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NIGERIA UPDATE

POLITICAL DEVELOPMENTS

Some new items are beginning to emerge in the political arena which are probably important, viz.:

- Various lawsuits have been filed against the Abacha regime (Nobel Laureate Wole Soyinka, and 6 human rights groups) claiming that it is illegal. The suits are due to be heard October 10th.

- Planned talks between the government (Minister of Labour) and the two oil unions were called off yesterday by the Minister after the unions sent junior representation (on the excuse that they were scared that their leaders risked arrest if they came). They have agreed to talk resuming on Wednesday 17th August.

- More signs of polarisation between the North and the South and East are emerging with very worrying reports of arms shipments to civilians in the North and the South. I do not have confirmation of these reports, and I am seeking the advice of the BHC Military Attache on this matter now.

- The Unions have been accusing the government of planning to proscribe them (which is legally justified under essential services legislation in Nigeria). They have threatened to go underground, to bring the local communities into violent confrontation in the oil fields, to shut in all production etc.. We do not believe that the government would take this line: it has been tried before and has failed to work.

- As far as I can gather all refineries, with the possible exception of Kaduna, are currently down. I have heard conflicting reports about Kaduna: the unions have told me that it is down, but other reports say that it is still producing. Crude oil reaches this refinery from the south by pipeline: it is relatively easy therefore to sabotage.

I spoke to the Shell PENGASSAN Union representative yesterday in Warri, and told him what I told NUPENG last week. I again pointed out the inconsistency between

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their political and economic (cash call) thrusts. I gave the background on the effect crude export reduction was having on us, and how the government would not be easily swayed by such a slow-response tactic. I have stressed the need to bring things to a head by Tuesday 16th August (Abiola's next appearance in court), and not to allow the current situation to extend further. I got a good hearing: we will see if it has any effect.

I have yet to hear whether or not the threatened NUPENG concentration on Chevron and Mobil production has been effected. Failure to get any result here will probably mean failure of the strike in the upstream, unless they now decide to attack us in the swamps (see below for more on this).

My visits to Port Harcourt and Warri yesterday, during which I spoke to the management teams and to all those staff who could attend a general session, were useful to me in determining the level of morale and effectiveness of staff under the current strained situation. I am very gratified to see that both divisions were handling their problems with great maturity and considerable innovation. We have agreed to allow for rotation of weary expatriates with fresh ones who have been on leave. One positive message, amongst the pervading gloom, is that the imposed high level of senior staff attention to hands-on field operations will pay a strong dividend after the strike is over in terms of improved understanding.

POSSIBLE/PLANNED NEXT MOVES BY SPDC

BOMU /YORLA/OGONI PROBLEM

We have decided on the following course of action to try and improve the situation:

- We will ask the Khana Local Government leaders to send us a written request for assistance in cleaning up the Yorla oil spill (which we believe was created due to tampering with the Bomu manifold).
- We will send in our contractor to do the clean up (using local labour), with a security force protective screen. We believe that this precaution is required because this community request for help may not be agreed to by the militant MOSOP wing.
- We will visit the Bomu manifold on the first day of clean-up in order to make sure that no further flow can go towards Yorla (which has been shut in for a long time already, and which has been completely vandalised by the community in the past). Whilst at the Bomu manifold we will open and lock those valves which take flow from upstream and outside the Ogoni territories. This would then allow us to produce the fields that are currently shut in, once we deem it safe from the strike perspective to do so.
- We will ask that the military leave a guard at the manifold in order to stop any further sabotage.
- Whilst the above impinges on our "no military protection" stance to a limited extent, we do believe that we are justified in expecting the facilities to be protected from sabotage (as we are doing at all fields). The slight risk of MOSOP intervention is balanced by the request coming from the community for us to assist in cleaning up the spill that has been caused by the Ogoni themselves. However it is crucial that we do get the invitation, that we act now whilst the strike is still on, and that we

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get the military administrator of the State to understand that they must show great restraint in their protective role.

We need to do the above or risk a protracted (because of the Ogoni, not the strike, issue) loss of some 220 kbd of oil capacity which lies upstream of the Bomu manifold.

It will be a delicate operation, and I have personally discussed it with Egbert Imomoh to ensure that he understands the guidelines.

INCREASING PRODUCTION

Dependent on the next few days' developments, I plan to talk again to the Unions on Wednesday or Thursday next week (timing linked to the next Abiola trial hearing), to force the pace a bit on reopening shut-in production, and allowing staff to return to work. This will be on the basis that we are the ones who have been taking the greatest loss during the strike, and having built up this "credit" we feel justified now on insisting that we be allowed to bring back production without any threats from the unions. I will give them a deadline, probably for the end of next week, by which I would expect to have their confirmation of acceptance.

If Abiola is released on Tuesday, it would probably be because the unions' pressure has been sufficiently effective. If he is kept in jail, or will not come out because of conditions being imposed on his release, then it will probably be because the union pressure has failed. Under both scenarios I believe that we should make a concerted effort to try and get back into production. However, if the unions insist that they will be taking the strike even further, we will obviously not take any risk of injury to our staff by pressing on. It worth noting that the unions are gradually losing their members' support as the economic impact on them, and protracted inactivity with little cash, all take its toll. This will help our case.

SECURITY

The current security situation is seen to be stable. However, there are sufficient signs in the background that there could be some form of unrest to make us still vigilant. We are therefore not going to relax the current status, and will continue to reduce numbers of expatriates in the country along the lines that we are currently applying.

We will have to make a firm decision in about 2 weeks time regarding returning expatriate school children (those who attend school in Nigeria) and of course their teachers. As this decision will be linked to the generality of the security situation it will mark a point at which we will either have to start considering Nigeria to be a bachelor posting (at least for those with school children below the boarding school age) or to return to normal. As time progresses I do not feel confident that we will have such a clear change in conditions in two weeks time to be able to say that things are back to normal. We should therefore start to consider the personnel implications of a protracted (i.e. months rather than weeks) period of security uncertainty. I would like this to be done by the Region and by SIPM, but with great care so as not to increase the current relative calm in the expat community.