

PRIVATE SECTOR PEACEBUILDING IN COLOMBIA AND CIUDAD JUÁREZ

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ABSTRACT

Popular conceptions portray the private sector as profit-driven, supporter of armed groups, and unconcerned with the well-being of society. Focusing on small to medium sized businesses in Colombia and Ciudad Juárez, Mexico, I contest this inaccurate notion of the private sector and highlight the extraordinary ability of some businesses to contribute to peace. The paper also explore the various financial and other costs violence exacts on businesses.

In Colombia, local, individual business driven initiatives are frequently successful, whereas larger business association programs attempting to respond to the general climate of violence tend to have fewer lasting results. In Ciudad Juárez, conversely, local business associations represent the more successful approach. I argue that the differing peacebuilding approaches and their varying degrees of success are the result of the distinct histories of the private sector in each country. Lastly, I analyze how businesses can act as a positive force for peace.

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CHAPTER 1

LITERATURE REVIEW

Business Contributes to Conflict

Historically, business has been used as a tool to serve government interests in foreign countries under colonialism and mercantilism. The British East India Company, for example, functioned as a direct arm of the government. During the height of its colonial empire, England successfully utilized its navy to open economic opportunities across the globe. Businesses were encouraged to exploit foreign resources in exchange for national claims to sovereignty over the land (Fort 2007). The American annexation of Hawaii in 1892 is another clear instance of corporate colonization. American companies operating on the islands formed an Annexation Committee to lobby for inclusion into the United States, resulting in Marine occupation of Honolulu and the overthrow of Queen Lili'uokalani. Additionally, the American-run United Fruit Company during the early twentieth century used force to install Central American governments that would assure favorable trade policies (Schwartz and Gibb 1999). This use of 'sticky power,' Western domination through economic power, gives economically strong countries a great advantage over poorer or developing nations (Fort 2007), and corporations have historically been the most successful tool for violating their sovereignty.

Today, corporations maintain their bad reputation for unfairly wielding their power. Many conflicts begin in response to social inequality and a desire for major structural change. The private sector and elite businesspeople that benefit from and defend an unequal status quo represent a barrier to achieving that change. By perpetuating a system in which the elites continually benefit while the poor face limited mobility the private sector can exacerbate conflict (Rettberg et al 2010). In his book, *Superclass* (2008), David Rothkopf explains how elites are able to exert this type of influence. He points to an increased concentration of control,

highlighting that in 1983 the top 500 companies' revenues equaled about 15 percent of global GDP, whereas today revenues of the top 500 companies make up over 40 percent. Rothkopf also provides figures on geographic distribution of wealth, economic contributions to political campaigns, and other indicators of power, all illustrating the increased control of the wealthy. This drastic increase in concentration of power results in the "hugely disproportionate influence" of very few people (Rothkopf 2008). As a result, elites have more power than ever to defend a status quo characterized by inequality.

Furthermore, Rettberg et al (2010) contends as all countries depend on investment for economic stability, governments often cater to private interests in an attempt to maintain or stimulate economic growth, and these efforts tend to heavily favor elite interests while hurting the lower class. Rothkopf (2008) supports this idea as well. Transnational companies are subject to the national laws of all countries in which they operate and therefore have a voice in multiple governments. As a result, they are able to exert significant power in various countries at once. One way transnational corporations apply power is through donations to political campaigns. Through large donations, corporations gain access to senior people in government and are able to influence policy and decisions. Additionally, transnational corporations have the advantage of being able to choose where to operate. If a country loses its appeal or advantages, transnational corporations can simply leave and move their operations somewhere else. This tendency leads to "shopping" for investment locations. Corporations can essentially haggle with governments in order to enjoy the greatest benefits. As a result, governments create various incentives in order to attract businesses to the country, such as tax breaks or free trade zones, often at the expense of the middle and lower classes (Rothkopf 2008).

In addition to manipulating government policy, the private sector has been accused of utilizing the military and contributing to war in order to foster favorable business conditions. While more recent instances include blood diamonds and private military contractors, this criticism has much older roots. Major General Smedley D. Butler, USMC wrote the famous anti-war speech and short book, *War is a Racket*, in 1935. One of the most decorated Marines of all time, Butler writes, “For a great many years, as a soldier, I had a suspicion that war was a racket; not until I retired to civil life did I fully realize it.” He continues by citing that 21,000 people in the U.S. became millionaires and billionaires during World War I, noting that number reflects merely the amount of people that reported their earnings to the IRS rather than the true figure. Bethlehem Steel changed its focus from manufacturing rails and bridges to improve the United States to making munitions for the war, increasing its earnings from \$6,000,000 in 1914 to \$49,000,000 in 1918 (Butler 1935). In a 1933 speech Butler condemns war as a capitalist tool, proclaiming:

“I was a racketeer, a gangster for capitalism... I helped make Mexico, especially Tampico, safe for American oil interests in 1914. I helped make Haiti and Cuba a decent place for the National City Bank boys to collect revenues in. I helped in the raping of half a dozen Central American republics for the benefits of Wall Street. The record of racketeering is long. I helped purify Nicaragua for the international banking house of Brown Brothers in 1909-1912. I brought light to the Dominican Republic for American sugar interests in 1916. In China I helped to see to it that Standard Oil went its way unmolested.”

A more recent criticism is Annsilla Nyar’s (2011) depiction of the private sector’s response to xenophobic violence in South Africa. Nyar claims, “As two different stakeholders, business and civil society generally have oppositional aims and objectives,” implying the goals of business conflict with the needs of civil society. She also describes the culpability of South African companies in the perpetuation of the apartheid system through discriminatory labor

practices and accuses them of sidestepping true acknowledgement of their role and its detrimental effect on South African society. Nyar claims the private sector's weak response to the violence results from three main factors: self-interest leads business to intervene only when their operations are directly threatened; business does not have the mandate or responsibility to act; as well as a lack of consensus and understanding about the appropriate role for the private sector. It is unclear to what point the private sector is responsible for intervening in social problems, and which duties are reserved for the state. This conundrum has moderated business action and leads to the perception of the private sector as being passive in the face of violence (Nyar 2011). This view of South African businesses is not favorable and portrays the private sector as a force working against the public good. The ambiguity of the private sector's appropriate role has led to criticism of its inaction in the case of violence in South Africa.

According to these views, the private sector is harmful, and even promotes conflict, overseas as well as domestically. This popular perception is well described in Butler's cynical assessment of corporate interests, "I suppose, if the war had lasted just a bit longer, the enterprising mosquito netting manufacturers would have sold your Uncle Sam a couple of consignments of mosquitoes to plant in France so that more mosquito netting would be in order" (1935). Butler's pessimism is well founded; his life's work allowed him to experience firsthand the insincere nature of war and military action. Rettberg and Rothkopf's assessments, moreover, are also understandable and accurate. Powerful corporations and elites are able to exert disproportionate influence on governments in order to manipulate policy to their advantage. Lastly, Nyar's discussion of the appropriate role of business in the face of violence illuminates a challenging issue that leads corporations to receive criticism for being self-interested and not taking a proactive stance to address violence.

Nevertheless, this negative view of the private sector does not tell the whole story. While it is important to understand and be wary of detrimental business practices, the private sector's positive contributions to society also deserve recognition and analysis. Even Nyar acknowledges the many facets of business, "The story of corporate capital is not a morality tale of good versus evil. It is a story of multiple shades of complexity and understandings of it must resist simplistic or uni-dimensional critiques which posit 'bad' capital in opposition to 'good' civil society" (2011). This assertion, though contradictory to other statements indicating the oppositional nature of the goals of business and civil society, explains the complex and diverse nature of the private sector, while also warning against the tendency to label business as one, giant entity. Business is neither 'good' nor 'bad.' Some businesses contribute positively to civil society, whereas others pursue financial gain at its expense. Understanding the relationship between business and society as confrontational or viewing business as inherently bad does not tell the whole story. Though the previous authors' criticisms of the private sector are valid, they do not examine alternative, constructive business behavior.

Wim Naudé's (2007) analysis of pro-growth entrepreneurship confirms the fluid and diverse nature of the private sector. Giving several definitions of entrepreneurship, such as an activity "seen as involving either/or risk-taking, innovation, arbitrage, and coordination of production factors in the creation of a new business," Naudé posits that entrepreneurs are present in all countries and populations; The difference between productive and destructive entrepreneurs arises in the allocation and application of their activities. Like the business practices already discussed, some entrepreneurs play an active role in promoting conflict by maintaining unequal power structures and intentionally profiting from weak governments. However, rather than condemning all entrepreneurs operating in conflict zones, Naudé explores

their potential to contribute to the advancement of their respective societies. Rather than focusing solely on the negative side of entrepreneurs in conflict zones, Naudé thoroughly examines all aspects of the topic. The analysis explains the difference between productive and destructive business practices and focuses on entrepreneurship's potential to contribute to the end of conflict. By including a multi-faceted discussion of entrepreneurship, this approach surpasses the previous authors' analyses of purely detrimental business practices.

Corporate Social Responsibility

Corporate social responsibility (CSR) offers an avenue for the private sector to contribute positively to a society. Lindgreen and Swaen (2010) define CSR as, "A continuing commitment by an organization to behave ethically and contribute to economic development, while also improving the quality of life of its employees (and their families), the local community, and society at large." Previously, CSR was viewed from a 'do no harm' perspective; though companies were expected to refrain from engaging in socially damaging practices, they were not meant to contribute proactively to the benefit of society (Warhurst 2001). Stakeholder theory, pioneered in 1984 by R. Edward Freeman in the book *Strategic Management: A Stakeholder Approach*, offers an avenue through which businesses can contribute to host communities. The theory views anyone who is affected by the business' activities as a stakeholder, such as communities, political groups, customers, employees, etc., and places a high level of importance on consideration of the external impact of the company (Freeman 1984). The weakness of stakeholder theory, though an improvement over 'do no harm,' is its reliance on subjective determinations of societal needs as well as the assumption the needs of different groups of stakeholders are compatible.

Furthermore, Freeman's treatment lacks specificity about appropriate firm behavior, whereas more recent writings address CSR less theoretically and highlight the private sector's ability to foster economic development. The idea of 'corporate social investment' is beginning to replace CSR as the dominant paradigm in the discussion of socially conscious business behavior. Alyson Warhurst (2001) suggests, "[companies] need to demonstrate positive benefit and engage directly in corporate social investment to ensure that host communities, particularly those indirectly and negatively affected by their operations, receive direct and immediate benefit." Warhurst advocates 'tri-sector partnerships' between business, government, and civil society in order to identify, address, and communicate important social challenges. In this theory, business is viewed as a corporate citizen who has a shared interest in social improvement. Moreover, integrating CSR into corporate strategy is identified as the best approach for operationalizing business' contribution to sustainable development (Warhurst 2001). Utilizing tri-sector partnerships sidesteps many ethical issues resulting from paternalism. By including communities and government in dialogues, businesses are better equipped to address appropriate community issues, rather than independently decide how to contribute.

Additionally, Warhurst (2001) identifies several reasons businesses decide to adopt CSR programs. Increased societal voice and demand for responsible behavior and community participation, voluntary codes of conduct, pressure from NGOs, industry peer pressure, and other reasons all lead to the implementation of CSR. Furthermore, Warhurst and others (Falck and Heblich 2007; Lindgreen and Swaen 2010) point to improved reputation among consumers as an incentive. The main challenge associated with this kind of CSR is the adoption of socially conscious practices remains voluntary. Businesses face many pressures to behave responsibly, such as industry and community pressure mentioned above, as well as environmental change and

supply-chain pressures, but none of these factors require businesses to change their operating strategy. Since CSR is not the main business activity, the business must decide to include it on its own. Though CSR has the potential to contribute to economic development, its adoption into company strategy is not guaranteed.

Business and Peace

While economic advancement is important, business has the potential to contribute to much more. Amartya Sen's *Development as Freedom* (1999) advocates the integration of economic opportunities, political freedoms, social facilities, transparency guarantees, and protective security as both the goal and means of development. The work takes the idea of development beyond purely economic development. Sen portrays human freedoms as a measure of development rather than narrower views such as gross national product, income levels, industrialization, technological advances, or modernization. Furthermore, Sen adds an ethical perspective to the field of development. Freedom is posited as a moral good that must be achieved, with development as the means through which to attain that good (Sen 1999). By moving beyond economic advancement, Sen sets the stage for analyzing the private sector's potential to contribute positively to society in other ways. Economic prosperity is not the only measure of societal wellbeing, and other avenues for positive contributions should be explored.

Business contribution to peacebuilding is the main area of analysis of this paper. Unlike the voluntary nature of CSR, stronger incentives exist for the private sector to work towards peace. Many scholars (Fort and Schipani 2004; Fort 2007; Rettberg 2004) discuss the reciprocal relationship between business and peace. In order for business to be successful there must be peace, and in order for peace to exist there must be a stable, thriving private sector. One cannot truly exist without the other. Therefore, the private sector has a strong incentive to work towards

peace, and civil society has a significant interest in supporting a vibrant business environment. The motivation to engage in peacebuilding efforts is much more compelling than the incentive to adopt CSR strategies. While CSR improves a company's image, standing in the community, and even possibly increases revenue due to local economic improvement, choosing not to engage in CSR does not hinder the company's ability to operate in the majority of cases. In the case of conflict, however, high levels of violence can cause businesses severe financial losses, bankruptcy, or even threaten the physical safety of owners and employees, resulting in a very strong incentive for businesses to engage in peacebuilding activities. Some (Fort and Schipani 2004) argue this idea goes beyond a mere incentive, to actually being in the company's best interest, further increasing the likelihood of businesses contributing positively to society.

This principle therefore implies business can play a significant role in promoting peace. Fort and Schipani provide a tactic for integrating peacebuilding into business operations. They advocate including peace as a 'hypergoal' of business. Hypergoals refer to a "set of specifiable goals applicable to all publicly owned, for-profit corporations independent of their purpose, type, business or legal governance," setting a 'moral minimum' for all companies to follow. These hypergoals result in the inclusion of responsible practices as an integral part of business operation, rather than as an incentive-driven side project. An example of a hypergoal is the duty to "maintain the efficiency of societal systems," such as economic institutions, at a level that can adequately provide necessary goods and services, including education, food, housing, and health care (Fort and Schipani 2004).

Though hypergoals integrate responsible practices as a core business practice, there are several problems with the idea. Fort and Schipani acknowledge one of the issues. They state that defining a universal moral code for all businesses is difficult as a result of differences in business

environments around the world (2004). Their examination of this dilemma, however, does not demonstrate the depth of this principle. In addition to differences in business environments complicating the idea of a universal moral code, cultural differences of all kinds render universal morality fundamentally challenging. There is great debate about whether universal morality is possible, or even a goal for which to strive. The huge variation in cultural norms and practices around the world results in the near impossibility of determining the group of people who would define this moral code, their native countries, exceptions for cultural differences, as well as problems of paternalism and cultural relativism. These problems and others are inherent in the idea of hypergoals for businesses. While a compelling concept, hypergoals are inherently unrealistic.

Fort and Schipani (2004) also indicate several ways in which companies can foster a peaceful society: economic development, two-track diplomacy, external evaluation principles, and sense of community. Economic development relates back to Sen's theory of the relationship between freedom and economic opportunity; two-track diplomacy refers to the unofficial interaction between non-state actors with the goal of fostering an environment for political leaders to reach accords; external evaluation principles, or the act of conducting business openly to allow public observation, serve to promote transparency as well as a legal system to support rule of law; and building a sense of community within a business can bring employees together to help reduce local conflict. However, their discussion of business contributions to peace falls short. Most of the contributions mentioned do not fall within core business operations and require side projects as well as a commitment to hypergoals. Building a sense of community, while not part of core operations, does not necessarily require either. This concept suggests that in areas of social tension or conflict businesses can serve to bring people together through work.

As employees under the same company, community members who otherwise do not live peacefully with one another are forced to work together daily. Through this constant interaction, understanding may grow and conflict can be reduced. Even this principle, however, is limited. This type of peacebuilding is only possible in areas where conflict is the result of ethnic, religious, or political tension between people living in the same area. Other types of conflict, where the public is not split, would not be affected from people merely working together. Moreover, though this concept could help reduce conflict, it is not likely to be a strong enough tool to succeed on its own.

Other theories go beyond hypergoals and good corporate citizenship. Gretchen Spreitzer (2007) posits the private sector is capable of more directly contributing to peace. She claims, “Participative organizational leadership and employee empowerment can create conditions within organizations that approximate the attributes of peaceful societies.” Through participative leadership, businesses can empower employees to make decisions relevant to their work, allowing workers to understand more open, egalitarian ways of interacting with others, a main characteristic of peaceful societies. In this case, business organizations serve as mediating institutions that engender understanding of the concept that actions have consequences, thereby instilling a preference for peace over conflict. Moreover, this strategy reduces feelings of helplessness and loss of control among employees. Most importantly, Spreitzer highlights that introducing participative leadership and empowerment does not require firms to stray from their mission, merely adjust their organizational structure. Utilizing these methods, businesses can have a positive impact on peace through their everyday activities.

Spreitzer’s theory represents one of the most direct ways the private sector can contribute to peace. Unlike previous authors, her methods do not require businesses to depart from their

core purpose. Through adoption of a specific organizational structure firms are able to continue conducting business, without engaging in side projects or following hypergoals, while simultaneously contributing to peacebuilding. Nevertheless, Spreitzer's analysis focuses merely on one type of change businesses can enact in order to contribute to peace through their operations. While her underlying theory is useful, she does not explore other avenues through which the private sector can directly contribute to peace. As a result, this paper will explore the ways businesses contribute to peace through their core operations. It will examine other forms of organizational structure as well as business decisions that contribute to peace without straying from the business' main purpose.

CHAPTER 2

METHODOLOGY

In this section I will describe the methodology utilized to undertake this research and explain some of the choices I made. I will explain the types of sources I consulted as well as describe my field research process, including limitations and steps taken to mitigate them. I will also explain the reason I chose the cases of Colombia and Ciudad Juárez, as this decision is especially pertinent to the paper. I received IRB approval from the full review board on July 27, 2011 to conduct research with human subjects in Oaxaca, Mexico. I later amended the protocol to include all of Mexico and received approval December 1, 2011, prior to conducting field research in Ciudad Juárez and Nogales, Mexico. I did not use signed consent forms for this research for two reasons. In Oaxaca I was concerned about my subjects' familiarity with formal documents as well as literacy, though literacy turned out to not be a problem. I was also concerned for their safety, especially because of the involvement of violence in the study. This concern about safety was even more prevalent in Ciudad Juárez and Nogales because of the high levels of violence there. I chose not to use signed consent forms in order to avoid linking subjects' testimony to their true identities. Therefore, I received oral consent from each one prior to beginning interviews. This consent was not recorded because permission to use a recording device was part of the oral consent script. In addition, all names and titles of interviewees have been changed in order to protect their privacy.

For most interviews I used a digital voice recorder and took detailed notes. After each interview I wrote down significant features of subjects' body language or demeanor, often very useful for understanding the general environment of the city. I also took detailed notes about the appearance of Juárez and Nogales, including the layout of the cities, the behavior and amount of people in the streets, and closed businesses. Both of my local contacts in Juárez were extremely

generous with their time. They both took me through many different parts of the city and explained the evolution of violence and interesting facts about different neighborhoods. These trips were especially valuable for ethnographic information about Juárez. Not only was I able to make my own observations, but I learned the differences between the way the city is now and how it used to be just a few years earlier, before the onslaught of violence. I transcribed all the interviews during my research trip soon after conducting the interview. I chose not to translate the interviews into English because I did not want to lose any details when later consulting the transcriptions during the writing process. Also, part of my IRB protocol stipulates the interviews are kept private, so there was no need to translate them for other people. After returning, I color coded the interviews and my field notes by theme. Both form the main basis from which my Mexico information draws.

Of course, Colombia is also a main feature of this paper. Unfortunately time and financial restraints prevented me from traveling to Colombia to conduct field research. In the end, I was forced to choose between the two countries and chose to go to Mexico because the public availability of relevant information about private sector peacebuilding was much more limited. For Colombia there is a wealth of information available through journals and news stories about private sector efforts towards peacebuilding. It is possible that since the Colombian conflict has a much longer history than that of Mexico, researchers have been able to devote more time to its exploration. I was able to find several specific case studies of business-led peacebuilding in Colombia that form the basis for my examination of that country in this thesis. Therefore, there is sufficient information about the Colombian private sector to result in a useful comparison to Ciudad Juárez.

Besides my inability to travel to Colombia, there are other limitations I faced as a researcher. With the exception of two interviews with native English speakers, all interviews were conducted in Spanish. Though I am fluent in Spanish, as well as comfortable using the language in professional situations, it is not my native language. As a result, there is always the possibility I will miss certain nuances of the interviews, misunderstand parts of responses, be unfamiliar with regional phrases, or simply lose things in translation. Furthermore, my knowledge of Spanish draws mainly from Central America, a region with its own sayings and customs. Mexico, as the largest Spanish speaking country in the world, has its own unique set of slang and phrases with which I am less familiar. Prior to conducting field research in Juárez I had spent two months in southern Mexico and was able to become familiar with many aspects of the culture and language. This experience introduced me the history of the country and later proved to be vital when interviewees would refer to important historical events or political figures. Linguistically, however, northern Mexico has its own nuances with which I was familiar only through certain movies and television shows. Despite my previous experience living in the country, there were still parts of the language unknown to me. Therefore, regional differences in Spanish presented another limitation on my research.

In order to mitigate the issue of language I took two main steps. First, I used a digital voice recorder whenever possible in order to be able to return to the interview later and listen to responses a second time. Though useful, this tactic did not help me with comprehension during the actual interview and I could therefore not ask follow-up questions about topics I misunderstood the first time. Second, though language was certainly a hurdle I had to overcome, being less familiar with northern Mexican vernacular sometimes worked in my favor. Since I was not always sure about the meaning of certain phrases I was forced to ask for additional

explanations. Rather than being frustrated by my requests for clarification, interviewees were almost always glad to explain their responses. Their clarifications not only helped me grasp the meaning of their answers, but also provided them an opportunity to expand on a topic in a way they otherwise might not have done. This additional explanation prompted my subjects to spend more time considering and developing their answers to my questions and provided me with more in-depth information.

I also had to contend with subjects' perceptions of me. Upon meeting Lopez and Garcia, my main contacts, for the first time in person (we had previously only communicated over the phone or through email), they both remarked that they had expected me to be older. I could not change the fact that I was 25, American, and a woman, and my subjects were almost exclusively middle-aged, Mexican men. At first I was worried that my identity could be an obstacle to being taken seriously as a researcher. Not only was I working with men who were older than me, but most of them were successful, educated, and busy businesspeople. My worry turned out to be unsubstantiated. Interviewees treated me very respectfully and took the interviews seriously. It is possible my association with Lopez and Garcia or my status as a graduate student in Washington, DC gave me additional credibility in their eyes. More likely, though, their respect came from the importance of the topic. Once the interviews began it was clear the subjects felt I was asking important questions that deserved well-thought-out answers. As a result, any possible prejudice I might have faced due to my identity was not a hindrance to conducting the research. In fact, every person I interviewed offered to talk with me again in the future. Since leaving Juárez, I have reached out to several interviewees either for clarification or additional information, and all have been extremely helpful.

Research Process

All interviews were formal, semi-structured interviews. Semi-structured interviews ensure the interviewer asks similar questions to each participant, while leaving leeway to ask specific questions relevant to each individual's experiences (Berg 2008). Interviews took place in subjects' offices or in public spaces such as restaurants and cafes. I allowed subjects to direct the interview towards topics they most wanted to discuss, thereby allowing them to highlight issues they deemed especially important. This flexibility also allowed me to grasp the most important issues in the city. There were some topics I had not previously known about that came up often in interviews, such as the presence and effectiveness of independent anti-extortion and anti-kidnapping units. Without allowing subjects this freedom to talk it is possible I would never have learned about certain important initiatives. I was also diligent in assuring I brought up certain topics with each subject, including government actions, lessons learned, and changes in their personal business or the general business environment. Within each area of discussion, though, I still allowed the subjects freedom to direct the course of the interview. Though this tactic usually allowed for more developed answers, it sometimes backfired. Some subjects were very verbose and went into tangents not necessarily relevant to my research. When this problem occurred it was a challenge for me to direct the interview back to the original purpose.

The use of gatekeepers was vital to my research. Bruce Berg (2008) defines gatekeepers as, "people or groups who are in positions to grant or deny access to a research setting." Due to pervasive mistrust of strangers in the city, it would have been nearly impossible for me to obtain such a high number of interviews without someone to vouch for me. Therefore, I had two gatekeepers to facilitate my access. In Juárez I worked mainly with Pablo Lopez, a local investigative reporter, and José Luis Garcia, a local businessperson and community leader. These two people are the only ones with whom I also had informal conversations that are mentioned in

the thesis, mostly during our time driving around the city. I cannot emphasize strongly enough the importance of these local contacts in Juárez. Lopez and Garcia were extremely supportive gatekeepers and helped me set up over fifteen interviews. By presenting me as one of their associates, subjects were willing to sit down with me for interviews, whereas had I contacted subjects on my own they might not have spoken to me at all. One of the subjects I met through Garcia even helped me set up a Skype interview with an associate of his once I had left Juárez.

In Oaxaca I did not utilize or need gatekeepers for most interviews. Since violence is much less of an issue people are not as mistrustful of strangers. I simply called or emailed various business associations and requested an interview. I did use a gatekeeper to do interviews in a small, indigenous town called Capulálpam de Méndez. This gatekeeper helped me to arrange a lot of interviews in the short period of time I was able to visit the town. In fact, through him I conducted six interviews in just one day. Though my Oaxaca field research is not featured in this thesis, it gave me experience in conducting interviews and also helped me shape the questions for the interviews I would conduct in Juárez. In Oaxaca I learned the type of language to which people respond best. For example, I learned to use the word “challenges” rather than “difficulties” when asking about the problems a business faces. The word “challenges” prompted subjects to discuss a wide variety of intrinsic and extrinsic factors that affected the business, whereas the word “difficulties” usually left them unsure of how to respond.

Additionally, part of my IRB protocol stipulates I not ask direct questions about violence in order to guard the subjects’ safety. Therefore, I could not simply ask the question, “How does violence affect your business,” though this was ultimately what I wanted to know. Asking about challenges solved this problem. In Oaxaca, businesses talked about violence only when it was truly a factor, which was almost never. Had I directly asked about violence it is possible they

would have invented something to try to please me by telling me what I they thought I wanted to hear. In Juárez, conversely, violence was the first topic visited in almost every interview though I did not directly ask about it. It is possible that subjects assumed I wanted to talk about violence since I was an outsider. The people of Juárez are aware of the city's reputation for violence in the United States, and therefore could have assumed that I had come solely to discuss violence. However, I believe the reason violence was the main topic of concern for interviewees is because it truly was the factor that most greatly affects their ability to conduct business as well as most greatly affects their lives. People's tone of voice and deeply personal stories lead me to believe that violence is truly the greatest challenge they face as businesspeople.

Why Compare Colombia and Ciudad Juárez?

Colombia during the height of its violence and Mexico today provide useful case studies through which to examine conflict and business. However, there is debate over the extent to which Mexico today resembles Colombia during the peak of violence in the 1980s and 90s. In September, 2010 Hillary Clinton declared violence in Mexico had begun to look like a Colombian-style insurgency, provoking strong objections from the Mexican government (Carroll 2010). Other experts also object to the characterization of the security situation as an insurgency, claiming Mexican cartels do not aim to usurp the power of the government, unlike in Colombia where political change has always been the principle motivation (Leech 2010). Thomas McNamara (2010), the American ambassador to Colombia during the time of Pablo Escobar, on the other hand, sees parallels between the two situations, claiming in both countries armed groups demand they determine the rule of law, as well as control territory and police power. There is evidence supporting McNamara's claim that the two situations are similar. Mexican cartels are able to control police and the rule of law through bribery, manipulation, intimidation

of politicians, and government and police infiltration (Burton 2007). *La Familia Michoacana*, one of the most powerful cartels, provides an apt example. In 2006, *La Familia* published a letter in a major Mexican newspaper, *El Universal*, describing the cartel's plan to eradicate the sale of drugs, robbery, kidnapping, and murder from their territory, while also outlining the structure of its "business" in the territory, citing the government's inability to effectively control violence and the cartel's financial and human capacity to police the region (Suverza 2006). Moreover, *La Familia's* control over the drug trade and police within Mexico City is widely known (Ravelo 2011). These are clear cases of cartels usurping the power of the Mexican state at various levels, giving credence to McNamara's position. The motivations behind usurping government control are different for all groups; guerrillas aim to overthrow elite rule; paramilitaries act as a counterinsurgency force; and drug cartels control the state for private profit. The effects, however, such as threatening the viability of the state and rule of law, are similar in both cases.

In addition, it is possible to characterize the violence in Mexico as a new type of criminal insurgency, rather than a politically motivated one. A criminal insurgency implies the same threat to state sovereignty as classic insurgencies, but with profit as the motivating factor rather than sweeping political change. Ioan Grillo (2011) claims, "In a globalized world, mafia capitalists and criminal insurgents have become the new dictators and the new rebels," supporting the idea that insurgency has taken on a new meaning in today's modern context. In making this assertion, Grillo points to the 2,500 public servants killed by cartels in four years, including 2,200 police officers, 200 soldiers, judges, mayors, and political candidates, and dozens of federal officials. Moreover, police stations regularly suffer heavy fire, kidnapping of officers, and attacks on mayors (Grillo 2011). Additionally, Vanda Felbab-Brown (2011) claims criminal groups in Mexico politically exploit urban and rural areas underserved by the state

through offering services the state does not, such as health care, public safety, and justice.

Through this strategy, non-ideological criminal groups are able to exert significant power in marginalized areas; the people they serve are often staunchly loyal to the organized armed group, rather than the state, representing a usurping of power. Therefore, the massive number of official murders and criminal control of certain areas represent a significant threat to the Mexican state deserving of the characterization of a criminal insurgency. As a result, comparing Colombia to Mexico on the basis of a similar challenge of combatting an insurgency is appropriate.

Nevertheless, the goal of this paper is not to compare violence in the two countries or argue that Mexico's situation is the same as that of Colombia. Both situations are incredibly complex and include similarities and differences. Therefore, this paper will analyze private sector behavior in each context in order to understand how different private sector entities react to conflict. The paper so far examines the history of violence in each country in order to provide an idea of its origins, manifestations, and effects on the general population. This description presents a backdrop upon which the rest of the paper will rest. Thomas McNamara (2010) offers advice on how we should contemplate the problems of the two countries, asserting cooperation is more important than differing characterizations of the violence. He states, "What we need today is not for Mexico to claim its situation is far different from the Colombians', or Americans thinking this is only a Mexican or a Colombian drug problem. We need all three to recognize that we are partners in a common struggle for legitimate governments to fully control their territories and borders." McNamara is wise to advocate for cooperation rather than bickering over the language of insurgency. Analyzing private sector behavior in each country will shed light on the reactions of businesses in the face of violence. I therefore assert that the similarities between the

violence in the two countries are sufficiently significant so as to merit a comparison of the private sector's behavior.

This paper, however, does not cover the entire business community of Colombia or of Mexico. That task, though important, is outside my capability as a lowly master's student. The discussion of each country focuses only on certain areas with enlightening private sector case studies. Colombian case studies are spread throughout the country, while Mexican cases focus almost exclusively on Ciudad Juárez. These cases are not meant to be an exhaustive list of business responses to violence, but rather illuminate the different ways the private sector reacts. Furthermore, it makes sense to utilize a wider variety of Colombian sources since violence has plagued all parts of the country at different times in its history. In Mexico, on the other hand, violence is concentrated in only a few areas, with Ciudad Juárez experiencing a disproportionate amount. Most of Mexico remains relatively peaceful, rendering analysis of business responses to violence in other parts of the country moot, as was the case with my Oaxaca research. Since the goal of the paper is to analyze private sector reactions to violence, Colombia and Ciudad Juárez, though one is a country and one is a city, provide useful backdrops.

Importance of Study

Research on peacebuilding is important for a multitude of reasons. This research has particular importance due to the urgency of the topic and the subjects' desire to be heard. Often, researchers discuss access as a major obstacle to conducting interviews. They also note that information is sometimes difficult to gather in a first interview when there is no strong rapport (Berg 2008). In my case, however, gatekeepers facilitated incredible access and subjects were more than eager to tell their stories. Though it was my first time meeting almost all my participants, the majority did not hesitate to tell me deeply personal information, especially one

participant who was previously a kidnapping victim. In fact, I felt that interviewees truly wanted to talk to me; it was as if the information they told me was something they needed to say. Although long-winded tangents during interviews were not usually comprised of useful information, I was reluctant to change topics because of the urgency in the person's voice. Again, I often felt that this tangent was something very important that the person needed to tell me.

One illustrative example of this feeling is a meeting I attended at the *Red de Empresarios Mexicanos en El Paso*, or Mexican Businessperson's Network of El Paso, with José Luis Garcia. Towards the end of the meeting new members were encouraged to stand up and introduce themselves. At this point, to my great surprise, José stood up and introduced me to the group as his guest, explaining the topic of my research and my goals in El Paso and Juárez. The manner in which he introduced me gave me the sensation that he was proud to be working with me on the project. I felt as though it was just as important to him as it was to me. After the meeting, several people came up to me and expressed the importance they attached to my work; some even thanked me. Additionally, some people requested to be interviewed right there, requests to which I of course agreed. My experience at this meeting as well as people's desire to tell their stories instilled a sense of duty to this project. It had become more than a mere academic requirement or bullet point on my resume. I owed it to Juárez and its people to effectively and accurately communicate what was happening in the city, both the good and the bad. The same is true of Colombia. I am very familiar with the country and have heard firsthand tales of atrocities committed there, once speaking with a woman whose son was a victim of the *falsos positivos* scandal. In both cases I feel a duty to do communicate the good work local people are doing to help their countries.

My angle is to look at the private sector's potential to contribute to peace. The private sector is an often overlooked player in peacebuilding, but as an extremely powerful force in Colombian and Mexican society its actions deserve to be explored. In his study on the literature of business and peacebuilding, Tobias Evers (2010) also concludes that the subject is in its infancy and lacks a significant amount of published research. For this reason, it is even more important to analyze the private sector's potential. Now that I have outlined my methodology for carrying out this research, I will discuss the principle ways in which conflict affects the private sector.

HISTORY OF VIOLENCE IN COLOMBIA AND MEXICO

Before delving into business responses to conflict, this section describes the evolution of violence in each country as well as the manifestations of the violence in the public sphere. Colombia's conflict is protracted and ideologically motivated, while Mexico's is fairly recent and driven by profit and power. Moreover, the entire Colombian territory has experienced some type of conflict, whereas many parts of Mexico remain safe and calm. Nevertheless, there are similarities between the two situations. Though it takes different forms, both countries have seen extreme violence and have intimate experiences with drug trafficking. In fact, collaboration between the cartels of each country renders their experiences with drug trafficking impossible to separate. Therefore, the following overview aims to provide a brief background to each country's experience with organized armed groups and violence. This overview will provide a basis for the analysis of the private sector, the focus of this paper.

Colombia

The formation of the modern Colombian state has violent roots. Upon independence from Spain, in 1819, two contradictory systems of production were in place, the *hacienda* system of large plots of land, known as *latifundios*, and the traditional peasant model of small farms, called *minifundios*. Often utilizing violent means, large landholders took over the land of small farmers in order to fulfill their need for an ample supply of cheap labor. As a result, displaced peasants either became wage-laborers or sharecroppers on the *latifundios*. This process of land consolidation and asset accumulation provided the basis for modern capitalist modes of production, as well as created powerful regional elites. These regional powerbrokers exerted control over the population through patron-client networks and inhibited the formation of a strong, central state (Elhawary 2008). Through much of the nineteenth and early twentieth

centuries, civil wars among private armies of local elites took place, such as the War of One Thousand Days from 1899-1903, with little interference from the national military. The strength of regional elites facilitated an essential monopoly on local political control. This factor, along with the country's geographical fragmentation, resulted in a weak state with limited presence that would continue to affect the relationship between armed groups and the state through modern day (Vargas 2004).

Though lacking a strong central government, Colombia has a history of regular elections, with only a brief period of dictatorship in the mid-1950s. The Liberal and Conservative parties are the two main political parties in the country and dominate politics. Violence, however, accompanies Colombia's legacy of democracy. Colombia's recent history of political armed conflict dates back to *La Violencia*, or The Violence, that began in 1948. *La Violencia* has roots in the previously described land disputes between large landholders and small farmers. With the support of the powerful Liberal and Conservative parties, large coffee growers attempted to expand their properties to include the plots of small growers, who would be left landless, in order to be more competitive in international coffee markets. Peasants organized themselves around Jorge Eliécer Gaitán to protest the power the rich were exercising against their interests. In 1948 Gaitán was murdered in Bogotá, sparking the intense violence that would continue until 1964. During *La Violencia* Colombia experienced armed conflict between conservative paramilitaries and liberal guerrillas. After a few years, however, in-party fighting began to take place with each side fighting members of both sides. This rampant, and often extremely brutal, violence also provided an outlet for citizens to settle vendettas against other community members, adding to the violence that killed thousands of people (Dudley 2006).

Stephen Dudley (2006) claims, “*La Violencia* forms the backdrop to... every other tale of war in Colombia.” Armed conflict since *La Violencia* has maintained similar characteristics, with a protracted, ideological struggle ensuing between leftist guerrillas and right wing paramilitaries. The FARC (Revolutionary Armed Forces of Colombia), Colombia’s largest and longest-enduring guerrilla movement, began as the armed faction of the Communist Party in its strategy of *la combinación de todas las formas de lucha*, or all forms of struggle.¹ Following a major protest movement against the government in 1977, FARC leader Jacobo Arenas recognized the need to operate in cities, rather than only the countryside as demanded under the Communist Party, and began to move away from the Party. During this time the FARC had limited financial resources, prompting the group to turn to kidnapping to finance its armed struggle and decrease its dependence on the Communist Party. At first, the Communist Party permitted kidnapping only for political reasons, but over time the FARC’s definition of “political” greatly expanded and came to include businesspeople, lawyers, and doctors. Moreover, in the absence of government in the countryside, the FARC also heavily taxed peasants and eventually drug traffickers operating in their territory. The group also came to represent a virtual state in these areas, even providing ordinary municipal services in many towns (Dudley 2006).

In addition to kidnapping, between the end of *La Violencia* and the Uribe Agreement in 1984 rural violence was rampant as guerrillas, private death squads, and the Colombian military attempted to gain control of the countryside. The M-19, ELN, and EPL guerrilla groups also formed during this time, all with varying versions of Marxist agendas, bringing violence to urban slums in Bogotá, Medellín, and Cali as well as rural areas. The Bentacur administration initiated

¹ The Colombian Communist Party adopted this strategy from the teachings of Vladimir Lenin, issuing its first public stance on the strategy in the 1940s in response to *La Violencia* (Dudley 2006).

the Uribe Peace Agreement in 1984 with the FARC, M-19, and EPL, that caused M-19 to increase violence in competition with the FARC for government concessions (Schneider 2000). Furthermore, during these negotiations the FARC officially split from the Communist Party and created its own political party, the *Unión Patriótica* (UP), or Patriotic Union, as an avenue to achieve peaceful political access. The UP enjoyed official recognition for a period of time, won many local elections, and enjoyed popular support in many areas of the country. Eventually, however, the FARC began to use the UP as a means to achieving its own goal of overthrowing the government, and UP members suffered extremely high murder rates at the hands of the government and paramilitaries, with entire towns being massacred, leading to the party's eventual demise (Dudley 2006).

Paramilitary groups became involved in the violence beginning in the 1970s as a force to counter the UP, FARC, and other guerrilla groups, and eventually became some of the most violent groups in Colombian history. A 1968 law allowing the Colombian government to “mobilize the population” to restore public order provided the original basis for state sponsored paramilitary organizations to combat these groups. Moreover, opponents of FARC political and territorial control, including political leaders, ranchers, and peasants, also began to organize themselves into paramilitary groups. As a result, a dirty war ensued in which paramilitary groups worked with military officers to help eliminate suspected guerrilla supporters, who were often unaffiliated civilians. Later, the formation of the United Self-Defense Forces of Colombia (AUC) in the mid-1990s, the national coordinating body for paramilitary groups, increased the strength and expanded the reach of paramilitaries (Tate 2001). Additionally, paramilitaries also have strong links to drug cartels and the associated violence. In the 1970s, drug traffickers mimicked military-initiated peasant defense groups and created their own private armies for protection

(Tate 2001). It is also important to note that this association, paramilitaries and drug trafficking, represents more than a response to guerrilla activity. Ricardo Vargas (2004) states, “The paramilitary is not merely a reaction to the presence of guerrillas; it represents an independent political and military project of social control that extends the economic structures linked to cattle ranching *latifundio* and an agroindustrial center that receives capital directly from drug trafficking.” Vargas claims paramilitaries are a continuation of elite control stemming back to the formation of the Colombian state. He asserts elite drug traffickers utilize this modern form of power to maintain control over the population and the government in their region. This control continues to prevent the Colombian state from exerting power in certain areas and does not allow for meaningful conflict resolution mechanisms, thereby perpetuating the violence (Vargas 2004).

In contrast, drug traffickers like Pablo Escobar offered an avenue for the poor to gain power and threaten elite hegemony. Like in previous instances, drug traffickers stepped in to fill the void left by the weak or absent Colombian state. Mary Roldan (1999, 171) states, “To the city’s poor... drug lords were modern heroes – employers, benefactors, the harbingers of prosperity.” In the slums of Medellín, Pablo Escobar distributed cash and groceries to people in need, and offered an avenue for the poor to make money quickly. This new power granted the poor access, and sometimes dominance, in parts of the city they had not previously entered. For the first time, economic success was possible for people from marginalized communities, giving these areas a voice to which elites were forced to listen (Roldan 1999). This new power dynamic also represented a source of violence. Cartels recruited young men from poor, urban neighborhoods to join their organizations to work as hit men and in other low level positions (Roldan 1999). Also, from 1989 to 1993, around forty car bombs killed more than five hundred people in urban centers, mostly detonated by Pablo Escobar and other drug cartels (Leech 2010).

After Escobar's imprisonment in 1991, the state unleashed an extreme wave of violence on the slums of Medellín, and unemployment prompted former cartel employees to turn to other violent tactics to make up for lost income, such as kidnapping, assault, and robbery (Roldan 1999). Drug trafficking, therefore, has been a major source of violence in Colombia, regardless of the perpetrators.

Though Colombia today is much less violent than in the past, there are still significant instances of violence. Drug traffickers, guerrillas, and paramilitaries continue to operate throughout the country and employ violent tactics. The state also continues to be weak in many areas, allowing similar patterns of violence to persist. Furthermore, in an effort to gain control over the guerrilla movement, the state has engaged in new forms of violence and human rights violations against the population. Former President Uribe's policy of *seguridad democrática*, or democratic security, resulted in the *falsos positivos*, or false positives, scandal from 2006-2008. Under the *seguridad democrática* policy, soldiers were incentivized to capture and kill guerrilla fighters with rewards of extra vacation days or promotional preferences for each guerrilla. As a result, soldiers would kill men from low income areas and claim them as guerrillas in order to boost their numbers. This policy resulted in the killing of hundreds of innocent civilians and many families continue without justice (Pachón 2009).

The history of violence in Colombia is complex and multifaceted. Since the violent formation of the state, a weak central government has been unable to exert control over significant parts of its territory. Drug traffickers, paramilitaries, the Colombian government, and guerrilla groups all employ violence to achieve their goals. This violence is manifested in a variety of ways and has terrorized the Colombian people for decades. Political ideology is at the heart of the violence; beginning from *La Violencia* armed conflict has traditionally resulted from

fighting between the left and the right. Though drug cartels arguably have no political goals, their involvement with right-wing paramilitaries and extreme use of violence render them an important player in Colombia's history of violence. Moreover, as guerrillas and paramilitaries eventually began to engage in the drug trade and tax drug cartels to finance their armed struggle, drug trafficking has become even more linked to Colombia's ideological conflict. Therefore, it is clear that violence in Colombia takes the form of a protracted, ideological conflict that affects the entire country.

Mexico

The consolidation of the modern Mexican state can be traced to the 1910 Mexican Revolution. Prior to the revolution, the country was governed by General Porfirio Díaz for 34 years, a period of time known as the *Porfiriato*. Díaz was a strong ruler that helped the Mexican economy to grow enormously as well as attract high levels of foreign direct investment. However, the distribution of this economic success was very unequal and many of the successful industries were foreign owned, factors that led to increasing discontentment among the majority of Mexicans. By 1910, 90 percent of investments in mining, electricity, oil, and banking were in international hands (Edmonds-Poli and Shirk 2009); one percent of landowners owned 85 percent of arable land; and the real wages of peasants had dropped to 25 percent of real wages in 1800 (Huntington 1968). Additionally, social stratification based on race relations, set up under 300 years of Spanish imperialism, also hindered social and economic equality. Despite the enormous steps made towards modernization during the *Porfiriato*, resentment at almost all levels of society grew, such as elite resentment to foreign asset holders, middle class resentment towards elite control of capital and politics, and lower class resentment towards exploitative labor practices (Edmonds-Poli and Shirk 2009).

This pressure eventually boiled over and resulted in the 1910 revolution, a violent struggle involving various social classes intent on replacing the existing political order. Over one million people were killed or starved to death during the revolution that lasted almost a decade; almost all the original leaders of the revolution were killed; and the national economy was completely disrupted. Nevertheless, the outcome of this violent revolution created a political system characterized by unprecedented stability that allowed for continued economic growth and provided a solid basis for a strong national identity. The revolution created a unifying social narrative, complete with heroes, as well as gave the new government a basis for legitimacy and strength (Huntington 1968). Huntington (1968) describes the product of the revolution as a “Hegelian synthesis” that allowed the coexistence of individualism and liberalism with populism and socialism. The resulting 1917 constitution is hailed as the world’s first socialist constitution, and includes progressive provisions for universal public education, national ownership and redistribution of land and natural resources, local autonomy, and recognition of worker rights (Edmonds-Poli and Shirk 2009). Furthermore, “a system of institutionalized bargaining and compromise within the party framework replaced the earlier praetorian politics of open conflict and violence” (Huntington 1968). The system became increasingly sophisticated and traditional powerbrokers, landowners, the church, and the military, were usurped by labor and professional organizations. As a result of this complexity, the military could no longer wield the power it had enjoyed prior to the revolution, and Congress systematically reduced its influence. This high degree of institutionalization also allowed the government to deal effectively with problems during mid-twentieth century (Huntington 1968). However, despite the seemingly egalitarian characteristics of the revolution and its immediate aftermath, the revolution in fact led to the establishment of an authoritarian government characterized by single party rule, the *Partido*

Revolucionario Institucional (Edmonds-Poli and Shirk 2009). Unlike in Colombia, the Mexican government for most of the twentieth century represented a strong, highly organized state.

The *Partido Revolucionario Institucional* (PRI), or Institutional Revolutionary Party, was founded in 1929 and remained in power at the federal level until 2000, though its power had begun to wane on the state and municipal levels years before. The PRI relied on cooptation to maintain its hegemonic power at the municipal, state, and federal levels, persuading or offering concessions to potential political adversaries in exchange for their continued support. Critics within the government were offered promotions in exchange for cooperation, while non-PRI challengers would often receive concessions to certain demands; interest groups, political parties, or local associations received concessions in the form of desired legislation or funding for projects. Through the practice of cooptation, though somewhat undemocratic, the PRI actually responded to the demands of various factions of Mexican society and maintained a relatively inclusive and tolerant regime. The PRI therefore represented a wide variety of ideologies as well as featured a low degree of political competition. As a result, many factions within the PRI would greatly shift ideologies over time. Shifting ideology to respond to constituent demands allowed the PRI to maintain power by drawing support away from opponents (Edmonds-Poli and Shirk 2009).

Another distinctive feature of Mexican politics is the policy of no reelection. Since officials served only one term, power under the PRI became concentrated in the office rather than in a specific person, thereby allowing power, influence, and agreements to outlive an individual politician's term and contributing to the PRI's ability to maintain hegemonic power for so long (Edmonds-Poli and Shirk 2009). Due to its high level of control the PRI was able to establish and maintain patron-client relationships with drug traffickers, similar to its policy of

cooptation of outside interests, a system distinct from that of Colombia where patron-client relationships existed between armed groups and ordinary citizens, and the state could not exert substantial power. Under this system, drug trafficking organizations were treated like outside challenges and coopted into the PRI system in order to neutralize them. Snyder and Durán's (2009) analysis of state-sponsored protection rackets in Mexico and Colombia sheds light on why the PRI was able to so effectively control drug violence, while the Colombian state could not. These protection rackets are defined as, "informal institutions through which public officials refrain from enforcing the law or, alternatively, enforce it selectively against the rivals of a criminal organization, in exchange for a share of the profits generated by the organization" (Snyder and Durán 2009). Protection rackets work best when a government is sufficiently strong and centralized so as to pose a credible threat to illicit organizations. Moreover, the more homogenous the regime and the greater its continuity over time promotes the strength and survival of a protection racket. Continuity within the government increases the reciprocity and credibility of the agreement through repeated transactions, thereby stabilizing the protection racket. Stable protection rackets between one protector and many organizations, as was the case under the PRI, result in a low incidence of violence (Snyder and Durán 2009).

In this scenario, the protector, the PRI, monitors struggles and transactions and is able to control and mitigate violence. Since the PRI was a hegemonic power at all levels of government, and its power was concentrated in offices rather than personalities, reliable partnerships between the government and the relatively organized drug cartels were able to develop and were maintained for decades (Snyder and Durán 2009). This agreement limited violence against public officials and civilians, while at the same time ensured court investigations never reached the highest ranks of drug cartels (O'Neil 2009). Drug traffickers only had to pay off certain members

of the government and police, rather than officials at all levels, because everyone was associated with the same political party and power structure. If traffickers encountered someone unfamiliar with the agreement, they would simply refer to their relationships with someone else in the same chain of command and avoid legal repercussions. Furthermore, the Mexican state periodically demonstrated its strength in order to maintain the upper hand in the agreement. Throughout the 1990s Mexican officials killed or detained drug traffickers when necessary to demonstrate their power (Grillo 2011). This practice served to reaffirm the government's ability to pose a credible threat of enforcement and keep traffickers in line. By essentially defining the rules of drug trafficking, the PRI's protection racket kept violence to a minimum during its reign. This role is in direct contrast to that of the Colombian government, who, though a party in the struggle, was not strong enough to prevent fighting between different armed factions.

In the late 1980s the PRI's power began to falter. Though the PRI maintained the presidency until the election of PAN (National Action Party) candidate Vicente Fox in 2000, the party's dominance at the state and local levels was already compromised (Edmonds-Poli and Shirk 2009). As political competition increased the state-sponsored protection racket began to deteriorate, and long-standing relationships between the government and cartels were disrupted with changes in the political party at different levels of government. No longer enjoying state protection, drug trafficking organizations began to fight each other for control of territory and access to lucrative U.S. markets (Astorga and Shirk 2010). As a result, the PRI's capacity to control enforcement, and non-enforcement, of the law was greatly impeded. Furthermore, initiatives to reduce corruption in the 1980s also hampered protection rackets. The terms of service of public officials were shortened, personnel were relocated, and mass firings of corrupt officials and entire units were common. All of these factors disrupted the continuity necessary to

maintain a successful protection racket. As a result, drug traffickers could no longer utilize the government as part of their survival strategy. Instead, they resorted to violence in order to continue operating competitively (Snyder and Durán 2009). This violence would eventually reach shocking levels, with Ioan Grillo (2011) describing, “Mexico at the dawn of the twenty-first century [has turned into] a bloodbath that has shocked the world.”

Another factor relevant to increasing violence in Mexico is the decline of major cartels in Colombia as well as changes in trafficking routes. Pablo Escobar, drug kingpin and head of the notorious Medellín Cartel, was killed in 1993, signaling the decline of large cartels in Colombia that were replaced by smaller organizations. The Cali Cartel was also dismantled in 1995-1996, making room for Mexican organizations to begin wholesale and retail operations in the U.S., as well as forge ties with Bolivian and Peruvian suppliers (Camacho and López 2007). Moreover, anti-drug operations in Miami and the Caribbean prompted a change in trafficking patterns from sea routes through the Caribbean to land routes through Central America and Mexico. In accordance with the balloon effect, shutting down trafficking in the Caribbean did not hurt the cartels, but rather caused them to merely shift operations to another geographic location. As a result, Colombians forged relationships with Mexican cartels to facilitate the entrance of drugs into the United States, significantly increasing the Mexicans’ role in drug trafficking. Previously established, smaller trafficking routes in Mexico, mainly used to transport smaller quantities of marijuana and heroin to the United States, also enabled Mexico’s entrance into major narcotics trafficking. At first Mexican cartels acted mainly as transporters for Colombian drugs coming from South America, later usurping their place as the world’s major drug power and eventually evolving into Latin America’s largest drug trafficking organizations (Grillo 2011).

As a result of these factors and others, violence in Mexico began to escalate significantly in 2005, coinciding with U.S. and Mexican government efforts to crack down on drug trafficking, and reaching alarming levels in 2008-2010 (Shirk 2010). Prior to this spike Mexico had not been a very dangerous country. Muggings and robbery rates were relatively low, and people were able to safely roam the streets (Grillo 2011). Some claim a strongly militarized anti-drug campaign aimed at dismantling cartels upset balances of power and increased violence between different groups ("Militarización agravó la violencia de las drogas en México, según especialistas" 2010). President Calderón's neo-realist strategy continues to be highly militarized. A security competition between the cartels and the Mexican government has emerged, with the cartels on the winning side. Mexican cartels, equipped with .50 caliber sniper rifles, AK-47 variants, and body armor, greatly out-arm the Mexican federal and state police. In response, many states have received sophisticated rifles and hand grenades, and others have requested the same in order to keep up with the cartels (Ramsey 2011). This strategy has received criticism from other Latin American countries. The Second Latin American Conference on Drug Policy disapproves of Mexico's militarized strategy and claims violence has increased as a result. Specialists urge President Calderón to change his failing strategy, instead advocating for economic and social policies to reduce poverty, decrease unemployment, and even legalization of certain drugs ("Militarización agravó la violencia de las drogas en México, según especialistas" 2010).

Manifestations of the Mexican conflict are extremely violent. Kidnapping, extortion, homicide, mass graves, and gruesome *narcomensajes*, corpses left to be found with messages on them, are the major characteristics of the violence. The violence is part of everyday life in some parts of the country, as demonstrated by the two decapitated bodies recently found outside an

upscale shopping mall in Mexico City ("Mexico Drug War Deaths Top 45,000" 2012).

Additionally, violence is generally concentrated in specific geographical areas, rather than the entire Mexican territory. Most drug-related violence has occurred in merely six of Mexico's 31 states and Federal District, with nearly one third of all drug-related killings taking place in the border state of Chihuahua. Drug-related killings, fortunately, mainly tend to affect other drug traffickers, rather than civilian victims; even in states with the highest murder rates the likelihood of civilians being killed is fairly low (Shirk 2010). Nevertheless, 47,000 drug-related deaths since 2006, as cited by the Attorney General's Office in Mexico, is an astonishing number that cannot be ignored ("Mexico Drug War Deaths Top 45,000" 2012).

Ciudad Juárez, widely considered the hardest hit by the drug war, as well as the focus of this paper, deserves special consideration. A city of about one million people, 3,097 homicides in 2010 earned Juárez the status of one of the most violent cities in the world, and the most violent in Mexico. Vanda Felbab-Brown (2011) depicts Juárez as having gone through "an extraordinary trauma." She also asserts, "It is one of the key symbols of the contestation between the Mexican state and the violent criminal groups," a statement supported by the government's various trial efforts to implement violence-reduction programs that will later be described in detail. Pablo Lopez, an investigative reporter in Ciudad Juárez, notes that there was a time, mostly in 2010, when there were bodies and executions in the streets and anyone could be in the wrong place at the wrong time. He highlights that the caution this phenomenon has instilled in the people of Juárez has not faded, though the violence has since begun to diminish. He also emphasizes that this violence pervaded all aspects of life in the community and has altered people's behavior (Lopez 2012), further reflecting the trauma the city has experienced.

In summary, Mexico is distinct from Colombia in that the country has not traditionally experienced high levels of violence for extended periods of time. Drug-related violence is a relatively new phenomenon that can be traced to the disruption of state-sponsored protection rackets under the PRI, the increase in drug trafficking through Mexico and prominence of Mexican cartels, as well as highly militarized anti-drug government operations. Unlike Colombia, this violence does not have ideological roots, but rather is profit and power driven. Furthermore, much of the Mexican territory remains peaceful and has not seen high levels of drug-related violence. The majority of the conflict is concentrated along the U.S. border, in Tamaulipas, Chihuahua, and Baja California, as well as certain other states, such as Sinaloa, Guerrero, and Michoacán, all on the Pacific coast.

EFFECT OF CONFLICT ON BUSINESS

Extortion

The most direct costs to the private sector are kidnapping, murder, threats, and extortion. In addition to serving as an extra source of income for armed groups, extortion exerts pressure on businesses to succumb to their demands. In Colombia many businesses contract private militias for protection as a response to the threat (Rettberg 2002). According to País Libre (2006), a Colombian organization dedicated to speaking out against organized crime, extortion most commonly begins over the phone and is anonymous. It is common for the source of the extortion, be it an organized armed group or small street gang, to be unknown to the business. In 2006 there were 3,664 reported cases of extortion in Colombia. Of those cases, 1,847, more than half, were of unknown origin. Regardless of its origin, nevertheless, the person's ability to operate a business freely and voluntarily is taken away.

Extortion affects the private sector in two distinct ways. Armed groups can extort money from businesses in the form of "taxes," such as the case with the FARC's *Ley 002*, a tax imposed on asset holders of more than one million U.S. dollars in exchange for exemption from attacks (Rettberg 2004), or through interactions with individual businesses. Extortion on a specific business can have very detrimental consequences for the individual. Often, a member of an armed group demands a percentage of a business' earnings which the business owner pays in cash for a period of time. Eventually the cost becomes too great and the owner offers in-kind contributions to the armed group, who then helps sell his products. At this point the armed group becomes a business connection, rather than outside threat, and the owner establishes a relationship with the group. The armed group helps the owner sell products and the owner provides occasional donations and inside information about the town. There is no local consensus on whether business owners in this situation are victims, war profiteers, or supporters

of armed groups (Guáqueta 2006), which can result in the business owner becoming alienated from the community. In this case, business owners are confronted with an impossible dilemma and must face both economic and social consequences.

In Ciudad Juárez extortion is visible. Investigative reporter Pablo Lopez points out countless closed or abandoned night clubs and bars that have fallen victim. La Avenida Juárez, once a bustling attraction for juarenses and Americans alike, is now quiet with many boarded up storefronts. Unlike other Mexican cities, no music blares from various stores, street vendors are absent, and people keep their heads down rather than stopping to chat. José Luis Garcia (2012), member of a Mexican businessperson's network in El Paso, Texas, explains the main reason businesses close in Juárez is extortion. Between 2008 and 2011 the Juárez Chamber of Commerce estimates 10,000 businesses closed their doors (Torres 2011). Extortion can originate from a variety of groups, such as large drug cartels, local gangs, and even copycats. Like in Colombia, in many circumstances the business is unaware of the source of the extortion (Garcia). Moreover, Garcia (2012) supports this assertion in his description of the copycat phenomenon, claiming groups of young people could acquire a gun and decide to extort businesses for low quantities of money. Businesses respond to extortion in a variety of ways both before and after extortion begins. Unlike Colombia, Juárez businesses do not tend to contract private militias in response to extortion. Lopez (2012) cites four different scenarios under which a business can find itself in regards to extortion: business can survive through paying; be protected by certain influences; be managed from the United States; or have not yet been victims of extortion.

One of the most common responses to rising incidences of extortion is to change business phone numbers. The majority of businesses are no longer listed in public directories, and many do not answer calls from unknown numbers in order to avoid being targeted for extortion. Those

that answer cold calls often begin with a generic salutation, rather than stating the name of the company. Large numbers of businesses have relocated to residential areas and rent office space within apartment buildings with no external signs of their presence. The city has also experienced a great drop in advertising. Garcia (2012), also the director of several local magazines, has felt the effects of this decline. He notes increased difficulty in obtaining advertisers for his magazine as a result of businesses wanting to maintain a low profile. Garcia also notes that his magazines do not list the phone number or physical address of the office, merely the email address. Extortion, therefore, rather than exacting a simple financial cost, prompts major changes in business operations. Businesses in Juárez have been forced to rethink the way they portray themselves to the public in order to avoid being targeted for extortion. In both Colombia and Juárez a person's ability to conduct business in the face of extortion is negatively affected.

Kidnapping

Kidnapping has a long history in Colombia dating back to *La Violencia*. It was originally utilized to kidnap political enemies while simultaneously serving as a source of revenue. Later, drug traffickers and guerrilla groups engaged in kidnapping for various reasons, including profit and as a political tactic. Drug traffickers, such as Pablo Escobar, kidnapped business executives in order to receive large ransoms. The FARC, under strict orders from the Communist Party, could initially only utilize kidnapping for political purposes. After rifts began to grow between the FARC and the Communist Party, however, the guerrillas also began targeting wealthy businesspeople (Dudley 2006). According to País Libre (2011) Colombian businesspeople and agricultural workers are more likely to be kidnapped than the rest of the population. One study claims from 1996-2002 the total number of kidnappings in Colombia tripled, peaking in 2000,

and resulting in the country having the highest rate of kidnapping as well as highest total number of kidnappings in the world. Of the 18,867 people kidnapped during those six years 5% were government employees, 3% were members of the armed forces, 10% were under the age of 18, 5% were members of an NGO or religious entity, 10% belonged to private sector firms, 45% were self-employed, and 12% were of an unknown occupation (Pshisva and Suarez 2005). As 10% were firm employees or management and 45% were self-employed, kidnapping was much higher for the private sector. While other measurements of kidnapping employ a more limited definition of the private sector that includes only kidnapping victims belonging to large firms, this measurement includes all Colombians engaged in business.

Robert Smith (2012), a senior Citibank employee in Colombia from 1981-1984, recalls the kidnapping environment in Bogotá during that time. Though kidnapping rates did not reach their peak until years later, it is estimated that guerrillas alone were making around \$200 million a year on kidnapping (Dudley 2006). Smith (2012) explains that executives of multinational companies greatly felt the effects of the practice. He states,

“One of the things that happened in Colombia, at least early on, was that people paid. And the kidnappings were successful. And a successful kidnapping is defined as the kidnappers being paid and the victim is returned alive... There was always this kind of shroud around it, this dark cloud, even though day to day and minute to minute you didn’t go around worrying about being kidnapped. But there was just something about it... And certainly it permeated your lifestyle. I mean all of the guys who ran multinational enterprises lived as kidnapping targets the whole time they were there, and that influences your life.”

Furthermore, Smith notes that kidnapping was the main violent threat to multinational companies at the time, explaining, “Except for security precautions around the most senior person it was really business as usual.” Nevertheless, the precautions he was forced to take, such as varying his routes and working hours as well as travelling with a body guard, demonstrate the success with which kidnapping affected businesspeople in Colombia.

Kidnapping is also a concern to big business in Ciudad Juárez, though not nearly to the same extent. Some maquiladora owners employ 24 hour a day bodyguards to avoid kidnapping (Garcia 2012). Also, one of the maquiladora's I visited had a very high level of security. There was a guard posted in the parking lot questioning everyone who arrived, a locked fence to pass through in order to reach the building, and a guarded and locked waiting room for visitors. Nevertheless, the maquiladora industry has not been plagued by violence the same way as other sectors in Juárez. Guillermo Chavez (2012), representative of the Juárez maquiladora business association, claims violence against maquiladoras is minimal. He attributes their long term planning strategies to their relative protection from violence, claiming companies understand that the conflict will diminish and business will continue. Since they plan for the long-term, immediate consequences of violence, mainly economic in this case, do not greatly affect their strategy and ability to operate. Other sources support Chavez's assertion. Several news sources report on the desire of international businesses to continue operating in Juárez due to its strategic location on the border with the United States and inexpensive, skilled labor. Even as the most violent city in Mexico, Ciudad Juárez still boasts the largest number of maquiladoras, suggesting the benefits of operating in the city continue to outweigh the risks (Archibold 2011).

A recent survey of transnational businesses conducted by the U.S.-Mexico Chamber of Commerce finds one in ten firms report experiencing kidnapping in 2010 (Mendoza 2011). In Ciudad Juárez, significant kidnapping of businesspeople began in 2008. Authorities attribute this occurrence to decreased drug trafficking revenue and the resulting need to supplement cartel income (Giovene 2008). Similar to the case of extortion, the restaurant sector has been a common target of kidnappers. Freestanding restaurants often experienced kidnapping of their customers, especially those with outdoor venues, forcing most to close or move to more

protected locations within malls (Escobar 2012). As the director of a series of Juárez based magazines, José Luis Garcia (2012) also felt the strain of kidnapping especially hard. He was forced to suspend publication of his social magazine, featuring high profile social events such as weddings and quinceañeras, because people did not want to expose themselves and their events to the public at large. Another of his magazines still operates and features innovative businesspeople in each issue. Lately, however, Garcia reports difficulty in finding private businesspeople to appear as the cover story and has begun to feature entire businesses, public officials, and El Paso based businesspeople instead.

Antonio Alvarez (2012), a Juárez based public accountant, recounts three of his clients were kidnapped in 2010. After being released safely, all three reacted differently to the ordeal. One closed his business outright and moved across the border to El Paso without attempting to sell or make any arrangements for the closure. He “closed up and put a padlock on the door,”² mentions Alvarez. Another continues running the business but now lives in El Paso. The last has remained in Juárez and continues operating the business. Furthermore, one small business owner discusses his kidnapping experience with little detail, stating, “They deprived me of my liberty for several days”³ (Perez 2012). His reluctance to use the word “kidnapping,” though he uses it various times throughout the rest of the interview, indicates the trauma that remains with him. Though he continues to operate his business and live in Juárez, he goes to the office much less frequently and has greatly reduced the size of the business. It is clear that widespread kidnapping directly and indirectly affects businesses in both Colombia and Ciudad Juárez. Even businesspeople that are not kidnapping victims are forced to change their work habits and suffer the economic consequences of the practice.

² Translated from Spanish

³ Translated from Spanish

Fear and Mistrust

Fear and mistrust also have consequences on people's ability to conduct business. Risk analysis is essential to all business decisions, irrespective of the level of violence in a country. Businesspeople living in areas of conflict are likely to have a heightened perception of risk in general, causing them to be more cautious in making business decisions. This fear hinders their desire to enter into new business relationships and pursue new opportunities (Hiatt and Sine 2009). The protracted nature of the Colombian conflict affects the private sector beyond the direct threat of violence against businesses and contributes to fear and mistrust. After decades of conflict, communities and families have been broken apart and millions of Colombians are displaced throughout the country. Furthermore, since the days of *La Violencia* the country has been divided and different armed groups continually attempt to eliminate the opposition. People are afraid to openly affiliate with either side for fear of retribution or a nosy passerby willing to betray his neighbor. Steven Dudley (2006) writes, "There isn't a Colombian who doesn't have a story of mutilation, massacre or flight to tell." According to Alexandra Guáqueta (2006), this legacy of conflict has created profound distrust between people and eroded social capital. The significant fear and distrust among the population as well as the multi-generational length of the conflict result in damaging consequences for the private sector.

Some Colombian businesspeople note reluctance to create new relationships for fear of unknowingly associating with a member of a guerrilla, paramilitary, or drug trafficking group. Others are hesitant to travel to areas of the country where they are unknown to the local population in order to avoid being perceived as a threat to local armed groups. One entrepreneur noticed a paramilitary group record her license plate number on a trip to a new part of Bogotá to market her products. As a result, she ceased making trips to unfamiliar areas for fear of a business competitor claiming she was a member of a rival armed group (Hiatt and Sine 2009).

The long history of fear and mistrust in Colombia not only instills a sense of caution in businesspeople, but also has the capacity to limit their movement, eliminate potential markets, and reduce networking opportunities. Unlike enterprises in peaceful countries that calculate risk based on markets and network without fear of retaliation from an armed group, Colombian businesspeople must consider personal safety in all business decisions and actions, thus curtailing their ability to conduct business.

Mistrust in Ciudad Juárez, however, is not the result of a protracted conflict. Antonio Alvarez (2012) posits this widespread mistrust in the city is a relatively recent phenomenon. A native of Guadalajara, the large capital of the Mexican state Jalisco, Alvarez comments that he had always been accustomed to a certain level of criminality. Upon relocating to Juárez in 1999 he noticed a vast difference between the two cities. Whereas people in Guadalajara were familiar with the precautions necessary to prevent petty crime, these types of measures were unheard of in Juárez. “Before, nothing ever happened in Juárez. People were very trusting and careless... People would leave the bars at six in the morning. Chihuahua⁴ was never featured in the newspapers,”⁵ notes Alvarez, indicating the relatively safe and tranquil nature of the city before the violence began. “It immediately seemed much calmer than Guadalajara, much safer. Now, the people of Guadalajara are afraid to come here. Things change,”⁶ he says.

Mistrust comes from a variety of sources. One study indicates criminal groups are deeply integrated into the social structures of the city. Decades of corruption and low accountability have eroded people’s faith in law enforcement. Young people unaffiliated with any criminal group, rather than trained professionals, are utilized as hitmen (Felbab-Brown 2011). Rampant

⁴ The Mexican state in which Ciudad Juárez is located

⁵ Translated from Spanish

⁶ Translated from Spanish

extortion and kidnapping in Ciudad Juárez have also contributed to the climate of mistrust. The restaurant sector has been hit especially hard, with the CANIRAC (Cámara Nacional de la Industria de Restaurantes y Alimentos Condimentados, or National Chamber of the Industry of Restaurants and Prepared Foods) expressing extreme mistrust among its members and refusing to divulge member contact information. In response to my request for interviews with individual CANIRAC members, Federico Rodriguez, representative of the Juárez chapter, (2012) commented,

“It would be very difficult. People do not want to know anything about this. People were kidnapped and their families do not want to remember it. It is the same with extortion. These days, and this comes from the lessons we have learned, if you go to a random business they are not going to open the doors for you, precisely for protection and security. By nature businesspeople do not answer a telephone number they do not know. Unfortunately this mistrust has stayed with us.”⁷

Moreover, Rodriguez notes, during the height of the violence restaurants were wary of their own customers, which led customers to feel uncomfortable.

In addition, all of my interview subjects highlight difficulty in finding new clients and business relationships as a result of mistrust and fear, the majority working with previously established connections or through referrals, resulting in a great hindrance to growing a business. José Luis Garcia (2012) comments, “Right now not growing, but rather maintaining the size of a business, means growth. If you maintain your business you are growing.”⁸ This logic reflects the popular idea that, in Juárez, growth is not conceivable as a result of the violence. Pablo Lopez remarks about the current situation, “The delinquents roam freely in the streets while businesspeople are trapped in their businesses,”⁹ reflecting fear pervading the city and the limitations this fear imposes on businesses. Moreover, this problem is similar to Colombia in that

⁷ Translated from Spanish

⁸ Translated from Spanish

⁹ Translated from Spanish

businesspeople face extreme difficulty in entering new territories to expand their businesses. Since they feel threatened in public, businesspeople do not venture into unknown areas of the city. Additionally, Alberto Flores (2012) discusses the need to balance visibility with risk. After moving offices Flores did not want external signage of the business' presence for security reasons; his partners, however, felt the visibility was necessary to the success of the business. They currently advertise their presence, but at increased personal risk. Due to the violence, even a small business decision becomes a significant consideration because of the increased security risks. Like in Colombia, businesspeople are forced to consider personal security in all business decisions.

Financial Costs

There are also more concrete costs the conflict has exacted on the private sector over time. The opportunity cost of conflict is relevant not only in terms of missed business opportunities, but also security related expenses. Colombian Peace Bonds and taxes to support military endeavors represent an increased financial burden. Also, one survey indicates companies spend 5% of their sales in protection of employees, equipment, and operations, and another 5% on insurance (Rettberg 2007). In Ciudad Juárez, interviewees almost ubiquitously report large expenditures in security for the business due to the increase in violence, including closed circuit cameras, security guards, panic buttons, armored trucks, and parking lot security. Many northern highways have also become more expensive to traverse. Criminal organizations often charge trucks to pass through, with officials claiming \$70 is the most common fee for continuing unharmed. Furthermore, cargo thefts increased by 40% in 2010 when compared to the previous three years, totaling \$700 million (Mendoza 2011). Over time, these expenditures represent a significant amount of money that could have gone towards improving productivity or hiring

more workers. Additionally, transaction costs, the cost of making an economic exchange such as travel, research, and extra fees, are higher in conflict situations because information is difficult to gather and often incomplete or incorrect (Guglielmetti 2010). As discussed, fear and mistrust in Colombia and Mexico pose a barrier to networking and pursuing new opportunities, thereby complicating the process of information gathering. Businesspeople must spend extra time and money researching new opportunities or waiting for opportunities to arise in safe areas.

Market Disruption

According to Joseph Stiglitz (2006), conflict negatively affects consistency in an economy. Repeated market interactions, shared customs, and the resulting expectations are all characteristics of stable economies. In societies altered by conflict these traits are weakened or destroyed. Market interactions are not repeated, shared customs are fragmented, and long-standing market expectations are no longer valid. Additionally, a conflict altered economy generally includes large numbers of people who have been out of economic processes due to exile or displacement, further disrupting markets (Guglielmetti 2010). Colombia has experienced significant internal migration, causing people to leave their jobs and communities and thereby affecting the stability of local markets and local business relationships. The Internal Displacement Monitoring Centre (2011) lists 5.2 million Colombians have been displaced since the organization's inception in 1985, with the most common cause being direct threats against the population. As people are forced to relocate, long-standing relationships and local markets are uprooted, weakened, or destroyed, thus affecting people's ability to conduct business.

Displacement in Ciudad Juárez has been less forceful than in Colombia, meaning direct threats against people do not necessitate relocation, but extremely prevalent nonetheless. One Mexican agency estimates 230,000 people left Juárez in 2009, and it is likely that as many as

54% of them moved across the border to El Paso, Texas ("Exodus from Juárez will continue, researchers warn" 2011). Furthermore, the 2010 census indicates the population of El Paso is 82% Hispanic (Valdez 2011), from which it can be inferred that many juarenses now live in the American city. As a native of Juárez and established resident of El Paso, José Luis Garcia (2012) describes incredible changes to the American side of the border in the past four years. He notes a greater presence of Mexican license plates and an increased prevalence of the Spanish language in schools, sporting events, parks, and other public spaces. Garcia also explains the term "móxodo," or "Mexodus" in English, which refers to the exodus that has taken place out of Ciudad Juárez as a result of the violence.

This exodus is visibly apparent in the numerous closed businesses, boarded up buildings, and unoccupied housing. Previously, rather than being a place from which people would flee, Ciudad Juárez hosted many Mexicans from the southern part of the country who came seeking work and a new life, hoping to "reinvent themselves on the border" (Grillo 2011). Antonio Alvarez states, "This is a city that you can come from somewhere else and it receives you with open arms."¹⁰ He adds that, for this reason, housing was often expensive and scarce for newcomers. Now, conversely, many houses and apartments are for rent or simply abandoned as more people leave the city. This displacement has completely disrupted local markets and long-standing business relationships. Market interactions are not repeated in the same way, or are conducted on a much smaller scale. Moreover, the city as a whole has less purchasing power than before, forcing people to look elsewhere or change the focus of their business. Bob Jones (2012), an El Paso resident and owner of an import/export company, discusses his falling business in Juárez in favor of the more economically stable city of El Paso. As continuing to

¹⁰ Translated from Spanish

operate in Juárez becomes less viable due to violence and the outflow of people, some businesses shift their focus towards the American side of the border.

In addition to decreased purchasing power, consumer behavior has also completely changed since 2008. According to Pablo Lopez (2012) and many others, Juárez used to be a city with a thriving nightlife. Americans would cross the border for the evening to frequent the city's many bars, clubs, and restaurants. Federico Rodriguez (2012), of CANIRAC, remembers, "Weekends started on Wednesdays and everyone consumed without worry."¹¹ Now, businesses are largely closed and the city is quiet after dark. People take care of their errands during the day in order to be home at night and no longer visit places of leisure with the same frequency and exuberance as before. Rodriguez's assertion was confirmed during my visit to a virtually empty popular restaurant for dinner with a contact. Moreover, the remnants of Juárez' cultural past are particularly evident on the once bustling Avenida Juárez, with almost all leisure establishments closed. Furthermore, the Mercado Juárez, once a tourist destination and large market similar to those in other Mexican cities that sell everything from spices to leather belts, is now almost completely vacant. Gerardo Saucedo (2012), the Deputy Director of Promotion for the Secretary of the Economy in Ciudad Juárez, confirms the hardship this phenomenon places on businesspeople, especially new entrepreneurs. While acknowledging the difficulty of opening a new business during all times of uncertainty, he posits the radical change in consumer behavior has added an additional obstacle. This drastic change in consumer behavior disrupts market interactions and customs, rendering businesses' expectations of economic patterns obsolete.

¹¹ Translated from Spanish

Decreased Investment

Violence can seriously hurt both foreign direct investment (FDI) and domestic investment. Blomberg and Mody (2005) study the effects of violence on investment, finding violence tends to move domestic investment abroad as well as deter both trade and FDI flows. In Colombia, the protracted length of violent conflict has had significant detrimental effects on the national economy. Decades of insecurity and uncertainty has created a reluctance to invest. In the 1990s Colombia's risk rating lost investment grade status due to fears about government financial sustainability as well as escalating drug-related violence (Rojas 2011).¹² As a result, foreign investment has historically been low and Colombian businesspeople often encounter difficulty building relationships with international partners. Moreover, large numbers of native Colombians choose to invest in more stable, foreign markets, rather than in Colombia, causing high levels of capital flight. According to the president of the Bogotá stock market at the time, Colombia lost ten million dollars due to capital flight between 1997 and 2002 (Rettberg 2002), reflecting the gravity of the problem. Mexico has experienced similar problems with capital flight and decreased FDI due to violence. J.P. Morgan estimates that violence costs Mexico between 1% and 1.5% of its GDP, citing extreme concern over levels of capital flight ("Violencia cuesta a México 1.5% del PIB: JPMorgan" 2011). The Mexican government, on the other hand, puts the cost to GDP at .5% (Morales 2011). Additionally, a recent survey by The U.S.-Mexico Chamber of Commerce finds only half the firms surveyed report a desire to begin new investment plans in Mexico, while some companies indicate plans to relocate plants to other countries because of the violence (Mendoza 2011).

Ciudad Juárez also suffers from the problem of a bad reputation. Interviewees disparagingly mention the newspaper *PM* as a significant part of the problem. *PM* almost

¹² The rating was restored in March, 2011.

exclusively covers *la nota roja*, the Mexican term for stories dedicated to violence and crime, and receives advertising revenue from a wide variety of sources, including American fast food chains and local businesses. Interviewees claim the success of this newspaper reflects the poor image juarenses have of their own city, as well as perpetuates the violent reputation to outsiders. Moreover, many local newspapers covering *la nota roja* reach the other side of the border. These sources, in addition to international news coverage, continue to portray the city as extremely violent despite the much calmer environment in the past year. Interviewees assert this unfairly poor image of the city causes businesses to stay away. Therefore, both violence and the reputation of violence, deserved or not, have the potential to reduce investment.

Violence Can Be Good for Business

This section focuses on the ways in which violence is detrimental to business. However, though violence has a negative connotation in most situations, there are instances in which it has helped the private sector grow. Some of these instances include private security companies and mercenaries that address the need for protection and armed response in areas of violence, but there are other ways that violence can actually improve the private sector's ability to conduct business, such as consolidation and improved efficiency. Both Colombia and Ciudad Juárez host examples of improved private sector functioning through violence. In Colombia, violence led to the consolidation of African palm oil plantations and is essentially responsible for creating the industry, while in Ciudad Juárez businesspeople have adapted to violence by becoming more efficient. The main difference in the two examples is that the creation of the African palm oil industry has left a legacy of violence, whereas improved efficiency in Ciudad Juárez does not result in negative effects on workers.

The history of African palm oil production in Colombia provides an example of how violence can aid in the prosperity of an industry. After achieving independence, Colombian elites began a process of consolidating land through the *hacienda* system by violently taking over smallholder farms in order to ensure a supply of landless peasants to serve as laborers. These large *haciendas* provided the foundation for today's palm oil industry in Colombia. As a result, a large amount of displaced peasants became sharecroppers for large landowners. Moreover, due to state weakness in many agricultural areas, elites generally maintained privileged access to power and impeded the entrance of institutions to mediate conflict in palm oil regions. Additionally, the industry has a history of utilizing violence against unionists and workers. In the mid-1990s palm oil investors began forging relationships with local paramilitaries to ensure competitive labor conditions by denying workers the benefits of negotiated contracts. These relationships grew into partnerships in which both parties benefited from palm oil cultivation (Elhawary 2008). Though the consolidation of land into *haciendas* gave impetus to today's thriving African palm oil industry in Colombia, the tactics employed resulted in a violent legacy in the relationship between workers and management.

In Juárez, interviewees discuss positive changes in business operation as a result of the extreme violence. José Luis Garcia (2012) explains that businesses have been able to become more efficient through changes in organizational structure. He states, "We are businesspeople and we knew how to understand and change labor structures in terms of doing more with less... I learned that before the crisis I was doing fewer things with more people and now I am doing more things with fewer people. It was also a lesson in resource administration, of optimizing your resources. And now that the good times are coming, which we hope will be very soon, we

are going to do many more things with fewer people and we are going to be much faster.”¹³

Garcia is one of many businesspeople to express this sentiment. As a result of the violence, many businesspeople have been forced to learn how to operate more efficiently and have thus improved their businesses.

The consolidation of the Colombian palm oil industry through violence is not the only example of an industry born out of violence, just as businesspeople in Ciudad Juárez are not the only ones who have become more efficient in times of conflict. In both Mexico and Colombia there are other industries that have violently repossessed land and gone on to prosper, such as the mining industry’s violent takeover of indigenous land, and businesspeople in other parts of the two countries that have improved practices out of necessity. The two cases highlighted merely serve to illustrate the point that violence is not always bad for business, but rather can be a constructive force for parts of the private sector. However, this idea is not meant to encourage violence as a means to improve business for two main reasons. First, the value judgment that human life is more important than business advances dictates that violence should be avoided as a means to improving the private sector. And second, this section demonstrates that the costs of conflict to the private sector far outweigh the few potential benefits, and violence therefore has a net negative impact on business. As a result, though there are instances in which violence can help the private sector, it is generally harmful.

¹³ Translated from Spanish

PRIVATE SECTOR CONTRIBUTIONS TO VIOLENCE

Many conflicts begin in response to social inequality and a desire for major structural change. The private sector and elite businesspeople that benefit from and defend the status quo represent a challenge to achieving meaningful social change. By perpetuating a system in which the elites continually benefit while the poor have very limited mobility the private sector exacerbates the conflict. Furthermore, as all countries depend on investment for economic stability, governments often cater to private interests in an attempt to maintain or stimulate economic growth, and these efforts tend to heavily favor elite interests while further hurting the lower class (Rettberg et al 2010). Additionally, the private sector can contribute to violence through its direct actions, such as working with paramilitaries or knowingly endangering the lives of workers. This section explores instances in which members of the private sector choose to exacerbate violence. It is important to mention that this exploration of business contributions to violence is not meant to be an exhaustive analysis, but rather provide a point for comparison to other businesses that have chosen to work towards peace. Therefore, only select, especially pertinent examples are given.

Colombia

The Colombian conflict has roots in the Communist Party's goal of achieving social equality and restructuring Colombian society, principles the FARC later pursued through violent means (Dudley 2006). This objective is the main source of violence from all sides, with guerrillas attempting to destroy the status quo and paramilitaries attempting to maintain it. As a result, the private sector's defense of an unequal system in Colombia, along with governmental support, represents an obstacle to social mobility and equality, thereby adding to the conflict. In addition to contributing to the source of the conflict through perpetuating an unequal society,

businesses have also exacerbated the conflict through their decisions and actions. Many Colombian businesses have remained passive in the conflict, choosing to internalize the impact as an additional operating cost rather than working to quell the violence. Other businesses have taken advantage of the conflict, demonstrated by the success of private security and insurance companies, while many businesspeople have simply chosen to engage in capital flight, choosing to invest in other, more stable markets, in place of attempting to improve the situation in Colombia (Rettberg 2004). Even worse are companies who directly contribute to violence through repressive labor practices and support of paramilitary groups. The previously described palm oil industry serves as one example. Other examples are Chiquita Brands International and Coca Cola.

Chiquita Brands International

Until 2004 Chiquita conducted business in Colombia through a wholly-owned subsidiary company called Banadex, Chiquita's most profitable banana producer. In 1997, however, the AUC threatened to harm Banadex property and personnel unless the company agreed to make security payments. High ranking Chiquita officials in the U.S. reviewed and approved the payments, accounting for the expenditure in the official company records as security payments or services, though no services or equipment were ever procured. After September 11 the AUC was added to the U.S. list of terrorist organizations, thus making the payments illegal under U.S. law, in addition to unethical, which prompted the company to turn itself in to the authorities in 2004 (Gaskins 2009). Chiquita, no longer present in Colombia, provides a troubling example of an international company knowingly supporting paramilitary violence.

Coca Cola

Coca Cola offers another instance of an international company supporting paramilitary violence. In Colombia, the company has been accused of enlisting the help of paramilitary forces against employees in order to counter pro-union sentiment. Though Coca Cola has never admitted any paramilitary connection, circumstantial evidence, such as increased violence during contract negotiation, specific threats to Coca Cola workers, friendly relations between plant managers and paramilitary leaders, and murders of prominent or outspoken Coca Cola union members, suggests the company's involvement with the armed group. Additionally, a workers' rights organization in the U.S. working specifically on this case received a faxed threat from the AUC. Coca Cola, however, maintains that all plants are sub-contracted and it therefore cannot be held responsible for the violence or any paramilitary connection. However, workers assert the parent company controls all aspects of production in the plants and cannot claim to be ignorant or uninvolved. Additionally, Leslie Gill writes, "Subcontracting is an increasingly important corporate strategy to shield firms from legal responsibility for labor relations" (Gill 2005), further suggesting Coca Cola is complicit. Though less directly connected than Chiquita, Coca Cola's support of paramilitary groups has caused extreme violence to take place against its own employees.

Ciudad Juárez

The most prominent industry in Ciudad Juárez is the maquiladora industry. Though responsible for significant economic growth in the city, the industry is also party to the infamous femicide phenomenon. The maquiladora industry began in 1965 as a Mexican government initiative, called the Border Industrial Program, to alleviate unemployment after the termination

of the U.S. Bracero Program in 1964 that had allowed Mexican farmers to work legally in the United States. As a result of the termination of the U.S. program, large quantities of Mexicans found themselves in the border region without work. The Border Industrial Program therefore promoted industry along the border by allowing physical components to be shipped from the U.S., be assembled in Mexico, and return to the U.S. duty free, creating a financial incentive to create factories in the region. Though the program was initially designed for temporary employment generation, the maquiladora industry has since become the cornerstone of the region's, and Mexico's, industrial sector (Carrillo and Zárate 2009). In the 1960s and 70s the majority of maquiladora workers were women, many of them migrants from other parts of Mexico. Later, men began to work in the factories as well, also migrating from the interior parts of the country (Sánchez and Ravelo 2010). After the signing of the North American Free Trade Agreement (NAFTA), immigration to Juárez increased sharply as Mexicans left the countryside to work in the factories. In the 1990s Ciudad Juárez was said to have been growing "by a block a day" (Grillo 2011).

In addition to serving as a source of employment, maquiladoras are also infamous for their involvement in Juárez femicides. These murders are distinct from other forms of crime and drug violence affecting the city, as they share unique characteristics. These characteristics include ritualized acts performed prior to the murder, such as torture, rape, and mutilation, and the manner in which the bodies were disposed. Many were found scattered around the desert surrounding the city, in commercial centers, outside factories, in shallow graves, and even outside the building of Maquiladora Owners Association (Weissman 2005). This femicide phenomenon is unquestionably linked to maquiladora presence and practices. Between the 1960s and 1980s, maquiladoras purposefully targeted women with little work experience in order to

attract workers that would make minimal demands on employers, be unfamiliar with their rights, and lack the organizing skills to present grievances (Weissman 2005). Furthermore, Morales and Bejarano (2009) claim maquiladoras are an integral part of a neoliberal border economy that perpetuates structural violence against women. They assert, “Economic development in Mexico depends on an exploitable female workforce to produce products for the global market.” Female employees and job applicants are often subjected to pregnancy tests, suffer unfair practices that compromise their security, civil rights, and economic parity, and are subject to routine sexual harassment in the workplace.

Women’s status in the maquiladora industry is therefore one of a disposable, replaceable worker, rendering them a class of people vulnerable to injustice, violence, and gender hostility (Weissman 2005). This devaluation of women plays on existing gender norms in Mexico, such as *machismo* and *marianismo*, that dictate women remain in the domestic sphere and not engage in paid labor; those that lead public lives are thought to be promiscuous or prostitutes. The responses of policemen, public officials, and maquiladora executives, who claim women homicide victims engage in morally questionable behavior, such as drinking or being out late at night, illustrate this point (Wright 2006). Furthermore, NAFTA exacerbates this problem through increasing trade without mandating labor standards, essentially sanctioning the labor and human rights abuses in which maquiladoras engage (Arriola 2007). Also, as manufacturing grew under NAFTA, so did femicide. Between 1994, the year NAFTA was implemented, and 2001, the homicide rate for men increased 300 percent, while the homicide rate for women increased 600 percent (Wright 2006).

Maquiladoras are not the only party to blame for these murders; the direct perpetrators and existing societal norms are also responsible for the tragedy. However, maquiladora practices

aimed at maintaining low labor costs contribute to hostility towards low income women and fuel the femicide. Maquiladoras attempt to avoid blame for women that are murdered on their way home from work by claiming the murder did not take place on company property (Arriola 2007). Arriola (2007) asserts maquiladoras follow “a policy of fatal indifference to... safety,” that gives them moral responsibility for the astonishing number of murders of women, even if they are not legally accountable. Through its purposeful exploitation of women workers, the maquiladora industry perpetuates violence against women and contributes to the climate of violence in the city as a whole.

PRIVATE SECTOR EFFORTS TOWARDS PEACE

“The private sector and security are linked in many ways, most obviously because thriving markets and human security go hand in hand. Global corporations can do more than simply endorse the virtues of the market, however. Their active support for better governance policies can help create environments in which both markets and human security flourish.”

Kofi Annan, Secretary General, United Nations, August 1999

This section analyzes the private sector’s constructive responses to conflict. As discussed, the private sector has a history of exacerbating the negative effects of conflict. New ideas, however, that explore business’ ability to reduce violence are gaining momentum both in academic circles as well as on the ground. This section introduces evidence that supports theories of private sector peacebuilding, giving various examples of attempts and successes in Colombia and Ciudad Juárez. These efforts include business association programs, changes in operations of individual enterprises, and cooperative initiatives between the private sector, government, and civil society. Not all efforts are successful, but they can still serve as examples of how the private sector can contribute positively to peace.

Colombia

While many businesses chose to contribute to conflict, as described above, other members of the private sector have chosen to contribute to the peace process. Before the 1990s, conflict did not greatly affect Colombian businesses because violence was contained predominantly in rural areas. Surveys conducted on the private sector indicated the conflict was not a high priority. Furthermore, prior to the 1990s a belief existed among Colombian businesspeople that security was a state matter and the private sector did not have a responsibility to contribute to peace. Colombian businesses chose to internalize the costs of

conflict rather than address them head on. In the mid-1990s, however, the crisis escalated and violence intensified at the same time the Colombian economy entered into a recession. These factors all contributed to a rising feeling of instability in the business community. Moreover, during this time the presence of armed groups noticeably increased in major cities as they began to target businesses to raise funds through extortion and kidnapping (Guáqueta 2006). As mentioned earlier, kidnapping in the 1990s affected the private sector more intensely than any other sector of society. As a result, a situation resulted in which continuing the policy of internalizing violence as an additional operating expense became too costly. Therefore, some businesses began to explore possibilities for peace.

Members of the private sector first became involved in the peace effort under the Samper administration when the U.S. threatened trade sanctions on Colombia in response to exposed ties between President Samper and the Cali cartel. Businesses lobbied Bogotá and Washington in an effort to ease tensions and maintain trade relations. Some also participated in government negotiations with the ELN, though these negotiations ultimately failed (Guáqueta 2006). Later, under the Pastrana administration, members of the private sector were featured at historic negotiations with the FARC. The government needed private sector representatives in the talks to ensure funding as well as to agree to reforms on labor, land tenure and taxation. Moreover, the FARC, understanding the necessity of involving this large and powerful player in order to achieve their decades-old goal of structural change in Colombia, also wanted business to sit at the negotiating table. As a result, President Pastrana formally included interested businesses in the government's negotiating team (Guáqueta 2006).

Other manifestations of business interest in peace also began to arise during this time. The cattle ranchers' association donated land in order to mitigate violence between peasants and

landowners, as well as offered to finance ex-combatants during demobilization (Guáqueta 2006). More recently, other businesses have also hired ex-combatants and many continue to reserve jobs specifically for this group of people. Almacenes Éxito, a major warehouse company, employs many demobilized combatants and attributes part of its success to “these young people who want a new opportunity in Colombian society.”¹⁴ Also, la Fundación Argos runs training programs for demobilized youth in brick fabrication, housing construction, and farming techniques (Empresas por la reconciliación 2008). Though these jobs are not plentiful and many ex-combatants remain unemployed, these efforts represent a meaningful contribution of the private sector towards achieving peace.

Though many business-led peace initiatives continue today, private sector involvement in official negotiations, and indeed private sector support for negotiations, has completely ceased. Towards the end of Pastrana’s term in 2002, the FARC hijacked a plane and kidnapped a prominent senator during peace negotiations, prompting Pastrana to resort to military action and bringing the negotiations to a close (Chernik 2009). Also amidst the negotiations, the FARC enacted *Ley 002*, a new tax imposed on asset holders of more than one million U.S. dollars in exchange for exemption from attacks (Rettberg 2004), a new form of extortion that prompted the private sector to doubt their commitment to peace. The FARC, however, considered its actions justified in the face of Pastrana’s weak stance against continuing paramilitary attacks (Chernik 2009). Regardless of the accuracy of either side’s allegations, the failure of the talks became inevitable and business withdrew support for a negotiated solution to the conflict, instead backing President Uribe’s hard-line military strategy. Currently, businesses overwhelmingly continue to favor a military strategy, but many also engage in corporate social responsibility

¹⁴ Translated from Spanish

efforts to further the cause of peace (Guáqueta 2006). Some enterprises have implemented innovative business and labor practices that have protected workers and entrepreneurs from violence. These businesses are exceptional in that they do not internalize the costs of violence or contribute to the conflict, but rather proactively work towards its resolution. Some examples are Indupalma, The Colombian Coffee Growers' Federation, VallenPaz, and collaborative efforts.

Indupalma

Indupalma, located in the San Alberto municipality in the Middle Magdalena River region, cultivates and sells African palm oil. Since the company's founding in the 1950s unions had always been a strong force. In response to repressive labor practices, unions aligned with local leftist armed groups and acquired great power to intimidate and influence management. Violent acts and threats were carried out against management as unions made increasing demands throughout the years. In 1977 Indupalma acquiesced to many of the workers' demands and increased salaries as well as began providing many social services for workers and their families. Eventually, however, labor costs came to represent 80% of the company's total costs and in the early 1990s the price of palm oil dropped, prompting management to seriously consider closing the company. Instead, management formed a panel to discuss the various options and decided to implement a cooperative-style system (Fadul 2001).

In 1995, in direct contrast with the traditional *hacienda* system of palm oil cultivation, Indupalma broke up its territory and acted as a guarantor to allow interested workers to purchase land and equipment on credit. The company also provided the necessary business training to transform each worker into a small business owner, such as computer use, accounting, business planning, and leadership skills. Several important changes have taken place since the restructuring; shared responsibility for the success of the business means people must assume

some of the historical roles of management; financial gain results from time and effort put into the job rather than from a guaranteed paycheck; and open dialogue has allowed associates to closely understand the process and the need for change. Furthermore, integral to Indupalma's success is its official communication channel to facilitate conflict resolution between associates and administration (Fadul 2001). To become an Indupalma affiliate, each business owner signs a contract determining price, quantity, schedules, and other details. The affiliate must also abide by Indupalma standards, such as quality control, employee policy, and sub-contracting guidelines, meant to avoid conflict (Contrato Indupalma). Since the creation of the cooperative system, production, earnings, and land value in the region have all increased. The number of homicides in the area has also significantly decreased, though paramilitary presence continues to be a threat (Rettberg 2004).

The Colombian Coffee Growers' Federation

The Colombian Coffee Growers' Federation was founded in 1927 by a group of elite coffee farmers. The founders allied themselves with peasant farmers and, rather than trying to dominate and repress them, sought to present a united front against competition from foreign companies that underpaid Colombian growers for their product. Their objective was to "protect and defend coffee for the welfare of their country and to promote the economic and social well-being of growers" (Bentley and Baker 2000). In comparison with other coffee producing countries that experienced violence during this time where elites appropriated land and killed countless laborers, such as in El Salvador, the elite growers in Colombia worked with smallholders to benefit the country as a whole, advocating for the breakup of large estates and the creation of a mortgage bank to help farmers buy land (Bentley and Baker 2000).

Nevertheless, the breakdown of the International Coffee Agreement in 1989, an international quota system meant to shield producers from sudden price fluctuations, caused a sudden drop in prices and forced coffee institutions to restructure. A vacuum of power emerged as some growers sold their land or converted it to alternative, sometimes illicit, uses, while others struggled to earn a living. Homicides and kidnappings increased, while economic uncertainty provided an opportunity for armed groups to penetrate coffee producing land. Armed groups and drug traffickers began to infiltrate coffee growing regions both to rob growers as well as seize control of strategic corridors to the North. However, The Federation proved to be strong enough to withstand this potential disaster. It was able to reinvent itself in the face of crisis and has since regained its status as an influential player in both the Colombian economy and the international coffee market (Rettberg et al 2010). The Federation could have allied itself with armed groups when their presence in the area increased, much like what happened in the traditional palm oil industry, but its commitment to presenting a united front with growers against outside threats resulted in the peaceful continuation of The Federation. Its original mission, to protect and defend coffee for the wellbeing of Colombia, was integral to its success as a force for peace in the face of increased violence in coffee regions.

Today, The Federation is able to maintain peace through other strategies as well. As a politically independent organization, it enjoys the respect of both the government and guerrilla groups. In fact, The Federation survived the brief dictatorship in the 1950s and no members have ever been victims of guerrilla kidnapping. The Federation also engages in various social projects to improve the quality of life for its workers, such as the construction of schools and roads (Berkley and Baker 2000). In collaboration with the Spanish Agency for International Cooperation and Development, the *Huellas de Paz*, or Footprints of Peace, program aims to

promote conflict prevention, coexistence, and the construction of peace through strengthening economic productivity in twenty-two coffee producing municipalities. Specific initiatives include strengthening of democratic governance in rural areas, women's empowerment, improved drinking water and nutrition, and strengthening of rural competitiveness. The Spanish Agency for International Cooperation and Development will fund and implement the majority of the project with the assistance of The Colombian Coffee Growers' Federation (Federación Nacional de Cafeteros de Colombia 2010).

Furthermore, as a result of its large size and Colombian coffee's global reputation for quality, The Federation is able to achieve economies of scale, influence world prices, and sign large contracts with major roasting firms (Berkley and Baker 2000). The Federation also treats smallholders very well, a fact supported by the 2009 Business Monitor of Corporate Reputation survey naming it the best business in the agro industrial sector (Federación Nacional de Cafeteros de Colombia 2010). In addition to receiving the social benefits of The Federation, all growers are paid about 95% of the world price for their coffee, as opposed to growers in countries with weaker coffee associations who receive about 30-40% (Berkley and Baker 2000). Furthermore, The Federation operates with a *garantía de compra*, or buy guarantee, and buys all the product growers want to sell at the moment they are ready to sell, providing a reliable source of income. To facilitate transactions The Federation operates 500 buying points throughout coffee growing regions (Federación Nacional de Cafeteros de Colombia 2010). Growers also have the freedom to choose where to sell, and are not obligated to sell to The Federation. As all farmers receive the same price for their product, regardless of distance travelled and expenses incurred, those living in more remote areas sometimes choose to sell to small, local buyers at a lower price. The Federation does not penalize growers who take their

product elsewhere, and small buyers make up about 50% of the market. Through fair treatment, stability, and provision of social needs The Federation has been to avoid major discontent and violence, rendering the Coffee Belt a relatively peaceful area of Colombia (Berkley and Baker 2000).

VallenPaz

VallenPaz was formed in 2000 in the Cauca and Valle departments as an official NGO in response to a mass kidnapping by the ELN in 1999 as well as general violence in the area (Guerrero 2003). Motivated by the mass kidnapping, local business leaders, led by Rodrigo Guerrero, former mayor of the city of Cali, decided to create a project meant to stimulate investment and provide credit and loans to promote peace. Guerrero believed in a structural interpretation of the violence, attributing conflict to the increase to poverty and state absence. Founders viewed the effort as necessary to build a business friendly climate, and felt a decrease in poverty and an increase in formal institutions would help the region work towards peace. Furthermore, Guerrero, who still works with the organization, bargains with local guerrilla leaders and signs contracts prior to entering new regions in order to avoid attacks, and his efforts have resulted in a drop in violence in VallenPaz areas (Rettberg 2004).

Guerrero (2003) states the organization's mission is "to contribute to the achievement of peace through social and economic development processes in the rural communities of southwestern Colombia." Currently, the organization's objectives include strengthening a culture of peace, assuring environmental sustainability, increasing the number of financiers of projects, assuring the financial stability of VallenPaz, strengthening all levels of communication, strengthening businesses in communities, and developing human resources (VallenPaz 2009). VallenPaz incorporates the help of member companies who have led philanthropic organizations

as well as NGOs familiar with development work. Outside private businesses are involved in several ways; some warehousing companies have given VallenPaz entrepreneurs space, while other companies contribute financially to various initiatives and help with marketing and networking. VallenPaz has produced positive outcomes for the region in regards to increased income, increased organization capacity, and improved quality of life (Niño 2005).

Collaborative Efforts

Entretodos, a collaborative business effort to reduce violence in Medellín, provides an example of a good idea that simply did not succeed. In the early 1990s Medellín became a hotspot of urban violence, with increasing numbers of youth joining armed groups both by force and lack of alternative options. Violence became a major business concern both in terms of safety as well as economic performance and increased costs, though most businesses were never directly attacked. In 1996 a Medellín based business think tank composed of some of the region's largest companies, Proantioquía, formed Entretodos as a preventative measure in an increasingly violent context. Entretodos worked with NGOs, the Catholic Church, the police, and the mayor's office to promote corporate social responsibility, civic participation, peaceful coexistence, and communication skills throughout the city. However, Entretodos clashed with the mayor's office and companies ultimately abandoned the citywide initiative, though some initiatives continue to exist in specific neighborhoods. Anglika Rettberg suggests the problem stemmed from differences in operation, as politics focuses on negotiation and compromise, while business focuses on productivity and efficiency. Others posit the private sector needs to remain true to its core purpose of conducting business, rather than attempt to design citywide social projects, in order to be successful (Rettberg 2004).

Businesses in Bogotá also felt the strain of increasing violence across the country, though most were also never directly affected. In response to the violence, increased economic impact, and President Pastrana's ongoing peace process with the FARC, Bogotá company executives formed a 'Peace Group' to work in concert with the Bogotá Chamber of Commerce's President's Forum. The group hired a specialist in conflict resolution techniques and worked in local schools to engender micro level conflict resolution skills and entrepreneurial drive in youth, expecting improved productivity to aid in producing responsible future employees as well as a lasting peace. Unfortunately, the Peace Group faced resistance from the Chamber of Commerce in 2001 and ultimately split to form a new, independent organization. The new organization, Productive Coexistence Program, still exists and shares the same mission as the original Peace Group, though its impact has yet to be determined (Rettberg 2004).

Additionally, in 1999, a group of business leaders created a small think-tank, Fundación Ideas para la Paz, whose mission was to generate knowledge and propose initiatives to overcome the conflict and produce sustainable peace (Acerca de la FIP 2011). This think tank was integral to increasing private sector support for negotiations. As most businesses were ideologically opposed to Marxist guerrilla groups, many were hesitant to make concessions in a negotiated agreement. As a result, Fundación Ideas para la Paz focused on promoting the idea of the private sector's need to exercise "democratic citizenship" and responsibility to work towards the good of Colombia. Businesspeople also attended workshops and participated in other peace initiatives in economic development, reconciliation, and victims' assistance, indicating the private sector's interest in peacebuilding (Guáqueta 2006). Fundación Ideas para la Paz is still a working and successful think tank in Bogotá. They conduct research on peace negotiations, post-conflict reconstruction, business and peace, and security and defense (FIP 2012).

Colombia Analysis

There are several trends among the examples and history given that allow for generalizations of factors that contribute to successful business-led peacebuilding in Colombia. This section analyzes the characteristics of businesses that have contributed positively to peace, as well as points out the circumstances that lead to violent outcomes. It is important to note that the Colombian government has almost no involvement in business-led peacebuilding in these examples. As discussed previously, the Colombian state is weak in many areas of the country, with power instead concentrated in the hands of elites, armed groups, or businesses. Therefore, as businesses are accustomed to acting independently of the state, it makes sense the government is not a major player in private sector peacebuilding initiatives. Later, I will demonstrate the opposite is true in Ciudad Juárez, where the government has traditionally been the major powerbroker.

Local Matters

The location of a business is important in determining successful business-led peacebuilding in Colombia. Private sector efforts must be locally based in three distinct ways; efforts must only attempt to tackle a certain portion of land; the business must be based in a specific area of the country; and the business must be context specific. Local companies are familiar with the specifics of regional marketing possibilities, better able to identify growth opportunities, and have better ties with local chambers of commerce and government institutions (Naudé 2007). The three successful cases examined, Indupalma, The Colombian Coffee Growers' Federation, and VallenPaz, are all Colombian enterprises that operate in specific regions of the country. Indupalma is based in the San Alberto municipality of the Middle

Magdalena Region; The Colombian Coffee Growers' Federation operates only in coffee producing regions; and VallenPaz is present exclusively in the Valle and Cauca departments. Conversely, two of the failed examples, Chiquita Brands and Coca Cola, are international companies that operate in various parts of the country, while the palm oil industry covers an extensive area of land. The mixed examples provide somewhat of a conundrum because they focus on a specific area but are not outright successes. Though they are local in that they work with a specific city, they are not sufficiently local to achieve a positive impact. Medellín and Bogotá are too large for peacebuilding efforts to be considered local and thereby achieve success. This point is further illustrated in the continuation of the Entretodos project on a neighborhood level, and the Peace Group's success working on a small scale in schools.

Location is important not only in the geographical scope of private sector efforts, but also in terms of its leadership. For private sector actions to contribute to peace, management must be based in Colombia, near to everyday operations, thereby rendering them stakeholders in the local state of violence. Though often in a position of power over workers, managers living in Colombia are susceptible to violence from armed groups and therefore have more incentive to pursue initiatives to ensure their own safety as well as the safety of their operations. It is not necessary management worry about the wellbeing of workers in order to pursue peacebuilding actions (though of course it would be nice); merely fearing for their own safety and the safety of operations is enough to motivate change. The former is motivated by self-preservation and the latter by good business sense. Therefore, management must be local in order assess the urgency and severity of violence and decide to invest in peace. In all the positive examples, the leaders are native Colombians familiar with the history of violence. Chiquita and Coca Cola managers, on the other hand, do not live in Colombia and their personal safety is therefore not threatened,

and palm oil elites were perpetrators rather than victims of violence. In all three failed examples management was able to work with paramilitaries to ensure the safety of their operations without fear for their own safety. The mixed examples also include local leadership, and though personal safety motivated the initiation of the groups it was not enough to render it a complete success due to other factors.

Context specificity also plays a role in the success of private sector peacebuilding. Though most companies are context dependent, meaning they require certain social, economic, and legal conditions, not all are context specific, meaning those conditions can only be found in one place (Rettberg et al 2010). Those that are context specific have no possibility for exit; in order to conduct business they are forced to work in a set area. As a result, these businesses are obligated to overcome local obstacles in order to remain operational. Chiquita provides an example of a context dependent, but not context specific, enterprise. They must operate in banana producing regions, but as there are many banana producing regions around the world they are not required to work in Colombia. Therefore, they were able to risk the consequences of working with paramilitaries in an attempt to salvage their Colombian business, rather than search for a more sustainable and peaceful solution. When they were forced to withdraw from Colombia they undoubtedly suffered, but were able to continue running a successful business due to their operations in other countries. Local companies, in contrast, do not have the option of pulling out. Indupalma's sole area of business is in San Alberto, and abandoning operations there would have meant the end of the company. The same is true for VallenPaz and The Coffee Growers' Federation; VallenPaz is composed completely of local stakeholders, while The Federation's product is Colombian coffee, which cannot be produced elsewhere. All of the successful

examples are context dependent enterprises that were forced to develop sustainable solutions for peace in order to stay in business.

Appropriate knowledge and skills

Another trend that leads to successful peacebuilding is knowledge and skills of the activity being undertaken. Businesses that pursue peaceful initiatives associated with their core purpose are more successful than those that attempt projects unrelated to their expertise. Simply put, business should stick to business. In all three successful cases, leaders utilize the knowledge and skills they already possess due to their business experience or enlist outside help. Indupalma executives remained within the palm oil industry during the organizational change. In fact, “contracting out to the workers allowed the company to concentrate on its core business – exporting palm oil – while shedding its labor burden, solving problems with the union, generating local good will, and enhancing its production environment” (Rettberg 2004). By returning to its core business purpose, Indupalma was able to not only promote peace in the company and the region, but also remain open. Furthermore, The Colombian Coffee Growers’ Federation was able to survive guerrilla and paramilitary attempts to co-opt growers and territory during a time of uncertainty due to the strength of their knowledge of the coffee market and growers’ needs, while its current social initiatives are handled by an outside NGO. VallenPaz owes its success to its focus on business development, a field with which its leaders are familiar, and utilizes the help of affiliated NGOs to pursue community development activities. Lastly, the mixed success of the Bogotá Peace Group can be attributed to the conflict resolution specialist hired to design school programs.

Additionally, not only must business-led peacebuilding efforts focus on business expertise, but they must also remain within the private sector and free of political involvement.

Business is not a public institution, and its goals and methods are distinct of those of political organizations. Business involvement on the side of the Pastrana administration in negotiations with the FARC did not help reach a resolution, but rather resulted in private sector rejection of peacebuilding through negotiations. Also, the failure of Entretodos to work effectively with the mayor's office demonstrates the inability of the two entities to work together successfully to build peace. Since their approaches were fundamentally different, they were unable to create a successful program. Moreover, as The Colombian Coffee Growers' Federation credits its political independence for its long peaceful status, remaining in the private sphere has the potential to reduce violence for management and workers, though is by no means a guarantee. The private sector is one of many entities working in the field of peacebuilding; there are NGOs to promote community development, governments to engage in formal negotiations, and activists to give a voice to the people. Business' place is in the promotion of enterprise, and in order for efforts to be successful its contributions must remain true to its expertise.

Urgent need

Though general violence can lead businesses to consider peacebuilding, the most successful efforts are in response to a specific violent event. Similar to the assessments carried out by local as opposed to foreign management, companies directly affected by violence have greater incentive to engage in peacebuilding and are more likely to attempt effective, sustainable policies. Entretodos and the Bogotá Peace Group both began in response to general increasing violence, rather than specific attacks on their companies, thus resulting in only mixed success. Indupalma, VallenPaz, and The Colombian Coffee Growers' Federation, on the other hand, all acted directly as a result of violence. Indupalma adopted a new model in response to increasing guerrilla attacks; VallenPaz began after a mass kidnapping; and The Federation took action to

halt guerrilla and paramilitary intrusion. Additionally, Chiquita, Coca Cola, and the palm oil industry faced no urgent need to attempt peacebuilding as management was never in danger.

Another principle can be drawn from this analysis. Corporate social responsibility functions better when it is based on need and not altruism. A member of the Bogotá Center for Conciliation working to increase private sector involvement puts it well, “Basically, you tell them that... they will trigger transformations in their environment that will bring stability and benefits in the long term” (Guáqueta 2006). This idea also follows the principle of business sticking to business. The private sector is motivated by profits, not charity. Therefore, corporate social responsibility efforts are most successful when triggered by urgent financial motivations, rather than a desire to help the community. Entretodos and the Bogotá Peace Group had some financial incentive, mainly avoiding an attack on operations, but they did not evolve in response to a specific threat to company viability. The successful examples, conversely, represent enterprises that had no choice but to engage in peacebuilding, rendering their efforts much more effective.

Empowerment

Lastly, empowerment of the people is fundamental to successful business-led peacebuilding. Empowerment allows people who would otherwise be passive victims of violence to maintain some control in an unstable situation (Schirch 2005). Entrepreneurship is a source of empowerment within the private sector. It provides a source of income while also contributing to peace. Indupalma, in fact, attributes its success to its policy of “turning peasants into entrepreneurs” (Rettberg 2004). Not only does Indupalma empower its affiliates through entrepreneurship, but it also gives them the necessary tools to succeed independently. The company offers business training and acts as a guarantor for loans to purchase equipment and

land. Moreover, an integral part of the organizational restructuring included a shared responsibility for success on the parts of the affiliates and Indupalma. As the two parties share the duty to effectively operate the company neither has power over the other and they are equals.

VallenPaz and The Colombian Coffee Growers' Federation also depend on entrepreneurs. VallenPaz fosters entrepreneurship through the promotion of business and economic development in the Valle and Cauca departments, while the Federation works with independent coffee growers and allows them the freedom to choose where to sell. In both cases, entrepreneurs benefit from involvement in the enterprises, but have the power to make their own decisions. Also, VallenPaz owes part of its success to Guerrero's negotiating power. Rather than cautiously entering new territory or bending to the will of guerrillas, he takes control and negotiates with armed groups before opening operations in new areas. As the VallenPaz mission is aligned with FARC demands, including empowering the poor and community development, he is able to work in guerrilla territory without violence. Lastly, Entretodos and the Bogotá Peace Group owe some of their success to the attempt to empower youth through conflict resolution and entrepreneurial training, and as Coca Cola, Chiquita, and the palm oil industry strove to take power away from their employees, they contributed to violence.

Ciudad Juárez

The Maquiladora Industry

The maquiladora industry became more advanced in the 1980s through the adoption of the Japanese Production System, or lean production (Carrillo and Zárate 2009). Lean production combines the flexibility and quality of traditional craftsmanship with the low costs of modern mass production. Workers are organized in teams and trained in all the aspects of production,

rather than a single task as with traditional assembly lines, and thereby avoid the monotony of repetition. Furthermore, employees work directly with designers and suppliers in order to give feedback on the production process ("Lean Production" 2009). In this system workers are responsible not only for producing goods, but also for generating knowledge about the production process and product quality (Carrillo and Zárate 2009). This type of organizational structure aligns with Spreitzer's theory of worker empowerment. By integrating employee participation into everyday work activities, workers become familiar with open, egalitarian communication. Moreover, through this system employees are empowered to make contributions and participate in decisions relevant to their work. Open communication and empowerment are two aspects of peaceful societies that maquiladoras promote through their organizational structure.

In addition to contributing to peacebuilding through their organizational structure, maquiladoras greatly contribute to the local community. Gerardo Saucedo (2012), of the Deputy Director of the Secretary of the Economy in Ciudad Juárez, states, "The maquiladoras have historically acted responsibly towards social problems in Juárez. It has been an industry with a very respectable capacity. The industry serves as a source of employment, gives scholarships, opens schools, supports the municipality, and buys ambulances. The truth is that they are good businesses and good businesspeople."¹⁵ He also lauds their continuing effort to contribute to the city despite recent economic difficulties resulting from the worldwide financial crisis. Evidence from other border cities supports the assertion that the maquiladora industry is socially responsible. Maquiladoras in Reynosa and Matamoros, located southeast from Juárez on the border with McAllen and Brownsville, Texas respectively, also contribute to community

¹⁵ Translated from Spanish

development. Though financial contributions are not high, in-kind support is common. They build schools and hospitals, donate computers, food, and clothing, and help with municipal repair work. Several motivations are responsible for this behavior, such as tax deductions, image improvement, altruism, good corporate citizenship, and employee retention (Whittaker 2006).

Though these activities began before the security crisis, maquiladoras have increased their community involvement in order to further support the city. According to Guillermo Chavez (2012), representative of the Juarez Maquiladora Association (AMAC), maquiladoras have always been committed to creating highly skilled workers through extensive training, which has resulted in a highly qualified workforce in the city. Since the security crisis, their focus has expanded from the formation of good workers to the formation of good citizens. Chavez comments,

“In the past we dedicated ourselves to training workers and taking advantage of the skilled workforce... We were focused on creating good workers, workers of excellent quality. Now, however, we have changed focus a little. Now we are working towards the formation of good citizens.”¹⁶

In 2011 the AMAC began a values program to address the deteriorating social fabric in Juarez. In collaboration with local government, the program focuses on art, culture, education, day care, and other social issues. The values program also includes workshops on life planning, values, and productive activities, as well as provides scholarships to encourage high school and vocational school attendance ("AMAC Impartira talleres de formacion de valores e implementara programa de becarios" 2011). Chavez reports moderate success since the inception of the program. Moreover, Juárez maquiladoras have engaged in community building activities despite not being greatly affected by the violence, suggesting they are concerned for the city's wellbeing.

¹⁶ Translated from Spanish

Chavez comments that the sector has been greatly weakened as a result of the world economic crisis, but that security is not high on the industry's list of concerns. As mentioned, he attributes this occurrence to the industry's practice of long-term planning, claiming most maquiladoras understand that the security situation is temporary, and therefore choose to invest in the city rather than abandon it (2012).

It is unclear whether the maquiladora industry is a positive or negative force for peace in Juárez. Negative criticisms of the industry tend to focus on internal labor policies and the femicide phenomenon, while positive attributes are mainly activities undertaken outside the workplace or integrated into the organizational structure of the factories. Ricardo Hernández, member of a workers' rights organization working in the Reynosa and Matamoros area, criticizes the industry's charitable work, claiming companies give contributions in order to win favor from local officials, while at the same time ignoring major problems within the workplace, such as low salaries (Whittaker 2006). His comment, however, was made before the onslaught of the violence in 2008 and does not refer specifically to Juárez. Furthermore, detractors of the maquiladora industry do not make any mention of community development initiatives, possibly reflecting their incomplete knowledge of the industry's activities. As a result, it is difficult to determine the industry's contribution to the security of the city. Contribution to femicide and blatant disregard for labor rights are inexcusable, yet the industry's positive contributions should not be ignored. Perhaps the industry's increased social contributions signal a change in outlook, but only time will tell.

Business Associations

Business associations in Mexico are both important and numerous. Between my two research trips to Oaxaca and Ciudad Juárez I interviewed representatives from eight different

commerce associations, and there are many more to be found in those cities as well as the rest of Mexico. There is evidence beyond my own observation to support the claim that the prevalence of business associations in Mexico is unusually high. Ben Ross Schneider's (2002) research on Mexican business organizations reveals the forces behind this phenomenon. He asserts that Mexican businesses invest much more time and money into associations than do the private sectors in other Latin American countries. Schneider claims the reason for this high level of organization stems from the traditional exclusion of the private sector by the political elites of the country. While the PRI included other sectors of society into its structure through cooptation during the twentieth century, big business was never incorporated. Moreover, because the PRI promoted its own members to different positions, rather than outsiders, the private sector was never represented in the executive bureaucracy the way it was in other Latin American countries. Schneider notes that though the PRI accepted contributions, it generally could depend on its own resources made available through the state (2002).

From this analysis it is possible to infer that the PRI did not need the private sector's funding in order to operate, since it had a monopoly on power and taxation, and therefore did not include business in its power structure.¹⁷ As a result of this exclusion, well-organized business associations emerged in order to serve as channels for access to politicians (Schneider 2002). This legacy has continued and is manifested in the high number of business associations still operating today, more than a decade after the PRI lost the presidency in 2000. These associations play a fundamental role in promoting peace. In addition to providing representation, business associations offer a forum to network and share ideas, provide the space necessary for collaboration and peacebuilding to occur, and help increase trust among members. During

¹⁷ PRI candidates did accept endorsements and contributions from businesses.

interviews, almost all association representatives describe a greater willingness of members to work with other members of the same association. By virtue of belonging to the organization there is greater trust in the person; each member is vetted, pays dues, and shares the goals of the organization. The idea of physical space being necessary to successful peacebuilding is championed by John Paul Lederach in his seminal work, *Building Peace: Sustainable Reconciliation in Divided Societies* (1997). Lederach claims space allows different parties to interact with each other and move towards peace. Though Lederach's work is intended to guide negotiations between conflicting factions in society, the concept of space as necessary to facilitate peacebuilding also applies to violence in Juárez. Through business associations, members of the private sector are able to safely discuss issues regarding peace. As a result, business associations are a useful tool for private sector peacebuilding.

Coparmex

Coparmex was established to guard business against a state policy involving labor markets and union organization. Economic elites formed Coparmex in 1929 to represent employers from different economic sectors and to advocate for revised labor law, decreased state intervention in the economy, and stronger autonomous business associations that crossed sectors. The organization's ideals were based on Catholic social doctrine and free-market liberalism. Since its establishment, Coparmex has remained one of Mexico's strongest business associations (Schneider 2002). Today, Coparmex defines itself as, "An employers' union, an association of businesspeople, of free and democratic participation, that defends and promotes their legitimate interests, such as free business, free markets with social responsibility, and the conditions that make prosperity possible for all Mexicans" (Coparmex 2012).¹⁸

¹⁸ Translated from Spanish

Coparmex positions its greatest challenge for 2012 as public security. The association aims to mend Ciudad Juárez's negative image abroad in order to shift the world's focus back to its strengths, such as competitive geographic location and excellent human capital. Carlos Chavira, President of Coparmex Juárez, talks about the creation of a *Consejo Privado de Promoción Económica*, or Private Council for Economic Promotion, to promote the region to large corporations and demonstrate that Juárez is equipped with the necessary infrastructure, skilled workforce, and experience to yield profitable investments. Furthermore, Coparmex lobbies on behalf of the city, an especially important role in light of the upcoming presidential elections in July 2012. Chavira comments about the economic support Juárez provides to the country, "Juárez contributes a lot to the national economy and it is time we receive the treatment we deserve. We have a great opportunity and great responsibility for all *juarenses*. We must be firm in our petitions and require [politicians] to support Juárez in solving our problems"¹⁹ ("Carlos Chavira: Presidente de Coparmex Juarez, Liderazgo con Resultados" 2012). Here, Chavira and Coparmex demand Juárez receive the help it both deserves and desperately needs. As one of the top industrial centers in the world, the city has a history of economically supporting Mexico and helping the country grow. Therefore, Coparmex argues the country must now help Juárez in its time of need and support its recovery.

Juárez Competitiva (Competitive Juárez)

Juárez Competitiva, or Competitive Juárez, was a conference held from October 13-29, 2011 to promote the business potential of the city both within Mexico and abroad. The conference was a private sector effort initiated by Coparmex. The conference's website (2011), juarezcompetitiva.org, cites local, national, and international negative public opinion as an

¹⁹ Translated from Spanish

impediment to economic development. *Juárez Competitiva*, therefore, aimed to attract investors through promoting a positive image of the city and showcasing its abilities, such as intellectual talent, production of goods, scientific and technological advances, and arts and culture.

Participants at *Juárez Competitiva* included high profile figures, such as Rudy Guiliani, Mikhail Gorbachev, Carlos Slim, and other important business and political actors, indicating the importance and prominence of the event in the international business arena. Carlos Chavira, the architect of *Juárez Competitiva*, as well as Guillermo Chavez both laud the participation of businesses in the conference and highlight their organizations' contributions. Chavira explains the conference's greatest successes were the recuperation of public spaces, support of world leaders, the demonstration of "normal" life in Juárez, and the passing of the sixteen days of events without a security incident ("Carlos Chavira: Presidente de Coparmex Juarez, Liderazgo con Resultados" 2012). Moreover, *Juárez Competitiva* enjoyed the financial support of a multitude of businesses in El Paso, Texas and Ciudad Juárez (Rentera 2011).

Juárez Competitiva is an instance of private sector peacebuilding in three ways: improving the city's image, the creation of a space for peacebuilding, and increasing cooperation across different sectors in the city. *Juárez Competitiva* directly confronted the city's negative reputation on a large scale as well as attempted to address businesses' hesitation to invest in the city. As mentioned earlier, a negative reputation greatly damages the city's potential for business development and decreases domestic and international investment. The conference addressed this problem by hosting outside figures in order to demonstrate the city's vast improvement in the past few months. By promoting the business potential of the city the conference lays the foundation to sustainably rebuild the city's strength and image. Though it is too early to determine the true effectiveness of the conference, the conference generated 15 new projects

worth \$300 million almost immediately ("Reconoce Juárez Competitiva el apoyo de alcalde" 2012). Therefore, Juárez Competitiva represents a concerted private sector effort to promote peace and prosperity and has the potential to attract significant investment to return the city to its former status as a major manufacturing hub.

Juárez Competitiva also created a physical space and specifically allotted time to allow for peacebuilding. A stated objective of the conference was to serve as a space "to understand that true resistance fights for values that are considered lost... and to reinvent ourselves as a city and as a community" (Juárez Competitiva 2011).²⁰ This objective fits within Lederach's previously described theory of space as a requisite for successful peacebuilding. By providing a space in which to support a better future for the city in conjunction with international businesses, *Juárez Competitiva* allowed for large scale collaboration about how to improve the city. During the conference different factions of society, local, national, and international, intermingled at a variety of events. These events provided a forum for people to interact, share ideas, and promote a more stable and peaceful future for the city.

In addition to bringing together the Juárez business community with outside corporations, *Juárez Competitiva* brought together all sectors of local society. Though a private sector initiative, the public, educational, and social sectors of the city were all responsible for the successful completion of the event. Chavira states,

"It was an idea that grew and strengthened with time as more and more organizations and people joined; it was groundbreaking in the history of Juárez and Mexico. It helped us see ourselves in a different way, to understand that we are capable of achieving profound changes in our attitude that can help us resolve the way we are seen by others, but mostly the way we see ourselves"²¹ ("Carlos Chavira: Presidente de Coparmex Juarez, Liderazgo con Resultados" 2012).

²⁰ Translated from Spanish

²¹ Translated from Spanish

Chavira's statement indicates the importance of community participation in order to achieve change. *Juárez Competitiva* offers a cause around which the community can rally, and has resulted in a successful effort not only economically, but also in community unification. Various sectors working together to improve the city allows different parties to understand each other more and form new relationships that will continue to be beneficial in the future. As a result of the variety of ways the community benefits, *Juárez Competitiva* represents an extremely effective example of private sector led peacebuilding.

Todos Somos Juárez (We Are All Juárez)

Todos Somos Juárez, or We Are All Juárez, is a federal government program that collaborates with the government of the state of Chihuahua, the municipal government of Ciudad Juárez, and the citizens of Juárez. Initiated in 2010, the program is the first of its kind in its design and implementation of public policy. It is intended to respond to the challenging and complex situation facing Ciudad Juárez, and includes 160 concrete actions to take place around the city ("Estrategia Todos Somos Juárez, Reconstruyamos la Ciudad" 2010). Due to the extreme situation in which Juárez finds itself, the city has become a test site for security and social policies, such as *Todos Somos Juárez* (Felbab-Brown 2011). The Office of the Secretary of the Economy discusses the accomplishments of the economic initiatives in *Todos Somos Juárez*. The program has helped prevent the closure of 750 businesses, created four business incubators, trained 40 people to run the incubators, and had 1003 graduates from a youth entrepreneurship program that are now working in the business incubators. The Deputy Director of the office, Gerardo Saucedo Franco, claims they have had moderate success with their initiatives, but are still hoping for improvement (Saucedo 2012).

Todos Somos Juárez has had some good, but not extraordinary, results. Private sector input has not received significant recognition; community development programs lack long-term planning; and distribution of benefits has been sporadic. Businesspeople in Juárez confirm the lackluster impact of *Todos Somos Juárez*. When asked about the program in interviews, most were unsure of the goal of the program and all were unaware of the business development component. José Luis Garcia (2012) states, “I think they have helped in some of the poor communities,”²² and Antonio Alvarez (2012) comments, “They build roads and things.”²³ As two prominent businesspeople in Juárez, their lack of familiarity with the program is indicative of its shortcomings. The impact on violence is also unclear. In some newly created public spaces, such as neighborhood parks, violence has decreased in the immediate area as a result of community rejection of gangs. In other areas, however, the opposite has occurred and the open spaces have become recruiting grounds for gangs. Other indicators of violence require more time in order to register any changes. Therefore, *Todos Somos Juárez* until now is a good idea that has not created its intended benefits.

Mesas Ciudadanas

Perhaps the most notable aspect of *Todos Somos Juárez* are the *mesas ciudadanas*, or citizen boards. In 2010, *Todos Somos Juárez* established a variety of boards composed of federal and local government officials, local businesspeople, NGOs, unions, youth groups, and community leaders to engage in the development of Juárez. This engagement is meant to reinforce civil society and its collaboration with local government (Felbab-Brown 2011). The *mesa de seguridad* is the board that deals with security. According to its website (“Quienes Somos” 2012), the *mesa de seguridad* operates with three general goals: combatting the causes

²² Translated from Spanish

²³ Translated from Spanish

of violence, the recuperation of peace and tranquility through restoring order, and the generation of trust between Juárez citizens to reconstruct the city's social fabric. The *mesa* also includes the four premises of institutional strengthening, constant self-evaluation, recognizing the urgency of the situation in Juárez, and citizen participation. The *mesa de seguridad* operates several committees dedicated to specific aspects of security: citizen trust, communication, judicial, car registration, indicators, Immediate Attention Center, municipal police liaison, highway safety, police investigation and justice, and kidnapping and extortion.

In addition, the *mesa de seguridad* has developed a series of indicators to measure crime and violence in the city. These monthly indicators show incidences of kidnapping, extortion, auto theft without violence, auto theft with violence, homicide, and robberies of businesses ("Indicadores de Seguridad" 2012); they provide a basis for comparison and serve to demonstrate improvements, growing problems, or stagnation in specific areas of security. Furthermore, several subjects pointed to the *mesa de seguridad* indicators during interviews in order to make different points or describe the progression of different types of violence, suggesting they are well respected throughout the city. One *mesa de seguridad* member's philosophy is, "If it can be measured, it can be improved"²⁴ (Renteria 2012), with the data revealing a decrease in all the major indicators of crime and violence.

Mesa de seguridad member, Jorge Renteria (2012), discusses the problems the *mesa* attempts to address and the strategies utilized. He states that prior to 2009 the business community did not worry about violence and viewed it as something distant for which the government was responsible. However, once the violence in Juárez reached such extreme levels, businesses began to realize that economic development was not possible without security and

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became actively involved in working to reduce the violence. The *mesa de seguridad* therefore, serves as a forum through which the private sector can become involved in the security of the city. Renteria (2012) states the *mesa* focuses on capacity building in Juárez as a strategy for reducing violence, rather than making accusations or becoming involved in the fight against drug trafficking. He notes, “We realized the government did not have the capacity to confront the problem of security... If we managed our businesses like the government we would have to close.”²⁵ One such initiative meant to improve government capacity Renteria describes is a police training program involving over 1000 officers that focused on reducing corruption and improving investigations in order to facilitate prosecutions. Renteria (2012) also notes that the government has been generally receptive to the recommendations and initiatives of the *mesa de seguridad*.

Plan Estratégico

Formed in 1999, the Plan Estratégico is both a non-profit organization and a plan for improving the city of Juárez. According to its website, the Plan Estratégico is “an association whose central objective is to encourage community organization through public, private, and social institutions in order to elaborate a strategic plan for Juárez to improve quality of life” (“Qué es la asociación civil” 2007). The organization aims to diagnose and resolve the city’s problems through citizen participation. The plan includes four phases, definition of the organization, diagnosis, strategic framework, and the final strategy and project (“Metodología” 2007). Lucinda Rubio, an economist by training and an original member of the organization, emphasizes the amount of time taken to carry out these various steps in order to assure the voice of the people was heard, rather than solely the opinions of a few influential figures. They spent

²⁵ Translated from Spanish

two years on the design of the project, researching the methods of other organizations. Then to conduct research on the needs of the city, they surveyed over 14,000 people through citizen forums and surveys, taking care to achieve geographical and socioeconomic diversity. The result was a tangible document reflecting the opinions of the people of Juárez that led to five long-term projects, the first of which will be evaluated in 2015 (Rubio 2012).

Though decidedly a non-profit, the vast majority of the organization's founders and funders are members of the private sector ("Socios Impulsores" 2007). This private sector support was achieved through the efforts of Miguel Fernández, the founder of the organization and respected businessperson, who convened other local businesspeople with the common goal of launching this project to improve the city. This group of businesspeople provided the seed capital to start the organization. To this day, the vast majority of the organization's funding comes from the private sector, not the government or any public entity. Moreover, Plan Estratégico's funders do not dictate the direction or activities of the organization, and allow it to function according to its well-planned, long-term goals (Rubio 2012). Rubio claims, "The reputation the Plan has within the private sector is one of an organization committed to its mandate of a community oriented agenda" (2012).²⁶ The private sector's support of this organization indicates its genuine desire to improve Juárez. Rather than meddling in the Plan's activities or demanding quick results, private sector funders have allowed the organization to carry out its mission.

Ciudad Juárez Analysis

The outcomes of private sector contributions to peace in Juárez are more difficult to evaluate than in Colombia as they are all recent or ongoing initiatives. One clear trend is that of

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the use of business associations or collaborative efforts. Unlike in Colombia, where the most successful instances of private sector peacebuilding are individual businesses, efforts spanning various organizations are the most common in Ciudad Juárez. All of the peacebuilding efforts described encompass an industry, represent a segment of the private sector, or are collaborative efforts between business, government, and civil society; the maquiladora industry is made up of various different companies; business associations and Coparmex represent different factions of the private sector; *Juárez Competitiva* was a collaborative effort between the private sector, business associations, and local government; *Todos Somos Juárez* and *mesas ciudadanas* are collaborative efforts between federal and local government, the private sector, and civil society; and the *Plan Estratégico* is a private sector funded non-profit organization working on behalf of the city. It is always possible there are individual businesses undertaking efforts to reduce violence in Juárez that I did not encounter during my trip. However, due to the wide breadth of people with whom I spoke, I feel confident in saying the majority of business-led peacebuilding efforts in Juárez are collaborative. Additionally, many of these initiatives involve federal, local, or state government collaboration. As discussed, the Mexican state has historically been a powerful force in the country due to PRI dominance, and it is therefore understandable that the state continues to exert influence in private sector peacebuilding.

A possible explanation for this high level of collaboration is the private sector's traditional use of business associations in order to be heard in politics. As previously discussed, Mexican business associations have a long history of facilitating private sector access to politicians. Moreover, the NAFTA negotiations in the early 1990s demonstrate a previous instance in which businesses relied on associations in order to present a united voice to raise concerns about the direction of the trade negotiations. Until 1992 most business associations,

those representing both large and small to midsize businesses, promoted NAFTA as a mechanism that would increase exports and raise the standard of living. It was believed the trade agreement would eventually benefit all sectors of society through healthier public finances, inflation levels, and trade balances. However, once it became clear that NAFTA would exacerbate barriers facing small to midsize businesses, business associations served as a mechanism to voice concern prior to the 1994 presidential elections. As a result, many of the traditional business associations, such as Canacintra, Concamin, and Coparmex, began to criticize NAFTA for its failure to address microeconomic issues facing all but the largest businesses. These three organizations lobbied the Mexican government for legislation to help small to midsize businesses in order to make up for the shortcomings of NAFTA. Due to this pressure, the Salinas government created some mechanisms aimed at facilitating the growth of small businesses, as well as enacted some banking reforms to increase access to credit (Johnson Ceva 1998). Though small to midsize businesses were not able to obtain all the changes they desired, the progress made was due to the collaborative efforts of business associations working on their behalf. Therefore, it is possible this strategy is still in use today, and businesses continue to work for change through associations, rather than as individual entities.

Additionally, as in Colombia, almost all of the examples of private sector peacebuilding are local initiatives. They either stem from local chapters of business associations, federally funded programs based in Juárez, or NGO activity in Juárez. All the people involved are local community members and therefore stakeholders in the peacebuilding process. The maquiladora industry is the only entity discussed that is not necessarily a local business. Due to its position on the border of the largest economy in the world, Juárez offers a strategic location for their operation. Though this factor is the reason so many maquiladoras are located in the city, Juárez is

not the only city in which these factories exist. These kinds of factories exist in border towns throughout the U.S.-Mexico border, as well as in the interior of the country and in developing countries around the world. As a result, though it may be a context specific industry, in that low labor costs and location are parts of the business strategy, the industry is not context specific. Moreover, the owners of these internationally owned factories are not located in Juárez and not stakeholders in the resolution of the conflict. Therefore, the maquiladora industry's contribution to peacebuilding is not a successful example. Though the industry gives to the community in some ways, its involvement in labor abuses and femicide taint its contribution.

Business-led peacebuilding in Ciudad Juárez strays from the Colombian examples in that business works outside of its expertise and in response to general, rather than specific, violence. In Colombia, businesses that attempted to undertake initiatives unaligned with their operations resulted in only mixed success, whereas businesses that remained true to their expertise were able to reduce violence. In Juárez, however, all examples of business-led peacebuilding are outside the realm of normal business operations. Initiatives are either through NGO work or involve government collaboration. Therefore, the previously discussed principle of “business should stick to business” does not apply in Juárez. It is possible Mexico's tradition of business collaboration to achieve goals is responsible for the multitude of collaborative peacebuilding initiatives. However, as all of the described initiatives are ongoing, it remains unknown whether they will be successful.

In addition, none of the Juárez examples are in response to direct violence. Successful Colombian private sector peacebuilding efforts were all in response to direct violence, such as the ELN kidnapping in the Valle and Cauca departments, guerrilla threats against Indupalma, and encroachment of armed groups on coffee territory, while efforts in Bogotá and Medellín to

address general violence were less successful. In Juárez, all interviewees describe peacebuilding initiatives as responses to the general climate of extreme violence, rather than specific events. Individual businesspeople point to changes in behavior due to specific threats or acts of violence, such as changing habits or adjusting business strategy. These changes in behavior, however, are not meant to foment peacebuilding, but rather avoid future instances of violence. As a result, business-led peacebuilding initiatives are all in response to the climate of extreme violence in the city, rather than specific threats or attacks against a certain business.

Empowerment is also a factor in Ciudad Juárez, though in a different manner than in Colombia. As mentioned, business associations give a collective voice to the private sector, thereby empowering small to midsize business that would otherwise struggle to be heard. Furthermore, the emphasis on citizen participation in many of the initiatives empowers ordinary citizens to contribute to peacebuilding efforts in their city. *Todos Somos Juárez* and the *mesas ciudadanas* both require civil society participation in order to function. As a result, ordinary citizens also have a voice in the future of the city. The *Plan Estratégico* also necessitates civil society participation. Its initial methodology of surveying the entire city, including poor areas, was meant to assure an accurate assessment of the city's problems and needs. This method allowed traditionally marginalized communities to articulate the specific problems they face and be integrated into future plans and programs. Therefore, empowerment also plays a significant role in business-led peacebuilding in Ciudad Juárez.

Another similarity between the Colombian cases and Ciudad Juárez is the tendency of businesses to become involved in peacebuilding when violence becomes too costly. As previously discussed, there are a variety of financial and other costs violence exacts on the private sector. For many businesses, there is a point at which the cost of internalizing conflict

becomes too great, and they will decide to explore peacebuilding options. In Colombia, many businesses point to the upsurge in violence in the mid-1990s as the tipping point at which the cost of internalizing violence outweighed the benefits (Guáqueta 2006). In Ciudad Juárez, Jorge Renteria (2012) notes that prior to 2009 businesses were not very concerned with violence in the city, but became involved in the *mesa de seguridad* after violence reached extreme levels. Therefore, a pattern emerges that can predict when businesses will begin to explore peacebuilding options, when the cost of violence outweighs the benefits of internalization. This concept is not meant to imply that all businesses will engage in peacebuilding in the face of extreme violence, but rather indicate the point at which interested businesses will pursue the option. Adrienne LeBas makes a similar argument about conflict leading to stronger institutions, in this case democracy in some African countries, in her book *From Protest to Parties: Party-Building and Democratization in Africa* (2011). She claims negotiated or pacted-transitions are less likely to lead to democratization than more highly contested processes, and asserts political actors are not likely to form successful democratic institutions without the push of conflict. LeBas' idea, of violence acting as a catalyst for positive change, is also demonstrated in the given examples of business-led peacebuilding, and therefore supports the concept.

CONCLUSION

The private sector is an incredibly large entity comprised of an ever growing number of members. These members are diverse in all possible ways, varying in size, goal, location, ownership, structure, etc. The private sector cannot be described as good or bad, or beneficial or harmful. It is all of those things and none of those things. To generalize about the private sector is as futile as it is meaningless. Regarding peacebuilding, to label the private sector as harmful to peace, as many people tend to do, is to eliminate the potential to engage in a meaningful conversation with its members. Businesspeople concerned with violence in their communities will not engage with activists that unquestioningly label their activity as negative, and blame them for the conflict. Derek Sweetman supports this idea in his book, *Business, Conflict Resolution and Peacebuilding* (2009), asserting, “The concept of business-based peacebuilding is of particular importance to conflict resolution practitioners and other peace workers, since potential contributions from businesses have primarily been either ignored or even discouraged.” Here, he acknowledges the tendency of practitioners to devalue the private sector’s potential contribution to peacebuilding (Sweetman 2009). Instead, practitioners in the field of peacebuilding should understand and recognize the diversity of the private sector, and look to form relationships with businesspeople wishing to work towards peace.

Sweetman (2009) also recognizes that private sector action alone is not the answer to achieving peace. Instead, he advocates for incorporating the private sector into peacebuilding activities. This concept is the main idea readers should take away from this paper. I do not intend to promote private sector peacebuilding as the best or only way to reduce violence. The private sector alone is not equipped to be a lone actor in conflict resolution and is not meant to undertake this role. Therefore, the given instances of business-led peacebuilding are meant to serve as examples for how businesses can contribute to peace when they find themselves in violent

contexts. As a large and powerful player in society, the private sector holds huge potential to contribute to peacebuilding, and it is therefore important to understand the ways in which it can contribute to peace.

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