encouraged to acknowledge the pervasive issue of power, lest the rest of civil society discount their efforts as meaningless, or even hypocritical and counterproductive.

Ultimately, officials should remember that good intentions do not preclude negative outcomes. Recognizing the challenges of engaging business in peace processes does not call for a cynical rejection of cooperation between official and non-official actors; but rather for an informed and pragmatic understanding of how power, strategy and influence underpin the diplomacy of peace and conflict.

¹¹⁵ Chigas (2015), The Portland Trust (2013).

¹¹⁶ The Portland Trust (2013), p. 15.

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