

SHELL, NIGERIA AND THE OGONI. A STUDY IN UNSUSTAINABLE DEVELOPMENT¹: I. THE STORY OF SHELL, NIGERIA AND THE OGONI PEOPLE – ENVIRONMENT, ECONOMY, RELATIONSHIPS: CONFLICT AND PROSPECTS FOR RESOLUTION



Richard Boele^{1,*}, Heike Fabig² and David Wheeler³

¹ Kingston University, UK

² Sussex University, UK

³ York University, Canada

The Shell Petroleum Development Company (SPDC) and its joint-venture partners – particularly the Nigerian National Petroleum Corporation – have earned billions of dollars from the oil extracted from the land of the Ogoni in the Niger Delta. The Ogoni however complain that they have not seen adequate benefits; rather the oil has cost them dearly in terms of a deteriorating environment and underdevelopment and mobilized a successful national and

international campaign against the Nigerian government and Shell. Despite the avowed non-violent nature of the campaign, military repression resulted in thousands of Ogoni killed, raped, beaten, detained and exiled and the main leaders executed. Under pressure from the Ogoni, Shell was forced to pull out from Ogoniland in 1993. Since then, Shell International has re-invented its corporate strategy in line with principles of sustainable development and it has committed itself to a level of stakeholder engagement on its environmental and social performance which would have been unthinkable in 1995. So for Shell, a return to Ogoni would be a powerful symbol that their corporate commitment

* Correspondence to: Richard Boele, Centre for Stakeholding and Sustainable Enterprise, Kingston Business School, Kingston Hill, Kingston Upon Thames, Surrey KT2 7LB, UK.

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to being a socially responsible company is being translated into action on the ground. However, there is still little trust between the company and the Ogoni people and their representative organization, the Movement for the Survival of the Ogoni People (MOSOP). Many of the issues raised by the Ogoni (such as the need for locally sustainable development, distribution of oil wealth, community projects and environmental issues) have yet to be addressed. This paper is the first of a trilogy examining the issues, relationships, management and strategic implications of the case. Copyright © 2001 John Wiley & Sons, Ltd and ERP Environment.

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INTRODUCTION

Many of the issues raised by the Ogoni in their struggle for social and environmental justice against the Nigerian government and the oil companies – such as the need for locally sustainable development, distribution of oil wealth, community projects and environmental issues – have yet to be addressed.

This paper is the first of a trilogy examining the issues, relationships, management and strategic implications of the case. In this paper, we will summarize the chronological story of the conflict between the Ogoni and Shell, providing a context for the trilogy's other articles.

The second paper places the confrontation in the context of globalization and the challenge from the anti-globalization social movement to contemporary business and business practices. The case also provides a number of unique insights for proponents of stakeholder theory with respect to what more equitable and sustainable economic development might look like.

In the third paper we assess the effectiveness of integrating sustainability into business strategy and postulate that Shell's strategic management approach has the potential to deliver profound change and full integration of sustainability in Nigeria and elsewhere.

SHELL IN NIGERIA

Shell's exploration began in Nigeria – which was then a British colony – in 1937 (SPDC, 1998b). The Company discovered its first commercial oil field in the Delta in 1956 and by 1958 the first cargo of oil left Nigeria (SPDC, 1998a,b).

Today, Shell's operations in Nigeria account for 14% of their world-wide crude oil production, yet account for only about 7% of their profits. Shell produces half of Nigeria's total daily production of 2 million barrels, some of the best crude oil in the world (Howarth, 1997, p 384). Shell considers their Nigeria operations to be 'arguably Shell's largest and most complex exploration and production venture' outside North America (Shell International, 1995b).

Since the industry's nationalization in the 1970s, the Nigerian government has operated joint ventures with foreign oil companies. In the case of Shell's operations, the government owns 55% while Shell Petroleum Development Corporation (SPDC) – Shell's Nigerian subsidiary – owns 30% and Elf and Agip hold the rest. Shell is the operating partner making all day-to-day operational decisions (Howarth, 1997).

Shell has faced many significant challenges in Nigeria. Rampant corruption, military dictatorships and the government's inability to provide basic development are just a few. Despite these circumstances the company believes its 'most effective contribution to Nigeria is through the taxes and royalties we pay [to the federal government]' (Shell International, 1995a).

Many demands have been made of the company from the communities and local government. The company says that they 'do not hold the solution to community demands



for more amenities, more development, more employment and more control over oil revenues. That is primarily a government responsibility' (Shell International, 1995d).

THE OGONI AND OIL: ENVIRONMENTAL, SOCIAL AND ECONOMIC ISSUES

The Ogoni people live in Rivers State in the Niger Delta, in south-eastern Nigeria, in an area that is about 100 square kilometres in size. They number around 500 000 people who live in six kingdoms. Linguistic studies suggest they settled in the area currently known as Ogoni over 2000 years ago (Kpone-Tonwe, 1987). The Ogoni were – and still are today – a largely agricultural and fishing society. The Ogoni claim their land was until the 1960s known as the 'breadbasket' of the region (Boele, 1995).

The discovery of oil initiated a process that dramatically affected the Ogoni, the peoples of the Niger Delta and Nigeria as a whole. The Niger Delta is one of the world's largest wetlands, covering over 20 000 square kilometres. The fragile eco-systems contained within the area include mangroves, freshwater swamp forests, lowland rainforests and coastal barrier islands. It also contains enormous bio-diversity including unique and rare species. Most of the six million people living within the Delta depend on an agricultural and fishing economy for their survival (Rowell and Goodal, 1994; Project Underground, 1997).

Oil, and most importantly the revenue it generated, quickly dominated the Nigerian economy and thus control over oil resources was, and still is, a key concern for any Nigerian government (Ikein, 1990; Khan, 1994). In order to assure this control, the Nigerian state gradually strengthened its control over the land. The British colonial administration had vested the ownership of all minerals in the Crown. This policy was intensified by the post-colonial Nigerian government through a Land Use Decree, which vested all land in the State and later the Petroleum Act, giving the

Federal State the power to seize any land needed for oil exploitation (Detheridge, 1999; Frynas, 2000). In the late 1970s, the government further increased its control over the petroleum industry via two indigenization decrees, which virtually nationalized the oil industry and paved the way for establishing the current joint ventures.

The disenchantment of the Ogoni people with the oil multinationals had been building from the early days. As early as 1968 Ken Saro-Wiwa wrote in his pamphlet *The Ogoni Nationality Today and Tomorrow*

We refuse to accept that the only responsibility which Shell-BP owes our nation is the spoliation of our lands [...] We shall appeal to the Federal military government, or whatever government succeeds it to continue to show concern for small nationalities such as ours – especially in constitution making, that it TAKE STRONG COGNIZANCE OF OUR DESIRES WITH REGARD TO THE COMPANIES PROSPECTING OR OPERATING ON OUR SOIL (original emphasis, reproduced in Saro-Wiwa, 1995a).

Shell estimates that '[f]rom the start of production until 1993 when the company suspended operations in Ogoni land a total of 634 million barrels of oil, valued at US \$5.2 billion, were produced from the area of which 79%, went to the Nigerian government in taxes, royalties and equity take' (Detheridge and Noble, 1998).

The distribution of this oil wealth is a major issue for the Ogoni and other minorities of the Niger Delta (Saro-Wiwa, 1995a; MOSOP Canada, 1998c). Like the other oil producing communities, the Ogoni have never directly controlled even part of the petroleum revenue. This has always gone to the federal government, which has the duty to redistribute it amongst the country's states. The Nigerian constitution originally provided that 50% of the money generated by the oil (proceeds of royalties and mining rent) would go to the regions producing the oil. At the height of the Ogoni–Shell conflict in the early 1990s the distribution formula stood at 55% for the



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federal government, 32.5% to the state government, 10% to the local government, 1% to a fund for the amelioration of ecological problems and finally 1.5% to the Oil and Minerals Producing Areas Development Commission (OMPADEC). This body was charged with channelling funds specifically to oil producing communities. In 1992 the OMPADEC share was increased to 3%. More recently the figure was increased to 13%. Sadly, the funds for the oil-bearing communities largely evaporated in corruption before they could trickle down to the communities (Boele, 1995; Robinson, 1996; Frynas, 1999, 2000). No real development was delivered and what projects were realized were often unsustainable.

Thus the oil communities saw their allocated and their actual share of the oil revenue decrease gradually while at the same time, others – non-oil-producing majority peoples, the federal government and the oil companies – grew wealthier. While the oil may have brought industrialization to the region and export revenues to the country, the Ogoni claim their quality of life has not improved, and they have not ‘developed’ along with the rest of their country (Saro-Wiwa, 1995a; MOSOP Canada, 1998c; Hammer, 1996; Robinson, 1996; Naanen, 1995).

Oil impacted directly upon the lives of the Ogoni people with both environmental and social costs. The communities were confronted first with seismic surveys and building works, and then with the effects of oil extraction such as leaks, oil spills and gas flaring. Apart from the environmental pollution, the communities saw oil exploration as aggravating already heavy pressure on land in one of Africa’s most densely populated regions. However, Shell argues it only uses 0.3% of the Delta for its operations and does not believe it has a significant impact on land pressure (Detheridge, 1999).

The advent of oil, oil workers and oil installations brought important societal changes such as oil workers migrating into an area, the increasing importance of the money economy and rising food prices. Temporary employment was particularly destructive. As young men were relatively highly paid for short periods of time, their spending habits

changed and they imitated a mainstream culture, which caused division separating them from their communities (Frynas, 2000). As the main farm workers, women reported being especially hard hit by the environmental and social consequences of the oil exploration. They saw their lands appropriated for oil extraction, and received neither adequate compensation nor secure jobs in return.

With the oil also came major industrial development. Ogoni contains two oil refineries, one petrochemical plant, a fertilizer plant, a cement factory and a power plant, but the Ogoni people are frustrated that the factories do not employ Ogoni people – despite Federal government regulations – at what they consider to be a meaningful level.

The Ogoni accused Shell of ‘devastating’ their environment from the start of Shell’s operations in 1958 (Saro-Wiwa, 1995a; MOSOP Canada, 1998c). Shell’s response to the environmental accusations of the Ogoni was robust:

The company recognises there are environmental problems associated with its operations and it is committed to dealing with them, but these problems do not add up to anything like devastation (Shell International, 1995c).

In addition to the general accusation of ‘devastating’ the environment, the company stood accused of specific acts of environmental irresponsibility. These included operational oil spills, gas flaring, acid rain, land use and waste management. The company acknowledges that there were environmental impacts but sought to put these into a wider context of over-population, over-farming, deforestation and industrialization (Shell International, 1995c).

The Ogoni pointed to out-dated equipment, which was poorly maintained over the years and which led to numerous spills (Saro-Wiwa, 1995a; MOSOP Canada, 1998c). Most of the Ogoni oil infrastructure was built in the 1960s and 1970s. Referring to the equipment Shell confirmed that ‘they were acceptable then and in line with standards of technology then prevalent, but we would not build them that way now’ (Shell International, 1995a).



Oil spills are still a major source of conflict between the communities and the oil companies. According to Shell statistics the Ogoni were very active saboteurs with 69% of all spills in Ogoni between 1989 and 1994 recorded as sabotage (in comparison to 28% for the rest of the Delta – Shell International, 1995c). The figure has been strongly disputed by the Ogoni, who point to a lack of logic in farming people polluting their own land for inadequate compensation as SPDC maintained a policy of not paying compensation where sabotage was believed to be involved.

There is still little independent scientific evidence concerning the impact of the oil industry on the Ogoni's land that could be accepted by all parties. There were two major studies into the Delta's situation – one by the World Bank and the other by the Shell-initiated and funded Niger Delta Environmental Survey. However they do not focus specifically on Ogoni and do not take social and cultural effects into consideration (see World Bank, 1995; Project Underground, 1997; NDES, 1995).

The claims and counter-claims around the impact of oil spills are paralleled throughout the oil companies' relations with the oil-bearing communities. Another of these was the relationship between the oil companies and the Nigerian military dictatorship.

THE ROLE OF THE NIGERIAN MILITARY STATE

The co-operation between the oil companies and the military dictatorship was an issue that the Ogoni felt strongly about. From their point of view, two malign forces were combining to pursue their own interests. Ken Saro-Wiwa expressed this sentiment in a statement during his trial:

Since it [Nigerian military dictatorship] also depended for survival on the availability of oil money, its violence is directed at oil-producing areas such as Ogoni. [...] The military dictatorship holds down oil-producing areas such as

Ogoni by military decrees and the threat of or actual use of physical violence so that Shell can wage its ecological war without hindrance and so produce the oil and petrodollars as well as the international and diplomatic support upon which the military dictatorship depends (Saro-Wiwa, 1995b).

Obviously, there is always a certain level of required co-operation between business and government. However, the Ogoni claim that the partnership between SPDC and the Nigerian military government went well beyond a normal business relationship. Shell stood accused of seeking and assisting the intervention of the security forces when confronted with demonstrations by the communities (Human Rights Watch/Africa, 1995; Vidal, 1995; Robinson, 1996; Human Rights Watch, 1999; Duodu, 1996). Human Rights Watch/Africa noted that:

Because the abuses set in motion by Shell's reliance on military protection in Ogoniland continue, Shell cannot absolve itself of responsibility for the acts of the military. [...] The Nigerian military's defence of Shell's installations had become so intertwined with its repression of minorities in the oil-producing areas that Shell cannot reasonably sever the two (Human Rights Watch/Africa, 1995).

The Ogoni perceived the partnership as acting against their interests. The fact that Shell has invested considerable sums on its community relations has done little to change this perception in Ogoni where communities feel these projects are insufficient, do not address the real issues and are a source of division within the communities.

THE EMERGENCE OF MOSOP AS A POLITICAL FORCE

Where there is discontent and frustration in a community, new social movements may emerge to bring about fundamental changes in the existing social order.



In Ogoni a powerful example of such a movement emerged to agitate for Ogoni self-determination in order to bring an end to perceived 'economic strangulation, environmental degradation and political marginalisation' (Saro-Wiwa, 1995a). With the established Nigerian political system having largely failed the Ogoni, they believed they had little choice but to revert to direct social action. The Ogoni movement decided to engage in a non-violent struggle drawing on the language of minority/indigenous peoples' rights and social and ecological justice. In October 1990 they launched the Ogoni Bill of Rights. In the Bill, the Ogoni people, while underlining their loyalty to the Nigerian nation, asserted their right to self-determination and articulated their demands for environmental, social and economic justice (for a full text of the Bill, see MOSOP Canada, 1998b).

The oil question was very prominent in the Ogoni Bill of Rights. Seven of its 20 listed points dealt with the exploration of oil, the distribution of the revenue it generated and the relative poverty and neglect of Ogoni in contrast to the money oil resources generated for the Federation. Their frustration was illustrated by the following extract from the Bill, which notes:

[I]n over 30 years of oil mining, the Ogoni nationality have provided the Nigerian nation with a total revenue estimated at over forty billion Naira, thirty billion dollars. That in return for the above contribution, the Ogoni people have received NOTHING (quoted in Saro-Wiwa, 1995a – original emphasis).

Shortly after the proclamation of the Ogoni Bill of Rights, the signatories of the Bill established the Movement for the Survival of the Ogoni People (MOSOP), which soon became the main social movement organization voicing the demands articulated in the Bill of Rights (MOSOP Canada, 1998a,b).

In July 1992 Ken Saro-Wiwa, as the MOSOP spokesperson, presented the first international speech on the plight of the

Ogoni people to the United Nations Working Group on Indigenous Populations. This began the linking of the Ogoni with international allies in the form of human rights organizations, minority rights organizations and indigenous peoples' support groups world-wide (for example, Amnesty International, 1994a,b,c,d; Rowell and Goodal, 1994; Human Rights Watch/Africa, 1995). In January 1993, MOSOP was admitted as a member to the Unrepresented Nations and Peoples Organisation (UNPO). UNPO is an organization of nations and peoples not adequately represented in international fora such as the UN. With their UNPO admission the Ogoni received their first major global press exposure from outlets such as CNN and *Time Magazine*. The international media were only too happy to carry MOSOP's accusations against Shell (see, for example, O'Sullivan, 1995; Hammer, 1996; Vidal, 1995).

SHELL AND THE OGO NI IN DIRECT CONFLICT

In December 1992, MOSOP issued a 'demand notice' to Shell, the Nigerian National Petroleum Corporation and Chevron, which gave them 30 days to respond to a list of demands that included payment of compensation for past damage and impacts of the oil activities (Saro-Wiwa, 1995a). Shell and the others did not respond and as a result they were declared '*persona non grata*' by MOSOP on 4 January 1993, which was declared Ogoni Day. 300000 people peacefully marked the United Nations Year of Indigenous People. There was not a single reported incident of violence (Boele, 1995). However, that day, chants of 'Say no to Shell!' were heard at rallies throughout Ogoni.

Shell had found tensions rising in Ogoni rising even before this (Boele, 1995) and officially withdrew all their staff from Ogoni in January 1993 after a worker was allegedly beaten (Boele, 1995). The Ogoni denied that staff were physically hurt but admit that Shell facilities were closed down.



CONFLICT WITH THE MILITARY AUTHORITIES

In subsequent clashes between the Ogoni community and Shell, Nigerian soldiers opened fire on what MOSOP claimed were villagers peacefully protesting against the destruction of the fields for the pipeline construction, and the first Ogoni people were killed (Ikwunze, 1993; Boele, 1995).

As the international profile of the Ogoni cause grew, so the domestic pressure on MOSOP and the Ogoni people increased. Late 1993 saw a series of attacks on Ogoni communities in both Ogoni and Port Harcourt resulting in hundreds of deaths (Niboro, 1993). Newspapers reported the attacks as 'ethnic clashes' with Ogoni neighbours, but the Ogoni saw the attacks as punishment for their stand against the Nigerian military government and Shell.

The government then attempted to broker a peace treaty that was supposed to stop the 'ethnic clashes' between the Ogoni and their neighbours. Ken Saro-Wiwa and MOSOP, unlike other Ogoni representatives, refused to sign as they objected to a paragraph that called for the 'immediate resumption of all full economic and social activities' (Boele, 1995). They feared it could be interpreted as justifying Shell's resumption of operations. Indeed, later an internal Shell memo emerged, dated November 1993, which stated that inspection teams had moved to 'inspect the facilities with a view to resuming operations at the earliest feasible time.' (quoted by Boele, 1995).

It was another memorandum, this time from the Nigerian Government, that implied direct collusion between the oil companies and the military in 1994. The leaked document was reported on the front page of the UK newspaper *The Guardian* (Vidal, 1995). The story quoted the secret government memorandum,

Shell operations still impossible unless ruthless military operations are undertaken for smooth economic activities to commence [...] wasting targets cutting

across communities and leadership cadres especially vocal individuals [...] (quoted in Boele, 1995).

The memorandum also noted the need for 'pressure on oil companies for prompt regular inputs as discussed' (quoted in Boele 1995), implying that Shell may be paying the military authorities for the operations of Major Okuntimo's unit (the Internal Security Task Force) in Ogoni – a unit well known for its brutality in Ogoni. Shell responded 'We categorically deny that we paid money to the likes of Major Okuntimo' (Vidal, 1995).

Even while tensions rose from 1993 there had been numerous attempts to build bridges between Shell and the Ogoni people. They were fundamentally flawed by Shell's difficulty in recognizing the significance of MOSOP:

[T]he company's ability to communicate with the Ogoni community is very poor. Since 1990 this failure stems from the company's unwillingness to acknowledge the significance of MOSOP which now represents the bulk of the Ogoni community. . . Shell Nigeria has chosen to promote the existence of conservative Ogoni leaders, some of whom have benefited greatly from the company's operations, instead of actively engaging MOSOP (Boele, 1995).

THE CONFLICT DEEPENS: THE EXECUTIONS AND INTERNATIONAL REACTION

The state violence against the Ogoni climaxed when Ken Saro-Wiwa and eight other Ogoni activists were arrested and eventually convicted of the murders of four conservative, pro-government chiefs, and sentenced to death. In the closing statement Ken Saro-Wiwa made it clear whom he held responsible for the trial:

Shell is here on trial [...] The Company has ducked this particular trial, but its day will surely come and the lessons learnt



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here may prove useful to it for there is no doubt in my mind that the ecological war the Company has waged in the Delta will be called to question sooner rather than later. . . (Saro-Wiwa, 1995b).

The trial, which was conducted by a military appointed tribunal and included a serving military officer, was universally condemned as a sham (Birnbaum, 1995; ICJ, 1996).

Next to the Nigerian dictatorship, Shell was the main target for international campaigners so Shell found itself under intense pressure to intervene. Shell claims it did call for the government to respect the right to a fair trial and humane treatment for persons in detention and, once the conviction was confirmed, the Chairman of the Group wrote to the Nigeria military dictator asking for clemency (SPDC, 1998i). Nevertheless, on 10 November 1995, Ken Saro-Wiwa and eight MOSOP leaders (now known as the Ogoni Nine) were hanged by the Nigerian authorities.

After the executions there was worldwide condemnation of Shell (Wheeler, 1995; O'Sullivan, 1995; Hammer, 1996). Headlines appeared that painted Shell as callous and a supporter of dictators. In the months after the executions of the Ogoni Nine, Shell found its role in Nigeria the focus of much analysis in the media. The role of transnational corporations in countries with dictatorships was debated in many and diverse publications and fora. Some in the media suggested that the furore had gone too far (McElvoy, 1996). In response to the criticisms, Shell launched a communications campaign including a series of full-page advertisements in major newspapers such as the *New York Times*. However, far more typical was commentary that drew the obvious conclusion that ethical responsibilities could not be ignored. UK-based *Marketing Week* in their cover story on 'Shell's sticky problem' noted:

. . . the Shell case has wider implications for other multinationals who could also face worldwide pressure to accept ethical and social responsibility for their actions around the world (O'Sullivan, 1995).

In the year following the executions, Shell was forced to defend itself again and again – from the criticisms of members of conservation groups, academics and learned societies who wished to sever links with the company through to local governments considering boycotts of Shell products.

The Shell Annual General Meetings in May 1996 and 1997 also saw significant and simultaneous actions in The Netherlands and the United Kingdom. During the 1997 AGM a shareholder resolution was tabled requesting the company to be more transparent in its social and environmental responsibilities. In a significant result the resolution was supported by over 10% of shareholders who voted even though the directors recommended voting against the resolution. There were also actions outside the AGM including the handing out of an alternative 'annual report' entitled *Human Rights and Environmental Operations Information on the Royal Dutch/Shell Group of Companies* (Project Underground, 1997).

RECENT CHANGES

The sudden and unexpected death of General Abacha, Nigeria's military ruler, in 1998 brought significant change to Nigeria. The country returned to civilian rule; the political climate in the country has freed up significantly, and a great number of political prisoners, including the remaining Ogoni activists arrested with Ken Saro-Wiwa but not yet tried (known as the Ogoni 20), were released. The militarization of Ogoni ended and MOSOP leaders in exile began returning home.

In order to address the outstanding issues of development, the government initiated the Niger Delta Development Commission Bill (NDDC Bill). While full of good intentions, MOSOP felt the current Bill was 'vulnerable to the same political manipulation that has characterised earlier bodies' and 'has exposed the continuing [. . .] lack of understanding of fundamental issues by policy-makers in Abuja [the Nigerian state capital]' (MOSOP International Secretariat, 1999b).



Shell International also underwent a process of transformation. In 1996, the company initiated the 'Society's changing expectations' project, an elaborate audit of the views of the company's stakeholders (Shell International, 1999a). The project found that:

Shell's economic contribution to society, technology leadership, and product quality are recognised, but on human rights and environmental care Shell is rated poorly by both the general public and opinion leaders (Shell International, 1999a).

Cor Herkstroter, Chairman of the Committee of Managing Directors admitted Shell was responsible for 'technological arrogance' in regard to discussion about environment and human rights (Anonymous, 1996). In the year after the execution of Ken Saro-Wiwa and his eight colleagues, Shell engaged in a process of dialogue with a number of stakeholders, which promised to be the beginning of a process of serious evolution and change for the company. One part of this was Shell's regular dialogue with human rights organizations such as Amnesty International and Pax Christi.

Subsequently, in 1997, Shell revised its 1976 *Statement of General Business Principles*. They 'reaffirm the [...] principles that govern how each of the Shell companies which make up the Royal Dutch/Shell Group of Companies conducts its affairs' and 'apply to all transactions, large or small, and describe the behaviour expected of every employee in every Shell company in the conduct of its business' (Shell International, 1997).

The revised *Principles* were unique at the time in their explicit reference to 'express support for fundamental human rights in line with the legitimate role of business' (Shell International, 1997). They also re-affirmed the company's responsibilities to society, and specifically state that Shell aims to 'give proper regard to health, safety and the environment consistent with their commitment to contribute to sustainable development' (Shell International, 1997).

In 1998, Shell International published its first corporate statement of social and environmental performance entitled *Profits and Principles – Does There Have to be a Choice?* (Shell International, 1998). It 'gives a detailed assessment [of the company's] progress in living up to the values of [the] revised *Statement of General Business Principles*' (Shell International, 1999a). In the report, the company claims to have been 'shaken by the tragic execution of Ken Saro-Wiwa' (Shell International, 1998). Furthermore, Shell acknowledged that, while convinced that it 'acted honourably', it realized that 'the conviction that you are doing the right things is not the same as getting them right' and that was 'a very salutary lesson' (Shell International, 1998). The report states the Brent Spar and Ken Saro-Wiwa cases were turning points for the company (Shell International, 1998).

The company also produced a practical guide to human rights (also known as the *Management Primer on Human Rights*), designed to help the Shell companies 'to discuss their roles and responsibilities in understanding and supporting human rights [...] as part of an awareness programme designed to help staff deal with the issue in their work' (Shell International, 1999b). The guide departs from Shell's earlier narrow view of the role of business in society and acknowledges that:

Major human rights violations do not generally exist in a vacuum, but within a nexus of corruption, poverty, poor public services and infrastructure, governmental instability and other factors which make it difficult for business to operate (Shell International, 1999c).

As Shell International undertook the strategic corporate changes outlined above, there were significant implications for Shell in Nigeria.

One of the Ogoni's earliest complaints against Shell was the flaring of natural gas (a by-product of oil production) in ground level pits, some of which are located close to villages. Environmental activists and the Ogoni have long argued the gas should be utilized. Indeed, using the gas can be commercially



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profitable, and harnessing of non-associated gas has been planned for more than 30 years (Frynas, 2000). Shell has now built an LNG plant (Shell International, 1999b) and has a 'commitment to end gas disposal by continuous gas flaring by 2008.' (Shell International, 1999b).

SPDC has also made a commitment to bury all land flowlines by 2003 (SPDC, 1998a) and has been 'continually renewing its production infrastructure. The annual cost of the upgrade and renewal programme is around \$100 million [...] Furthermore, until the end of the century, at least one fifth of the company's budget is committed to operations to conserve and improve the environment' (SPDC, 1998d). In addition, SPDC states that:

Environmental Impact Assessments (EIAs) are now carried out before every major project is undertaken by SPDC. All existing facilities are undergoing a similar examination through a programme of Environmental Evaluation Reports (EERs) which should be completed by the end of 1999. EIAs and EERs cover the whole of the environment, from the physical to the socio-economic and health aspects of communities (SPDC, 1998d).

With regard to rehabilitation of areas polluted by oil spills in the past, SPDC asserts that 'it is envisaged that "Past Impacted Areas" will be rehabilitated by the end of 2003' (SPDC, 1998e). Shell Nigeria says it aims to discuss with the communities what their needs are on environmental issues (Shell International, 1999b).

Another of the Ogoni's long-running complaints against Shell has been the under-employment of Ogoni people. Today SPDC claims that 95% of its full time staff are Nigerian (SPDC, 1998a), 43 Ogoni companies are registered as Shell contractors and '85 Ogoni are employed by SPDC out of a total workforce of about 5,000' (SPDC, 1998c).

Shell in Nigeria recognizes that its relations with the community, especially the Ogoni community, have been strained.

SPDC claims its 'support for the communities dates back to the 1950s and has become increasingly focused on long term goals in partnership with the communities themselves' (SPDC, 1998f). SPDC says it spends more than \$20 million each year on community development in the entire Niger Delta and even \$36 million in 1996, and formed a new Community Programme Development Unit in late 1997 (SPDC, 1998a,f).

Shell continues to attempt dialogue with the Ogoni. As the company states, '[m]eetings and consultations continued during 1998 with a range of Ogoni groups and organizations. They were facilitated by, among others, the Christian Association of Nigeria' (SPDC, 1998g). Shell maintains that '[p]rogress towards reconciliation has been slow but steady. SPDC has, some time ago, resumed community development activity in Ogoni land in the medical, educational and agricultural fields' (Shell International, 1999b).

In a unilateral attempt to create a climate of reconciliation, Shell proposed a *Plan for Action in Ogoniland* in May 1996. The plan outlined a number of steps towards improving the situation in Ogoni. These included 'cleaning up all oil spills – whether or not due to sabotage – that have happened since the company withdrew staff in 1993, and make safe all facilities [...] rehabilitate its past community projects where necessary and take over their maintenance [...] [and] investigate further development projects in the area' (Shell International, 1996).

Unfortunately, the company failed to inform MOSOP of this plan before releasing it to the press, and did not discuss it with them. For MOSOP, actions like these reinforced the perceived dismissive attitude of the SPDC towards the Ogoni. Shell countered that it repeatedly stated that it has no intention of restarting production without the consent of the Ogoni people. Furthermore, with damage of over \$50 million to their facilities, the chances of restarting significant production – even were consent to be given – were considered slim in early 2000, at least in the short to medium term.



MOSOP AND SHELL IN NIGERIA – PROSPECTS FOR RESOLUTION

As Cor Herkstroter, Chairman of the Committee of Managing Directors, said in the introduction to the revised 1997 *Statement of General Business Principles*, 'Upholding the Shell reputation is paramount. We are judged by how we act' (Shell International, 1997). However, despite all the corporate activity in Shell International, Acting President of MOSOP Ledum Mitee was still forced to conclude in November 1998 that:

Shell – the company that [...] promised to balance principles with profit – has not made a single concession to help bring about the peace and reconciliation it says it wants to see. I have a simple question for the Directors of Shell: when will you balance principles with practice in Ogoni (MOSOP International Secretariat, 1998).

Shell Nigeria says it 'recognises the gap between its intentions and its current performance' (SPDC, 1998h). Furthermore, specific questions will still have to be addressed promptly in regard to commitments made by SPDC. With Shell still *persona non grata* in Ogoni, it was not clear how Shell would be able to keep its promises to bury all flowlines, renew production infrastructure, rehabilitate oil spills and undertake its program of Environmental Impact Assessments and Environmental Evaluation Reports (SPDC, 1998a,d,e).

Furthermore, the way in which community development money was spent remained a cause of deep resentment (MOSOP International Secretariat, 1998, 1999a,b,c). Villagers accused the company of being parsimonious at best, incompetent at development work, neglecting consultation and paternalistic (Vidal, 1999b). The community development projects supported by Shell were dismissed by Ledum Mitee, acting president of MOSOP, as 'ineffective, unnecessary or just PR for the company [...]. They decide what is good for us. They are just wasting resources. We have yet to see the impact of all this spending' (quoted by Vidal, 1999b).

Activists particularly criticized Shell's US\$16 million advertising campaign (almost the total annual SPDC budget for community projects in the Delta), saying that it should 'spend it's money cleaning its mess in Nigeria, not its image' (Essential Action, 1999). The Shell PR campaign, however, seems to have been money well spent; a UK newspaper reported that a survey of 160 (western) global opinion leaders found that Shell was thought to be 'strong on the environment', 'ethical' and 'committed to human rights' (Vidal, 1999a).

What all opinions do seem to have in common, though, is the feeling that Shell needs to enter in a serious dialogue with MOSOP rather than impose projects, however well intended. MOSOP noted the 'continuing failure of Shell and other multinationals to make substantive changes to their practices in the Niger Delta' as one of 'the current areas of prime political concern for MOSOP' (MOSOP International Secretariat, 1999b).

CONCLUSION

The story of Shell in Nigeria and the Ogoni provides many salutary lessons for businesses seeking to operate successfully and ethically in developing countries. It is a story, except for the courage and charisma of Ken Saro-Wiwa, that might never have come to the attention of environmental and social activists worldwide. To its credit Shell International has attempted to internalize some learning from the events described here – to the extent that it has altered its business strategy in line with principles of sustainable development and its approach to stakeholder dialogue. Shell has also recognized the need for cultural change and a more sophisticated attitude to 'political' questions of human rights, environmental responsibility and corporate social responsibility. The challenge that remains for Shell International is to translate the new corporate strategy and attitudes into management action on the ground in Nigeria. The implications for management approach and business strategy of these events are



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discussed in the second and third papers in this trilogy.

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BIOGRAPHY

Richard Boele is Industrial Fellow at the Centre for Stakeholding and Sustainable Enterprise, Kingston Business School, Kingston University, UK.

Tel.: +44 0208 5477353; fax: +44 0208 5477024; E-mail: rboele.csse@kingston.ac.uk
Heike Fabig is at the Graduate Research Centre for the Comparative Study of Culture, Development and Environment, Sussex University, UK.

David Wheeler is Director of the Erivan K. Haub Program in Business and Sustainability, Schulich School of Business, York University, Canada.