

BUSINESS COMMUNITIES AND PEACE: THE COST-BENEFIT CALCULATIONS OF POLITICAL INVOLVEMENT

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This work explains the relative lack of involvement of Jordanian and Palestinian business communities in the Middle East peace processes. Based on interviews held with businesspeople, analysis of policy documents and secondary materials and textual sources, several explanations for this political inactivity are examined. First, the limited interest of the business community in the peace process underscores its limited commitment to peace. Second, the business community's inability to organize prevents effective collective action. Third, the business community is not significant enough to influence the political process. And, fourth, the estimated risks and costs of political involvement overshadow the potential benefits of peace. We find that while the business community has an interest in peace, it remains largely passive because fears of Israel's economic domination limit the perceived gains, and, more importantly, the perceived risks and costs of political involvement are high. Consequently, while some businesspeople cooperate with Israelis, this cooperation is generally kept quiet and does not translate into visible political support for the process.

INTRODUCTION

The involvement and support of the Israeli business community in the various peace processes in the past two decades has been clearly evident.¹ However, while Israeli businesspeople identified peace as a major interest and were quick to lend their support to peace initiatives, their declarations and actions were not matched by their Palestinian and Jordanian counterparts. The voice of the Arab business communities was conspicuously missing from the peace process, which would supposedly have a positive influence on the economy and, consequently, be of interest to them. Business involvement was absent not only throughout the stages of the

PEACE & CHANGE, Vol. 33, No. 3, July 2008
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process but also after agreements were signed and attempts to create a “warm peace” were made. Arab businesspeople were reluctant to cooperate, and if they did, they usually preferred to keep a low profile. This position of businesspeople and business communities has significant implications, as discussed below, for the ability to involve business in the peace process and use its power to transform protracted conflicts.

The purpose of this article, based on 23 interviews with Palestinian and Jordanian businesspeople, as well as other primary and secondary sources, is to develop some explanations for the seeming apathy of Arab businesspeople to the peace process. This understanding is significant because many peace processes, including the Middle East peace process in its early stages (and possibly in the future), rely on economic development as a tool for peace making. In the two case studies selected for this article, the business communities display limited interest and involvement in the peace process in spite of its potential for economic development, supposedly a significant business interest. This seeming paradox can be resolved by the realization that political intervention always has costs and is conditioned by cost-benefit calculations. Thus, when businesspeople decide to take action, they must be convinced that it has a good chance of success and that the benefits outweigh the risks and costs.

Specifically, the passive stance of Arab businesspeople raises four interrelated questions that also serve as alternative explanations for their political choices. First, do Jordanian and Palestinian businesspeople and business communities have an interest, be it economic or otherwise, in peace with Israel? Second, are these business communities capable of collective action to support peace? Third, what are the potential risks and costs of such political involvement? And fourth, does the business community have sufficient political influence to make political intervention worthwhile? Combined, these questions relate to the cost-benefit calculations associated with organizing for peace. We will return to these questions after we develop the theoretical framework below.

The interviewees for this research were senior businesspeople involved in business organizations and/or business relations with Israeli counterparts. The sensitivity of the subject made the interviews a difficult task, and most interviewees asked to remain anonymous. While the interviewees were not necessarily a representative sample of the business community, they were asked not only about their own opinions but also of their experiences and perceptions of their business community. This preliminary research, therefore, provides significant insights into the role of Arab business communities in the peace process.

BUSINESS, BUSINESS POWER, AND PEACE

The role of business in conflict resolution and peace building has been described recently by the Secretary General of the United Nations as "crucial, for good and for ill."² Business people and groups, on the one hand, have been involved in the manufacture and export of arms as well as in the exploitation of and trade in lucrative natural resources in war-torn areas.³ On the other hand, it has been argued that businesses not only have a stake in the resolution of violent conflicts but also the capacity to create the "peace dividends" that could change priorities and lead to the reconciliation of protracted conflicts.⁴ The term "peace dividends," originally used to examine the effects of redirecting "unproductive" defense spending at the end of the Cold War, was also used to describe the attempts of regional and core powers to devise and influence peace in local, sometimes marginal, but important conflicts.⁵ After the Cold War the potential role of business in peace processes was perceived especially positive, because the benefits of peace included global integration and economic growth.

The linkage established between peace and economic growth or prosperity allows for a greater involvement (and influence) of business in peace processes. First, peace dividends are the result not only of decisions made by major states but also of the investment strategies of private business that contribute to growth. Second, in conflict zones the business community is sensitive to the costs of the conflict and, given its international ties, aware of the potential benefits of the conflict's resolution.⁶ Thus, the potential or real peace dividends in the form of global integration could motivate the business community and its allies to actively support peace.⁷ Finally, the acquired political power of business provides it with an influential position vis-à-vis policy-making processes, so it can successfully promote peace.

Business communities are believed to hold a "distinctive privileged position" in democratic politics.⁸ This position is explained by close social and ideological ties between economic and political elites, contributions made to campaigns, skilled lobbyists employed by business to promote and protect its interests, the ability to shape public opinion, and the dependence of the state on "business confidence."⁹ Resources and capabilities, however, are not automatically translated into power over outcomes and political influence. Thus, the claim that business "always gets what it wants" often flies in the face of empirical fact when business is unable to exercise its supposed power and suffers political losses with economic consequences.

Studies of business communities in peace processes reveal a complex picture. A study of the involvement of Israeli and Northern Irish businesses in the early stages of the peace process found that despite the organization, mobilization, and (seemingly) political power of the Israeli business community, its impact on the peace process was limited. The study also found that after an initial phase of political involvement, the business community seemed to withdraw from politics and refrain from organized intervention.¹⁰ Conversely, in Russia during its transition period from communism, liberal elites with an interest in peace and a smooth transition to a globalized market economy prevailed over other elites more prone to conflict. Specifically, political and economic winners in Russia's transition pursued foreign policies that avoided international conflicts because they stood to gain the most from peaceful foreign relations.¹¹ In South Africa the business community, sensitive to the economic costs of the embargo placed on the apartheid regime, pressed the government for democratization.¹²

As mentioned above, business power depends on a common interest, organizational capacity, and political influence. Unity is critical because, regardless of its accumulation of resources, business will be a powerful political player only to the extent that it is capable of mobilizing as a politically unified force.¹³ Research shows that the business community is often fragmented¹⁴ and businesses either do not have a common interest or are unable to overcome collective action problems. Businesspeople may have different or contradictory interests that may prevent cooperation; they might find the costs of political action too high; they might fail to organize because of a collective action problem. Even if business is able to overcome these problems, its ability to exert influence and shape policy depends, first, on power relations between business and government and, second, on its general stance in the broader society. Thus, while the state and government are dependent upon business performance, business is equally dependent on decisions and policies of governments that protect its property and regulate its activity. In addition, where political issues are wider in scope and pertain to questions of national identity and sentiments, in order to exert influence business has to co-opt wider circles for support.

The literature on business and politics concentrates on liberal-democratic regimes where business operates as an interest group through the various channels of influence described above. Business may have political influence in other types of regimes as well, where governmental officials must reckon with a group that is in a position to

tie up the economy.¹⁵ Business and governments in nondemocratic regimes could develop a relationship in which government supports business through bureaucratic favoritism and protection and, in return, businesspeople provide government not only with revenues but also with international linkages through their business interactions. Businesspeople in these regimes can also enjoy broader political power through their economic and social position as providers of employment and resources. Thus, while business in nondemocratic regimes may not have the same channels of influence as in democracies, it can achieve a dominant political position through other means and can influence political processes.

Political compromises to resolve external conflicts provide a good test case of business' power in democracies and nondemocracies. On the one hand, peace can present a common interest around which a business community can be formed. On the other hand, peace encompasses issues beyond pure economic matters, is of concern to many people, and involves other considerations. Consequently, political intervention in controversial peace processes has higher risks and costs. Collective action by the business community is different in nondemocratic states where the capacity to organize is limited. However, neither public opinion nor business interests can be discounted, because nondemocratic governments also need legitimacy, often related to economic performance and national identity.

Business' intervention is expected to be based on a cost-benefit analysis that takes into account the perceived benefits of peace, the local costs and risks of intervention, and the estimated ability to make a difference. Thus, a businessperson would ask if the benefits of intervention exceed the costs and whether intervention would make a difference. Peace could provide belligerent states with economic globalization opportunities precluded by the ongoing conflict. While globally oriented businesspeople are likely to support this process, locally oriented businesspeople, or those in less developed states, might perceive peace and globalization as an economic threat that endangers their secured position by exposing them to international competition. Similarly, business that benefits from state protection, as is the case in some non-democratic societies, can be indifferent to the promises of globalization. Business, therefore, could be hostile or indifferent to a peace process if it does not stand to reap benefits from it.

Even if business does perceive peace as economically beneficial, it must convince others of its benefits. Individuals and groups might be

indifferent or hostile to peace, either because the benefits of peace are marginal for them or because peace entails compromises over issues that pertain to national security and identity. In such cases, the business community would have to consider not only the benefits of peace but also the risks of politically identifying with a controversial peace process. Thus, the cost-benefit analysis of businesspeople for political involvement would include a number of factors. First, is the general perception that peace would be economically beneficial? Second, if so, does business have an ability to organize collectively to achieve its collective interest? And, third, what is business' perception of its social position and its ability to make a difference through its political involvement? The legitimacy and political efficacy business enjoys in the broader society underlies its capacity to influence the peace process by presenting its interests—peace and global integration—as universal rather than particular. If it is successful in presenting this case, business can then lead the society in a desirable direction.

RESEARCH HYPOTHESES

The questions developed above regarding business' interests and abilities to promote peace will be examined in this article through the involvement or lack thereof of Jordanian and Palestinian businesspeople in the peace process. As explained above, the passive stance of these business communities, especially in comparison with the Israeli business community, requires an explanation. The Palestinian Authority and Jordan are not liberal democracies, but they are not autocratic regimes either, since there is active political debate in both on the role of business. Jordan is a constitutional monarchy with an elected bicameral national assembly, and its political parties and the media engage in active political debate. The Palestinian Authority, established in 1994 following the Israeli–Palestinian Oslo Accords, is a far less coherent political system. It holds at most limited territorial authority, and since the collapse of the Oslo peace process in 2000, it has been further undermined. Yet, elections have been held in the Palestinian Authority and public debate on various issues is ongoing. In both cases, Palestinian and Jordanian, we argue that there is a potential for business involvement in the debates over relations with Israel.

We used interviews conducted with businesspeople in Palestine and Jordan, as well as documents and secondary materials, in order to understand their perceptions of peace, interests in peace, and political

capabilities—namely, the cost-benefit analysis that underscores their choices.

Interviews with businesspeople were a sensitive process. They were conducted in the midst of the “second Intifada,” a period of violence and high tensions. Many businesspeople feared to be identified and declined to be interviewed. Those who did agree to be interviewed asked to remain anonymous. The interviewees were located either by their public involvement in business associations or by a “snow ball” technique where participants were asked to suggest other names. The research includes 23 interviews, 13 with Palestinian businesspeople and the rest with Jordanians. Interviews with the Palestinian businesspeople were held at checkpoints or in Israel. Most of the interviews with the Jordanian businesspeople were held in Israel or at border crossings between Israel and Jordan. We also used business conventions and seminars to meet with businesspeople. Those who participated are obviously not necessarily a representative sample of the business community. However, the perceptions of those who are cooperating with Israel or would be willing to cooperate is significant in itself. In addition, interviewees were asked to describe perceptions in their business community and society at large in order to gain a broader perspective.

We suggest several potential explanations for the passive stance of the business communities in Palestine and Jordan. First, the business communities have a limited capability to organize and act politically because of the nondemocratic political structure of their states. Second, rather than a business community with a common interest, there are split interests and worldviews that make collective action difficult and raise the costs of political intervention. Third, the business community does not have the status and leadership among the public that would allow it to act politically. Thus, fourth, the economic benefits of peace are matched by the costs of popular opposition to peace and the risks of social and economic sanctions. Finally, fifth, businesspeople are concerned about Israel’s economic power and technological advantages, so the benefits of peace seem either small or unevenly divided.

Using two different case studies, we will demonstrate how these explanations pertain to different aspects of the cost-benefit calculations. While these cases share some similarities that justify comparison, they are also different enough to expect different trajectories. Jordan and the Palestinian Authority both share similar incentives for peace and are wary of their economic inferiority vis-à-vis Israel. However, Jordan’s independence and the longer history of its business community create

different incentives and constraints than those of Palestinian businesspeople. We will return to this discussion in our conclusion.

BUSINESS AND PEACE—JORDAN AND PALESTINE

Both economies, the Jordanian and Palestinian, could potentially benefit from peace and global integration, so we would expect their business communities to have an interest in peace. The Jordanian economy recovered from a deep recession in the 1990s through a series of political and economic reforms. Since 2000, Jordan has been a member of the WTO. In 2002, it signed a free trade agreement with the United States and has also made agreements with the EU. The main beneficiary of the reforms was the business community, which reaped the profits of economic growth and was expecting increased global integration.

Since 1967, the Palestinian economy has been absorbed into and become dependent upon the Israeli economy. This forced integration was a mechanism of Israeli control of the West Bank and Gaza and largely prevented independent economic development. The business community prior to the Oslo Agreements was rather small and associated with the old elites and small-scale industries. In 1993, the Palestinian economy was in shambles. Heavily dependent upon Israel, it was paying a grave economic price for the uprising of the 1980s (the Intifada) in terms of a decline in productivity, trade with Israel, and employment in Israel. In addition, Palestinian support of Iraq during the Gulf War resulted in the termination of aid from Kuwait and Saudi Arabia, and ended remittance income from Palestinians working in the Gulf, who were deported.¹⁶ After the Oslo Agreements, however, Palestinian businesspeople from abroad came to the West Bank and Gaza, and young entrepreneurs also began operating various economic initiatives.

Liberal prescriptions for peace, especially in Israel, conceived the economic development of the region as the backbone of the peace process. Thus, the vision of the *New Middle East* (henceforth NME), written by Shimon Peres and published in 1993, outlined a vision of a peace project between Israel, the Palestinians, and the wider Arab world. It was based on what was described as a new reality and new possibilities associated with globalization. Within Israel, this concept indicated a paradigmatic shift among policy makers and bureaucrats away from the conceptualization of the conflict as inevitable, permanent, or intractable.¹⁷ Accordingly, the NME provided a blueprint for the future of the region

based on economic rationality, peace, democracy, cooperation, mutual gain, and general prosperity.

In the past, national relations were contingent on quantitative factors: size of an area, natural resources, population density, locations. Countries competed to own or control these resources.... Toward the end of the twentieth century, relations began to take on a new, qualitative dimension. There was increasing significance in scientific progress, rapid communication, methods of data collection, higher education, artificial intelligence, high technology, and fostering a peaceful environment that creates wealth and goodwill. These are the elements of contemporary power. The scale has tipped in the direction of economics rather than military might. Armies might conquer physical entities, but they cannot conquer qualitative ones. At this stage of the game objects that may be subjected to a military takeover are no longer of value.¹⁸

Like elsewhere across the globe, according to the NME, borders have become irrelevant in the Middle East, even for the purpose of national defense, which now requires wide-ranging regional arrangements. The continuous focus on borders and territoriality impedes the ability of the Middle East to integrate globally, retards economic development and, as a result, neither pacification nor democratization can happen. The limitations of the economic logic of the NME were soon revealed as the Arab public, and more significantly, the Arab business communities, remained reluctant and aloof from the developments following the peace process. While the Israeli business community showed great enthusiasm toward regional developments, their Arab counterparts did not share their enthusiasm.

The Casablanca Summit that convened in November 1994, a year after the Oslo Accords were signed, brought together more than a thousand businesspeople. Beyond the historic decision to end the Arab boycott of Israel, the summit also set forth common economic goals. The plans included a regional bank, tourism council, chamber of commerce, and a steering committee to implement these ideas. Indeed, the descriptions in the NME written 4 years later by Shimon Peres, which envisioned a regional peace based on mutually beneficial economic cooperation, seemed to be unfolding in reality. In the spirit of the NME, U.S. Secretary of State Warren Christopher, addressing the summit, urged all countries to pursue peace and market economics.

If the forces of peace prevail and if governments here adopt free market reforms, the Middle East and North Africa will enjoy an era of economic growth that exceeds anything they have seen in this century. There is no reason why the economic miracles that are transforming parts of Asia, Eastern Europe, and Latin America cannot transform this region. I can foresee a day when the 300 million people of the Middle East and North Africa, so long held by strife and hatred, can finally join the mainstream of international commerce.¹⁹

Many of the ideas and initiatives that were raised in Casablanca never materialized, but what was also significant to this discussion was the reaction of the Arab businesspeople to the overbearing presence of their Israeli counterparts. In the follow-up summit in Amman, a year later, the Foreign Office advised Israeli businessmen to learn the lessons of Casablanca and tone down their message.²⁰ While Casablanca was a breakthrough in terms of the meeting between Israeli and Arab businesspeople, it was also an indication of the different perceptions and the distance between the business communities.

THE JORDANIAN BUSINESS COMMUNITY

The Jordanian business community consists largely of Jordanians of Palestinian descent. It is considered a powerful interest group that has been able to curb the process of democratization and liberalization and to check the growing power of the public sector, dominated by the Bedouin tribe people. Thus, the business community supported economic reforms that included budgetary cuts but opposed wider political reforms. The business community has several organizations that act as interest groups such as the Jordanian Business Association, Jordan Trade Association, Amman Chamber of Industry, and the Federation of Jordanian Chamber of Commerce, which has more than 70,000 members. In spite of the large number of associations and interest groups, the interviewed businesspeople estimated that its political influence is limited to internal matters and is negligible with regard to issues of foreign affairs.

The peace process with Israel raised the question not only of the Jordanian business community's ability to influence the developments but also their stake in the peace process and, consequently, their interest in taking a stand. Some Jordanian businesspeople have made an explicit connection between peace and economic growth. One important Jordanian

businessman, Omar Salah, explained that a “Marshal Plan” associated with the peace process would help the region much more than military efforts.²¹ Indeed, the American-supported Qualifying Industrial Zones (QIZ) established between Israel and Jordan were joint ventures that enjoyed the privilege of customs-free exports to the United States and supplied jobs to many Jordanians. Also, exports from Jordan to Israel rose from \$13 million in 1996 to \$130 million in 2003.

Businesspeople, however, also had to weigh the risks and costs of political intervention. “[We] were unable to come out of the cold,” explained one businessman. “Dealing with Israel was hidden because the political environment did not allow speaking out about the advantages and potential of business and peace.”²² In spite of the establishment of some economic cooperation, and a perception that peace and economic growth are interlinked, there were opposing views within the business community itself. Some in the business community called for putting “values above profits” and urged businesses to refrain from establishing ties with Israel as long as the Palestinian question remained unresolved. Consequently, the voices within the business community that objected to the normalization of relations with Israel stressed both the need to stand by the Palestinians and the uneven benefits of peace.

The Jordanian “man on the street” has not yet seen the promised peace dividends.... Israel cannot remain isolated forever in a fortress mentality and should respect the trade agreements with its neighbors.²³

Even businesspeople interviewed for this study who had some connection with Israel estimated that only a minority of Jordanian businesspeople would benefit from economic cooperation. Moreover, it was medium-size businesses rather than large businesses that took part in joint Israeli–Jordanian ventures. While active opposition to economic cooperation could be the work of a minority within the business community, it was able to “mark” those involved in business with Israelis and expose them to external condemnation. The peace process with Israel was controversial in Jordan because there was strong opposition to the normalization of relations. When the Israeli–Palestinian process collapsed in 2000, the voices opposing normalization grew stronger, so businesspeople considered ending their cooperation with Israel. As one of them explained, “It is time for the private sector to put pressure and end all forms of cooperation with the Israelis despite the peace treaty with Israel.... There is no more justification for maintaining relations

with the Israelis.... It is a shame on any industrialist to have any kind of deals with Israeli businessmen."²⁴

The major concern of Jordanian businesspeople from the start was the reaction of the public to their cooperation with Israel, so those who did cooperate kept a low profile. The Islamic fundamentalist groups have led the opposition to the peace process and normalization. Their tactics have included not only demonstrations but also, as interviewees indicated, the publication of a blacklist of politicians, academics, and businesspeople who cooperated with Israelis. The opposition also targeted the bar association and the Association of Jordanian Journalists. The link between journalists and the Muslim groups was especially troubling for businesspeople. "People who cooperate with Israel are under immense pressure," explained one businessman. "The danger is that his name will be published and his business will be boycotted." His company, like other companies, continued to do business with Israeli counterparts but kept a low profile about its activity. Many businesspeople came to the conclusion that they could enjoy the benefits of a "cold peace" without taking an active part in the peace process. "Why should they try?" asked a businessman whom we interviewed. "Without talking about peace, working for peace and even without real peace you can do business with Israel ... you know what? You can also do business with Israel without anyone knowing about it."²⁵

The debate in the business community was not only about the costs and risks involved in political intervention for peace but also about the actual benefits. Of special concern to the business community was the asymmetry between the Jordanian and Israeli economies and Israel's unfair actions. While the business community and others hoped that peace would bring investment and growth, it was feared that Israel would receive the largest share of the benefits. When in fact this did happen, Jordanian politicians and businesspeople expressed their disappointment and frustration.

We injected our people with high expectations ... now our people are asking: what is the point of peace? There are many agreements to be worked out, but the other side (Israel) is slow to implement the agreements ... our hopes have been dashed many times.²⁶

Until today Israel is not playing it fairly. They cannot have their cake and eat it.... Israel is not giving us access to its markets. More importantly to the Palestinian market, they are not allowing free trade with the Palestinians, Jordan's own natural market.²⁷

Jordan was taken for granted by Israel. The peace treaty could have brought many more mutual benefits.²⁸

Jordanian businesspeople, therefore, were not only concerned by the asymmetry but also frustrated with Israeli policy. Some interviewees argued that Israel is preventing Jordan from entering the Palestinian market, which they described as an “Israeli captive market” and were not convinced by Israel’s security-based arguments about preventing direct access to the Palestinian territories.

The costs and risks of political intervention in the peace process were perceived as high for Jordanian businesspeople and the benefits of peace uncertain or unevenly divided. Consequently, businesspeople were not only reluctant to take part in the political aspects of the process and speak out for peace but also preferred to keep economic cooperation they engaged in with Israel quiet in order to minimize the risks.

THE PALESTINIAN BUSINESS COMMUNITY

The motivation of the Palestinian business community for peace was stronger than that of the Jordanian, as the need for regional peace and the economic costs of the conflict for it were greater and more explicit. Gradually, it was believed, peace could lead the Palestinians from dependence on Israel to economic cooperation and independence. The chair of the Palestinian Chamber of Commerce in Bethlehem explained that these developments were already evident between 1995 and 2000 when about 9,000 new businesses, providing many new employment opportunities, were opened in the territories. In addition, the number of students in the territories in those years grew from 26,000 to 78,000, bank branches increased from 30 to 122, and hotels in the city rose from 12 to 28.²⁹

For the business community it was clear that economic development depends on peace, a message also conveyed to the government. “We, the people of the economic private sector in the West Bank and the Gaza Strip know, and we say that to the government, that peace with Israel is necessary to improve the economic situation in the future ... in spite of all difficulties we continue to invest because we believe that if we will not invest we will make it easier for the Palestinian extremists.”³⁰ Interviews with Palestinian businesspeople indicated that they believe the peace process will benefit the Palestinian people at large so, as with their Israeli counterparts, economic motivations match patriotic ideology.³¹

However, like the Jordanian businesspeople, their ability to operate was conditioned by the political context, internally, through their political leverage and, externally, by the development of the peace process.

The establishment of the Palestinian entity in 1993 and the turbulence since has given the Palestinian business community little chance to organize effectively for collective political action. Consequently, their political influence, as the businesspeople themselves admit, remained limited and often local. The Chamber of Commerce, Industrialists Union, Palestinian Trade Center, and the Palestinian Investment Promotion Agency link together many businesspeople but lack organizational and political power. Businesspeople described themselves as passive and their institutions as ineffective: "The institutions of the private sector ... are not functioning as expected of them. They are characterized by an attitude of indifference and bitterness. The people of these institutions will tell stories of the Israeli Defense Force wrongdoings and how difficult it is to move commodities from one point to another."³²

The relationship between the business elite and the political elite has been weak during the occupation and during the uprising that began in 1987 (the Intifada). However, a younger generation of businesspeople who came after Oslo are perceived to have a little more influence. Businesspeople also have limited influence vis-à-vis the bureaucracy and, more importantly, the public at large. The ability of the business community to influence public opinion is negligible, as businesspeople themselves admit that the public does not perceive them as a group whose opinion has to be considered beyond their economic activities. Businesspeople acknowledge this fact, as one of the interviewees explained: "In Palestine, we are big people in business but very small people in politics."³³ The perception of their weakness vis-à-vis politicians, bureaucrats, and society in general has led businesspeople to organize and cooperate directly with Israelis. This outreach was often matched by Israel, which granted Palestinian businesspeople a special status that allowed them to travel to Israel and abroad when other Palestinians, including politicians, were under closure.

While there is internal opposition to peace within the Palestinian business community, unlike the Jordanian case, this opposition is almost insignificant because of the dependence of the Palestinian economy on Israel and Israel's control of the borders. Consequently, an economic boycott of Israel is all but impossible so that the business community supports economic cooperation as well as the peace process, which supposedly would open up closed borders. Businesspeople

interviewed estimated that less than 10 percent of the business community is against peace either because of a specific economic interest or because of political, ideological, or “irrational” motivations. In the longer run, Palestinian businesspeople and policy makers believe that the Palestinian economy must free itself from Israeli domination, but this goal cannot be achieved at this stage.

The costs and risks of economic cooperation with Israel were considered small until 2000 because businesspeople believed their economic operations were publicly perceived as professional and legitimate. The belief in the necessity to cooperate with Israel was shared by the public so that business cooperation entailed little condemnation and risk. However, active and open support of the peace process was a different matter that could entail sanctions, especially as the peace process lost much of its public support. As a result, the political support of businesspeople for the peace process became limited to private conversations with family and friends. Some explained that they refrain from politics in order to keep their businesses intact. Others explained that businesspeople simply do not believe that they can influence the outcome: “The private sector institutions and Palestinian businesspeople have trouble in their relation with the Palestinian Authority. Unlike the respect businesspeople enjoy from the Palestinian public, the Palestinian Authority does not take them seriously[;] they are considered marginal and negligible.”³⁴

Businesspeople became more concerned about their public profile after the violent outbreaks of 2000, and even economic cooperation with Israel was perceived as more risky. Many of the businesspeople interviewed believe that while they are generally respected among the public, there are times when they are suspected of putting their personal business interests before the national-collective interest, and, consequently, their businesses and social standing are at risk. One interviewee even expressed concern that in the current anarchy, the danger was even greater: “What would prevent someone who decides that I cooperate with Israel because he sees that I promote peace from ruining my business or physically hurting me? Where are the police? Where is the law? Who will protect me?”

The benefits of peace, and more so their distribution, have also become a source of debate. Like the Jordanians, many Palestinians believe that cooperation generally benefits Israel. Indeed, some accuse Israel of using the Palestinians’ economic dependence to purposely hurt the Palestinian economy or promote other interests, like economic cooperation with Jordan. “When Israel decides to import fresh agricultural

products, it will give top priority to Jordanian products.... Israel will do its best to offer access and facilities to enable the Jordanian products [also] to reach the self-rule [Palestinian] areas."³⁵ More importantly, Palestinians argued that lobby groups in Israel, like farmers, are able to pressure the government to prevent competition from Palestinians. The conclusion of those Palestinian businesspeople was that Palestine should not sever its ties with Israel, but should strive for independence.

Palestinian economic priorities were generating employment; improving production capacity, especially in agriculture and industry, through heightened investments; enhancing private-sector growth; improving the quality of education, training, and health; and ending the dependency on Israel.³⁶ The economic protocol between Israel and the Palestinian Authority, known also as the Paris Agreement, was signed in April 1994. The agreement, largely backed by the Israeli business community, iterated principles of market economics where the two sides agreed on coordinated import taxes, monetary policy, direct taxation, flows of labor, and open borders for industrial and agricultural produce with limits on quantities of six agricultural products. Despite the reciprocal language of the agreement, according to critics it was structurally favorable for Israel.³⁷ Regardless of its merits and shortcomings, the economic agreement was short-lived. Even by March 1993, prior to the agreement, Israel was responding to terrorist attacks by closing the territories. These measures continued after the agreement, so that a vicious cycle of terrorist attacks and closures made the free movement of labor and goods set forth in the agreement into a dead letter. With government permission, Israeli industrialists, farmers, and developers replaced Palestinian laborers with foreign laborers.³⁸ Since Israel retained authority over all the borders, the closure of the territories, and particularly the limits on labor movements, was a hard blow to the Palestinian economy.

Palestinian businesspeople blame Israel not only for excessive security demands and measures that hurt the Palestinian economy but also, like the Jordanians, for unfair practices. The mobile phone company Paltel provides an example of the difficulties of Palestinian businesses. Not only does Israel control the airwaves, but Israeli companies also enter the Palestinian market, disregarding its authority and licensing of products. "We are facing illegal competition from Israeli companies that operate in the West Bank and Gaza. These companies control wavelengths and therefore can operate in the Palestinian territories without authorization."³⁹ These complaints have reached Palestinian President

Abu-Mazen, who called on Israel to stop the operation of the Israeli mobile companies and accused Israel of obstructing Palestinian economic development.

Not only has the peace process not mitigated economic hardship for the majority of Palestinians, their economic situation has even grown worse, particularly in comparison to the booming Israeli economy. The policy of closures almost tripled the unemployment rate in the West Bank and Gaza between 1991 and 1996, from 11 to 28 percent. Following the total closure of March–April 1996, 66 percent of the Palestinian labor force was either unemployed or severely underemployed. Trade was adversely affected by the closure, with the closing of Israeli markets for Palestinian exports and the severing of ties between Gaza and the West Bank. The overall result has been a severe decline of per capita GNP by approximately 30 percent since 1993. The rate of real wages declined by 38 percent between 1992 and 1994 and fell an additional 15 percent between the end of 1995 and the end of 1997.⁴⁰ The overall economic situation has made it all the more difficult for the business community to argue for the economic virtues of peace, and, consequently, the motivations of businesspeople to take a political stance for peace were diminished.

BUSINESS AND PEACE

Overall, businesspeople interviewed for this work have expressed a desire for peace but their avoidance of political action to support peace arose from the difficulty of organizing and particularly from the cost-benefit calculations. Both communities found political organization difficult. The Jordanian business community was better organized than the Palestinian, was more connected to the political elite, and had more political influence. However, the Jordanian business community not only faced more formidable opposition to peace and cooperation with Israel from the general public but was also split from within over the question of cooperation. In Palestine, cooperation with Israel was acceptable because almost all factions recognized there was little choice in the matter. However, while businesspeople cooperated with Israel, they refrained from supporting the peace process itself, which was more controversial, especially since October 2000.

To the organizational difficulties, therefore, were added the risks of political involvement and its perceived costs. Businesspeople were concerned about economic and social sanctions from the public, who

would punish them if they supported peace. Accordingly, businesspeople attempted to assess the public's attitude before they decided to organize and act. In Jordan, internal opposition within the business community and among other elites has made participation and support more difficult. Interest groups and organizations who objected to peace exerted influence by providing information to the public about those involved in the peace process and, by so doing, raised the risks and costs of pro-peace political involvement. In Palestine, initially the risks were low, but this situation changed after the violent collapse of the Oslo process and the subsequent anarchy in the territories.

While the considerations above relate to the costs of political involvement, the benefits of peace were the other side of the equation. Concern emerged among both the Palestinian and Jordanian business communities that cooperation with Israel would lead to Israeli domination. This concern was based on the asymmetry between the Israeli economy and the Palestinian and Jordanian economies, and the perception that Israel would reap the benefits of economic cooperation and not share the "peace dividends" with its neighbors. Unlike the Jordanians, the Palestinian businesspeople have little choice in cooperating with Israel, but, like the Jordanians, they have limited incentives to risk openly supporting peace. In addition, the Palestinian business community has less political influence because the Palestinian Authority is not dependent on business performance and, consequently, pays scant attention to business' needs and concerns. Accordingly, Palestinian businesspeople cooperate with Israel, often because they have no choice, but this cooperation does not translate into active support of the peace process.

CONCLUSION

The business communities in Jordan and Palestine perceived the risks and costs of political involvement to be greater than the benefits of peace and believed their ability to impact the process was limited. In this assessment, they were different from their self-confident Israeli business community counterparts, who believed peace would improve everyone's economic development. Israeli businesspeople also believed, even if for a limited period, in their ability to act collectively to influence, if not lead, the transformation of state and society. Accordingly, the business community was quick to lend its support through its organization to the peace process and stand beside the government. Conversely, Palestinian

and Jordanian businesspeople who expected a profit from peace but were unwilling to pay the costs of political involvement found ways to cooperate with Israelis, but they often kept a low profile. These sporadic individual actions did not amount to a coherent and open position of the business community in support of peace.

It has been argued above that the power of business as measured by its ability to influence outcomes is not predetermined. In some instances business has the ability to lead politics, but in many instances, like peace processes, business tends to follow the political developments and can at most influence their trajectory. Thus, specific interactions between business and politics vary in the nature of specific national political-bureaucratic structures, the perceived importance of the issues at stake, the scope of influence and legitimacy of the business community and the strategies it employs to achieve its goals. Moreover, when it comes to questions such as peace, the interaction between business and politics is wider, involving not only political elites but also the public at large. In such cases, it is not just the power of the business community in terms of available resources or its ability to influence the government that is important, but also its hegemony, in other words, its ability to lead society in a desired direction. Where the risks of involvement are high and the benefits are uncertain, as the case studies above demonstrate, businesspeople and the business community will avoid taking the lead and disappoint those who count on the pragmatic power of business to change political outcomes.

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