

Exploiting Bullets: International Business and the Dynamics of War

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Exploiting bullets: international business and the dynamics of war

1. INTRODUCTION

International trade and investment often involve multinational enterprises (MNEs) operating within countries and regions experiencing political violence. Although political violence is manifested in several ways (e.g., terrorism or political assassinations), war or sustained armed conflict represents the severest form of political violence (Witt *et al.*, 2017) and constitutes the high end of the political risk spectrum for multinational companies (MNEs). Since the end of World War II, wars have continued between and within nation-states. Since 1946 to 2014, there were 259 conflicts active in 159 locations across the world (Pettersen and Wallenstein, 2015). The World Bank recently estimated there are around 38 armed conflicts currently occurring and one in four people in the world (1.5 billion) live in countries affected by armed violence (World Bank, 2017).

As MNEs expand globally, many are involved with war in one way or another (Li, 2008; Bussmann, 2010; Driffield *et al.*, 2013; Dai *et al.*, 2017; Skovoroda *et al.*, 2019; Hotho and Girschik, 2019). MNEs operate in active war zones directly (Dai *et al.*, 2017), such as extractive mining operations in the Congo and Sudan, and indirectly when sourcing from war zones or hiring employees from war zones, especially refugees. As some wars increase in intensity and scale, others contract, and others end with peace accords and enter into a post-conflict phase. However, others begin. Due to these dynamics of war and the increasing global expansion of multinationals,

some MNEs are managing operations within different types of war environments each with its own unique complexities.

Despite war of being the most lethal and enduring form of political violence for business (see Witte *et al.*, 2017), research on IB and war remains small and selective, focusing on war and FDI (Li, 2008; Dai *et al.*, 2013; Li and Vashchilko, 2010; Driffield *et al.*, 2013; Skovoroda *et al.*, 2019), and corporate responsibility (Oetzel *et al.*, 2010; Getz and Oetzel, 2010; Katsos and Alkajaji, 2019; Jamali and Mirskak, 2019). And because of the strongly functionalist and managerial nature of international business research (Roberts and Dorrenbacher, 2012; 2014), not surprisingly, IB literature on war and political violence predominately views conflict as a business risk factor and focuses on how organisations can mitigate this risk (Maher, 2005; Li, 2008; Li and Vashchilko, 2010; Dai *et al.*, 2013, 2017; Driffield *et al.*, 2013; Skovoroda *et al.*, 2019; Bader *et al.* 2019). The prevailing thinking is that war affects MNE operations, their transaction costs and legitimacy. Although this view remains relevant, it simplifies the relationship between IB and war, ignoring the reality that IB and MNEs are strongly implicated in the emergence and on-going dynamics of war violence (Patey, 2007; Bennett, 2000; Le Billion *et al.*, 2000; Hotho and Girschik, 2019). Corporate decisions, whether deliberately or not, are fuelling wars, and therefore damaging the lives of citizens, employees and communities (Li, 2008; Bannfield *et al.*, 2003). But what is striking about the mainstream IB literature is the sheer lack of critical attention to MNE involvement in war environments. Some MNEs and industries are substantially profiting from war (Sorensen, 2020), and the modalities of IB (e.g, FDI) employed by MNEs, or by armed groups themselves, supported through processes of globalization, are central to the war effort of armed groups (Berdal, 2003).

Consequently, the primary aim of this study is to stimulate a fresh and overdue critical understanding and examination of the relationship between IB and war. We have to ask new and challenging questions on the nexus of war and IB. For example, has war contributed to the evolution of IB? Do MNEs desire war? How does MNE interests impinge on the incidence of war? Why do MNEs commit direct violations in war zones? Why do MNEs invest in post-conflict ones? Should MNEs build peace in war zones? These questions are vital if we wish to encourage responsible IB and to deepen our understanding of the role of MNEs within war environments.

In order to encourage scholars to explore this relatively understudied aspect of political violence within IB, this paper reviews the literature on war and IB, and then provides a critical future research agenda. The major contribution of this paper is that it extends IB scholars' comprehension of how war intersects with IB, including the underappreciated critical perspective within IB that MNEs and IB are implicated in the initiation, ongoing development and resolution of wars.

The following section provides a short introduction to war and how war is related to IB. Section 3 reviews the literature on war and IB. Section 4 presents an analytical research agenda organised by three major phases of war: pre-conflict, armed conflict, and post-conflict phases. The discussion of each phase includes copious suggestions for new lines of enquiry. Finally, section 5 provides the concluding remarks of the paper.

2. BACKGROUND TO UNDERSTANDING WAR AND INTERNATIONAL BUSINESS

To set the stage, it is important to clarify exactly what war is. While there are a host of different meanings and conceptions of war, this paper defines war as prolonged armed conflict between nations or within nations. This resonates with the definition of war as

defined by the Correlates of War Project (COW) as sustained combat between/among different military contingents involving a minimum of 1,000 battle fatalities (Sarkees and Schafer, 2000) - seen as prima facie evidence that conflict has been sustained and severe enough to qualify as war (Sarkees and Schafer, 2000: 131). In addition, the understanding of war in this study, not only involves armed conflict but further includes cyber warfare, propaganda campaigns and other contemporary conflict phenomena that are often integrated within the wider armed conflict.

There are two main types of war: interstate wars and civil wars. Interstate wars are wars between states. Examples of interstate wars include the Korean war, the Vietnam war and the Iran-Iraq war, which have claimed more than million casualties each (Gleditsch *et al.*, 2002). Although interstate conflicts have been a little less frequent in the post-Cold War period (Gleditsch and Pickering, 2014), they have the potential to be the most destructive in human and economic terms.

Even so, civil or intra-state armed conflict is the most common form of warfare today (Lacina, 2006; Gleditsch, 2007) and became very common with decolonialization after World War II (Gleditsch, 2019). Intra-state wars are those between or among two or more groups within the internationally recognized territory of the state (Sarkees *et al.*, 2013). Civil wars can continue for decades without any serious prospect of victory or settlement such as the conflicts in Kashmir, Angola, Sri Lanka, Northern Ireland, Spain, Chechnya and Colombia. More than half of intra-state wars are ethnic based as in the civil wars of Iraq, Lebanon, Congo, Burundi, Syria, Sudan, Uganda, Rwanda, Georgia and Nigeria (Denny and Walter, 2014). There are various reasons for ethnic based civil wars. Civil wars often involve ethnic groups trying to attain autonomy or secede from existing

states because of perceive state political oppression, including the state bias towards another group (Denny and Walter, 2014).

War arguably represents one of the most dramatic and consequential events in human history (Wimmer, 2014: 174) and remains a ubiquitous feature of the human condition (Kekes, 2010). All nation-states were formed by war and have waged many defence and offensive wars in the course of their history. War results in the killing and maiming of hundreds and thousands. Even more people are likely to die as a result of war related malnutrition and disease. Michael Walzer in 'Just and Unjust Wars (2015) captures the sheer brutality of war when writes "war is hell....people are killed with every conceivable brutality, and all sorts of people, without distinction, age or sex or moral condition" (p.22). Wars also have tremendous direct and indirect effects on economies and communities (Elliott and Kreutz 2019). War destroys private property, public infrastructure, disrupts production and trade, threatens external markets, forces many from their homes and as well as possibly alters some social and political institutions (Collier, 1999; Blattman and Miguel, 2010). Paradoxically, however, war has been associated with solidarity, honour, and defending all what is most valued (Freidman, 2017: 10), including foreign trade and investment, and credited for technological and institutional development (Blattman and Miguel, 2010).

International business and war have strong historical connections. Trading between nation states has been deemed necessary to avoid war. Classical liberals such as Adam Smith and Immanuel Kant believed that trading nations will be more peaceful, arguing that economic interdependence encourages peace because it increases the costs of war, rendering conflict with a trading partner irrational. Yet numerous wars have been fought over international business interests, the protection of trade routes, the

opening up of markets for resource seeking or market seeing purposes, or simply to protect or advance the interests of individual companies (Slim, 2012; Lakomaa, 2017). Historical research on European company-states, such as Britain's East India corporation, shows how these early MNEs were often allowed to use war to defend and extend their international commercial interests with armed force at sea and on land (Phillips and Sharman, 2020: 1258). In contemporary times, wars also appear to be driven as much by international commerce as by political grievances (Hugo, 2002; Kaldor, 2002). For example, Gaffney (2018: 336) discusses how US corporations such as Halliburton, KBR, Brown and Root, and its other subsidiaries have made billions of dollars from military contracts in the Balkans and Iraq, many of them without competitive bidding, before, during, and after wars there.

MNEs have long exploited the conditions of war. During the first and second World Wars, MNEs grew and expanded aggressively in foreign markets (Fitzgerald, 2017). This often involved exploiting slave labour and taking advantage of political instability. Lund (2010), for example, recounts how, during World War II, Danish construction firms internationalized, technologically advanced, actively cooperated with the Nazis and used forced labour in Estonia, Poland, and probably Serbia. For sure, MNE war crimes and general exploitation of war has continued throughout the late 20th and 21st centuries. MNEs have been sued in the international courts for contributing to violence (Bennett, 2002) and corporate misbehaviour in war zones is extensively documented by the NGO's such as Global Witness, IPIS, RAID and Human Rights Watch (SOMO, 2016).

3 A REVIEW OF THE LITERATURE ON WAR AND INTERNATIONAL BUSINESS

This section reviews the literature on war and IB. Academic interest on war and IB involves empirical and theoretical contributions from the fields of international relations (IR), political science (PS), international business (IB) and corporate social responsibility (CSR). There are significant differences among these fields in terms of methodology, approach and research questions. However, common ground clearly exists when consistently showing how war plays a crucial role in the activities and outcomes of IB and MNEs.

This review is organised around four themes: trade and inter-state war, war and political risk, FDI and war, and CSR in war zones.

Trade and inter-state war

The international relations (IR) literature made a significant contribution to our understanding of the impact of war on IB (see Mansfield and Pollins, 2003 for overview of this literature). Much of this research is quantitative and focuses on the relationship between aggregated-trade flow and inter-state military conflict. Two competing schools of thought emerged: liberal and realist. The liberal view argues that trade promotes peace; trading between states plays a strong pacifying role because the likely interruption of trade increases the expected costs of conflict (Dorussen, 2006). The cost of conflict is related with the decline in prosperity associated with the potential trade losses (Polachek, 1980). Trade also promotes peace through communication and MNE ties that increase knowledge and understanding and the potential for cooperation among societies (McDonald, 2014). O'Neal and Russett (1997: 288) found higher levels of

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3 economically important trade are associated with lower incidences of inter-state
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5 disputes and war. Consistent with this liberal view, other studies have examined the
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7 reverse relationship, how military conflict affects trade (Keshk *et al.*, 2004). Inter-state
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9 conflicts are said to significantly impede trade between states (Gowa, 1994; Gowa and
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11 Mansfield, 1993). States can resist trade with enemies and also because the risk of deaths
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13 and damaged goods will be too high for trade to be profitable (Long, 2008). Yet as MNEs
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15 can act independently from governments and given the likelihood of supranormal
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17 returns in the presence of conflict, trade may persist or even expand despite hostile
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19 relations between states (Heinsz *et al.*, 2010).
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25 On the other hand, the realist view argues that trade leads to military conflict -
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27 increasing the wealth of both trading states and therefore, provides government with
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29 increased military power (Li and Sacko, 2002: 12). Moreover, a state that trades freely
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31 with an adversary increases the latter's national income, thereby jeopardizing its own
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33 security (Heinz *et al.*, 2010). Another related realist argument is the probability of
34
35 “lateral pressure”. When states lack resources, they can seek these through trade. As
36
37 powerful states search for scarce resources often through trade, the potential for conflict
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39 escalates as they compete for new lands and related resources (Raisler *et al.*, 2005: 253).
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41 In support, several works have posited a link between oil and the onset of international
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43 conflict (e.g., Colgan, 2013; Ross and Voeten, 2015). Recent US interventions against
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45 major oil-producing countries—such as Iraq in 2003 and Libya in 2011—have seen a
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47 close association between oil and war in public debates (Muradova and Gilded, 2019).
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49 The political elites of the state can be pushed into war with another state by non-state
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51 actors, such as domestic MNEs and their economic agendas. As Chatagnier and Kavaki
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53 (2005) posit, export-oriented domestic industries may push for force against their
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competitors in another state in order to inhibit their ability to trade. Robert Fitzgerald (2015), in his historical examination of the rise of the global company, identifies how international businesses typically benefited from empire building and wars:

“Although imperialism was never an entirely economic mission, it would be foolhardy to delete economic calculation as a motive. International Businesses could and did benefit from empires, which could forcibly draw territories, their natural resources, and labour forces into the international economy, and then ensure the security of multinational investments and their favourable treatment” (p.25).

A related line of reasoning against the trade-peace relationship must include Marxism. Marx contested the peaceful nature of free trade, by pointing to the existence of global industrial war at enormous human cost (Fontanel and Coulomb, 2008). Marxism argues that capitalism and war are intricately linked, in the form of class struggle. In a constant struggle over profits extracted from the labour of the working class, capitalist states and MNEs must compete for markets, raw materials and labour supply, sometimes through armed conflict. Marx and Lenin both argued that as a result of systemic inequalities that capitalism tends to produce, violent revolution such as civil war is needed to uproot it (Wallerstein, 1990).

Notwithstanding the differences between liberal versus and realist perspectives, this state-centred literature predominately examines whether inter-state conflict deters international economic exchange, ignoring FDI and civil wars. Yet civil wars are viewed as the more prevalent form of organized violence in the 21st century (Kaldor, 2002; Newman and DeRouen, 2016). Moreover, as Heinsz *et al.*, (2010) argue, firm and sector level investigations will better explain how corporate decision-making units are interacting with war affected markets. Firm-level investigations should better explain

how corporate interests are exploiting war conflict at enormous costs for individuals, firms and communities living in war zones.

War and political risk

Another relevant stream of research to our study of war and IB focuses on uncovering political risks that MNEs face in target states and how MNEs should cope with such political risks (Delios and Henisz, 2003; Giambona *et al.* 2017; Han *et al.* 2018). Although the threat or the outbreak of war between and within states has been viewed as political risk (Fitzpatrick, 1982; Simon, 1984; Kobrin, 1982; Kellor *et al.*, 2005), this research has not given much attention to how wars impact MNEs, and vice versa. And consistent with the functionalist and managerial nature of the IB literature, the political risk literature assumes that MNEs have little or no responsibility for the onset of the conflict or the ending of it.

Foreign direct investment and war

Another stream of research examines FDI and war environments, mostly in the context of interstate war (Li, 2008; Dai, 2009; Bussmann, 2010; Driffield *et al.*, 2017; Dai *et al.*, 2017; Skovoroda *et al.*, 2019). One stream of this research examines the impact of interstate conflict on the inflow of FDI (Polachek *et al.*, 2007; Kim, 2016; Nigh, 1985; Li and Vashchiliko, 2010). For example, Kim (2016) shows that interstate war negatively affects FDI inflow in developing countries. Li and Vashchilko (2010) revealed that armed conflicts reduce FDI while security alliances increase FDI. Wars can deter FDI when threatening the security of property and raise the general instability of the country (Li, 2008). War may also cause adverse government policies towards FDI projects such as

expropriation, capital and exchange controls, breach of contract, repatriation of profits and taxation (Li 2008). Li *et al.*, (2012) speculate that firms may not be fully aware of the value-destroying implications of country-dyadic military conflicts or see so much potential that, they believe (sometimes erroneously), can make up for the negative impact of prior military conflicts between countries.

A few studies examine the reverse causality when examining how FDI determines wars (Polachek *et al.*, 2007; Bussmann, 2010). Polachek *et al.*, (2007), for example, found that FDI reduced the degree of international conflict and encouraged co-operation between dyads during the period of the late 1980 and the decade of the 1990s. Indeed, as MNEs wish to protect their capital from risk, they can encourage governments or non-state groups to support non-violent campaigns (Brathwaite *et al.* 2014). Even so, there is relatively little understanding into how FDI contributes to the emergence and development of war conflict.

Another stream of research examines the strategic firm-level decision-making of FDI in war environments (Oh and Oetzel, 2016; Witt *et al.* 2017; Drillfield, 2013; Skovoroda *et al.* 2019). The effects of war zones on FDI are contingent, in part, on the motivations for direct investment, and the nature of the conflict. Extractive resource seeking firms may be less sensitive to the negative impacts of war environments (Witt *et al.*, 2017; Skovoroda *et al.*, 2019). Witt *et al.*, (2017) explain that resource-seeking investors are often attracted to war zones because of the significant potential for profits. Skovoroda *et al.*, (2019), however, note that war may not necessarily lead to high expropriation risk for firms in high technology extractive industries. Extractive resource assets, as found in the oil industry, remain in the ground and are not easily lootable by governments or rebel groups, and dismantling complex fixed assets is costly.

The question of why foreign firms invest in ongoing war environments (the armed phase) has received little attention. In an important study, Driffield *et al.*, (2013) examined the investments of large western firms into areas of conflict. They challenged the traditional thinking that internal conflict always deters FDI when finding firms investing in conflict countries. MNEs from weak home institutional environments or MNEs with prior experience of operating in conflict zones may not be easily deterred by civil war in their target markets (Driffield *et al.*, 2013; Oh and Oetzel, 2016). Maher's (2005) work on FDI in Columbia found that FDI flowed to areas of economic interest following (and often continuing during) periods of intensifying civil war violence.

Finally, a few studies have examined FDI in the context of post-war civil war environments (Barry, 2018; Barry and DiGiuseppe, 2019). Due to the destruction of local resources during the war, foreign capital investment is often required to rehabilitate the economy (Kang and Meernik, 2005). Post-conflict countries present high risks to MNEs such as unreliable information, information asymmetries between elites and the masses, weak institutions, and the likely reoccurrence of violence (Apple and Loyle, 2012; Carriga and Phillips, 2013). A few studies provide insights into how the nature of post-conflict process has influenced decision to invest. For instance, Appel and Loyle (2002) examine post-conflict justice reforms taken after civil war and they find evidence that investors seem to prefer these reform-minded countries. Joshi and Quinn (2018) focused on how firms are able to determine when civil wars are ending and argued that investors should be drawn towards particular types of peace process. Yet we have little knowledge relating to the opportunities and risks of MNE investment in post-conflict zones.

Other studies reveal the negative consequences of FDI for post-conflict process of peace and restoration in the context of civil wars. Paczynaska 's (2006) insightful qualitative work addressing the impact of FDI in post-civil war Liberia found FDI was a central component of Liberian government and donor's post-conflict reconstruction strategy. Yet FDI undermined government policies focused on tackling poverty and launching an inclusive, sustainable development model (p.314). In a similar vein, Constantini (2013) in the context of post-war Iraq found that the flow of FDI is reinforcing destabilizing dynamics in Iraq by increasing levels of inequality, deepening the decentralization process, and undermining internal and external balances of power.

Notwithstanding the important contributions of the current FDI-war research to date, the research bias towards the study of FDI in the context of inter-state conflict is clear, with most studies avoiding in-depth examination of FDI in civil war zones, including the effects of FDI on civil wars. Moreover, FDI is not the only means of operating in war markets. Non-FDI or indirect investment modes, such as exporting, licensing and outsourcing to third party contractors are common modes of entry into war affected markets (Miklian *et al.*, 2018). Outsourcing, for example, may offset the financial and political risks of investing in war zones. Yet it may generate ethical consequences when linking the firm into supply chain actors that are armed warring groups or connected to these groups. MNEs may switch from FDI to non-FDI modes to reduce the MNE's risk exposure with lower resource commitment modes and the increased flexibility usually associated with a trade or contractual arrangement (Benito *et al.*, 2009). Mode switching may further be the result of peer imitation. As Heinz and Delois (2004: 393) argue, MNEs may perceive corporate peer actions in politically volatile markets as important cues and information signals. MNEs may respond to the

risks and uncertainties of the war environment by imitating the strategic decisions (e.g. divestment) of peers whose actions are perceived as legitimate (DiMaggio and Powell, 1983; Heinz and Delois, 2004). However, MNEs scaling down operations within host markets during serious pre-war tensions, either through mode switching or intra-mode divestment, could possibly escalate the conflict to the armed violence phase of the war.

Despite these arguments, overall, there is little work examining non-FDI modes and mode switching in war zones either in the pre-conflict, armed violence or post-conflict phases, and how those non-FDI modes exploit the conditions of inter-state and civil wars.

Corporate social responsibility (CSR) within war zones

Research on CSR examines the role and consequences of multinationals within countries and regions that experience war (Bennett, 2002; Getz and Oetzel, 2010; Forrer and Katsos, 2015). This literature can be split into two streams of research: corporate violations in war environments and corporate responses to war environments.

CSR research provides much needed attention to the serious MNE violations within war environments (Bennett, 2002; Hotho and Girschik, 2019). These violations include pillage, manufacturer of illegal weapons, use of forced labour, and unlawful violence (Slim, 2002), inciting communal conflict, forced displacements of local communities, or foreign investments whose rents are distributed along ethnic or sectarian lines (Hotho and Girschik, 2019). Indeed, as a result of decades of ruthless corporate activity in the Congo, a United Nations Panel in 2001 investigated the link between business and illegal exploitation of natural resources in Congo. It was concluded that:

“the role of the private sector (including MNEs) in the exploitation of natural resources and the continuation of war has been vital. A number of companies have been involved and have fuelled the war directly, trading arms for natural resources. Others have facilitated access to natural resources, which are used to purchase weapons (United Nations Security Council, 2001).”

Several internal and external conditions are noted to explain why this MNE exploitation occurs. MNE's high sunk investment costs (Dai, 2009; Holden and Jacobsen, 2007), profit-centred motives (Witte *et al.*, 2017), weak host government control (Bennett, 2002; Le Billon, 2001; Holden and Jacobson, 2007; Dai, 2009) including corruption and low costs and penalties for misconduct (Ballentine, 2002) are all considered important enabling conditions. Although this research is moving in the right direction, this work avoids serious analysis, including a contextual analysis, of the exploitative MNE in war zones.

The next stream of CSR research on MNEs and war relates to corporate responses or strategies for behaving responsibly within war environments. Academics and international organizations are increasingly demanding that MNEs play a positive role in war zones (Nelson, 2000; Fort and Schipani, 2004; Oetzel *et al.*, 2010; Getz and Oetzel, 2010; Katsos and Alkajaji, 2019; Jamali and Mirskak, 2019). Consistent with the motives for companies to engage in CSR, there are business and moral rationales for MNE interventions in conflict zones. Getz and Oetzel (2010: 378) argue, for example, that corporate intervention in war zones may reduce employee turnover rates, increase the willingness of good employees to relocate, help avoid loss of assets and avoid high profile encounters with critics. In addition, MNEs may face substantial pressures from local stakeholders affected by the conflict and violence such as employees, and local communities (Oetzel and Getz, 2012). The stakeholder demands could include

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3 providing safety measures for employees, building new schools or providing training or
4 jobs to ex-combatants. Although such efforts can enhance the MNE's reputation and
5
6 confer onto it a social licence to operate (Oetzel *et al.*, 2010: 365), MNEs have a moral
7
8 obligation to respond when they have contributed to the conflict or benefiting from the
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10 conditions that lead to conflict (Getz and Ladek, 2006; Oetzel *et al.*, 2010).
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15 Within this stream of research, a few studies provide some insight into the MNE
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17 interventions in violent countries (Bennett, 2002; Nelson, 2000). MNEs may help peace
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19 through general investment and economic development such as creating value for
20
21 shareholders, employing locals, transferring technology and FDI (Forrer and Katsos,
22
23 2015). MNEs may further build peace through political and diplomatic initiatives. This
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25 includes their active participation in peace processes, or more general support such as
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27 advocacy, lobbying or marketing for peace, or providing early warning of rising conflict.
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29 Few empirical studies have explored corporate peace-making in practice, however
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31 (Oetzel and Getz, 2012). The exception is Kolk and Lenfant's (2012) empirical study on
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33 NGO and business partnerships in the Congo found no evidence of businesses engaging
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35 in diplomacy or policy dialogue, either unilaterally or collaboratively.
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42 This western driven "liberal-peace thesis" may present a powerful argument in
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44 civil wars where economic factors and state weakness have been identified as the root
45
46 causes of the war (Ballentine and Sherman, 2003). Yet it may be criticised on its attempts
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48 to transition a state to a liberal market democracy which itself can increase structural
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50 inequalities escalating unemployment, poverty and disenfranchised citizens that work
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52 to undermine peace and restoration efforts (Hartzell, 2016)
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57 To summarise the literature review, research from the fields of international
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59 relations, political science, international business and corporate social responsibility
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has provided insight into how IB and MNEs intersect with war. Clearly the threat, actuality and resolution of war significantly matters for MNEs and IB. However, the IB-war relationship still remains under-researched. The available literature is relatively limited in content and scope and provides little insight into how international business may contribute to and benefit from the existence of war. The next section will present a future research agenda to drive the research on IB and war forward.

4. WAR AND INTERNATIONAL BUSINESS: A RESEARCH AGENDA

This section presents a framework to advance a systematic research effort on the nexus between war and IB. This framework aims to incite fresh avenues for future study, and to encourage a critical inquiry into war and IB.

This research agenda is based on the dynamic conception of war as a process, and thus, involves deconstructing war into specific temporal phases. These phases are pre-armed conflict, open and sustained armed violence, and post-war conflict. Many MNEs are involved with countries and regions that are experiencing war conflicts at different stages - with different levels of intensity, violence and outcomes. As each stage provides a unique set of opportunities, conditions and challenges for the MNE, it will be useful for future studies to investigate the questions by each stage. The questions raised in the discussion below will focus both on the impact of war on IB and the role of IB plays in the emergence and development of armed conflict.

International Business and the pre-armed conflict phase of war

In this phase, no open armed violence exists. However, there is usually significant political, social and economic instability that indicates the potential for war. This phase

is typically characterised by tensions between rival factions or state armies or rebel factions showing signs of war readiness. However, there is no inevitability that grievances and tensions will result in armed conflict. Tensions can generate non-violent responses and the mobilization of armed action can fail.

This section proposes three central themes for future research: (i) the impact of pre-war instabilities and political tensions on MNEs, (ii) Exit or stay and (iii) Political relationships and the nature of the MNE. These issues will be discussed in turn.

(i) *Impact of pre-war instabilities and tensions on MNEs*

Future research should uncover how pre-war instabilities and political tensions impact existing MNEs in the conflict zone. For example, an increased probability of armed conflict could raise locational costs to foreign exporters and FDI firms: ports could close, and transportation slows as military forces mobilise into conflict zones (He *et al.*, 2014). Moreover, the threat of incidence of cross-border conflicts creates higher uncertainty (Dai, 2009) which may lead to postponed investment plans. MNEs can also experience serious damage to assets and sites from violence. For example, in 2016, prior to the armed conflict between the state and rebel forces in Ethiopia, many foreign companies operating in the country suffered millions of dollars in damage from coordinated attacks by anti-government protestors (Aglionby and Honan, 2016). At the human level, the threat of political violence may seriously impact the morale and psychological health of its employees.

(ii) *Exit or stay?*

Future studies should examine the MNEs 'stay or exit' decision at this war stage. Political instability at this stage, including major civil unrest, some violence and the threat of war can have a detrimental effect on the country's legal system and efficiency of institutions (Witte et al. 2020). Moreover, this war political stability affects the foreign market's economic conditions and thereby affect expected rates of return as well as risk perceptions (Burger et al. 2016). Consequently, MNEs may divest from the current volatility to mitigate the operational, financial and reputational risks (Kellor *et al.*, 2005; McDermott, 2010; de Villa *et al.*, 2018). Yet exiting the market may worsen the economic situation that exasperates political tensions further. MNEs may, therefore, remain in the host market for moral reasons (discussed below). Divestment decisions in war zones will be discussed again within the section on the armed violence phase.

MNEs may manage this political volatility through mode switching. For example, switching from FDI to indirect investment modes of entry might lower risk through reducing the MNE's financial exposure (Benito *et al.*, 2009) and provide greater mobility for exit if the conflict escalates into the armed phase. Alternatively, and contrary to prevailing wisdom, MNEs with existing indirect operations may switch towards FDI. Lee (2008) argues that when foreign MNEs confront serious policy externalities from changing domestic politics in the host market, MNEs may establish a subsidiary to protect the investment and/or strengthen their capacity to exert political influence. For example, a local subsidiary may provide a more effective platform for the parent MNE's political strategy to steer through political volatility. For example, registered corporations are often permitted national government lobbying rights (Lee, 2008).

Future research should aim to examine why and how MNEs adopt mode switching to manage operations in war effected host markets.

(iii) *Political relationships and the nature of the MNE*

Future studies should examine the role and dynamic of the MNE's political relationships within this early phase of war conflict. Drawing on the relevant corporate political activity (CPA) literature, this scholarship contends political connections are highly valuable for MNEs in foreign markets (Hansen and Mitchell, 2000; Sun et al. 2012; Lawton et al. 2013; Hillman et al. 2014; Sun et al. 2015). Because of heightening political tensions and the use of violence by the state's military or rebel groups, MNEs may wish to change or develop political capital and exercise political strategies to manage this political instability. As Sun et al (2012) argue, major political instability can turn MNE-political ties connected with the incumbent government or non-state actors into liabilities or into political capital. Thus, MNEs may withdraw from existing political relationships, align themselves to a particular faction in the conflict, establish alliances in both factions or remail neutral. For example, MNEs could relax or terminate existing political ties to avoid complicity criticism - which refers to how MNEs can be held responsible for other actors' deeds (Scherer and Palazzo, 2010: 913) such as national government's oppressive treatment of its citizens generally or specific ethnic groups. MNEs may fear the costs of involving themselves in highly contentious political matters (Feldmann and Morgan, 2021), and thus, avoid perceived support with either side in the conflict. MNEs having connections and/ or recognised broad sympathies to opposing government factions, for example, may lead to home and host government retribution (Siegal, 2007) and stakeholder activism. On the other hand, MNE's existing ties to

government may become a liability when the government's power and authority erodes or ends as a consequence of civil war (Siegal, 2007; Getz and Oetzel, 2009; Buchel and Salwaj, 2013).

MNEs may take sides in an inter-state or intra-state conflict, however, and aim to build political connections for protecting their interests (Sun et al, 2012). Political connections may provide MNEs better understanding of the current instability and the government's intentions towards the conflict, allow the MNE to influence political decision-makers to protect or relax existing regulatory conditions, and gain preferential treatment to remain in the market during the crisis (Hillman and Hitt, 1999; Hillman et al, 2004). Moreover, MNEs relationships with political decision-makers and the use of other political strategies (e.g lobbying) can inform political decision-makers of the negative effects of the political crisis and the possible escalation to armed conflict. However, MNE meddling in a country's political crisis, is not without cost and may fail. Although not specific to war, Feldmann and Morgan's (2021) found how the effectiveness of business influence over the British Brexit referendum became challenged by an incohesive/fragmented business position on Brexit, the countervailing power of government and social groups, and other factors. Moreover, MNE intervention in war at this, or later stages, may expose the MNE to public and media criticism which can act to delegitimise the MNE (Feldmann and Morgan, 2021). Therefore, in addition to understanding to how MNEs manage this phase, future research should explore the intentional and unintentional strategic and ethical outcomes of MNE intervention within war environments. This is similar to Mantree et al's (2009) call for a more critical understanding on the use of CPA.

Decisions around the MNE's political affiliations at this phase of the conflict and the content of the MNE's policies (if any) will be significantly determined by the nature of the MNE. Although scholars have examined the ontology of MNEs, or reasons why MNEs exist (e.g., Sundaram and Inkpen, 2004; Collinson and Morgan, 2009), the majority of MNEs are self-interested, profit centered, view economic capital as the highest form of capital and primarily concerned with shareholder interests (Mantree et al. 2009). These MNEs calculate the costs and benefits of existing and new political relationships, possibly ignore the social costs, and even exploit wars for strategic and commercial benefits (Klein 2000; Sorensen 2020). Mantree et al. (2009) describes these MNEs as highly socio-pathic. These socio-pathic MNEs perceive the actors in political markets as objects to be used for egocentric purposes and seek to intentionally manipulate and charm these objects without a genuine affect (p.111). And if these types of MNEs are pushing for war, how do they achieve it? MNEs can be large and powerful economic and social actors that wield political influence over home and host governments (Polachek et al., 2007; Zingales, 2017). MNE executives of large MNEs sit on government committees, provide political financing, and lobby governments over public and foreign policy. For example, in the US, defence contractors are leading contributors of the US House of Representatives Armed Services Committee (Arnold, 2003). State governments, in turn, may be susceptible to corporate pressure because the investment behaviour of MNEs can potentially enhance the home country's economic development. Zingales (2017: 113) further supports this corporate power to influence the formation of wars:

The only powers these large corporations missed were the power to wage war and the legal power of detaining people, although their political influence was

sufficiently large that many would argue that, at least in certain settings, large corporations can exercise those powers by proxy.

Thus, what mechanisms and processes are used by MNEs to influence governments domestic or foreign policy towards wars? What are the external and internal conditions that support MNEs ability to influence governments into wars?

Other MNEs are social actors that strongly bear responsibilities beyond wealth creation (Kippenburg and Defay, 2010). Potentially, these MNEs may morally oppose war and have a strong sense of duty to local stakeholders (e.g., employees, communities and consumers) other than shareholders (Carroll, 1991). While this anti-war position may determine an ethically motivated divestment from the foreign market (discussed later), it may motivate the MNE to deter exit, to protect jobs and incomes for citizens, and possibly to build political relationships (and other CPA activities such as lobbying) to de-escalate political tensions and address conflict related grievances. Paradoxically and radical to suggest, however, MNEs may view war as morally necessary and productive (Bergin and Westwood, 2003), to overcome imbalances such as a dictator or authoritarian government brutally repressing its people, or threatening world order, for example. (Noble, 2019). If so, does the corporate moral conscious (if any) for or against war influence CPA within war zones, and to what degree? Which tools of CPA are used to escalate or de-escalate political violence such as war? Which factors and conditions enable or constrain morally driven political action in politically violent markets?

In sum of this section, future research should examine the role and dynamic of the MNE's political relationships within this pre-conflict phase of war? And how does the nature of the MNE condition the MNEs political behaviour in the pre-conflict phase?

International business and the armed violence phase of war

During this phase, the host country is experiencing organized armed violence in parts, or all, of their territory. This phase may have the greatest impact on the local economy and business operations. Critical infrastructure, such as bridges, railways and airports, can become a primary target of violent action and often there is looting and destruction of wealth.

This section proposes four central themes for future research: (i) inter-state war and the development of IB; (ii) impact of FDI on civil war, (iii), indirect investment modes and civil war (iv) MNEs in war – stay or leave? These issues will be discussed in turn.

(i) *Inter-state war and the development of IB*

The brief set of examples in the paper's background provides an idea of the foundational role, long term and on-going history of inter-state war facilitating the evolution of IB. Military force allowed nation states to form and to establish new trading alliances (Lakomaa, 2017), to correct and maintain the order of the international economic system (Lenway and Murtha, 1994), open up new markets (Barkawi, 2004; Lakomaa, 2017), and provide security for home MNEs when investing abroad. Barkawi (2004: 158) further explains the use of imperialism and inter-state war to further globalization:

“European imperial expansion, which involved widespread use of force, was fundamental to the creation of the modern international economy.....Creating and maintaining a free trading world required repeated and sustained use of force. While most often this took the form of Western military intervention in the non-European world, Anglo-American victories in the two world wars were vital as well. These forceful processes provide the essential social, political and cultural context of modern globalizations”.

In a similar vein, Arendt (1970: 9) states the second world war was not followed by peace but by a cold war and the establishment of the military-industry complex. So, future studies should seek to better understand how inter-state war has shaped the wider context of IB and the evolution of MNEs in both past and present. This partly resonates with Boussebad and Morgan's (2014) argument on the need to probe deeply into the relationship between MNEs and imperialism in order to advance our understanding of the history and development of multinationals. It must be repeated at this point that wars or the threat of war remains highly profitable for many MNEs and industries. In Christian Sorensen's (2020) devastating portrayal of the 21st century military-industry complex in the US, he states:

"War is profitable to many people. A Mercenary position within the war industry – say, project manager at Lockheed Martin, or information technology guru at SAIC – can bring in a six figure salary" (p.24).

Many MNEs thrive off war through the global arms trade such as BAE systems, Boeing and Lockheed Martin. Yet, other MNEs across a range of industries financially and strategically benefited from war through government contracts for data, raw materials, gaining access to foreign markets, through technological innovations, the use of cheap labour and the use of military intelligence for economic purposes (Sorensen, 2020). Additionally, MNEs can be beneficiaries of de-militarization programmes following the post war period, such as Japanese manufacturing multinationals following the second world war (Pham, 2018). Business historian Lakomaa (2017) proposes: the fact that wars historically (and in more recent times at least for some industries or companies), have been profitable, has given rise to a debate on whether companies might have wanted war to increase their own profits". Either way, there is enough evidence to raise two

fundamental questions: Who are the corporate beneficiaries of war? Do MNEs actively desire war?

(ii) *The adverse effects of MNEs and FDI in civil wars*

As the review identified, the FDI literature has predominately focused on inter-state wars, or what Mary Kaldor refers to as “old wars” (Kaldor, 2012: 7). But civil war conflict is the prevailing form of warfare today (Lacina, 2006; Kaldor, 2012). A major premise of this paper is that MNE FDI contributes to the emergence and sustainment of civil wars. While history presents multiple examples of atrocities and wrongdoings committed or aided by MNEs (Kelly, 2018), many MNEs have behaved shockingly in the context of civil wars (Patey, 1997; Le Billion, 2001). For example, MNEs have pressurised home governments to support the sustained existence of foreign repressive regimes to protect their interests (Collins & Gaffney, 2018). Moreover, MNEs have collaborated with governments or armed groups to move people from operational sites, and alter the racial, ethnic, or religious balance of a given region. For example, a local subsidiary of Swiss-German Danzer, a major timber company, was accused in a German court of complicity in a violent attack on local villagers by Congolese police and military forces (SOMO, 2016). Furthermore, companies have paid “taxes” to rebel groups to gain operation rights in particular localities which the group uses to fund their campaigns (Le Billion, 2001; Holden and Jacobson, 2007). For example, a local subsidiary of Dutch beer manufacturer Heineken was allegedly paying taxes to rebel groups engaged in human right violations (SOMO, 2016). The French cement giant “LaFarge” directly paid 13m Euros to the Islamic State group to keep a factory open in war torn Syria after other

French companies has pulled out of Syria (Guardian, June 2018). The legal director of the European Centre for constitutional and human rights stated:

“The activities of La Farge in Syria, in a context where extremely violent crimes have been committed – even outside the factory – are a perfect illustration how multinationals feed conflict” (Guardian, June 2018).

Consequently, some MNEs responses to civil war conflict are highly questionable. Rather than being passive observers or victims of civil wars, some MNEs act adversely with intent and others cause harm unintentionally. It is important to question why this adverse MNE behaviour occurs. Probing into the underlying conditions of MNE behaviour in civil wars can be a step towards reducing adverse MNE responses to war violence.

Understanding the direct adverse effects of FDI in Civil wars: Future studies should uncover how and why destructive MNE behaviour occurs in the context of FDI in civil wars. Although one may simply “point the finger” at corporate self-interest and pursuit of profits (which likely exist), this will only partly explain the conditions and reasons for MNE actions. Contextual conditions playing the role of “enablers” have to be understood. This link between adverse MNE action and context within war zones is echoed by Jacob Waerness, the former risk manager of LaFarge cement whose company, as identified above, was found guilty of paying militant groups in Syria:

“People reading the news today say we were an ATM for Isis, but you can’t make a judgment without looking at the context,” says Jacob Waerness, risk manager at Lafarge cement in Syria until October 2013.

Although each MNE’s actions in war zones will be shaped by a unique set of conditions, we may expect some commonality across business contexts. For instance, a

set of powerful host country macro forces may facilitate MNE violations: underdevelopment, weak states and governance, horizontal inequalities and post-colonial legacies (Cederman *et al.*, 2011). Future studies can situate adverse MNE actions in an institutional context. At the organizational level, this could involve the MNEs' culture (Mullins and Rothe, 2008; Apel and Paternester, 2009). For example, as corporate crime researchers have shown, some organisations are much more criminogenic in nature than others (Mullins and Rothe, 2008). Furthermore, adverse behaviour of subsidiary management in war zones may sometimes reflect poor corporate centre oversight, guidance and governance. Yet the corporate centre may sanction criminal and irresponsible behaviour in war zones. For example, while other MNEs pulled out of Syria in the midst of the civil war, Lafarge made a calculated decision to stay, pushing the limits of international law to keep its operations running (New York Times, 10th March 2018). There may also be "individual" factors responsible for MNE violations in civil war environments. For example, managers working on-site are fearful of reprisal in the event of non-co-operation with host states and rebel groups, or personality/individual characteristics such as one's attraction to risk or tendency to act impulsively (or both) might be influential (Apel and Paternester, 2009).

Understanding the indirect adverse effects of MNEs in civil wars: Future studies should examine the indirect adverse effects of MNEs in civil wars. While the above represents the well-known face of the dark side of MNE FDI in civil war environments, other less known and indirect effects of MNE FDI activity on civil wars may exist. MNEs can unintentionally contribute and/or sustain civil wars - through managerial error and mis-judgment. For example, according to the SOMO (2016: 30) report, the Spanish-

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3 Italian company Poligrow, which produces olive oil, acquired a large quantity of land in
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5 Columbia without properly investigating its history. Without intending to do so, the
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7 company hindered the return to this land of people who were driven from it by internal
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9 conflict. This has indirectly led to grievances and social unrest, potentially contributing
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11 to new conflict. Furthermore, MNEs may be ignorant or underestimate the
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13 consequences when requesting the state or private security companies to protect their
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15 facilitates. Rather than deliberately intending to exploit local stakeholders in war zones,
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17 some MNEs simply do not practice sufficient due diligence before and during their
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19 operations.
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27 Another avenue of future research involves understanding the economic impact
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29 of FDI on civil wars. MNEs and FDI may adversely affect certain societal-conditions,
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31 such as economic inequalities, create aggrieved populations, which in turn, facilitates
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33 rebel recruitment (Collier and Hoeffler, 2004; Cederman *et al.*, 2011). For instance, MNEs
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35 may pressure home governments to suppress labour organizing and protect in order to
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37 keep wages low (Sorens and Ruger, 2004). Moreover, FDI may not benefit all areas of
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39 the country thereby causing specific ethnic populations feeling aggrieved and isolated.
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41 According to Ezcurra (2019), a high level of interregional inequality may spark social
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43 unrest and grievances in the poorer regions of the country, which incites armed
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45 insurrection against the state. Additionally, host state incentives offered to MNEs to
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47 attract FDI may mean states reduce investment in education, health and infrastructure,
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49 which in turn, leads to ethnic group perceptions of oppression, leading to the onset of
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51 civil war (Sorens and Ruger, 2004; Cederman *et al.*, 2011; Nieman, 2011). Even so,
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53 uncovering how MNEs and FDI contribute to civil war will be complex and will require
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the examination of the host country's political, social and institutional domains (Ezcurra and Manolas, 2017). From the above arguments, the following questions below can drive research linking the economic effects of FDI on the onset of civil wars: Which sectors and types of FDI are more likely to negatively affect civil wars? How do institutional, social and political factors moderate the economic impact of FDI on civil wars?

(iii) *Indirect investment modes and civil wars*

Most IB studies on war focus on on FDI. This may reflect the availability of large data sets on investment flows in interstate wars. Yet direct investment is one form of market entry in war zones. MNEs often keep their distance through use of licensing and contracting when accessing war-affected markets. Milklian *et al.*, (2018) state that firms are using subcontractors to access conflict affected states like the Democratic Republic of Congo and Colombia. Although some MNEs often know that their distributors must pay rebel groups and therefore are subsidizing wars, other MNEs may be oblivious to how their supply chains are to ongoing violence. Can modes of indirect investment negatively implicate MNEs in civil war Zones? What errors do MNEs typically make with indirect investment modes in civil wars? While large data sets may not be widely available, firm-level data based on interviews and case methods should be more accessible.

(iv) *Managing the outbreak of armed conflict/war – stay or leave?*

A vital but unresolved question is what multinationals do when war occurs during existing operations in the host market. One expected strategy could involve divesting

from the war zone and relocating operations to another country (Benito *et al.*, 2009).

For example, many foreign MNEs in Myanmar responding to the 2021 military coup divested from Myanmar. For example, Japanese beer company Kirin withdrew from a joint venture (JV) with Myanmar Economic Holdings Limited (MEHL) (Lewis, 2021). Divesting, however, can be sometimes difficult to do for foreign firms in war zones. Oh and Oetzel (2016) rightly point out the potential economic and market barriers to exiting a violent country such as high sunk costs, immobility of assets, market commitment and interconnectedness of supply chains. Thus, some MNEs have strong incentives to remain. Future quantitative studies should empirically verify the influence of such economic barriers to corporate divestment in war zones and their relationship to FDI characteristics (efficiency seeking, resource seeking), size of investment and industry sector.

On the other hand, MNEs may divest from war zones on moral grounds (Nyurr *et al.*, 2017), especially when they risk funding violence through illegal taxes, endangering the lives of their employees, or having to protect their facilities and assets in a way that implicates them in human rights violations against local communities (Nyurr *et al.*, 2017; Hotho and Girschik, 2019). Indeed, MNEs may experience substantial pressure from interest groups to withdraw from the politically violent countries. For example, human rights campaigners have demanded that MNEs and global energy companies like Chevron and France's Total reassess their behaviour, investment and presence in Myanmar (Lewis, 2021). Moreover, MNEs may believe that terminating their business may bring more positive change than constructive engagement (Westermann-Behaylo, 2010; Nyurr *et al.*, 2017). Other MNEs may resist divestment without any sense of responsibility to others outside of the firm. MNEs may disregard ethical issues due to

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3 competitive pressures - believing when they withdraw, others will enter with lower
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5 ethical standards. Yet these MNEs' extreme disregard of their contribution to war could
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7 lead to loss of investors (Nyurr *et al.*, 2017), reducing the legitimacy of the MNE, as well
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9 as their strategic and financial capabilities. To avoid this, ethical egoism may drive some
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11 MNEs to divest from war zones.
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15 At the same time, as Nuyrr *et al.*, (2017) show, there can be a range or moral
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17 orientations driving ethical decision-making in international business. For example,
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19 MNEs adopting a utilitarian perspective may calculate the collective welfare of all
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21 stakeholders: armed groups, the government, the local communities, local interest
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23 groups, international aid organizations, employees and the company. Consequently,
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25 MNE may remain in the host market when they believe that staying will create good
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27 outcomes for most of the stakeholders concerned. MNEs can build schools and
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29 hospitals, underwrite educational and training programmes, provide micro-
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31 foundational loans and invest in social and community development (Rosenau *et al.*
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33 2009). Yet MNEs can also be aware that diffusing local conflicts lowers security costs
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35 and allows companies to avoid damage to infrastructure and facilities. It also allows
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37 them to avoid harm to reputation and to reduce legal exposure in their home countries
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39 (OECD, 2013). But are MNEs playing a positive role in civil war zones? The SOMO (2016)
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41 report shows that many MNEs in war companies are not playing a positive role in civil
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43 wars. Their research labelled many MNEs as "hit-and-run companies", generally not
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45 making any long-term investments and benefit from the instability of war and weak
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47 state governance. Indeed, they are known to create new conflict or exacerbate existing
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49 conflict. Although some MNEs are making long term investments to make a positive
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51 difference, there can be uneven geographical spill-overs from these investments.
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In sum, future research can uncover the ethical motivations and positions underpinning MNE divestment from ongoing civil wars. Furthermore, this issue of interest groups, both private and public, putting pressure on the MNEs to divest and do “the right thing” in civil war zones is worthy of future research. Future research should further explore the positive investments of MNEs in war zones, including how the macro context moderates the outcomes of these investments.

International business and the post-conflict phase of war

The *post conflict phase* constitutes the end of the armed conflict and beginning of the peace spell (Caplan and Hoeffler, 2017) on the basis of an armistice, a peace treaty, military victory, a negotiated settlement or an external intervention. Yet some conflicts end without formal peace agreements. Other conflicts continue at a lower level (Caplan and Hoeffler, 2017). Around 40% of all post-conflict cases return to conflict within the first decade of peace agreements being signed. Thus, whilst the widespread terms of ‘post-war’ or ‘post-conflict’ contexts are sometimes considered misnomers, the term ‘post-conflict’ still denotes a dramatic change and offers an attractive window of opportunity for cooperation and peace.

(i) *Why and how to invest in post-conflict zones?*

We lack a clear understanding of why foreign companies invest in post conflict countries or zones (Joshi and Quinn, 2018). For instance, MNEs may judge as favourable developments in the political environment such as the replacement of the previous regime with a more open and democratic government, more receptive to foreign

investment. Alternatively, some MNEs may exploit weak institutions and political instability in these states. Some MNEs in the extractives and agro-industrial sectors are focused on fragile states because they can yield high profits against low costs due to lack of regulation (SOMO, 2016). For example, British American Tabaco (BAT) showed sustained interest in the fragile states in Africa and the Middle East in order to take advantage of weak regulation on health warnings, nicotine content and absence of customs duties (Boseley, 2017). It is alleged that cartons of cigarettes were distributed by BAT to traders hidden in black bags in Somalia after Al-Shabaab banned sales and threatened punishments under Sharia law between late 2008 and early 2009. It is also alleged that a town in eastern Democratic Republic of Congo (DRC) that is not on any map, created by BAT to produce and process tobacco leaf, where, millions of dollars were delivered to pay farmers and staff, carried in secretly (Boseley, 2017).

However, not all MNEs are exploitative, and many may enter post-conflict zones to make a contribution to peace-building whilst attaining important business objectives at the same time (Kastos and Alfaji, 2019). Future research should explore the economic and/or responsibility motives to enter post-conflict zones and the wider economic, government and socio-political contexts facilitating entry into post-conflict zones. One possible government contextual factor for corporate interest in post-conflict zones is the increasing shift in government policy towards such locations. For example, the United States Agency for International Development (USAD) has implemented credit guarantees and incentive grants to lending institutions as ways to minimise collateral damage of doing business in post-conflict zones. The Netherlands also has its private sector investment programme (PSI) which operates in 50 countries. This offers financial support for partnerships between Dutch and local companies towards achieving

positive spill-overs for local companies (de Vries and Specter, 2009). A related question, therefore, is to what extent home government support enhances the decision to enter post-conflict zones.

MNEs need to decide when to enter post-conflict. This phase involves a trajectory of peace and economic development. During the early post-conflict phase, the country may remain heavily insecure and scattered incidents of fighting may still occur (de Vries and Specker, 2009). State infrastructure may be nascent, the humanitarian effort may still be ongoing and corruption can be rampant (de Vries and Specker, 2009). Yet government support may be available for early investors and opportunities might exist for MNEs involved in infrastructure projects. In sum, what factors determine the optimal timing of entry into post-conflict states? What are the opportunities and risks of early market entry and late market entry in post-conflict states? How does the formal institutional environment enable and constrain market entry into post-conflict states? What are the perceived and actual benefits and risks of entering post-conflict states through government assistance programmes?

(ii) *Do multinationals have a role in building peace?*

As the earlier review identified, many studies examining CSR in war environments endorse the view that MNEs should participate in building peace in post conflict zones (Ballentine *et al.*, 2005; Oetzel *et al.*, 2009; Forrer and Katos, 2015). MNEs are viewed as valued and legitimate actors in peace building as private sector investment may generate economic growth and peace dividends. MNEs also have an interest in building peace because it expands the market, reduces political and economic risks, improves market access, develops market-regulations and so forth. Other, more immediate

economic goals, may also drive conflict management activities. Melin's (2020) study of conflict management-related efforts by large, domestic firms in Latin America, the Middle East, and Africa from 1999–2013 found that MNEs engage in conflict management-related activities when their investments and reputation are threatened and when there is a gap in governance.

MNE involvement in the peace-building process allows them to construct “western style market democracies as a basis for sustainable peace regardless of the distinctive political, social, cultural and historical legacies” (Barbara, 2006: 583) of the conflict country. Because MNEs have significant support of the international community, their views are often given weight in the peace process (Barbara, 2006). However, MNE interests are not always compatible with the interests of the armed groups and other societal stakeholders in post-war zones. If some MNEs conceptualize peace as a new host market governed by neo-economic liberal values, policies and methods, their agenda will potentially aggravate political tensions and undermine peace building efforts. Critics of MNE involvement in peace building also argue that tensions will arise between what makes narrow economic sense and the political requirements of a peace process (Berdel and Mousavizadeh 2010: 52). Future research should examine the motivations of MNEs for involvement in peace building efforts. Future research should explore how compatible IB and MNE interests are with peace building efforts.

If we accept that MNEs should help build peace within post conflict zones, to what extent should they be involved and how? MNEs are on “safer ground” when providing a stabilising economic presence in the post-conflict zone, such as doing no harm, supplying jobs and paying improved wages, as opposed to playing an active political role

in the peace process. Most MNEs will not have the experience, capability and even long-term motivation to effectively engage the political side of peace building (Jamali and Mushak, 2010). Many MNEs will not have the nuanced understanding of the conflict, may misunderstand the root causes of the conflict and the political interests of major protagonists and social stakeholders in post war zones (Barbara, 2006). Consequently, MNEs proceeding in ignorance of the political economy as Berdal and Masuvizadeh (2010: 52) argue “risks perverse and politically destabilizing consequences”.

If some MNEs are constructively engaging in peace building, even in a limited way, they may commit wrongs elsewhere. Honke’s (2014) important case research of the peace building efforts of mining companies in the Congo found that while some firms practiced positive community engagement, other business practices continued and kept having problematic effects on local peace and security. Some MNEs peace building efforts resolved around managing the conflicts with the community that the MNEs created themselves. In sum, we need to subject the narrative of MNEs peace building or conflict management to greater scrutiny. By utilizing a more critical stance in future research, IB scholars can develop knowledge of the nature, barriers, and consequences of MNE involvement in peace building.

5. CONCLUSION

International business activities are not confined to stable and non-violent countries and regions. The geographical spread of complex international value chains of MNEs often involve direct or indirect linkages to war zones. Some MNEs are transferring technology and managers into existing war zones and some MNEs or finding themselves operating with a newly emerged war environment. MNEs also enter

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3 into post-conflict countries often savaged by violent conflict to exploit market
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5 opportunities in a favourably relaxed regulatory context, and to contribute to post-
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7 conflict restoration. The evolution of international business can also not be explained
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9 through international co-operation and international institutions alone; but further as
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11 the result of armed violence between nations and military success (Fitzgerald, 2015).
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13 War, unfortunately, remains an indelible feature of IB.
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18 Although the study on the links between IB and war can be traced to the liberal
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20 theorising of Smith, Kant and others in the 18th and 19th centuries, the academic IB-war
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22 literature formally starts in the late 20th century and involves contributions from a
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24 number of distinctive academic disciplines: international relations, political science,
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26 corporate social responsibility and international business. Empirical studies from the
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28 late 1970s/ early 1980s in the field of international relations showed significant interest
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30 in the nexus between the political economy and trade. These studies sought to validate
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32 or reject the liberal argument that trade promotes peace. IB-specific scholarship, on the
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34 other hand, has been slow to seriously examine how international trade and investment
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36 intersects with war environments and more generally, with other forms of political
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38 violence. Despite the continual spread of MNEs across the globe with greater exposure
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40 to state and non-state violent actors, IB research has historically dedicated more
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42 attention to non-violent political risks such as government expropriation risk and weak
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44 formal institutions. Since the 9/11 terrorist attacks in the United States, however, new
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46 interest has emerged on the risks of terrorism on IB (e.g., Czinkota *et al.*, 2010; Bader *et*
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48 *al.* 2019). This terrorism-IB literature clearly depicts the vulnerability of MNEs and
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50 employees to political violence and significantly reminds IB scholars of the violent side
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52 of political risk. For sure, it encouraged the author to write this paper, albeit on a form
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of mass political violence impacting IB: war. However, rather than only explore how MNEs are vulnerable to wars, as others before me have done so with sophistication (Li and Vashchilko, 2010; Oetzel and Getz, 2012), this paper aimed to show how wars, and those living within the context of war violence, are vulnerable to the activities and interests of MNEs and IB. Arguing that MNEs and other business actors are implicated in the initiation and development of war is nothing new. Mainstream IB scholarship to date, however, has largely steered around the argument, rather than engage with it. So, this paper confronts the IB literature with a claim that MNEs are implicated in war violence and critically contests the mainstream narrative within IB that war only constitutes an annoying suppressant to successful IB.

Thus, the primary aim of this study was to stimulate a fresh and overdue critical understanding and examination of IB in relation to war, and to advance the study of war within IB through a proposed systematic research agenda. There is much we do not know about how MNEs manage their operations within these complex environments, and how MNEs impact the war conflict process in the pre-conflict, armed conflict and post-conflict phases. As IB research on war shows a bias towards inter-state wars, future IB research should pay more attention to FDI and non-FDI within civil wars, considered the prevalent form of political violence in the 21st century. There is also a great deal to be learned about how and why MNEs and their managers can improve the lives of individuals and communities affected by war.

Future research needs to be quantitative and qualitative. We really need in-depth case studies and interview data from involving CEOs, subsidiary managers and stakeholders to gain a closer and nuanced understanding of MNE intent and management in war zones. We especially need to hear the voices of local stakeholders

such as armed groups, the state, consumers, civil society and local communities in future research studies. Qualitative data could help generate testable hypotheses about why MNEs divest from civil war zones, why MNEs invest in post-conflict countries, the conditions enabling MNE adverse actions and other questions.

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