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# Corporations and Counterinsurgency

William Rosenau, Peter Chalk, Renny McPherson,  
Michelle Parker, Austin Long

Prepared for the U.S. Government

Approved for public release; distribution unlimited



NATIONAL SECURITY RESEARCH DIVISION

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## Preface

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Today, in countries as diverse as Colombia, Papua New Guinea, and Nigeria, multinational corporations (MNCs) are helping to shape zones of conflict in significant ways. However, although academic specialists have noted the growing governance and security roles of MNCs, U.S. strategy and policy have been slow to acknowledge the significance of these corporate actors and the importance of private forms of governance more generally. To provide policymakers and analysts with a fuller understanding of corporate activities in conflict areas, this paper explores a set of case studies on Shell in Nigeria, Placer Dome, and Firestone. The paper also provides a framework for thinking about what roles (if any) MNCs could play in future stability operations.

This research was conducted within the Intelligence Policy Center (IPC) of the RAND National Security Research Division (NSRD). NSRD conducts research and analysis for the Office of the Secretary of Defense, the Joint Staff, the Unified Combatant Commands, the defense agencies, the Department of the Navy, the Marine Corps, the U.S. Coast Guard, the U.S. Intelligence Community, allied foreign governments, and foundations.

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## Abbreviations

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AIDS	acquired immunodeficiency syndrome
AM	artesian miner
BP	company formerly known as British Petroleum
BSR	Business for Social Responsibility
IDP	internally displaced person
LURD	Liberians United for Reconstruction and Democracy
MEND	Movement for the Emancipation of the Niger Delta
MNC	multinational corporation
MODEL	Movement for Democracy in Liberia
MS	Mobile Squad
NDDC	Niger Delta Development Commission
NGO	nongovernmental organization
NPFL	National Patriotic Front of Liberia
PJV	Porgera Joint Venture
PMC	private military company
PNG	Papua New Guinea
UN	United Nations
VPSHR	Voluntary Principles on Security and Human Rights



## Introduction

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The insurgencies, civil wars, and humanitarian interventions of the 1990s introduced U.S. military planners, strategists, and analysts to the important roles played in internal conflicts by unofficial entities, such as nongovernmental organizations (NGOs) and private military companies (PMCs).<sup>1</sup> Today, in countries as diverse as Colombia, Nigeria, and the Philippines, multinational corporations (MNCs) are shaping zones of conflict in significant ways. However, although academic specialists have noted the growing governance and security roles of MNCs, U.S. strategy and policy have been slow to acknowledge the significance of these corporate actors.<sup>2</sup> For example, the U.S. Army–Marine Corps counterinsurgency manual (Field Manual 3-24) notes in passing that MNCs “often engage in reconstruction, economic development, and governance activities”<sup>3</sup>—a true statement, but one that fails to capture the range, nature, and consequences of the MNC presence in conflicted areas. Understanding how they do so should be a priority for those responsible for U.S. counterinsurgency policy, doctrine, and operations.

The role of MNCs in conflict environments is not an entirely novel subject, but many earlier studies have approached this issue from the perspective of corporate social responsibility, human rights, and environmental policy. In contrast, this paper will focus explicitly on MNCs as actors in conflict systems and will consider these firms’ efforts to mitigate violence and promote stability through social development and security measures—what might be termed conflict mitigation; conflict transformation; or, more bluntly, “corporate counterinsurgency.”

In the developing world, MNCs can dwarf indigenous governments in terms of capabilities, resources, and presence. Yet U.S. counterinsurgency policy remains heavily state-centric. As mentioned above, the policy acknowledges the real or potential contributions of NGOs and PMCs but overlooks another critically important nonstate actor, the MNC. (Re)building strong, legitimate states is at the heart of the U.S. approach to counterinsurgency, which typically sees state structures as the essential security providers. Putting aside the question of

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<sup>1</sup> See for example Jennifer Morrison Taw, *Interagency Coordination in Military Operations Other Than War: Implications for the U.S. Army*, MR-825-A, Santa Monica, Calif.: RAND Corporation, 1997; James Dobbins, Seth G. Jones, Keith Crane, and Beth Cole DeGrasse, *The Beginner’s Guide to Nation-Building*, Santa Monica, Calif.: RAND Corporation, MG-557-SRF, 2007; David Shearer, *Private Armies and Military Intervention*, Adelphi Papers, Oxford: Oxford University Press for the International Institute for Strategic Studies, 1998; and P. W. Singer, *Corporate Warriors: The Rise of the Privatized Military Industry*, Ithaca, N.Y.: Cornell University Press, 2003.

<sup>2</sup> See for example Mark Duffield, *Global Governance and the New Wars: The Merging of Development and Security*, London and New York: Zed Books, 2001, pp. 62–64.

<sup>3</sup> U.S. Army and U.S. Marine Corps, *The U.S. Army/U.S. Marine Corps Counterinsurgency Field Manual*, Chicago: University of Chicago Press, 2007, p. 65.

whether building strong states is always feasible or desirable, the U.S. approach overlooks the “real and existing” providers of security outside the state, such as religious sodalities; customary police and courts; militias; and in some instances, MNCs.<sup>4</sup> Across the global south, families and communities look beyond the state for security and do so even when the state is relatively strong, as in South Africa. The point is simply that, in many parts of the world—particularly where insurgencies take place—a variety of nonstate security structures provide security (in various forms, and with varying degrees of competence and legitimacy) and are likely to continue to do so. Moreover, in many instances, these entities are viewed as *more* legitimate than state institutions, which are often (and correctly) viewed as deeply corrupt, predatory, and a source of insecurity rather than protection.

This goal of this paper is relatively modest: to introduce policymakers, and analysts to the roles MNCs play in the conflict zones. Understanding internal conflicts, and developing effective approaches for dealing with those armed struggles, requires an appreciation of the activities and approaches of all of the actors operating in those settings, including MNCs. These corporations affect, and are affected by, the violent environments in which they do business. A consideration of how an MNC is reducing or exacerbating violence in a conflict zone should be a component of any comprehensive conflict analysis and resulting policy.

This paper is intended to serve as a jumping-off point for a number of critical issues that would benefit from additional research. For example, no systematic investigation has been made of corporate efforts to use information to win popular and elite support (locally, regionally, and internationally) for MNC operations in zones of conflict. For policymakers, a particularly important set of questions surrounds the issue of how and when (or if) MNCs should be engaged as part of a counterinsurgency campaign. Inter alia, future research should focus on developing criteria for policymakers to employ when evaluating potential MNC contributions to internal defense and other security objectives.

Three case studies form the heart of this preliminary assessment: Royal Dutch Shell in Nigeria, Firestone in Liberia, and Placer Dome in Papua New Guinea. These cases are representative of the kinds of challenges MNCs face as they conduct natural-resource extraction and processing operations in war-torn environments and are intended to underpin further conceptualization. It should be noted that publicly available information about corporate conduct in conflict zones is incomplete. Most firms view their decisionmaking processes as proprietary and so are typically reluctant to make such information public.<sup>5</sup> Moreover, consumer-oriented “brand name” companies are often acutely sensitive about revealing information that could tarnish their reputations. Nevertheless, the available data were sufficient to allow careful analysis. To provide the necessary context for these case studies, this paper will begin with an overview of some of the key themes involving the conduct of large business enterprises in conflict zones.

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<sup>4</sup> For a discussion of nonstate actors providing security in Africa, see Bruce Baker, “Protection from Crime: What Is on Offer for Africans?” *Journal of Contemporary African Studies*, Vol. 22, No. 2, 2005, pp. 371–390.

<sup>5</sup> Jake Sherman, “Private Sector Actors in Zones of Conflict: Research Challenges and Policy Responses,” New York: International Peace Academy, IPA Workshop Report, April 19, 2001.

## Doing Business in Zones of Conflict

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For most MNCs, a highly violent operating environment, and with it, the prospect of the death or injury of employees and the destruction of corporate infrastructure, is a powerful incentive to depart—or indeed, not to enter in the first place. Advocacy groups and the broader international community frequently demand that MNCs in conflict zones halt their operations and remove themselves from the affected country, arguing that the continued presence of these firms helps maintain a “war economy” that sustains combatants.<sup>1</sup> Service firms and manufacturers with comparatively light investments either do not face these obstacles and issues or have assets that are mobile; relocation in the face of political instability is, thus, the usual reaction.<sup>2</sup>

For some MNCs, however, financial and other considerations create strong incentives to remain. Firms that decide to do so are most often those involved in the extraction and processing of natural resources, such as oil, natural gas, and minerals, and of commodities, such as natural rubber. For firms operating in the extractive sectors, relocation is rarely an option. Not only are they compelled to remain where resources are to be found, long production cycles and expected returns on extensive capital investment frequently outweigh the costs of continuing to operate in zones of acute conflict. Equally, the terms of concession agreements with host governments typically carry time frames measured in decades, which necessarily precludes the option of early divestment. Many firms in the extractive sector, therefore, must learn to adapt to conditions of violent instability.

Some firms choose to do little beyond enhancing the physical security of their enterprises. At the most basic level, MNCs can provide safe havens for employees and their families during periods of acute conflict, as Firestone did at the height of the Liberian civil war. Given the significant size of some local workforces, sanctuary can benefit large numbers of people. In other instances, MNCs work to shape their operating environments in more-strategic ways. One strategy common to most firms is an emphasis on social investment and community development initiatives. These typically take the form of building houses, schools, hospitals, roads, and sanitation systems or providing microcredit programs to support economic diversification activities and employment or business opportunities. To ensure that these inputs are relevant, many MNCs collaborate directly with established NGOs, which are well attuned to the local

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<sup>1</sup> Andreas Wenger and Daniel Möckli, *Conflict Prevention: The Untapped Potential of the Business Sector*, Boulder, Colo.: Lynne Rienner Publishers, 2003, p. 129.

<sup>2</sup> Aidan Davy, “Companies in Conflict Situations: A Role for Tri-Sector Partnerships?” London: Business Partners for Development, Natural Resources Cluster, Working Paper No. 9, March 2001, p. 1.

landscape, particularly with regard to indigenous needs, requirements, and skill sets.<sup>3</sup> Several companies have also made it a policy to channel assistance through tripartite partnerships with community representatives and government officials. These arrangements are designed to enable collaboration toward mutually agreed objectives and to mitigate the danger of reinforcing perceptions that central authorities are either unwilling or unable to provide basic services (which is often a major source of tension within a state).<sup>4</sup>

### **“State-Building”**

In a number of circumstances, MNCs additionally engage in what could be described as a form of “state-building.” A number of firms have carried out activities aimed at enhancing the overall capacity of governing authorities in the performance of their duties and functions. MNCs have sponsored workshops on peaceful coexistence, community cohesion, and good governance; a number have also provided instructors to work with civil servants to promote bureaucratic transparency, accountability, and responsibility.<sup>5</sup> Various other firms make their decisions for furthering investment in particular countries conditional on government commitments to security sector reform. This has essentially entailed either underwriting educational modules for police, military, and paramilitary officials (as Placer Dome did in Papua New Guinea) or negotiating appropriate military behavior in a company’s area of operations (for example, Total reportedly informed the Burmese government that it will not tolerate official abuses—such as forced labor—in any area for which the company takes responsibility).<sup>6</sup>

However, in many instances, inducing host-nation governments to professionalize their administrative and security sectors is problematical. Companies generally have the most leverage during production-sharing agreement discussions, when they can exploit bargaining power over the macrolevel actors who want to attract their business. Once operations commence, however, the ability of firms to secure desired governmental action declines sharply because a final investment decision—which could conceivably run into millions or even billions of dollars—has already been made. At this stage, companies generally have neither the will nor the ability to influence a host government because the implicit threat to “do something” (in the event that its conditions are not met) is relatively low.<sup>7</sup> As one former corporate official observes, even “enlightened” companies really only have one option at their disposal—lobby their respective home governments to exert diplomatic pressure on the concession state.<sup>8</sup>

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<sup>3</sup> Luc Zandvliet, “Opportunities for Synergy: Conflict Transformation and the Corporate Agenda,” Berghof Research Center for Constructive Conflict Management, February 2005, p. 10, and Sherman, 2001, p. 5.

<sup>4</sup> For more on the general applicability and usefulness of tripartite partnerships, see Davy, 2001.

<sup>5</sup> Collaborative for Development Action, “Working in a Changing World: A New Approach to Risk Mitigation in Zones of Conflict,” Cambridge, Mass., undated.

<sup>6</sup> Interview with James Cooney, Vancouver, B.C., March 2008, and Zandvliet, 2005, pp. 8–11.

<sup>7</sup> Zandvliet, 2005, pp. 5–6.

<sup>8</sup> Interview with James Cooney, Vancouver, B.C., March 2008.

## “Soft” Security Measures

A number of MNCs have also sought to ensure that the security measures they implement do not exacerbate political tensions in their areas of operation or alienate the immediate local community. Several prominent corporations have acceded to the Voluntary Principles on Security and Human Rights (VPSHR), which define guidelines that all signatories agree to adhere to when working to physically safeguard their personnel and assets in conflict zones.<sup>9</sup> The VPSHR guidelines suggest the following questions for firms operating in violently unstable areas:

- Has the company formally established a policy on human rights and security?
- Has the company taken actions (for example, publishing the policy, offering training programs) to make both private and public security personnel aware of the human rights policy and help them understand how and where to apply it in their day-to-day work? Has the company taken actions to make external stakeholders aware of the policy on security and human rights?
- Are both private and public security personnel (and external stakeholders) aware
  - of the security and human rights policy
  - of how it is to be applied
  - whether it is applied appropriately?
- Has the company officially delegated human rights responsibilities to specific departments and/or individuals?
- Are the departments and/or individuals responsible for human rights–related issues held accountable for their work?
- Are the external stakeholders aware of which departments and/or individuals within the company are responsible for human rights affairs?<sup>10</sup>

Certain companies have also managed to offset the need for a highly visible security presence through an active program of community engagement. Placer Dome, for instance, successfully mitigated the threat of attacks from artesian or illegal miners at its Las Christinas site in Venezuela by providing these individuals with the tools and capabilities to function as an effective community in their own right and by establishing accepted procedures for defining and, critically, policing any extractive activities in which they engage.<sup>11</sup>

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<sup>9</sup> Essentially, the principles define interactions between companies and communities in their areas of operation, particularly as they relate to security arrangements, deployment and conduct, consultation and advice, responses to human rights abuses, and the conduct of private security firms. The initiative first developed as an agreement between four major MNCs in the extractive sector (Chevron, Mobil, Rio Tinto, and Freeport) and the governments of the United States and United Kingdom (since joined by the Netherlands and Norway). Current corporate participants include Hess Corporation, Barrick (formerly Placer Dome Asia Pacific), BHP Billiton, BP, Chevron Corporation, ConocoPhillips Company, Exxon-Mobil Corporation, FCX Freeport-McMoRan Copper & Gold, Marathon Oil Corporation, Newmont Mining Corporation, Norsk Hydro ASA, Occidental Petroleum Corporation, Rio Tinto PLC, Shell, Statoil Hydro, AngloGold Ashanti, Anglo American PLC, and Talisman Energy Inc. For more details on the VPSHR, see Voluntary Principles on Security and Human Rights, Web site, undated.

<sup>10</sup> Business for Social Responsibility (BSR), “Human Rights, Security and Illegal Mining: An Executive Summary of the Porgera Joint Venture [PJV] Human Rights Risk Assessment,” New York, 2005a, p. 3.

<sup>11</sup> Interview with James Cooney, Vancouver, B.C., March 2008.

## Community Relations

Finally, many MNCs have greatly emphasized fostering and developing comprehensive community relations programs. Apart from providing the local social services, infrastructure, and employment opportunities noted above, firms have attempted to break down communication barriers by acknowledging such intangibles as trust, respect, neighborliness, and caring. To this end, corporations have hosted tours of their facilities; arranged information-sharing evenings or “open days”; organized sporting and cultural events; housed employees in accommodations outside site compounds; and, whenever possible, participated in local events, such as weddings and funerals.<sup>12</sup> Companies have also been aware of the need to negotiate fair and equitable terms of entitlement for accessing land to which indigenous communities have rights. Normally, agreements of this sort involve some sort of equity-sharing arrangement or fixed-term royalty payment. Just as important, some corporations have been aware of the need to compensate local areas quickly and visibly for any negative effects resulting from extractive operations, either financially or by rebuilding damaged structures, facilities, cultural symbols, and curtailed economic activities. In extreme cases, MNCs have been prepared to underwrite the relocation of entire communities. Ideally, such relocation is done with the explicit support of the local population and in conformity with established World Bank protocols—known as the Involuntary Performance Standards—which stress that all resettlement must be handled in such a manner that those affected are left better off.<sup>13</sup>

One potential risk of engaging in community relations efforts is to inadvertently contribute to interethnic, religious, or tribal competition and struggle. This is especially likely if the benefits that flow from a mine or drilling site (in terms of access to housing, jobs, and clinics) favor one particular group or the population in the immediate vicinity of the project. Under such circumstances, wealth gaps can be either created or entrenched, serving to foster or heighten divisions between “haves and have nots.”<sup>14</sup> Moreover, precisely because of the significant opportunities that are afforded by the establishment of a mine or drilling site, these projects tend to act as “migratory magnets.” Ensuing influxes of outsiders can quickly upset local demographic balances, which in turn can generate communal hostility and tension.<sup>15</sup> To offset these negative consequences, some companies have been careful to adopt a regional approach in their social investment programs (that is, they have not merely focused their efforts on the villages and hamlets closest to their operations), emphasizing hiring practices that cross group boundaries and creating alternative sources of growth to make it less appealing for people to leave their original home areas.<sup>16</sup>

<sup>12</sup> Luc Zandvliet, “Redefining Corporate Social Risk Mitigation Strategies,” Washington, D.C.: The World Bank, Conflict Prevention & Reconstruction Unit, Dissemination Note 16, February 2002, p. 2; Luc Zandvliet, “Working in a Changing World: A New Approach to Risk Mitigation in Zones of Conflict,” CDA Collaborative Learning Projects Web site, January 2, 2002; Collaborative for Development Action, undated, p. 7; and Mary Anderson, Doug Fraser, and Luc Zandvliet, “Report on the Porgera Joint Venture,” draft, unpublished assessment, March 2008, p. 7.

<sup>13</sup> Interview with James Cooney, Vancouver, B.C., March 2008. For more on the World Bank’s Involuntary Performance Standards, see Independent Evaluation Group (IEG), “Involuntary Resettlement,” Web page, Washington, D.C.: The World Bank, undated.

<sup>14</sup> Zandvliet, 2005, p. 12; Collaborative for Development Action, undated, p. 3.

<sup>15</sup> Interview with James Cooney, Vancouver, B.C., March 2008.

<sup>16</sup> Interview with James Cooney, Vancouver, B.C., March 2008, and Zandvliet, 2005, p. 9.

## The Bottom Line: Risk Reduction

The goal of such corporate actions is not charity but establishment of an acceptable level of risk for the MNC.<sup>17</sup> While acknowledging that the conflicts that threaten their enterprises often have deep social and political roots, MNCs typically do not attempt to address underlying causes. In the view of many corporate officials, such a role is beyond the capacity of private businesses and remains the ultimate responsibility of governments, international organizations, and NGOs. Moreover, the monetary value of engaging in conflict mitigation is extremely difficult to quantify and, hence, corporate officers may not see such strategies as relevant to the firm's bottom line. A lack of hard data on the actual relationship between political stability and a corporation's earnings can contribute to this perception, not least because it precludes a straightforward cost-benefit analysis. Moreover, many firms conceive a favorable or at least tolerable operating environment as one that is *predictable* rather than *peaceful*. Most often, an MNC does not expect its actions to establish a permanent peace—the objective instead is stability and an operating environment in which risk has been reduced to a manageable level.<sup>18</sup>

MNCs may therefore simply not see the need to engage in concerted conflict-management practices over the long term.<sup>19</sup> When comparing long-term and short-term conflict management practices, it should be noted that there are many accounts of MNCs paying bribes to insurgent groups to prevent attacks on their infrastructure. Such actions, which line the pockets of insurgent groups, may increase the insurgents' power in the long run. However, failure to pay such bribes has led to substantial revenue losses for MNCs.<sup>20</sup>

Although difficult to quantify, a hearts-and-minds strategy can serve important corporate interests. Corporations that do decide to remain in zones of conflict can face damaging “name and shame” campaigns instituted by vocal NGOs if the firms fail to take effective action to reduce conflict. In addition, social measures are becoming increasingly necessary to access political risk insurance from major underwriters, such as Lloyds of London and the World Bank's Multilateral Investment Guarantee Agency.<sup>21</sup> Moreover, most MNCs are now required to visibly demonstrate to their shareholders that they are positively affecting the communities with whom they interact, both in terms of ensuring the sanctity of fundamental freedoms and in terms of stimulating progress for overall local development.<sup>22</sup>

Emerging legal precedents in the United States have widened the definition of *complicity* in human rights violations, potentially exposing companies to legal sanction if they fail to take

<sup>17</sup> Jonathan Berman, “Boardrooms and Bombs: Strategies of Multinational Corporations in Conflict Areas,” *Harvard International Review*, Fall 2000, p. 31.

<sup>18</sup> Zandvliet, 2005.

<sup>19</sup> See, for example, David Cortright, ed., *The Price of Peace: Incentives and International Conflict Prevention*, Lanham, Md.: Rowman and Littlefield Publishers Inc., 1997; Michael Brown and Richard Rosecrance, “Comparing Costs of Prevention and Costs of Conflict: Toward a New Methodology,” in Michael Brown and Richard Rosecrance, eds., *The Costs of Conflict: Prevention and Cure in the Global Arena*, New York: Rowman and Littlefield Publishers Inc., 1999.

<sup>20</sup> For accounts on said activity in Colombia, see Virginia M. Bouvier, “Civil Society Under Siege in Colombia,” Washington, D.C.: U.S. Institute of Peace, Special Report No. 114, February 2004. For an example of paying protection money against insurgents, see Toby Muse, “Colombian Prosecutor Probing U.S. Firms,” *Washington Post*, April 30, 2007.

<sup>21</sup> Increasingly, banks and financial guarantors are recognizing the long-term implications of underwriting MNC practices today that may negatively affect them in the future. See, for instance, Andrew Bolger, “Lloyd's to Offer War Cover,” *Financial Times*, May 27, 2001.

<sup>22</sup> Zandvliet, 2005, p. 4.

active measures to counter abuses that they know of (or could have known of) and have benefited from.<sup>23</sup> Significant in this regard are legal cases that have been filed under the Alien Tort Claims Act (a 200-year-old law initially enacted mainly to combat sea piracy). One notable injunction was brought against Unocal in 2002. In this instance, a U.S. federal appeals tribunal upheld a lawsuit brought under this act alleging that the company was responsible for human rights abuses committed by Burmese soldiers guarding a gas pipeline in which Unocal was a principal stakeholder. The oil company eventually settled out of court, paying restitution and damages to the plaintiffs in December 2004.<sup>24</sup>

Many of the issues discussed in general terms above are explored in greater detail in the following three chapters, which examine the conflict environments, operations, and approaches of Shell in Nigeria, Firestone in Liberia, and Placer Dome in Papua New Guinea.

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<sup>23</sup> Sherman, 2001, pp. 9–10, 12; Zandvliet, 2005, pp. 3–4; Collaborative for Development Action, undated.

<sup>24</sup> For more on this point, see Daphne Eviatar, “A Big Win for Human Rights,” *The Nation*, April 21, 2005; and Human and Constitutional Rights (hrcr.org), “Burmese Win Appeal in U.S. Alien Tort Case Against Unocal,” Web page, October 15, 2002.

## Royal Dutch Shell in the Niger Delta

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Nigeria is Africa's most significant oil producer, the sixth-biggest producer of petroleum within the Organization of Petroleum Exporting Countries, and the fourth-largest exporter of crude to the United States.<sup>1</sup> The petroleum sector is the backbone of the Nigerian economy and is the state's financial mainstay, providing 74 percent of government revenues in 2006 (the last year for which figures are available.)<sup>2</sup> The Niger River Delta, an area of some 70,000 km<sup>2</sup> in the country's south, is the nation's oil heartland. ExxonMobil, Chevron, TotalFinaElf, and other large multinational oil companies operate in the region, but the oldest and largest corporate actor is Royal Dutch Shell, whose Nigerian subsidiaries (known collectively as Shell Nigeria) produced an average of 850,000 barrels of oil per day in 2008, or nearly half the country's average daily total.<sup>3</sup>

The scale of Shell Nigeria's physical presence and operations is considerable, covering some 30,000 km<sup>2</sup> and including 6,000 km of pipeline; 90 oil fields; 1,000 producing wells; 73 flow stations; and two oil export terminals (see Figure 1). The company employs 4,500 people directly, and another 20,000 work for Shell Nigeria contractors.<sup>4</sup>

### The Conflict Environment

In Nigeria, as in many countries where petroleum is found, oil extraction takes place in a fractious and complex environment. With a population of 27 million people; 5,000 communities; and 50 ethnic groups speaking a total of 250 dialects,<sup>5</sup> the economic, social, political, and top-

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<sup>1</sup> Organization of Petroleum Exporting Countries, "Annual Statistical Bulletin: 2008," Vienna, 2009, p. 21; and Christian Purefoy, "Rebels Attack Nigerian Oil Pipeline," CNN, July 28, 2008.

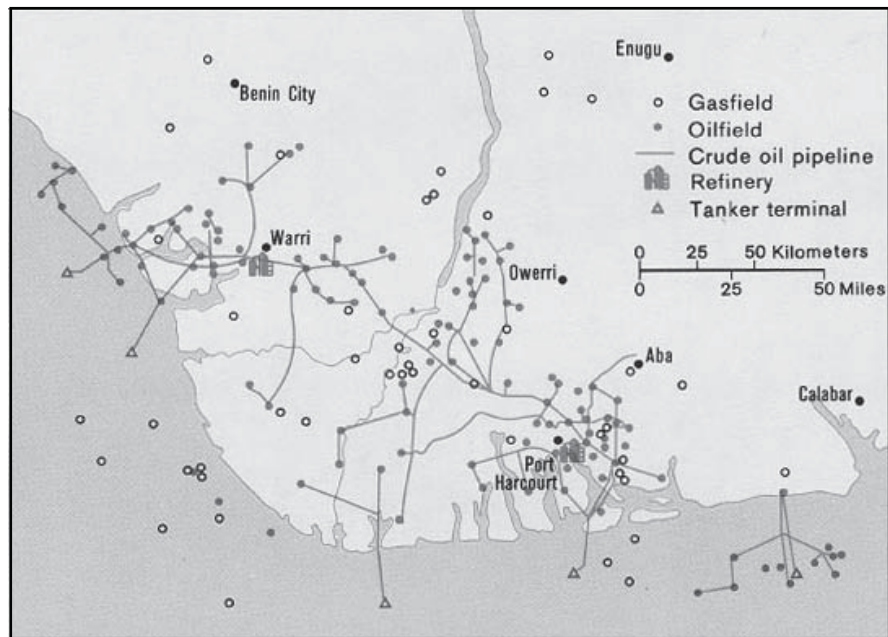
<sup>2</sup> Shell in Nigeria, *Shell Nigeria Annual Report 2006: People and the Environment*, May 8, 2007, p. 10.

<sup>3</sup> Technically, Shell Petroleum Development Company of Nigeria Ltd. is the operator of (and 30-percent shareholder in) a joint venture, the Nigerian National Petroleum Corporation, which holds a 55-percent share of the operation, with Elf Petroleum Nigeria and Agip holding stakes of 10 and 5 percent, respectively (Shell in Nigeria, "Shell Interests in Nigeria," brochure, May 2009, p. 1, and Nigerian National Petroleum Corporation, "History of the Nigerian Petroleum Industry," Abuja, Nigeria, 2009). Twelve percent of all U.S. oil imports are from Nigeria (Jendayi Frazer, Bureau of African Affairs, U.S. Department of State, prepared statement, *Nigeria at a Crossroads: Elections, Legitimacy and a Way Forward*, Hearing Before the Subcommittee on Africa and Global Health of the Committee on Foreign Affairs, House of Representatives, 110th Cong., 1st Sess., Washington, D.C., June 7, 2007).

<sup>4</sup> Shell in Nigeria, 2007.

<sup>5</sup> David Dafinone, "Roadmap to Peace in Niger Delta," *Insider Weekly* (Lagos), February 18, 2008, p. 49.

**Figure 1**  
**Oil Industry Operations in the Niger Delta**



SOURCE: Courtesy of the University of Texas Libraries, The University of Texas at Austin.  
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ographical complexity of the Niger Delta is often bewildering.<sup>6</sup> The region is also one of widespread armed militancy, fueled by gross economic and political inequality, conflicts between and among communities for land and other resources, and chronic neglect by Nigeria's federal and state governments, which, as the U.S. Department of State has noted, have failed to use oil revenues to promote regional development.<sup>7</sup> Indeed, with the exception of the security forces, the government has no presence in the delta. In the words of one oil company executive,

[y]ou won't find police stations, court houses or primary schools for vast stretches. There are no post offices. There is no presence of the government for miles. No electricity is provided. There is no water supply.<sup>8</sup>

Oil lies at the heart of the region's turbulence. The discovery of oil in the delta in 1956 brought with it popular expectations that life for the indigenes would improve dramatically. But despite the fact that oil has generated an estimated \$500 billion for Nigeria, the Niger Delta remains the country's least developed region.<sup>9</sup> Unemployment is high, and ethnic groups,

<sup>6</sup> Michael Watts, "The Sinister Political Life of Community: Economies of Violence and Governable Spaces in the Niger Delta, Nigeria," Berkeley, Calif.: University of California, Institute of International Studies, Niger Delta Economies of Violence Working Papers, No. 3, 2004.

<sup>7</sup> Phil Carter, director, African Affairs, West Africa, U.S. Department of State, "Remarks on U.S. and International Cooperation in the Niger River Delta," March 14, 2007.

<sup>8</sup> Quoted in Amnesty International, "Nigeria: Ten Years On: Injustice and Violence Haunt the Oil Delta," November 3, 2005.

<sup>9</sup> Dafinone, 2008, and Dorina Bekoe, "Strategies for Peace in the Niger Delta," USIPeace Briefing, December 2005.

such as the Ijaw, Ogoni, Ekwere, and Itsekiri, continue to live in extreme poverty, with some 70 percent of the population subsisting on less than \$1 dollar a day.<sup>10</sup> The region's youth population serves as what one author characterizes as a "reserve army" of discontent.<sup>11</sup> For many young men, violent criminality, aided by the ready availability of small arms and light weapons (including AK-47 rifles, rocket launchers, and rocket-propelled grenades) and the absence of effective policing, remains an attractive (and perhaps the only) promising career prospect. Oil exploration and production has ushered in what one scholar has termed

excruciating environmental conditions . . . often aggravated by oil spills, gas flaring, the discharge of waste into communal lands and waters, and other fallout of poor oilfield management by the multinational oil companies.<sup>12</sup>

Delays in compensation from oil companies for environmental damage have sparked further conflict. Ownership of land marked for oil exploration remains bitterly contested across the region, and oil has heightened communal tensions. In and around the city of Warri, for example, the Ijaw, Itsekiri, and Urhobo ethnic groups have clashed over the distribution of oil revenues, jobs, and contracts and over such other issues as the control of local government.<sup>13</sup> Finally, the oil companies and their employees are magnets for violent criminal predators. The illegal acquisition of oil (known as *bunkering*) and the kidnapping of oil workers for ransom serve as significant illicit revenue streams. These criminal activities help foster a climate of insecurity, with oil-related violence estimated to kill 1,000 people a year.<sup>14</sup>

Adding to the complexity of this environment is a rich array of militias, gangs, armed youth groups, vigilantes, "cults" (a type of criminal gang with origins in Nigeria's university population), and insurgents operating in the region. The conflict in the Niger Delta is difficult to characterize as an insurgency in any traditional sense, given the layered and highly variegated nature of the region's militancy. It is impossible to categorize any group as purely criminal or purely political or to attribute "greed" or "grievance" as the primary motivation for taking up arms.<sup>15</sup> Indeed, clear taxonomies of any kind are difficult to come by in the case of the region's armed groups. Militants exist along a spectrum, with some tending toward the purely criminal and others toward the more purely political. However, some groups that appear to be largely criminal have political, social, and even environmental agendas, while some ostensibly ideological organizations engage in extensive criminality. A notable example

<sup>10</sup> Amnesty International, 2005, and Isaiah A. Litvak, "Royal Dutch Shell in Nigeria: Operating in a Fragile State," London, Ontario: University of Western Ontario, Richard Ivey School of Business, case 906M21, 2006, p. 14.

<sup>11</sup> Okechukwu Ibeanu, "Oiling the Friction: Environmental Conflict Management in the Niger Delta, Nigeria," *Environmental Change & Security Project Report*, No. 6, Summer 2000, p. 29.

<sup>12</sup> Charles Ukeje, "Youths, Violence and the Collapse of Public Order in the Niger Delta of Nigeria," *Africa Development*, Vol. 26, Nos. 1 and 2, 2001, p. 346.

<sup>13</sup> Amnesty International, 2005, and Minorities at Risk Project, "Chronology for Ijaw in Nigeria," College Park, Md.: University of Maryland, Center for International Development and Conflict Management, January 10, 2007.

<sup>14</sup> Dimieari Von Kemedi, "Fuelling the Violence: Non-State Armed Actors (Militia, Cults, and Gangs) in the Niger Delta," Berkeley, Calif.: University of California, Institute of International Studies, Niger Delta Economies of Violence Working Papers, No. 10, 2006, p. 2.

<sup>15</sup> For more on greed versus grievance, see Paul Collier and Anke Hoeffler, "Greed and Grievance in Civil Wars," *Oxford Economic Papers*, Vol. 56, No. 4, 2004, pp. 563–595; and Stathis N. Kalyvas, "'New' and 'Old' Civil Wars: A Valid Distinction?" *World Politics*, No. 54, October 2001, pp. 99–118.

of the latter is the Movement for the Emancipation of the Niger Delta (MEND), which, with its flair for publicity (such as its attack on two pipelines in April 2008 to “welcome” a U.S. warship that was transiting the Gulf of Guinea), has emerged as the violent group with the most prominent international reputation.<sup>16</sup> MEND portrays itself as a defender of minority rights against brutal and rapacious government authorities. In so doing, MEND taps into a deep strain of popular resistance to the economic, environmental, and political maladies that emerged in the region following the discovery of oil.<sup>17</sup> Attacks on oil pipelines and other facilities are a prominent feature of MEND’s violent repertoire. Between 2006 and 2008, according to one estimate, MEND and other militants carried out 106 attacks on pipelines, pumping stations, and other oil-related infrastructure.<sup>18</sup> In April 2008, Shell Nigeria reported that it was losing 169,000 barrels of oil a day as a result of what the company characterizes as “sabotage.”<sup>19</sup> Oil workers, both Nigerian and expatriate, are a favored target for MEND and other armed groups, and more than 200 were kidnapped in 2007, according to the U.S. Department of State.<sup>20</sup> At the same time, MEND also engages in criminal and highly lucrative activities to a degree that makes it difficult to characterize the organization as a pristinely “political” movement.

Drawing sharp distinctions between state and nonstate violence is also difficult. Politicians, drawing on funds generated through corrupt practices, have employed gangs, such as the Niger People’s Volunteer Force and the Niger Delta Vigilante, to help rig their own elections. Once in office, notes Human Rights Watch, “they either abandon the well-armed gangs to their own devices or continue using them to intimidate their opponents” and engage in lucrative crimes, such as bunkering.<sup>21</sup> Gangs are also available for hire by local communities, who use these freelance vigilantes to settle grievances against corporations, groups, or individuals.<sup>22</sup>

Nigeria’s federal government has responded to unrest in the delta with a heavy and repressive hand. With the end of 16 years of military rule in Nigeria in 1999 came the expectation of a “democratic dividend” for the people of the country’s oil-bearing region.<sup>23</sup> Instead, the federal government has heavily militarized the delta, with army, navy, and the feared paramilitary Mobile Police widely deployed both to protect oil facilities and to suppress popular protests.

<sup>16</sup> Kelvin Ebiri, “MEND Attacks Shell’s Oil Pipelines in Rivers,” *The Guardian* (Lagos), April 22, 2008.

<sup>17</sup> Watts, 2004, p. 6.

<sup>18</sup> Clara Nwachukwu, “N’Delta Crises: N120m Lost to Pirates in 106 Attacks,” *Punch* (Lagos), April 14, 2008.

<sup>19</sup> “Nigeria: Shell Reports Loss of 169,000 Barrel Per Day After Sabotaging,” Agence France Press, April 22, 2008. It is unclear to what extent MEND (as opposed to disgruntled employees, embittered residents, criminals, or other local actors) is responsible for this sabotage.

<sup>20</sup> U.S. Department of State, “Country Reports on Human Rights Practices: Nigeria, 2007,” online, March 11, 2008.

<sup>21</sup> Human Rights Watch, “Politics as War: The Human Rights Impact and Causes of Post-Election Violence in Rivers State, Nigeria,” New York, March 26, 2008, p. 11.

<sup>22</sup> Matthew Skinner, “Delta Blues: Nigeria’s Freelance Oil Militants,” *Jane’s Intelligence Review*, March 1, 2008. It should be noted that such communal self-help measures are hardly unique in the African context, given the general absence of state capacity, and thus the enduring need to find other sources of security. For more on this point, see Bruce Baker, “Nonstate Providers of Everyday Security in African States,” in Louise Andersen, Bjørn Møller, and Finn Stepputat, eds., *Fragile States and Insecure People? Violence, Security, and Statehood in the Twenty-First Century*, London: Palgrave Macmillan, 2007, pp. 123–147.

<sup>23</sup> Human Rights Watch, “The Niger Delta: No Democratic Dividend,” New York, October 2002, p. 2.

Although the federal government has taken steps to redress grievances, these measures, such as the creation of the Niger Delta Development Commission (NDDC), have been criticized as half-hearted and are widely seen as cynical attempts to dampen local demands for a larger allocation of oil revenues. The application of force remains the federal government's preferred approach to dealing with regional unrest, which takes the form of demonstrations, strikes, and the occupation of oil facilities. Lacking both the means and the will to mediate disputes, the state is in fact a source of violence and an instigator of conflict. The state, as one scholar has noted, "is prepared to have recourse to repressive violence, not because it has much chance of succeeding, but because its own inherent weaknesses prevent recourse to less violent means."<sup>24</sup> In the Niger Delta, this repression includes summary executions, assaults, and the destruction of entire villages.

### Shell Nigeria's Conflict-Mitigation Strategy

The region's chronic violence and instability has driven some MNCs out of the Niger Delta. Willbros, one of the world's largest suppliers of services to the oil and gas industry, left the delta in 2006 after nearly 45 years in Nigeria, announcing that dangers in the region "exceed our acceptable risk levels."<sup>25</sup> But for Shell Nigeria, this turbulent operating environment is simply too lucrative to abandon. While "highly complex, threatening, and generally explosive," according to one analyst, the delta's petroleum resources are "too rich for Shell to walk away from, or for that matter too tempting not to further explore and commercialize."<sup>26</sup> Moreover, as with other firms in the extractive sector operating in Nigeria and elsewhere, the resources necessary for corporate survival and success are fixed geographically, so relocation to a more salubrious environment is simply not a reasonable option for Shell.

Until the late 1990s, Shell Nigeria's response to its violent operating environment focused largely on providing security for its personnel and facilities. Although the company had for decades funded scholarships, agricultural extension programs, and other social-development activities, these efforts were relatively modest.<sup>27</sup> Shell Nigeria's approach paralleled that of the Nigerian state. Indeed, the corporation and the state became deeply intertwined in the delta. Shell Nigeria, for example, reportedly paid the salaries of Nigerian police responsible for providing security for corporate operations and permitted the security forces to use corporate landing strips and other facilities.<sup>28</sup> For many delta residents, the Mobile Police and Shell Nigeria are virtually indistinguishable, and the former are popularly known as the "Shell Police."<sup>29</sup> The company enjoyed a notably close and at times even symbiotic relationship with the dictatorship of General Sani Abacha, who ruled Nigeria from 1993 to 1998. Accusations that

<sup>24</sup> Ukeje, 2001, pp. 353–354.

<sup>25</sup> Quoted in Jad Mouawad, "Growing Unrest Posing a Threat to Nigerian Oil," *New York Times*, April 21, 2007, p. 1.

<sup>26</sup> Litvak, 2006, p. 14.

<sup>27</sup> Anna Zalik, "The Niger Delta: 'Petro Violence' and 'Partnership Development,'" *Review of African Political Economy*, No. 101, 2004, p. 408.

<sup>28</sup> Ike Okonta and Oronto Douglas, *Where Vultures Feast: Shell, Human Rights, and Oil in the Niger Delta*, San Francisco: Sierra Club Books, 2001, p. 45.

<sup>29</sup> "Africa: Whose Energy Future?" *AfricaFocus Bulletin*, October 3, 2005.

Shell Nigeria was complicit in government corruption and human rights abuses harmed the company's reputation inside the country and abroad. The government's execution in 1995 of Ken Saro-Wiwa, a prominent author, political activist, and outspoken Shell critic from the oil-rich Ogoni region, badly tarnished the company's image.<sup>30</sup> Shell Nigeria was depicted by its many critics as an environmental, social, economic, and political outlaw, as a "Gulliver on the rampage, waging an ecological war wherever it sets down its oil rig"<sup>31</sup> and as an "enemy of the Nigerian people."<sup>32</sup>

During the late 1990s, Shell Nigeria adopted a different approach to doing business in the delta's restive environment. For the denizens of this region, the use of military forces to defend oil company personnel and installations linked Shell Nigeria with the corrupt and brutal Nigerian state and further exacerbated tensions between the company and local communities.<sup>33</sup> Internationally, Shell's ties with the military regime tarnished the corporation's reputation. Moreover, oil companies and other large MNCs around the world were under increasing pressure from activist NGOs to maintain higher standards of ecological and corporate social responsibility.<sup>34</sup>

As a result of these factors, Shell Nigeria adopted what might be described as a hearts-and-minds strategy aimed at addressing and managing local grievances and dissuading populations from engaging in oil-related violence.<sup>35</sup> In words that echo those of the NGOs that have criticized Shell and other oil companies operating in the region, Shell now publicly states that the delta's instability is the product of overlapping structural afflictions, such as "unfulfilled aspirations for political recognition and influence, poverty and historical neglect, and criminality."<sup>36</sup> In Shell Nigeria's judgment, a comprehensive, multidimensional approach is required:

We believe that the situation needs to be addressed through dialogue, alongside immediate infrastructure development and providing employment. We continue to work with the communities; the federal, state and local governments; and other agencies in an effort to help restore peace in the Niger Delta.<sup>37</sup>

Today, Shell Nigeria's activities include investing in the community; supporting micro-enterprises; and providing health care, education, and agricultural services. In 2005, the corporation began negotiating long-term agreements, which it calls "global memoranda of understanding," with host communities. According to Shell Nigeria, such memorandums provide for "planned and integrated activities that will hopefully encourage sustainable development

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<sup>30</sup> Litvak, 2006, p. 5.

<sup>31</sup> Okonta and Douglas, 2001, p. 59.

<sup>32</sup> Litvak, 2006, p. 13.

<sup>33</sup> WAC Global Services, "Peace and Security in the Niger Delta: Conflict Expert Group Baseline Report," working paper, December 2003.

<sup>34</sup> Kenneth Omeje, "Petrobusiness and Security Threats in the Niger Delta, Nigeria," *Current Sociology*, Vol. 54, 2006, p. 493.

<sup>35</sup> Omeje, 2006, p. 479.

<sup>36</sup> Shell in Nigeria, 2007, p. 7.

<sup>37</sup> Shell in Nigeria, 2007, pp. 7–8.

for communities.”<sup>38</sup> Communities are encouraged to direct and manage their own long-term development “by encouraging them to identify projects and determin[ing] who implements them.” In 2008, Shell contributed \$158.2 million to the NDDC and spent an additional \$25.2 million directly on development projects.

However, Shell Nigeria has not abandoned the “harder” aspects of security. A corps of Nigerian police, known as the Supernumerary constabulary, are deployed across the delta to provide protection for Shell Nigeria’s personnel and installations. Members of this force, according to the corporation, are trained in Shell security guidelines, which reflect international norms, including the United Nations’ Code of Conduct for Law Enforcement Officials.<sup>39</sup> Although the corporation does not say so publicly, the Supernumerary police providing protection to Shell Nigeria have been paid by the oil company, according to one human rights NGO.<sup>40</sup> The corporation has also been in discussion with Nigerian authorities over how the company might provide human-rights training for the security forces.<sup>41</sup> However, Shell Nigeria acknowledges it has made little human-rights progress with respect to the Joint Task Force, an army-navy-police organization the federal government deploys to patrol the maze of creeks, inlets, and mangrove swamps that make up the Niger Delta. This much-feared force has a well-earned reputation for brutality. In early 2005, for example, the Joint Task Force, responding to an attack on government officials near Odioma, killed 17 residents and burned the town to the ground.<sup>42</sup>

### Assessing Shell Nigeria’s Response

Whether Shell’s shaping strategy has helped manage conflict in the delta is difficult to judge. Oil-related violence—within and between communities, against the government, and directed at Shell Nigeria directly—does not appear to have diminished. (Of course, even if the conflict were to abate, it would be difficult to attribute this development to corporate action or any other single factor.) Given the deeply fractious nature of the operating environment; the pathologies of the Nigerian government, including far-reaching corruption; and the sheer scale of the instability, actual conflict mitigation may be beyond the power of Shell or any other corporate entity.

Moreover, the presence of oil and the wealth it represents help destabilize oil-bearing communities and sustain a political economy of violence. Because of its potential for generating revenue and the vulnerability of its personnel and associated infrastructure, oil is, and is likely to remain, a tempting target for predatory armed groups.<sup>43</sup> Although oil-related wealth has proven to be chimerical for most delta residents, communities have torn themselves apart

<sup>38</sup> Shell in Nigeria, 2007, p. 24.

<sup>39</sup> Shell in Nigeria, 2007, p. 8.

<sup>40</sup> Human Rights Watch, “The Price of Oil: Corporate Responsibility and Human Rights Violations in Nigeria’s Oil Producing Communities,” New York, January 1999.

<sup>41</sup> Shell in Nigeria, 2007, p. 8.

<sup>42</sup> Steve Inskip, “Deadly Oil Skirmish Scars Nigerian Town,” *Morning Edition*, transcript, National Public Radio, August 25, 2005.

<sup>43</sup> Philip Swanson, *Fuelling Conflict: The Oil Industry and Armed Conflict*, Oslo: Fafo Institute for Applied Social Science, 2002, p. 20.

over conflicting claims to ownership of oil-bearing lands, as demonstrated in the case of the violence among the Ijaw, Urhobo, and Itsekiri ethnic groups in Warri. Persistent conflict may in fact serve government interests because such turmoil helps divide groups and communities opposed to state policies.<sup>44</sup> Shell Nigeria and other companies are alleged to have pursued a similar “divide and rule approach” by employing and arming political youth groups for “protection work” at oil facilities.<sup>45</sup>

Moreover, corporate actions may unintentionally contribute to a cycle of conflict. For example, oil companies frequently prepare social development memorandums of understanding in response to demonstrations, shutdowns, or oil spills, some of which are created by sabotage. Such activism, some of which is violent, therefore becomes validated as a means for seeking the redress of popular grievances. In 2003, interethnic disputes over employment and contracts in the petroleum sector sparked clashes that left thousands of delta residents homeless.<sup>46</sup> As Shell Nigeria has acknowledged, its failure to meet community expectations has at times led to violent protest and police and military repression—which further incited delta communities.

Communal expectations about what Shell and other companies can and should do are high—perhaps unrealistically so. As even critics concede, these firms are trapped in a difficult situation: “They cannot meet the expectations of the communities in which they operate. At the same time, you have a government unwilling to do anything about the delta,” according to one human-rights activist.<sup>47</sup> With the exception of the security forces, the Nigerian government is essentially absent in the region. Public goods, to the extent that they exist at all, are provided by the oil companies. In the words of one resident, “Shell is the only government we know.”<sup>48</sup> But neither Shell Nigeria nor any other company can reasonably be expected to replace the state; neither do these companies wish to assume that role. Like other oil companies, Shell Nigeria is concerned that social development activities can foster a “dependency mentality” among aid recipients and further undermine the already limited legitimacy and capacity of the government.<sup>49</sup> In the view of Shell Nigeria, it is ultimately the responsibility of the government to promote development in the region. In the words of one corporate official, “[w]hat the military could not do, the democratic government [should] have done through the proper policy and [by] ploughing money made into development.”<sup>50</sup>

<sup>44</sup> Okechukwu Ibeanu, “Janus Unbound: Petrobusiness & Petropolitics in the Niger Delta,” *Review of African Political Economy*, Vol. 29, No. 91, March 2002, p. 164.

<sup>45</sup> Ike Okonta, “Behind the Mask: Explaining the Emergence of the MEND Militia in Nigeria’s Oil-Bearing Niger Delta,” Berkeley, Calif.: University of California, Institute of International Studies, unpublished Niger Delta Economies of Violence Working Paper No. 3, undated.

<sup>46</sup> International Crisis Group, “Fuelling the Niger Delta Crisis,” Brussels, Africa Report No. 118, September 28, 2006, p. 2.

<sup>47</sup> Quoted in Mouawad, 2007, p. 1.

<sup>48</sup> Quoted in Zalik, 2004, p. 406.

<sup>49</sup> Amnesty International, 2005, p. 21.

<sup>50</sup> Quoted in “Nigeria: Shell’s Critic’s Unfair, Says Director,” *Africa News*, December 24, 2003.

## Firestone in Liberia

During the early 20th century, the British enjoyed a monopoly over the world rubber trade. Harvey Firestone, the owner of one of four giant U.S. rubber corporations, wanted to break the monopoly by having America develop its own rubber industry. With the encouragement of the U.S. government, Firestone sent company agents to find suitable land for investment. He originally focused on the Philippine Islands; however, he determined the political environment was not stable enough to sustain operations and looked elsewhere. By the 1920s, after discovering its feasibility for growing rubber, Firestone settled on Liberia (see Figure 2), a West African country of some 111,000 mi<sup>2</sup> ruled by the descendents of former American slaves known as Americo-Liberians.

Two factors made Liberia an attractive environment for what was then known as Firestone Tire & Rubber Company: The country was relatively stable politically, and the government's substantial financial obligations to foreign lenders gave the company a great deal of potential leverage. Firestone convinced the Liberian government to accept a \$2.5 million loan

**Figure 2**  
Liberia



SOURCE: Central Intelligence Agency.  
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that in turn provided the U.S. government and Firestone complete authority over Liberia's revenue until the debt was repaid in 1952. In return, Firestone was granted a 99-year concession to lease up to 1 million acres of rubber-growing land. The Liberian legislature ratified the agreement in December 1926.<sup>1</sup> In addition to the rubber plantation, Firestone assisted with general development projects. It constructed hospitals, operated trade schools and model farms, donated money for research in tropical medicines and timber, and built roads both inside and outside the plantation.

## The Conflict Environment

Throughout the 20th century, Liberia was a deeply divided society, with a tiny Americo-Liberian elite dominating the majority Khran, Gio, and Mano ethnic groups. Tensions were particularly acute during the oligarchic rule of William Tubman, president from 1944 to 1971, who developed an inner circle consisting of other Americo-Liberian families.<sup>2</sup> Under Americo-Liberian rule, the plantation served as the country's model of governance, with indigenous ethnic groups existing in slavlike conditions of servitude to the ruling elite. Tubman died of natural causes in 1971 and was succeeded by William Tolbert, who reigned until the Samuel Doe coup in 1980.<sup>3</sup>

In 1980, the era of Americo-Liberian domination came to an end, a development that would pose considerable challenges for Firestone, whose interests were deeply intertwined with the existing political, social, and economic orders. On April 12, 1980, Master Sergeant Samuel Doe, a semiliterate, 29-year-old soldier, led Liberian troops into Tolbert's official residence and tortured and murdered the president. Doe portrayed his coup d'état as a blow for equality aimed at restoring the dignity of the Liberian masses. Doe rounded up key Americo-Liberians in the government and had them summarily executed. An atmosphere of chaos broke out, with soldiers looting houses and businesses, extorting "taxes" from visitors in Monrovia's hotels, and even invading Firestone's residential compound. Within days, Doe made a public announcement that any soldier found looting would be shot and regained control of his forces.<sup>4</sup>

After some initial disorder, the situation quickly normalized. Within two days Doe announced a 19-member cabinet, including former members of the Tolbert regime. He claimed that he would hold democratic elections within five years of his ousting of the Americo-Liberian oligarchs. There was some initial tension between the government and the business sector, but the economic affairs minister assured international investors that they did not plan to change the economic system of Liberia.<sup>5</sup>

War broke out at the end of the decade. On December 24, 1989, Charles Taylor—himself an Americo-Liberian and a disgraced former functionary in the Doe regime—led a small group of National Patriotic Front of Liberia (NPFL) insurgents across the border from Sierra Leone to

<sup>1</sup> Frank Chalk, "The Anatomy of an Investment: Firestone's 1927 Loan to Liberia," *Canadian Journal of African Studies*, Vol. 1, No. 1, March 1967, pp. 12–32.

<sup>2</sup> Leon Dash, "Tolbert's Ministers, Ex-Official Placed on Trial in Liberia," *Washington Post*, April 15, 1980a, p. A15.

<sup>3</sup> Wil Haygood, "The Making of a Warlord: Charles Taylor's War," *Boston Globe*, May 26, 1996, p. 1.

<sup>4</sup> Dash, 1980a, p. A15.

<sup>5</sup> Leon Dash, "Liberia Detains Businessmen, Sets Marshall Law," *Washington Post*, April 26, 1980b, p. A23.

overthrow the Doe regime.<sup>6</sup> Doe's brutal response to the insurgency earned the enmity of the civilian population and helped garner public support for Taylor's movement.<sup>7</sup> In the years following Taylor's initial invasion, the Liberian conflict evolved into a complex multiactor insurgency.<sup>8</sup> The conflict, notable for its brutality, created tens of thousands of internally displaced persons (IDPs).<sup>9</sup> In the fall of 1990, Doe was tortured and killed by an NPFL splinter group called the Independent NPFL. Despite multiple treaties, embargos, and cease-fire agreements, Taylor continued to pound his way into domination of the country throughout the 1990s. In 1997, Taylor won the presidency, and there was some normalization, but peace quickly eroded again in Liberia in September 2000 with the launch of new armed campaigns led by the Liberians United for Reconstruction and Democracy (LURD) and the Movement for Democracy in Liberia (MODEL). LURD, based in southern Guinea, quickly took over areas of northern Liberia; MODEL rose from the southeastern section of Liberia.<sup>10</sup>

The summer of 2003 was the turning point in the insurgency. On June 4, Taylor was indicted for war crimes by a United Nations (UN)-backed Sierra Leone court. An international warrant was issued for his arrest. The timing of this indictment was crucial because Taylor was at a peace process conference in Ghana, and the prosecutor wanted those in negotiations to know they were dealing with an indicted war criminal.<sup>11</sup> Two months after the war crimes indictment was issued, Taylor's six-year grip on power came to an end, with Taylor leaving the country for asylum in Nigeria. On August 18, a peace deal was signed that divided the carcass of the Liberian state among armed groups, political parties, and civil society organizations. Despite the challenges associated with the peace deal, it has managed to hold, in large part because of the international support of a UN-mandated 15,000-member peacekeeping force.<sup>12</sup>

## Firestone's Strategy During the 1980s

Before the 1980 coup, Firestone's Liberian operating environment was relatively benign. Firestone and its employees went about their business largely unmolested.<sup>13</sup> Together, these factors contributed to Firestone's decision to operate as normal during the 1980s. The Firestone plantation and its supporting plantation town, Harbel (a portmanteau word derived from the first names of Harvey Firestone and his wife, Isobel), included 9,000 rubber trees growing on some 75,000 acres. Firestone Plantation was (and remains) the country's largest rubber producer.

<sup>6</sup> Haygood, 1996.

<sup>7</sup> Michael Roddy, "Ferocity of Tribal Feud Escalating in Liberia," *The Globe and Mail*, June 6, 1990, p. A12.

<sup>8</sup> International Crisis Group, "Liberia: Unravelling," Brussels, Africa Briefing No. 10, August 19, 2002, p. 2.

<sup>9</sup> International Crisis Group, 2002, pp. 3–5.

<sup>10</sup> Mary H. Moran and M. Anne Pitcher, "The 'Basket Case' and the 'Poster Child': Explaining the End of Civil Conflicts in Liberia and Mozambique," *Third World Quarterly*, Vol. 25, No. 3, 2004, p. 506. The paramount, indeed the only goal of MODEL and LURD was the removal of Taylor from power.

<sup>11</sup> "Liberia: UN-Backed Court Indicts Liberian President Charles Taylor," *Africa News*, June 4, 2003.

<sup>12</sup> This paper does not examine the activities in Liberia after the accords were reached because the subject is outside the scope of insurgency.

<sup>13</sup> International Monetary Fund, International Financial Statistics Yearbook, database, undated.

World rubber prices remained high during the first few years of Doe's rule. By 1982, however, reduced demand and depressed prices in the world rubber market hit Firestone and the other international rubber companies operating in Liberia.<sup>14</sup> Although unfavorable economic conditions drove competitors like Uniroyal and B.F. Goodrich out of Liberia, Firestone decided to remain.<sup>15</sup> However, the Liberian business climate grew increasingly unfavorable for the company. Liberian plantation workers grew more militant in their criticism of harsh working conditions, and Doe dismissed his labor minister for failing to protect Firestone workers.<sup>16</sup> Firestone's decision to dismiss 5,000 employees added to the growing popular antipathy toward the rubber company.<sup>17</sup>

But just as Firestone's position appeared to be at its most dire, a rapidly spreading disease changed the world's demand for latex: AIDS. Globally, the sale of latex condoms and other latex-based protective products grew dramatically during the 1980s. Although the price of rubber remained relatively low, increasing demand helped the company. In 1988, Bridgestone acquired Firestone for \$2.6 billion; the two companies integrated, and the corporate entity is now known as Bridgestone-Firestone.<sup>18</sup> The increase in latex demand combined with the merger meant that Firestone ended the decade on a positive note.

### Firestone's Approach in the 1990s

Through his insurgent group, Charles Taylor sought control of Liberia's largest source of wealth—rubber—and on June 6, 1990, the NPFL seized the Firestone plantation. All plantation operations stopped immediately following the seizure, and supervisors were forced to remain in their quarters. Six days later, the managing director of the plantation was held at gunpoint and forced to hand over money and vehicles. The next day, he and 18 other non-Liberian employees left the plantation for Monrovia and were evacuated by the U.S. Embassy.<sup>19</sup>

The precise nature of Firestone's activities between the 1990 attack on its plantation and 1997, when Taylor was elected president, is unclear. A Liberian government official insists that, within a few months of the attack, Firestone restarted its operations, using Liberian contractors and subcontractors to keep the plantation operational.<sup>20</sup> *The New York Times* reported in 1992 that 25 Americans were working at the plantation, but it was uncertain about what these individuals were doing or whether Firestone had made a formal decision to restaff.<sup>21</sup> Taylor's rebels controlled the plantation at the time, and there were no further reports of U.S. personnel at the plant until 1994. However, Liberians on the ground at the time claim that Firestone was

<sup>14</sup> Phillip H. Wiggins, "Firestone off 81.5% in Quarter," *New York Times*, May 26, 1982, p. D5.

<sup>15</sup> James Brooke, "A Rubber Revival for Liberia," *New York Times*, May 11, 1987, p. D8.

<sup>16</sup> "Liberian Aide Outed," *New York Times*, September 29, 1985, p. 1-15.

<sup>17</sup> "Liberia: Firestone Sacks 5,000 as 'Cost-Saving Measure,'" *BBC Summary of World Business*, December 2, 1986.

<sup>18</sup> "Bridgestone Corporation," *Funding Universe*, Web site, undated. The Firestone Natural Rubber Company subsidiary manages the Liberian operation.

<sup>19</sup> Miles Moore, "Renewed Conflict; Fighting Drives Refugees to BFS Rubber Plantation in Liberia," *Rubber and Plastics*, July 29, 2002.

<sup>20</sup> Author's telephone interview with Liberian government official, July 3, 2008.

<sup>21</sup> "38 Die in Attack on U.S.-Owned Rubber Plantation in Liberia," *New York Times*, November 4, 1992, p. A11.

operational and paying taxes to both the Interim Government in Liberia and Charles Taylor's declared NPFL government.<sup>22</sup>

Some media reports claim that the Firestone plantation was not operational during this period and that the company only began to consider restarting operations again in late 1994. Company executives reportedly visited the plantation in 1994 and 1995 and concluded after each trip that they would not restart operations until security was restored. This, of course, contradicts the information that past and current Liberian government officials have provided.

Determining the full truth is beyond the scope of this paper, but it will be useful to consider two alternative and competing scenarios. The first is that Firestone did in fact restart its Liberian operations because the company had an interest in staying operational and profitable. During this era, Firestone supplied 40 percent of the latex used in the United States, and Liberia was the sole source of Firestone's raw material.<sup>23</sup> According to current and former Liberian government officials, Firestone essentially bought protection from Taylor's forces and from the government by paying "war taxes," "administrative fees," and the like.<sup>24</sup> Under this scenario, the belligerents had no interest in shutting down the plantation. Moreover, LURD and MODEL lacked the military power to take and hold ground in the country's villages, let alone in the Firestone facility, which was defended by the company's own protection force, as well as by government troops loyal to Taylor.

The second scenario is that Firestone did in fact decide to halt its Liberian operations temporarily. The plantation itself was under the NPFL's control, so any business activity would require negotiations with a violent and dangerous armed group. Paying off rebels or government officials, in addition to violating U.S. law, would have certainly earned the company undesirable publicity, if exposed. The country was plagued by extensive violence, and it appeared unlikely that the U.S. government would intervene to restore order. The price of rubber dropped to mid-1980s price levels. Moreover, while the lack of production hurt the company in the short run, rubber trees were deliberately spared by combatants, and Firestone might have calculated that it would be relatively easy to restart production once hostilities had ceased.

By 1997, this second stage of Liberian conflict was over. A peace accord ratified Taylor's victory, and in July of that year, he was elected president by an overwhelming majority.<sup>25</sup> In February, Firestone concluded that conditions were now stable enough to restart operations on a trial basis. The company hired 2,000 former workers and officially reopened its plantation.<sup>26</sup> By July 1997 the plantation was operating at one-third its capacity, with 3,000 workers.<sup>27</sup>

Firestone subsequently faced a series of violent protests. Employees wanted better working conditions, better pay, and resettlement benefits. The plant had been neglected for seven years and was partially destroyed during the war, and the company had not yet begun investing in the necessary repairs. Additionally, former employees demanded to be rehired to the plant.

<sup>22</sup> Telephone interview with Abdoulaye Dukule, former advisor to President Amos Sawyer (1991–1994), July 3, 2008, and telephone interview with current Government of Liberia official, July 3, 2008.

<sup>23</sup> Eric Berg, "Talking Business with Renninger of Bridgestone/Firestone," *New York Times*, September 18, 1990, p. D2.

<sup>24</sup> Telephone interview with Abdoulaye Dukule, former advisor to President Amos Sawyer, July 3, 2008, and telephone interview with current Government of Liberia official, July 3, 2008.

<sup>25</sup> Miles Moore, "Liberia Election Eases Tire Maker," *Rubber and Plastics*, July 28, 1997a, p. 4.

<sup>26</sup> "Liberian Civil War Closes Plantation," *Rubber and Plastics*, May 1, 2000, p. 30.

<sup>27</sup> Moore, 1997a, p. 4.

Ironically, Firestone, the only major company to restart operations so soon after the war, came under significant pressure precisely because it was one of only a few employment opportunities to be had in the war-ravaged state.<sup>28</sup>

Firestone's second challenge in the postwar era was renegotiating tax concessions that had expired during the war. By October 1998, Firestone was operating at 50-percent capacity but withheld further investments until agreeing on tax concessions with the new Liberian government.<sup>29</sup> By the following year, Firestone was operating at 65-percent capacity, and Taylor's government finally agreed to grant the corporation a lenient tax status.<sup>30</sup>

### Firestone's Post-2000 Strategy

In 2000, as part of what appeared to be an unceasing cycle of violence in Liberia, the LURD and MODEL insurgencies emerged. During this phase, however, Firestone's operations remained secure. Part of this is attributable to the insurgency itself, which lacked the capacity to mount anything other than hit-and-run operations. In addition, the plantation was well-defended: Taylor had loyal troops who lived at the plantation, and Firestone had its own armed protection force. Finally, geography helped: MODEL emerged from the southern part of Liberia and focused its efforts from the south up to Monrovia. Logistically, it may have been difficult for the insurgent group to focus on infiltrating both Monrovia and the Firestone plantation, Harbel.

Indeed, the plantation was secure enough to serve as a safe haven for the civilian population.<sup>31</sup> By July 2002, about 50,000 of the country's 200,000 IDPs moved to Harbel for protection. Both insurgent groups would sack any villages they came across, so as word passed that a force was heading into the area, many Liberians who had relatives at Firestone moved to the plantation. Harbel also had a secure food supply: Employees received free rice, which was in short supply as a result of the rebels' control of the country's ports.<sup>32</sup>

During this period, Firestone was fully operational, producing at roughly 90 percent of its 1989 capacity and employing 6,000 people.<sup>33</sup> This was significant because Liberia's unemployment rate was between 75 and 80 percent, and international investment slowed dramatically because of the fighting. Virtually the only large international businesses that stayed operational at this time were extractive, and they continued to pay taxes to the government of Liberia, which provided essential revenue for the government's counterinsurgency campaign.<sup>34</sup>

Fighting increased sharply in 2003. The port Firestone used to ship its rubber was closed in June because of the growing conflict. Over the next few months, the port opened and shut periodically. Applying pressure where needed, Firestone was able to export most of its rubber

<sup>28</sup> Miles Moore, "Rioters Clash in Liberia," *Rubber and Plastics*, September 15, 1997b, p. 1.

<sup>29</sup> Miles Moore, "Investments at Plantation Put on Hold," *Rubber and Plastics*, October 19, 1998, p. 4.

<sup>30</sup> "Liberian Civil War Closes Plantation," 2000.

<sup>31</sup> Telephone interview with Abdoulaye Dukule, former advisor to President Amos Sawyer, July 3, 2008.

<sup>32</sup> Michael Peel, "Firestone Can Look Back on Success in War-Torn Liberia but Problems Remain," *Financial Times*, July 28, 2004, p. 8.

<sup>33</sup> Moore, 2002, p. 4.

<sup>34</sup> International Crisis Group, 2002, p. 6.

and latex and to bring in rice for its employees. According to a Firestone spokesman, the plantation was not affected by the civil unrest in the country outside of a few skirmishes on the plantation's periphery.<sup>35</sup> A few weeks after he made that statement, thousands of IDPs came to the plantation seeking refuge. But Firestone's rubber production remained unaffected by the country's violence. A peace accord signed in 2003 has provided a semblance of order, and while Firestone continues to be sharply criticized by human rights activists, the most significant crises for Firestone in Liberia have, for the time, ended.

## Assessing Firestone's Response

For many of the people of Liberia, Firestone has served as more than an employer. Within its plantation, it has provided many of the services that are normally associated with governments, such as education, health care, and justice. Although often frustrated by substandard working conditions and long hours, many Liberian employees have concluded that Firestone remains one of the country's best options for employment and self-improvement. This relationship of mutual self-interest was a key reason for the plantation's survival during periods of conflict. Neither the insurgents nor the security forces nor the population had incentives to destroy Harbel, given its central position in the Liberian economy.

Firestone had a disproportionately large position in Liberian life, and that position sometimes generated deep resentments. At the same time, its outsized presence gave the company enormous leverage. None of Liberia's belligerents had an interest in shutting down Firestone's operations. For the government and insurgents alike, Firestone was a source of revenue that was simply too great to shut off. The fact that rubber trees were not deliberately targeted for destruction lends credence to the notion that all parties tended to view the plantation as an engine for wealth creation. In addition, the corporation was careful not to pick sides during Liberia's series of internal conflicts—or more properly, Firestone picked *all* sides: through alleged protection payments to government officials and armed groups and through the provision of sanctuary to threatened civilian populations.

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<sup>35</sup> Philip Newswanger, "Despite Liberian Turmoil, Rubber Arrives in Norfolk," *Dolan's Virginia Beach Observer*, August 4, 2003, p. 1.



## Placer Dome in Papua New Guinea

The Porgera Mine is, by global standards, a large gold-extraction concession. It is situated in the highland province of Enga, roughly 600 km northwest of Port Moresby, the capital of Papua New Guinea (PNG) (see Figure 3). At an altitude of 2,200 to 2,700 m and surrounded by rugged and unstable mountainous terrain, the valley site sits on highly remote land that is 98 percent owned through traditional local clan lines.

Exploration of the area commenced in earnest in 1979 as a joint venture between Placer Pacific Proprietary Limited, Renison Goldfields Pty. Ltd., and Mount Isa Mines Ltd. Following the discovery of a high-grade gold deposit in the mid-1980s, a mining development contract for the Porgera Project was signed between the state and the developers.<sup>1</sup> On May 12, 1989, a special mining lease was granted covering an area of 2,200 hectares. Construction of

**Figure 3**  
Papua New Guinea



SOURCE: Central Intelligence Agency.  
RAND OP259-3

<sup>1</sup> PJV is a joint venture with the PNG government, with Placer Dome holding a 50-percent stake. Barrick acquired Placer Dome and its operations in March 2006.

the mine commenced immediately, with the first gold bar poured on August 5, 1990. Operated by Placer Dome, one of Canada's largest mining companies, the PJV concession produces approximately 9.96 million oz. of gold and contributes around 8 percent to PNG's gross national product.<sup>2</sup>

## The Conflict Environment

During 2005, Placer Dome was forced to confront an increasingly serious challenge from indigenous "artesian miners" (AMs) who were illegally entering the operating areas of the company's PJV site. Initially, Placer Dome adopted a zero-tolerance policy, seeking to stem the incursions through heightened security. However, it soon became apparent that this narrowly defined response was merely exacerbating the situation by inviting violent confrontations, a number of which resulted in injuries and even deaths. Fearing that the situation was rapidly spiraling out of control, a decision was made to consider other options for securing the site.

Formulating an effective strategy to stabilize the concession as quickly as possible was critical for several reasons. Operationally, the most significant risk was that the mine would have to be closed—perhaps indefinitely—threatening a multimillion-dollar investment. Legally, there was a danger of lawsuits arising out of AMs being injured or killed as a result of the deterrent actions of Placer Dome. Although a case could be made that forceful responses could be justified as a legitimate response to illegal prospecting, precedents exist in both Australia and Canada for prosecuting property owners who cause harm or death to trespassers. From an environmental standpoint, there was a high likelihood that the local water system and food chain would be contaminated by the widespread (and unregulated) use of mercury in AM mining activities, posing a direct public health threat.<sup>3</sup> Finally, there was a realistic possibility that an action-reaction pattern of violence could alienate significant parts of the local community, jeopardizing the company's social license to operate in the area.<sup>4</sup>

Facing this mosaic of threats and challenges, Placer Dome commissioned consultants to undertake a comprehensive analysis of how best to address the AM security situation at PJV. Management used the resulting assessment to formulate a nonviolent, sustainable strategy for resolving the illegal mining challenge at Porgera, then leveraged it to inform more-generic risk mitigation across the company as a whole.

The special mining lease accorded in 1989 identified the Porgeran landowners as a group of seven clans, further defined by 23 subclans consisting of over 200 landowners, making up an overall population of about 3,000. The prospect of subsequent employment opportunities and infrastructure development around the mining site, however, acted as a major catalyst for in-migration from surrounding areas, causing the local demographic base to swell tenfold over a matter of a few years. This rapid expansion, which the opportunities available at PJV could

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<sup>2</sup> BSR, "Porgera Joint Venture: Human Rights, Security, and Illegal Mining Assessment," unpublished draft, New York, October 2005b, pp. 12–13, 36.

<sup>3</sup> It should be noted that critics have blamed Placer Dome's own mining practices for the pollution of local rivers around the PJV site. The company rejects these assertions, arguing that it adhered strictly to environmental standards in operating the concession and pointing out that mercury, while employed widely in small-scale artesian mining, is one of the deadliest minerals to use.

<sup>4</sup> BSR, 2005b, p. 41.

not support, inevitably created tension between locals and outsiders, feeding interclan rivalry and competition. Just as problematic, it created a large demographic base that effectively had no means of sustaining itself because government-stipulated hiring practices and business-development guidelines heavily prioritized indigenous Porgerans (who were also entitled to a share of the wealth generated from the mine, in the form of royalties and community infrastructure, such as housing, schools, and hospitals). Consequently, when Placer Dome switched from underground to open pit operations, the company found itself confronting an “invasion” of opportunist AMs (or rock pickers) seeking to make their livelihoods by extracting gold residues from both active site areas and nonoperating waste dumps.<sup>5</sup>

### Placer Dome’s Conflict-Mitigation Strategy

As noted, Placer Dome first adopted a policy of “zero tolerance for the presence of illegal miners anywhere in the operating areas of PJV and, when found, the [forced] removal of said miners.” The reasoning behind this decision was, first, that it was simply not safe for AMs to be in the pit or on the waste dumps, and second, that actively resisting the AMs’ incursions would be a deterrent, presumably reducing their willingness to chance a confrontation by sneaking into the mine.<sup>6</sup> While both arguments had theoretical merit, the actual implementation of zero tolerance was greatly hindered by the fact that local PJV security staff and contracted Reserve Police personnel were acting without due regard for six of the seven major categories specified in the VPSHR—the principal document that defines guidelines for extractive companies when seeking to protect their facilities and employees in conflict-prone zones.<sup>7</sup>

It was these violent pit clashes, which PJV security personnel were finding increasingly difficult to control, that led Placer Dome to commission BSR to develop a long-term, comprehensive, and sustainable solution to the AM issue. The resulting policy combined a more-nuanced security plan to stabilize the PJV concession with additional social options aimed at enhancing community buy-in and support.

The security component of Placer Dome’s conflict-mitigation strategy at PJV aimed to foster the necessary conditions to allow wider social solutions to take hold. Integral to this was a decision to employ units of the Mobile Squad (MS)—a paramilitary branch of the PNG Constabulary<sup>8</sup>—to create a temporary, but sufficient, window of opportunity for initial stabilization.<sup>9</sup> To be sure, bringing in the MS was controversial and dangerous, given the force’s highly corrupt and violent nature and documented complicity in crimes, such as rape and

<sup>5</sup> Interview with former Placer Dome senior executive, Vancouver, B.C., February 2008.

<sup>6</sup> BSR, 2005a, p. 20.

<sup>7</sup> Members of Reserve Police are former police and military personnel. They are formally screened for criminal records, which the National Police must validate. It is, however, unclear whether the vetting process is documented.

<sup>8</sup> The MS has a number of different units located across the country. Its main function is to act as a rapid deployment force for putting down civil disorder or restoring general social order. The force is typically deployed for short periods—anywhere from 14 to 21 days—to quell the situation at hand before returning home. The MS has been used to secure various mines in PNG at different times, including PJV.

<sup>9</sup> Because AMs were threatening the profitability of a major mining concession in which the PNG government had a 50-percent stake, Placer Dome had little difficulty in gaining the cooperation of the central administration to make units of the MS available for conflict-mitigation purposes.

assault. Quite apart from the risk of disproportionate responses escalating the stand-off with the AMs even further, Placer Dome's own involvement with the MS potentially made the company legally liable for any harm that the force caused.<sup>10</sup> That said, the prevailing view among senior management was that the security status quo at Porgera was no longer viable and that, therefore, deploying the MS had to be seriously considered.

To minimize the risk that employment of the MS would unduly inflame the situation at PJV (and open the possibility of highly damaging litigation claims), Placer Dome initiated a training program for the unit that was based on established UN codes of conduct governing the use of force in conflict zones. The company also drew up a menu of interrelated and mutually reinforcing controls that needed to be put in place before the MS was deployed to the concession:

- Ensure that all MS units and commanders are screened and that only the most professional are deployed to PJV.
- Obtain written agreement that all relevant MS units will abide by the use-of-force and escalation procedures of PJV security.
- Train all relevant MS units on internal PJV procedures, humans rights awareness, and VPSHR.
- Obtain a written agreement that the role of the MS is to deter entry of AMs into the pit area of PJV and detail the procedures to be used in that role, particularly regarding apprehension, and attempt to extend this agreement on MS apprehension practices into surrounding communities.
- Ensure community buy-in prior to bringing in the MS.
- Establish a comprehensive oversight mechanism for the MS that is governed and directed by a credible external security official or expert.
- Sensitize key constituencies—including the PNG, Australian and Canadian governments, and selected NGOs—to the problem of AMs and explain that the MS is to be employed only temporarily in parallel with a longer-term social strategy.
- Prepare a crisis-response communication strategy that is able to communicate effectively with key constituencies in the event that an incident occurs.<sup>11</sup>

Besides emphasizing the controlled deployment of the MS, Placer Dome also recognized the need to augment the professionalism of its own staff at PJV, not least because of the staff's failure to comply with the VPSHR, to which the company was a signatory. To this end, a comprehensive program was immediately instituted to ensure that all security personnel, including those already employed at the site, were fully grounded in human rights awareness; were equipped with alternative skills that would allow a greater range of options for responding to violent confrontations (such as negotiation and general mediation/confidence building techniques); and, when incidents occurred, had been screened and vetted for involvement in alleged corruption and civil abuses. In addition, the training for the Reserve Police, an important adjunct to the security force at PJV, was recalibrated to provide a more-balanced breakdown between narrow police functions (for example, gathering evidence and handling prisoners) and

<sup>10</sup> Under the Alien Tort Claims Act, for instance, extractive firms have been sued for failing to prevent abuses that public security forces had committed, on the grounds that the firms should have known these units would act in such a manner.

<sup>11</sup> BSR, 2005a, p. 7.

wider relations with the local community (which, prior to 2005, constituted only 40 minutes out of 65 hours of instruction).<sup>12</sup>

Finally, Placer Dome acknowledged the importance of laying the foundation for long-term security in the Porgera Valley once its operations at PJV end. The corporation determined that the most viable means of achieving this would be to build the capacity of a local police force that would act in ways that would be seen as sensitive to the prevailing cultural norms of indigenous residents.

## Social Strategies

As noted above, a significant component of Placer Dome's PJV risk mitigation strategy revolved around enacting enhanced social options for fostering greater community buy-in and support to provide nonviolent means for addressing the general challenge AMs posed. A fundamental aspect of this secondary track involved gathering demographic and economic data about illegal miners, including their age, sex, ethnicity, and origin; how much they earned from the gold they extracted; the buyers to whom they sold; whether these vendors were licit or illicit; and their relationship with traditional landowners.<sup>13</sup>

Answering these questions helped shed light on the AMs' motivations and goals,<sup>14</sup> which then informed possible alternatives for encouraging the miners to desist from illegal prospecting activities. A multifaceted strategy subsequently emerged that incorporated six specific policy strands:

- Relocating local landowners to increase the buffer effect around high-risk operating areas to provide an indigenous (and thus presumably more acceptable) deterrent to illegal prospecting activities.
- Initiating (PJV-operated) small-scale mining projects on inactive waste dumps (especially riverbanks located downstream from the mill) to both control access to the open pit and provide an economic diversion for AMs.<sup>15</sup>
- Offering PJV as a sole-source buyer for all third-party panned gold to increase control over AMs.<sup>16</sup>
- Underwriting alternative growth poles in regions outside Porgera as a diversion mechanism designed to encourage AMs to return to their home areas.

<sup>12</sup> BSR, 2005b, pp. 26–27.

<sup>13</sup> BSR, 2005b, pp. 31–32.

<sup>14</sup> For instance, identifying the magnitude of earnings derived from rock picking went a long way to understanding the determination of AMs to continue their illegal prospecting activities despite more-concerted security measures.

<sup>15</sup> BSR determined that there were likely millions of dollars of gold and silver deposits located just 5 km from the primary PJV open pit that Placer Dome was not planning on recovering and that could, thus, be channeled to AMs in the form of small-scale alluvial mining (which, in fact, had been discussed in 2002 as one option for instituting a sustainable closure plan for the Porgera mine).

<sup>16</sup> Although paradoxical at first glance, this occurs in a number of areas of the world, and the strategy offers advantages for both parties. For PJV, becoming the sole buyer would allow the company to identify the AMs and how much they are earning from their prospecting activities. For the AMs, the benefit would likely reside in the higher (and guaranteed) price that they would receive for their gold because Placer Dome (and its associated partners) would presumably not need to make the same margins as existing middlemen.

- Instituting measures to educate AMs about the potential environmental and health hazards of the unregulated use of mercury in small-scale mining.
- Recruiting a full-time manager with responsibility for
  - ensuring the integration and coordination of all security, social, and communication efforts aimed at addressing the challenge AMs pose
  - developing additional strategies and options for dealing with the problem of illegal mining.<sup>17</sup>

For both the security and social elements of its risk-mitigation strategy, PJV sought to build on the strong relationship the company had forged with the local residents—many of whom had benefited from Paiam township, which had been specifically created to service the mine site.<sup>18</sup> In particular, efforts were made to increase collaboration with Porgeran landowners and community representatives and ensure that they were vigorously engaged in all discussions about applying additional measures to address the AM problem. Engaging the local population this way was critical, not only for legitimating the company’s response to illegal mining but also because Placer Dome viewed any long-term response to the AM situation as inherently social and, therefore, necessarily rooted in the community.

### Assessing Placer Dome’s Response

Placer Dome’s response to the threat of illegal mining at PJV was largely effective in addressing the problem with a minimum of “hard” security measures. The company carefully calibrated its immediate deterrent actions to ensure that they would neither unduly escalate violent confrontations with the AMs nor alienate local support. Just as important, the company made a conscious effort to integrate social and communication components into the overall mitigation strategy. This reflected Placer Dome’s belief that any long-term solution to the AM challenge hinged on establishing accepted procedures and protocols—validated at the indigenous level—for defining, controlling, and regulating (rather than merely preventing) the prospecting activities in which the AMs engaged. As one former Placer Dome senior executive commented, the combined approach not only avoided the need to construct (at great expense) a security perimeter fence around the pit, it also contributed to a corporate image that was seen as open and ready to engage the surrounding community constructively—perhaps one of the greatest challenges any firm in the extractive sector faces.<sup>19</sup>

That said, Placer Dome’s operations at Porgera have been the target of sustained campaigns by human rights advocates and environmental groups. Critics variously charge that the company’s security personnel have willfully disregarded the rights of the surrounding community and that unsecured toxic mine waste has destroyed agricultural land, threatening food

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<sup>17</sup> BSR, 2005b, pp. 31–37.

<sup>18</sup> Paiam township was developed cooperatively among the PNG government, the Porgera landowners, and PJV and is designed to ensure that the interests of the local residents are actively promoted for the duration of the mine. In addition to Western-style housing, it features a hospital that provides the best health care in the country, an international school, satellite telephone connections, and a reliable power supply. The township also has a major supply depot for dry goods and a furniture manufacturing business. See BSR, 2005b, p. 12.

<sup>19</sup> Interview with former Placer Dome senior executive, Vancouver, B.C., February 2008.

security. According to one local activist, “The mine has destroyed our way of life, our environment, our water, our gardens, which we need for food, and our security.”<sup>20</sup>

Placer Dome rejects these accusations, countering that its guards observe strict human rights guidelines, that the company has done everything possible to foster good relations with the indigenous population, and that social development has always been a key component of its operating practices at the PJV site. The firm also points out that it was instrumental in helping establish “an integrated, well-serviced and economically developing township” (Paiam) to ensure the interests of the local residents for the duration of the mine.<sup>21</sup> In Placer Dome’s judgment, the company’s efforts to provide Porgerans with access to clean water, electricity, hospitals, and highways is its most important legacy.

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<sup>20</sup> Quoted in Mining Watch Canada, “Barick Gold’s Porgera Mine in Papua New Guinea Linked to Grave Human Rights Abuses, Environmental Impacts,” Web site, August 8, 2008.

<sup>21</sup> BSR, 2005b, p. 12.



## Conclusion

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Large MNCs can play significant roles in contemporary zones of conflict, so understanding these roles should be a part of any comprehensive conflict analysis. The topic is of more than academic interest. Security in the oil-rich Niger Delta is of concern to U.S. policymakers, as demonstrated by the number of joint U.S.-Nigerian training and equipment programs designed to counter violence against oil facilities in the region.<sup>1</sup> Although U.S. policy stresses the dual-use nature of such assistance—for example, officials describe the aid as potentially useful for addressing fishery violations, environmental degradation, and other woes—its orientation is heavily military.<sup>2</sup> This approach is based on a reductionist view of the complex nature of the delta's security environment that downplays or ignores the interaction of oil companies, the Nigerian state, and armed groups in the region's conflict system. A broader understanding would include an appreciation of the activities of MNCs, such as Shell Nigeria—which are among the most important actors in the delta.<sup>3</sup>

While MNCs typically view the redress of underlying sources of conflict as being outside their scope of responsibility, corporate activities can have significant effects, as the case studies on Shell Nigeria, Firestone, and Placer Dome have demonstrated. These case studies show that MNCs are not neutral observers. For a firm that makes the business decision to remain in a conflict environment, doing nothing is not an option. In most instances, host nations are unwilling—or, more typically, unable—to provide security, so MNCs are compelled to seek self-help solutions.

The case studies describe a range of measures and approaches, including social development aimed at dampening conflict (Shell Nigeria), “soft” security (Placer Dome), and reducing the size of the corporate footprint (Firestone). Placer Dome's approach to the conflict at the Porgera mine appears to have been successful—it was able to achieve its relatively modest goal of preventing illegal mining without recourse to high-security measures. Firestone's performance, on the other hand, is more difficult to assess. The company's plantation survived a series of Liberian wars and was able to restart its operations, although it appears this had less to do with specific actions on Firestone's part and more to do with incentives among belligerents to ensure the survival of the rubber industry. Indeed, in each case, all the actors involved had an interest in making certain that the economic engine that provided revenue, jobs, and social services continued to function. Even in the Niger Delta, the most violent of

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<sup>1</sup> U.S. Department of State, “U.S. Partners with Nigeria on Security for Oil-Rich Delta Region,” March 15, 2007.

<sup>2</sup> Fraser, 2007.

<sup>3</sup> See the appendix for an analytical matrix that describes a range of potential corporate responses to violent conflict environments.

the environments considered in the case studies, it was not in the interest of the insurgents to shut down oil production completely.<sup>4</sup> In some instances, MNCs may in fact be “inoculated” against extreme political and criminal violence, given the critical positions these companies hold in their respective environments. With oil-related violence in the Niger Delta continuing unabated, one might be tempted to conclude that Shell Nigeria’s social-development strategy has failed. But such a judgment overlooks the possibility that the conflict might have been far worse without the company’s social-development activities. Moreover, given the scale of the region’s strife, the pathologies of the Nigerian state, and the complexity of the delta’s social environment, effective mitigation may be beyond the capacity of any private entity.

Policymakers looking to mitigate conflict, quell unrest, or combat insurgency may be tempted to leverage ongoing corporate activities. Writing about contemporary Somalia, one author describes what he refers to as the “mediated state,” that is, “an intriguing as well as problematic form of coexistence between a weak state and informal security complexes at its periphery.”<sup>5</sup> The concept has obvious relevance for a nascent but important area of analytical inquiry: counterinsurgency employing nonstate groups.<sup>6</sup> In an era of constrained resources, chronically (and perhaps permanently) weak and fragile client states, and shrinking U.S. public enthusiasm for the direct application of U.S. power abroad, U.S. officials may view corporations, armed groups, customary courts, and other nonstate dispensers of force as potential security instruments—and, possibly, as partners. That said, such “subcontracting” would raise obvious questions of accountability, legitimacy, and the ultimate responsibilities of the state as a security provider.<sup>7</sup> Indeed, such questions have already been raised in the case of PMCs—first in the context of their role in the “peace operations” of the 1990s and, more recently, in Iraq and Afghanistan.<sup>8</sup>

In addition, as this paper has argued, MNCs can also serve as conflict accelerants, albeit unintentionally. Perceptions of ethnic favoritism in corporate employment and the provision of social-development funds can spark communal violence, as demonstrated in the Niger Delta. Moreover, as one scholar has observed, such assistance “can reinforce the dominance of particular elites or ethnic groups [and] change the local balance of power.”<sup>9</sup> For insurgents, the theft of the natural resources MNCs extract can help finance the armed struggle and, simultaneously, deprive the state of royalty payments, as guerrillas of the Revolutionary Armed Forces of Colombia have demonstrated in that country.<sup>10</sup> In areas rich with resources, such as oil, natural gas, or gold, disputes among communities over land ownership can erupt into deadly

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<sup>4</sup> Skinner, 2008.

<sup>5</sup> Ken Menkhaus, “Local Security Systems in Somali East Africa,” in Andersen, Møller, and Stepputat, 2007, p. 68.

<sup>6</sup> See for example Steven Metz, *Rethinking Insurgency*, Carlisle, Pa.: U.S. Army War College, Strategic Studies Institute, June 2007.

<sup>7</sup> For more on the theoretical issues surrounding what have been termed *private governments*, see Clifford Shearing, “Reflections on the Refusal to Acknowledge Private Governments,” in Jennifer Wood and Benoît Dupont, *Democracy, Society and the Governance of Security*, Cambridge and New York: Cambridge University Press, 2008, pp. 11–32.

<sup>8</sup> See for example Peter Grier and Gordon Lubold, “Private Security in Iraq: Whose Rules?” *Christian Science Monitor*, September 20, 2007.

<sup>9</sup> Virginia Haufler, “Is There a Role for Business in Conflict Management?” in Chester A. Crocker, Fen Osler Hampson, and Pamela Aall, eds., *Turbulent Peace: The Challenges of Managing International Conflict*, Washington, D.C.: United States Institute of Peace Press, 2001, p. 666.

<sup>10</sup> Ashley Campbell, “Fuelling Conflict or Financing Peace and Development?” Carlton University, undated.

violence. The massive capital flows associated with the extractive sector can aggravate the dysfunctionality of already weak and fragile states by fostering corruption, eroding fiscal restraint, and releasing political officials from accountability.<sup>11</sup> Corporate actions, no matter how well intentioned, can have less-than-benign consequences. Any conceptualization of MNCs as a counterinsurgency tool must therefore include an understanding of how these firms can exacerbate, as well as mitigate, armed conflict.

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<sup>11</sup> Sherman, 2001.



## Responses in Conflict Zones

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**Table 1**  
Possible Ways Corporations Might Respond in Conflict Zones

Issue	Partners	Decisions	Reasoning
Security	PMCs	Establish own security forces	Protecting facilities, workers
	Host-nation government	Subsidize government security forces	
	U.S. mission in the country	Pay private military contractor	
Relations with locals	NGOs	Invest in social and community development	Supporting the local economy and win hearts and minds
	International aid groups	Build houses, schools, hospitals, roads	
		Provide microfinance loans	
Nation-building	Host nation	Enhance capacity of governing authorities	Reducing conflict and reliving corporate burden through good governance
		Underwrite education and training for police and paramilitary forces	Establishing security and stability
		Hire instructors to work with civil servants	
Information operations, media relations, public relations	Private companies	Designate human rights affairs officials	Showing corporation in best light
		Determine how much time, money, emphasis to dedicate to this	
Community-relations programs	Local elites	Help diffuse local conflicts over land	Helping promote a more harmonious environment
		Give tours, know how to be a good neighbor	Building local trust
Internal migration	Local elites	Embrace localized approaches	
	Risk management company	Understand unintended consequences of corporate activities	



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