1. Introduction

Global Governance research starts from the assumption that different state and non-state actors contribute to governance at the global, national, and local levels. This research program therefore goes beyond the traditional focus of International Relations centred on states as primary actors. Instead, it analyses the current shift in the division of providing public goods between the public and private sectors. Being unwilling or overburdened with the task of providing collective goods, states have come to share this responsibility with private actors, civil society and business (Wolf 2008). Research has devoted increasing attention to the role of non-state actors and the emergence of private authority in world politics (Cutler et al. 1999, Hall and Biersteker 2002). Initially, research focused mainly on civil society organizations and especially NGOs. However, transnational corporations gained increasing attention in the last few years. While still viewed with scepticism by many observers, it is increasingly

\[\text{Draft – Do not cite or distribute without author’s permission. Comments welcome!}\]

Melanie Zimmer, M.A.
Technische Universität Darmstadt and Peace Research Institute Frankfurt
Mail: zimmer@pg.tu-darmstadt.de or zimmer@hsfk.de

\[\text{1. Introduction}^{1}\]

Global Governance research starts from the assumption that different state and non-state actors contribute to governance at the global, national, and local levels. This research program therefore goes beyond the traditional focus of International Relations centred on states as primary actors. Instead, it analyses the current shift in the division of providing public goods between the public and private sectors. Being unwilling or overburdened with the task of providing collective goods, states have come to share this responsibility with private actors, civil society and business (Wolf 2008). Research has devoted increasing attention to the role of non-state actors and the emergence of private authority in world politics (Cutler et al. 1999, Hall and Biersteker 2002). Initially, research focused mainly on civil society organizations and especially NGOs. However, transnational corporations gained increasing attention in the last few years. While still viewed with scepticism by many observers, it is increasingly

\[\text{\textsuperscript{1} This paper has been written in the context of the research project “The Role of Business in Zones of Conflict” at the Peace Research Institute Frankfurt. The project has been financially supported by the Fritz Thyssen Foundation. Parts of the paper will be published as a chapter in Nicole Deitelhoff/Klaus Dieter Wolf (eds): Corporate Security Responsibility? Palgrave Macmillian.}\]
accepted that large transnational corporations have the potential to govern and have to be investigated neutrally or objectively with regard to their governance contributions (Haufler 2001, Wolf 2008: 233). In this sense, TNCs are not only perceived as addressees of international regulations (and being part of the regulatory problems confronting international politics) but also as partners in setting and implementing global regulation. So far, this new focus has mainly been on issue areas such as technical standards, environmental protection, labor standards, human rights and corruption. Contributions in the field of peace and security and outside the OECD world have been rarely examined. This is not least due to the fact that peace and security are often perceived as the single remaining and exclusive domain of states (Rittberger et al. 1999: 120; Avant 2007). Even in the post-national constellation the state is expected to cling to its monopoly on the use of force. However, with regard to zones of conflict, research also indicates that companies provide a variety of governance contributions that are directly or indirectly related to the provision of peace and security and other collective goods (Feil et al. 2008). The extractive industries are one example where the increasing involvement of non-state actors in governance and the diffusion of authority can be illustrated empirically. This paper offers an empirical study of oil companies’ governance contributions to peace and security in Nigeria.

Investments from the extractive industries in zones of conflict have been debated controversially. Terms like the “paradox of plenty” and “resource curse” have been coined to describe that many developing countries are obviously not able to translate natural resource wealth into development for their population (Auty 1993, Karl 1997). Research has also provided evidence that natural resource wealth influences the risk, and the duration of violent conflict (Collier and Hoeffler 1998, Berdal and Malone 2000). When operating in zones of conflict, oil companies usually attempt to continue their operations despite violence. The specific location of natural resource deposits combined with considerable sunk costs creates a high incentive for companies to avoid withdrawal (Berman 2000: 32, Bennett 2002: 405). Companies have been linked to conflict dynamics as they provide large revenues for often repressive governments. They have been responsible for substantial damages to the environment, involved in corruption, forced resettlements, and resulting negative impacts on local communities as well and other human rights violations, e.g. by cooperating with security forces (Swanson 2002: 27, Nelson 2000: 20f.). There exists already considerable research on oil companies operating in Nigeria and in other conflict zones. They focus on conflict dynamics in the Niger Delta, the involvement of companies,
and on their community relations. This paper builds upon this previous research but its perspective differs in that it focuses on voluntary governance contributions of companies. Oil companies have a bad image and it seems counterintuitive to ask what companies contribute to governance in Nigeria. However, the Corporate Social Responsibility (CSR) of companies from the extractive industry has been the topic of a growing debate, and companies belong to the forefront with regard to sustainability reporting and engaging in collective initiatives which raises expectations for governance contributions on the ground.

Why should TNCs, whose main motivation is to generate or even maximize their profits, be expected to contribute to the solution of societal problems and the provision of collective goods? What determines the potential engagement of TNCs in zones of violent conflict? As there is no systematic knowledge available that would allow for testing hypotheses, this paper relies on a loosely comparative case study approach, exploring within-case and across-case variance to gain insights into conditions that help explain companies’ governance contributions. The paper analyses selected companies operating in Nigeria: Shell is the single most important oil company active in Nigeria since 1938. Exxon Mobil started its activities in the 1950s. Statoil made first investments in 1992, and finally Chinese companies have become active only in the last few years. Empirical data for these case studies is drawn from different sources, including academic and grey literature, companies’ reporting, interviews with company representatives and different stakeholders, and field research in Nigeria in January and February 2008.

I will briefly introduce a concept of corporate contributions to governance distinguishing between unilateral, collective, and multistakeholder initiatives and between different levels of governing (section 2). Following a brief background on violent conflicts in Nigeria (section 3), the selected companies are introduced (section 4). A discussion of their governance contributions to peace and security reveals profound similarities and differences between their engagements (section 5). In particular, companies operating onshore have become the target of violence and been drawn into security governance over time. Companies also have a variety of policies and activities in place that address issues such as anti-corruption and transparency, environmental standards, and the socio-economic development of their host communities. Civil society activities, the emergence and spread of ideas about the social

---

3 For an overview of variables influencing companies’ engagement in zones of conflict see Wolf et al. (2007).
responsibility of corporations, and the political environment that companies face in their home and host states will be addressed as potential explanatory factors (section 6). The concluding section discusses some limits of corporate governance contributions to peace and security in zones of conflict (section 7). Governance contributions of companies are piecemeal and can rarely compensate for the long-term governance failure of governmental actors. Nigeria has a myriad of structural problems that could only be solved by a sustained attempt of different actors, including but certainly not limited to oil companies.

2. Corporate Governance Contributions

Conflicts and wars were mainly perceived and analysed as a phenomenon of interstate relations during the Cold War; today 90% of all armed conflict are intra-state civil wars. “[T]he provision of statehood by a multitude of actors is an empirical reality which can be observed in many post-conflict and low income countries.” (Zürcher 2007: 15). When it comes to describing non-state governance contributions in these states, activities of NGOs, development agencies, and international organizations are usually referred to. Contributions of business actors, other than their well documented investments in zones of conflict, in failed and failing states in search for new markets, cheap labour, and natural resources (Avant 2005: 180), are rarely taken into account.

Companies might simply do business and thereby stimulate economic growth and development in zones of conflict. The interest in this paper is however not companies’ business operations, but how they engage beyond their core business and whether they take over governance functions (Feil et al. 2008: 4).

Companies usually frame their societal engagement as Corporate Citizenship or Corporate Social Responsibility. In the Green Paper of the European Commission it is defined as follows:

“[CSR is] a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission 2001: 8).

Some features of CSR that can be found in the literature are: First, CSR describes voluntary behavior of companies that is not mandated by law and therefore goes beyond legal
Second, CSR focuses on the triple bottom line, which means that economic, social and environmental impacts are integrated. Third, CSR is not only an add-on to business activities but has to be applied to core business activities (Rieth and Zimmer 2004: 12, European Commission 2001, 2002). Despite these core characteristics, CSR is a highly contentious term and carries a variety of names and meanings within the business community and in academic circles. However, all different meanings “go beyond the traditional understanding of corporations as actors who are private in form and private, that is commercial, in purpose” (Wolf 2008: 234) but attribute some public responsibilities to corporations.

IR scholars consider CSR as part of the larger Global Governance agenda in that it discusses the responsibilities of corporations within and beyond core business operations and leads companies to provide collective goods beyond doing their core business. In its broadest meaning, the term governance includes any form of creating or maintaining social order ranging from hierarchical forms of steering associated with the nation state to steering provided by networks and markets at all different levels raging from the global to the local (Börzel and Risse 2005: 196).

For the purpose of this paper, governance contributions of companies are defined as sustained corporate policies and activities that work towards the development or implementation of collectively binding norms and rules or the provision of collective goods (Feil et al. 2008: 4). Governance contributions are characterized by their intention to solve or alleviate societal problems. Corporate contributions to governance are voluntary and they are not mandated by law, i.e. in this understanding, companies do not contribute to governance by complying with existing laws.

The dimension of policies refers to establishing rules and self-commitments and can be analyzed by looking at companies’ codes of conduct or sustainability reports. These documents usually include companies’ policies on important governance issues, such as human rights, anti-corruption, workers’ rights or environmental protection. They shed light on whether companies have explicit policies, on the scope of their commitments and their points of reference, and how they design and monitor their commitments.

---

4 However, in many developing countries CSR is a concept that is mainly used to describe and achieve compliance with the legal framework in the host countries. These host countries are often weak zones of governance in which regulations are not enforced (Blowfield 2005).
For assessing corporate contributions to governance, the dimension of behaviour is however more interesting as it goes beyond analyzing formal commitments. The decisive question is whether companies comply with their own commitments. Do they implement specific activities beyond formal commitments? Information on companies’ behaviour might be found in sustainability reports or special country reports. For elaboration and validation information needs to be obtained directly from company sources via interviews or from companies’ stakeholders such as NGOs or communities.

In addition to the distinction between corporate policies and activities, two additional categories can be used to describe governance contributions more precisely: actor constellations (or coalition patterns) and the scope of governance contributions. Scope refers to the objects or beneficiaries of governance contributions. These can be provided at company level, for instance, for companies’ employees; at the local level for communities surrounding companies’ operations (micro level); at the national level (macro level) including the entire conflict zone; or, finally, by participating in global initiatives. With regard to coalition patterns, companies can contribute to governance individually/unilaterally; they can do so by engaging in collective initiatives with other companies; or in public-private and multi-stakeholder arrangements (Wolf et al. 2007: 310-313).

3. Oil Politics and Violent Conflict in Nigeria

Nigeria is Africa’s largest oil producing country. Oil accounts for over 95% of export earnings and 80% of state revenues. Oil reserves in the Gulf of Guinea belonging to Nigeria and adjacent states are of strategic importance in times of increasing energy scarcity and therefore these states attract considerable investments from the oil industry despite being chronically weak and instable (Soares di Oliveira 2007). Nigeria is internally plagued by various violent conflicts and at the same time its stability is seen as essential for the stability and development of the Western African region (Engel 2007). Following independence from Great Britain in 1960 the military determined Nigerian politics for most of the next 40 years, interrupted only by short periods of civilian government. The newly independent Nigeria faced a first major civil war from 1967 until 1970 when the Eastern part declared its secession as Republic of Biafra. The Biafra war caused between one and two million victims due to war and famine (ICG 2006a: 7). Already then, the ownership over oil resources, ethnic cleavages and struggles for power played a crucial role. Commercial oil production started in 1958 and oil revenues “assumed strategic budgetary importance” in the 1970s (ICG 2006a:7) provoking
rent-seeking behaviour of elites and excessive corruption. Nigeria developed into a typical rentier state (Omeje 2006 and 2008) where the state is no longer dependent on public support and the collection of taxes from its citizens. In 1971 the government started partial nationalization of upstream oil production. Oil production was re-organized in the form of joint ventures. This de facto established a close alliance between the state and oil multinationals (Frynas 2001: 30). The consecutive governments also failed to provide a sound regulatory framework for oil production or at least to implement it adequately. Instead, the governments - at least until 1998 but still continuing until today - have backed oil companies’ operations at any cost and were able and willing to repress community protest against oil production (Ibeanu and Luckham 2007: 57).

In the beginning of the 1990s, protest against oil production in the Niger Delta increased and gained international attention. In the beginning protest movements had the aim to protest peacefully against the central government and the oil companies. Communities have demanded compensation, health services, educational opportunities, infrastructure and socio-economic development directly from companies as “surrogates for an absent or neglectful government” (Ibeanu and Luckham 2007: 72). While peaceful protest continues, violence has increasingly proliferated. Different ethnic militias have emerged that target the oil industry causing the temporary shut-down of companies’ operations and a serious loss of oil production; communal violence and violent crime are widespread (Omeje 2006: 60-63). Most accounts of violent conflicts in Nigeria concentrate on oil-related violence in the Niger Delta, Nigeria’s oil producing region, though violence is widespread throughout the country, and societal conflicts in Nigeria are multi-faceted and complex. Since the transition to democracy in 1999, three consecutive elections on the federal level have taken place, but democracy still remains fragile as violence and the irregularities surrounding elections in 2003 and 2007 have exemplified. Political stability has even decreased since 1999.

To discuss the details of different violent conflicts in Nigeria is far beyond the scope of this paper (but see Engel 2005). The exact number of conflicts is hard to determine, there are numerous actors involved and conflicts have different scopes ranging from communal to nation-wide conflicts (Engel 2005: 194). Suffice it to say that the level of violence has even increased during the last few years. The International Crisis Group reports that more than

---

5 Nigeria has over 250 ethno-linguistic groups and numerous religious communities. The three biggest groups are Hausa-Fulani in the North, Igbo in the South East and Yoruba in the South West. While the North is predominantly Muslim, the East is Christian and the West “almost evenly split” (ICG 2006a: 1-2).

14,000 people have died and more than three million have been displaced due to violent conflict (IGC 2006a).

At least two root causes of conflict can be identified that have led to increasing protest and oil-related violence in the Niger Delta: (1) the organisation of the political system, especially the distribution of revenues, and (2) state failure and the ecological and social consequences of oil production. Firstly, Nigeria became a more and more centralized state since its independence; at the same time the revenue sharing system between the federal level and states became over-centralized (Anugwom 2005: 98, 100-102). This has been a source of persistent conflict between states from the North and the oil producing South, between the federal government and states as well as within states. Different groups in the Niger Delta demand local control of resources or, at least, a greater share of revenues. The existing distribution of revenues is perceived as unjust by the states and the communities who bear all (negative) consequences from oil production. The question of revenue sharing is further complicated by rent-seeking behaviour, intransparency, and corruption of elites at the federal but also at the state and local level. In 2000, the so-called derivation formula was changed in favour of oil producing states that now receive 13% of revenues from oil production upfront (the percentage decreased from 50% in the 1950s to only 3% in 1993) (Frynas 2001). Demands for local ownership over resources also mirror the fear of domination and overlap with conflicts over political influence of different ethnic groups (Anugwom 2005: 104).

Secondly, another root cause of violence is state failure and the ecological consequences of oil production and the resulting social deprivation. Despite its oil wealth, the Niger Delta suffers from severe poverty as well as from negative effects caused by oil production (UNDP 2006). The state does not only fail to provide security but also other basic goods for its citizens, and this is despite the fact that the Nigerian state receives a reasonable income from oil production (UNDP 2006). “Governance is characterized by a lack of effectiveness, widespread repression and systematic human rights violations, politicised ethnicity and lack of legitimacy.” (Engel 2005: 201) Oil production has changed the ecological and social landscape of the Niger Delta (Engel 2005). The sensitive ecosystem has been damaged by oil exploration and production, including problems such as oil spills, toxic wastage, and gas flaring (Jike 2004, Okoh 2007). Ecological damages have not only an impact on the health situation of people living in the

---

8 The Niger Delta Development Report even discovered that those local communities without oil facilities in the Nigeria Delta are socio-economically better off than those with oil production facilities (UNDP 2006: 2).
Delta but also socio-economic consequences because people have traditionally lived from subsistence farming and fishing (Ibeanu and Luckham 2007: 65). “The objective condition of social deprivation provides a ready milieu for youth violence, activism, and rebelliousness.” (Jike: 2004: 694) Against this background, different groups demand greater control over resources but also use violence to extract money by taking hostages or by engaging in illegal oil bunkering, that is political violence turns into criminality. Militias’ activities are sometimes tolerated or even supported by companies and local governments who use militias or vigilante groups to secure their own power base or to enforce government control.

Against companies’ close relationship with the violent conflicts in the Niger Delta and the legacy of their operations, corporate policies and activities in the following fields will be examined: the security situation of companies and how they deal with security issues; the related protection and promotion of human rights since human rights violations are a recurring issue; and anti-corruption and transparency initiatives as the distribution of revenues is one of the main causes of conflict. Additionally, governance contributions in the socio-economic field will be taken into account: community relations of oil companies and especially activities that intend to foster economic development and to deliver basic services to citizens because the socio-economic situation of communities and feelings of marginalization are another cause of conflict; and environmental issues since the degradation of the environment is one of the main reasons for the social deprivation of the population in the Niger Delta.

4. Oil Companies in Nigeria

Most important transnational oil companies are active in Nigeria. Companies mostly operate in joint ventures or, recently, production sharing agreements with the Nigerian National Petroleum Corporation (NNPC). In joint ventures the Nigerian federal government through the NNPC typically holds a 55-60% interest while the rest is owned by one or more international oil companies. Investments as well as profits are shared between partners; these agreements therefore give the host government considerable influence and responsibility (Amadi et al. 2006: 58).

---

9 These include Royal Dutch/Shell (GB/Netherlands), Chevron Texaco and Exxon Mobil (both USA), Total (France), ENI/Agip (Italy), Statoil (Norway) and, lately, also Chinese companies.

10 The NNPC does not operate joint ventures, they are operated by international oil companies who have responsibility for operations on the ground and “maintain managerial control” (Amao 2008: 94, http://www.nnpcgroup.com/jvoperation.htm, 02.12.2008).
The activities of Shell and Exxon Mobil (both operating a joint venture), and Statoil (having a production sharing agreement with NNPC) will be examined in this paper. Additionally, some findings about Chinese investments in Nigeria’s oil industry will be discussed. The analysis focuses on recent policies and activities of companies after 1995 though historical references will be made where necessary to understand the context in which companies operate. 1995 is the year of the execution of the above mentioned Ogoni Nine which marks a turning point as the surrounding civil society campaign had not only a decisive effect on Shell but on the oil industry as a whole.

Shell started exploration activities in 1938 and even held a monopoly for oil exploration which was granted to them by the British Colonial government (Amao 2008: 91f.). In the 1950s the ‘Shell monopoly’ was dissolved, though the company remains in a dominant position until today. In Nigeria, Shell is active through different companies, but most important in oil production is the Shell Petroleum Development Company (SPDC). Shell has more than 4.000 employees and its operations are spread over 30.000 square kilometres and include more than 6.000 km of pipelines. In the 1990s Shell became a target of community protests and a large civil society campaign, culminating around the execution of the Ogoni Nine, for its irresponsible behaviour with regard to social and environmental standards as well as its cooperation with public security forces. Today, Shell is recognized as a company that has changed its approach (Rieth and Zimmer 2004; Ite 2007). In the 1950s, other companies were allowed to enter Nigeria, among them the big US oil companies (predecessors of today’s Exxon Mobil and Chevron). Exxon Mobil has three major subsidiaries in Nigeria engaging in upstream and downstream activities. Mobil Producing Nigeria began operations in Nigeria in 1955. It employs 1.900 people, with Nigerians representing 96% of the work force (Exxon Mobil 2008). Mobil is the second largest producer of crude oil after Shell, but in contrast to Shell its operations are located almost completely offshore.

In contrast to Shell and Exxon Mobil, Statoil and the Chinese companies became active in Nigeria only lately. Statoil (now StatoilHydro) was founded in 1972 by a decision of the Norwegian parliament to establish the base for a national petroleum industry in Norway.

---

11 Shell operates in more than 110 countries and employs approximately 104.000 people (Shell 2007: 3).
13 http://www.exxonmobil.com/Africa-English/PA/Operations/AF_OP_Nigeria.asp (15.01.2009). Today, Exxon Mobil is the world’s largest publicly traded integrated petroleum and natural gas company. The company holds exploration and production licenses in 36 countries and production operations in 24 countries around the world and employs 81.000 people (Exxon Mobil 2007: 12).
14 Statoil and Norsk Hydro’s oil and energy segment (both Norwegian firms) merged in 2007 to be competitive on the global market.
Partly privatized in 2001, the Norwegian state is still the majority owner of Statoil.\textsuperscript{15} Statoil started its operations in Nigeria in 1992 in a partnership with BP. The company does not yet produce oil but is still in the stage of exploration activities, it has currently 49 employees in Nigeria. From 2004 to 2006, the company was ranked as the world’s best oil and gas company in terms of sustainability by the Dow Jones Sustainability Index. The company is an interesting case as it has initiated some proactive activities in Nigeria despite the fact that it does not yet produce oil.

China’s political outreach to Africa started around the same time as it formulated its “going out” policy. This policy encourages state-owned enterprises to invest abroad by employing strategies such as domestic tax breaks or low-interest funding from state-owned banks (Reilly/Na 2007: 137f.). The Chinese oil market is split between three big oil companies that are still majority state-owned: China National Petroleum Corporation (CNPC), China Petroleum and Chemical Corporation (SINOPEC), China National Offshore Oil Corporation (CNOOC). In 2006, CNPC won four oil exploration licences in an auction. The company also provides oilfield services.\textsuperscript{16} CNOOC has acquired a 45% interest in an oil field offshore Nigeria which is operated by French Total.\textsuperscript{17}

The following section explores the policies and activities of these different companies. The analysis is necessarily selective highlighting those governance contributions that are most relevant to security and peace.

5. Oil Companies’ Governance Contributions in Nigeria

5.1. Security Governance

The security situation of companies varies widely: Companies producing oil onshore (such as Shell and Chevron) have the most serious security problems. The security arrangements of companies are “opaque” (Avant 2005: 184). Generally, oil companies rely on public security forces for protecting their operations in Nigeria. Companies can ask for the so-called supernumerary police to be deployed to protect their facilities (known as “spy” police).

\textsuperscript{15} As of 31 December 2006, the company had 25,435 employees and exploration and production activities in 15 countries (www.statoil.com, 31.07.2008).
\textsuperscript{16} http://www.cnpc.com.cn/eng/cnpcworldwide/africa/Nigeria/ (15.01.2009)
\textsuperscript{17} http://www.cnoocltd.com/UploadFile/NewsFile/67f7b252-d9e6-48ee-a2ea-5be2a172c8f3.pdf (15.01.2009)
“[…] the Nigerian police force allows companies to maybe have a detachment of police, which they call the spy police. They are usually not armed … But they are there to guard our machineries and personnel, provide protection and all that.”

(Interview with Shell representative, Lagos, February 2008)

The spy police officially belongs to the Nigerian police force, but it could be argued that oil companies are their de facto employers, e.g. they are paid by the companies. Spy police is usually unarmed but some of them can carry arms upon request (ICG 2006b: 7f.). Companies additionally rely on different public security forces from police, army, and navy to protect their assets. Some forces might be regularly detached to companies’ facilities and they are also financially and otherwise supported by companies including top-up allowances, housing, and meals (ICG 2006b: 7-9, Omeje 2006: 80). Another common practice in the Niger Delta are “surveillance contracts”, that are arrangements whereby an oil company engages different groups from host communities, such as youth and some influential persons, “to provide security services for the company’s oil facilities and services within their local domain on a contract basis” ICG 2006b: 10).

Companies’ Policies and Activities

Shell’s security problems include attacks on personnel, facilities and pipelines as well as kidnappings which have caused the temporary shut down of operations (Shell Nigeria 2007: 7f., Omeje 2006: 75-77). Shell has been the company most heavily criticized for its cooperation with public security forces and complicity in human rights violations. When facing protests, the company called upon public security forces which then applied excessive force. Shell was therefore accused of complicity in the resulting human rights violations of the local population including the killing of peaceful protesters (Pegg 1999: 475-7). It has also been documented that Shell provided logistic support to security forces and negotiated about importing weapons for its spy police in 1995 though it decided not to do so (Pegg 1999, Human Rights Watch 1999). The company has financially supported Nigerian security forces (Avant 2005: 184) and uses surveillance contracts with local communities.18

After the Ogoni crisis Shell’s approach has changed from a reactive to a more preventive approach to security. The company is now aware about the potential human rights implications of its security provisions and also perceives its community engagement as a tool

---

18 The practice of “communitizing security” has been criticized for further fueling conflict, rewarding violence, and disturbing traditional community relations (Omeje 2006: 90-92). But the cancellation of these contracts seems almost impossible as it would even further fuel conflict.
to prevent conflicts. Shell provides human rights and conflict resolution trainings for employees to be able to better respond when facing conflicts in communities.\textsuperscript{19} It has joined the US and UK governments, NGOs and other companies from the extractive industries to develop the Voluntary Principles on Security and Human Rights in 2000 (Freeman et al. 2001). The Voluntary Principles (VP) is a standard for companies’ dealings with public and private security forces „to guide companies in maintaining the safety and security of their operations, in an operating framework that ensures respect for human rights and fundamental freedoms.“\textsuperscript{20} Shell has a Group Security Standard that was introduced in 2001 and guides its security-related activities worldwide; it is currently being revised to explore how the VP can be integrated.\textsuperscript{21} Shell also committed itself to implement the VP in Nigeria. The implementation is currently being discussed with Nigerian authorities. Shell states that a security and human rights training will be developed for officials from Nigerian security forces (see Mylonas 2008: 15).\textsuperscript{22} While Shell’s commitment to implement the VP is a remarkable one beyond law in the host state, the principles are not yet systematically implemented which is challenging because the cooperation of public security forces is needed. It is obvious that Shell is trying to establish safety and security for its own operations and personnel in the first place, thereby providing a private good but by financing, otherwise supporting public security forces and seeking to implement the VP the company has also become involved in security governance, for better or worse.

Mobil Producing Nigeria (MPN) has only limited facilities that are located onshore, and therefore security risks are more limited. The company has no permanent security arrangement for its offshore operations (Omeje 2006: 107). Like Shell, MPN also uses spy police to protect its facilities on land. Spy police is complemented by Nigerian Police Force. The company pays the former, while the latter receive a substantial top-up allowance (Omeje 2006: 106). MPN does not operate security contract arrangements with its host communities,

\textsuperscript{19} www.shell.com/home/content/envirosoc-en/society/using_influence_responsibly/human_rights/training_tools_guidelines/soc_nigeria_0504.html (10.03.2008)
\textsuperscript{20} www.voluntaryprinciples.org/principles/index.php (12.03.2008)
\textsuperscript{21} The Security Standard for example requires that armed security shall not be used “unless it is a legal or government requirement or there is no acceptable alternative to manage the risk. It is based on United Nations guidelines and conventions on the use of force” (Shell 2007: 24) and can be found at www.shell.com/home/content/envirosoc-en/making_it_happen/our_commitments_and_standards/health_safety_and_environment/security_standard/security_standard_24042007.html (12.03.2008).
\textsuperscript{22} www.shell.com/home/content/envirosoc-en/society/security/security_human_rights/voluntary_principles_25042007.html (12.03.2008).
but the security department hires “informants” to gather information about potential threats (Omeje 2006: 107). Exxon Mobil supports the VP through the company’s Statement of Principles on Security and Human Rights, but it was not among the founding members of the standard. The company emphasises that the responsibility for protecting and enforcing human rights as well as for developing a legal framework for maintaining security is, and must remain, the responsibility of governments. During 2005 and 2006, the company rolled out a Framework on Security and Human Rights to majority-owned operating affiliates (Exxon Mobil 2007: 42).

Statoil and the Chinese companies do not yet have large scale operations, they only engage in exploration activities. This makes their current security situation less precarious. Statoil however notes that:

“The biggest blow to the reputation of oil companies over the past few years has probably been their association with the security forces assigned to protect their interests in conflict-prone or conflict-ridden countries.” (Statoil 2001: 63)

The company states that it prefers not to engage armed security, but that it has currently armed security personnel “at our Lagos office in Nigeria” (Statoil 2003: 45). With regard to policies, Statoil has also joined the VP in January 2003 which is reflected in its policy on security resource governance. Looking at the sustainability reports of Chinese companies, there is a huge contrast with regard to policies and activities between the three companies discussed before. CNOOC has not published policies or reports with regard to human rights, transparency and anti-corruption, and security. The terms are not even once mentioned in the company’s 2006 and 2007 sustainability reports (CNOOC 2006 and 2007). CNPC mentions the security situation in host countries once: “In some regions, the public security is not stable.” (CNPC 2007: 31). The company only reflects upon how to ensure the well-being of employees and their families. It also reports that the company has set up health, safety and environment agencies in different countries including Sudan, Chad and Nigeria.

“CNPC improved its emergency response plan and strengthened its safety evaluation, enabling it to solve many safety issues and reduce risks to its overseas projects and staff. All overseas project companies conducted a great deal of HSE training based on the characteristics of the host country’s environment.” (CNPC 2007: 32)

There have now been first reports about the abduction of Chinese experts from an oil field and threats have been voiced by MEND (Movement for the Emancipation of the Niger Delta, a rebel movement active since 2006) against Chinese companies (Ogen 2008).
5.2. Governance Contributions Related to Political Order

Anti-corruption and transparency measures have been emphasized as important steps to achieve that revenues from resource exploitation benefit the economic development of societies. Reduced corruption and improved transparency would certainly reduce the potential for conflict in Nigeria.

A recent study of Transparency International (TI)\(^{23}\) ranked Shell among the high performers in terms of transparency, meaning that the company goes beyond existing mandatory regulations in establishing transparency. For its operations in Nigeria, Shell received “very high above country average scores” (TI 2008: 15, 21). Exxon Mobil is listed in the category of low performance and for its operations in Nigeria ranked as “very below country average scores” (TI 2008: 15, 21). Statoil belongs to the group of high performers with “high above average scores” in all its countries of operations (TI 2008: 21).

Shell\(^{24}\) has developed anti-corruption policies and committed itself to initiatives such as the Transparency International Business Principles. It supports the Extractive Industries Transparency Initiative (EITI).\(^{25}\) Nigeria was the first country that officially committed itself to implementing EITI in 2003. A National Stakeholder Working Group was founded as a governing body to steer the Nigerian Extractive Industries Transparency Initiative (NEITI) and oversee implementation. Shell’s Country Chair is a member of this working group. In 2007, the so-called NEITI Act was passed and signed by then President Olusegun Obasanjo.\(^{26}\) While publishing data is now obligatory for companies in Nigeria, Shell’s support for EITI on the global level and NEITI in Nigeria, are voluntary contributions to governance.

Exxon Mobil\(^{27}\) states that the company “is committed to honest and ethical behaviour and opposes corruption by supporting transparency” (Exxon Mobil 2007: 40). The company supports the EITI on the global level and has been elected as a company representative to the

---

\(^{23}\) The study evaluates 42 oil and gas companies on their current policies, management systems and performance in areas relevant to revenue transparency in their upstream operations based on publically available information. Revenue transparency is relevant in three areas: payments to host governments, company operations and anti-corruption programmes (TI 2008).

\(^{24}\) Shell’s main policy documents are the General Business Principles and its Code of Conduct. The Business Principles are further detailed in Shell’s new Code of Conduct launched in 2006. Both documents are available at www.shell.com/sgbp/ (10.03.2008). The commitments are applicable worldwide for all Shell operations thereby including Nigeria.

\(^{25}\) EITI was initiated by British Prime Minister Tony Blair in 2002. Before this, a NGO campaign was asking companies to *Publish What You Pay* to their host governments. EITI asks governments to publish what they receive and companies to publish what they pay. www.eitransparency.org (10.03.2008). The EITI was the first EITI-implementing country with a statutory backing for implementing EITI.” www.eitransparency.org (12.03.2008).

\(^{26}\) Exxon Mobil’s main policy document is its Standard of Business Conduct that is guiding the company’s management systems. Available at. http://www.exxonmobil.com/files/corporate/sbc.pdf (12.03.2009).
EITI Board. The company has supported different national EITI processes, for example in Azerbaijan and Chad (Exxon Mobil 2007: 41f.).

Corruption is also a focus of Statoil’s CSR strategy. “We promote transparency and fight corruption, believing that this is vital to ensure good governance and promote effective markets and sustainable development.” In 2005, Statoil signed the World Economic Forum’s Partnership Against Corruption Initiative and thereby committed itself to show zero tolerance to corruption and bribery and to develop and maintain effective programmes for implementing this commitment (Statoil 2004: 50). Statoil also supports EITI since the first multistakeholder conference in London in 2003.

It is however an easy and not very costly governance contribution for companies to support EITI or, respectively, NEITI. In interviews, civil society representatives recognized the initiative as an important step forward to create transparency with regard to oil revenues but they rightly questioned whether NEITI helps people in the Niger Delta or solves violent conflict. NEITI does not cover the flow of revenues from the federal to the state and local level or how money is spent by governments (ICG 2006b: 25).

With regard to governance contributions to political order, it is also worth mentioning Statoil’s activities in the realm of human rights. It included a human rights clause into its statement of values in 2003 and it is a member of the Business Leaders Initiative on Human Rights since 2004. In Nigeria the company decided in 2002 to support three different human rights projects to “provide legal assistance to people complaining of human rights abuses, divert troubled youth from a potential criminal career and train Sharia judges” (Statoil 2002: 45). With regard to the latter, Statoil financed a programme run by a Nigerian NGO from 2003 to 2005. The project was to train Sharia judges in Northern Nigeria with regard to international human rights commitments. Some 450 judges in seven northern states were trained. Despite the fact, that Statoil only financed this program; the support is exceptional because there is no obvious need or pressure on the company to engage in such a sensitive issue in Nigerian politics. Additionally, Statoil signed a collaboration agreement to operate an

---

28 The main policy document is “We in Statoil”. According to Statoil’s CSR strategy from 2005, the three focus areas are transparency, human rights and labour rights, and local spin-offs. By local spin-offs the company refers to furthering sustainable economic development in countries where it operates for example by working with local suppliers, infrastructure development, education and professional expertise (Statoil 2005: 57).

29 www.statoilhydro.com for further commitments to initiatives on transparency and anti-corruption.

30 The Business Leaders’ Initiative on Human Rights was founded in 2003 and intends to explore how human rights can be integrated into a business framework; more specifically the initiative committed itself to “road-testing” the content of the UN Norms on Business & Human Rights, http://www.blihr.org/ (12.03.2009).
exploration license with Petrobras and Ask Petroleum in 2006. The agreement is exceptional in that the partners agree that all business activities will be based on the UN Global Compact’s ten Principles on human and labour rights, environmental protection and anti-corruption.\footnote{http://www.statoilhydro.com/en/AboutStatoilHydro/Worldwide/Niger/Pages/GlobalCompact.aspx}

5.3. Socio-economic governance

\textit{Development}

Oil companies have over time become important developmental actors in the Niger Delta (Ite 2004). This is due to the fact that Nigerian federal and state governments have failed to induce development and provide basic resources for people in the Niger Delta (UNDP 2006). At the same time, oil companies allocate enormous financial and other resources for local development projects and make additional financial contributions to the Niger Delta Development Commission, a governmental agency responsible for the development of the Niger Delta.

Shell commits itself to contribute to sustainable development; that is integrating economic, environmental and social considerations into business decision making and acknowledges responsibilities towards local communities. The company considers poverty to be one of the main factors that induce instability in the Niger Delta:

„In our view, there are three major factors at the root of instability in the Niger Delta – unfulfilled aspirations for political recognition and influence, poverty and historical neglect, and criminality.”\footnote{www.shell.com/home/content/nigeria/about_shell/issues/security/security.html (12.03.2008)}

Shell invests large sums into its community development programs, for example 53.3 million US$ in 2006 and 68 million US$ in 2007 (Shell 2007, 2008). These programs are located in the oil producing regions in the Niger Delta where Shell is operating. Such community programs started already back in the 1960s but were quite limited in scope (Frynas 2001: 41).

The approach has changed from “community assistance” (essentially giving gifts to communities) to “community development” after 1997 and to “sustainable community development” in 2003 (Ite 2007). The sustainable community development approach is characterized by a more participatory approach to ensure sustainability of projects and the use of partnerships (Ite 2007: 4). Shell’s community development today covers four areas: health care, education, and youth development as well as economic empowerment and business
development. Shell has strategic partnerships with organizations such as UNDP, USAID or Africare (Shell 2007). Shell also negotiates “global memoranda of understanding” with communities to establish long term, transparent relationships (Shell 2007, Idemudia 2007: 10). Protests and demands voiced by different groups in the Delta in the 1990s and continuing until today make it an obvious fact that these programs were not and are not accepted by communities as a sufficient compensation for the oil taken from their land and for damages caused by oil production (Ite 2007: 3f.).

Exxon Mobil is also pursuing community development programmes. The activities are limited to the host communities and therefore to four local government areas in Akwa Ibom State and Bonny Island (Omeje 2006: 112). In 2002, the company formally shifted its emphasis from community assistance to capacity building and economic empowerment (Idemudia 2007: 12). Exxon Mobil commits to address community expectations and concerns about its operations in a timely manner (Exxon Mobil 2004: 8). The company provides programs through the Exxon Mobil Foundation and the company itself. The basic elements of Mobil’s community development program are provision of education, manpower development and employment, health, basic rural infrastructure, and agricultural development (Omeje 2006: 108f.).

Statoil also contributes to socio-economic governance. It cooperates with the NGO Pro Natura International to foster socio-economic development in the Akassa community. According to an environmental impact assessment, the Akassa community would be most likely hit from an accidental oil spill from Statoil’s exploration activities. Statoil supports the project since 1997. The project aims at achieving food security and improving living standards for the Akassa people. The core project areas are (1) human resource development (promote health, adult literacy and women and youth development), (2) natural resource management, (3) poverty alleviation and micro-credits, (4) infrastructure through micro-projects (health care, education and other infrastructure) and (5) institutional development and capacity building in health, education and the environment (WBCSD 2005: 1-2). The programme is implemented by the NGO Pro Natura International that conceptualized and facilitates the programme. It follows a participatory approach, i.e. the community itself owns and manages the project and most of the work is done by different small teams from the communities. Statoil/BP and (lately also Texaco) support the project primarily through a financial contribution. Statoil

33 www.shell.com/home/content2/nigeria/society_environment/dir_community_development.html (12.03.2008)
34 The company makes quite some efforts to address the health situation in Africa including Nigeria (Exxon Mobil 2007: 46 f.). The support for health-related projects is a focus area of the corporation though it is not directly relevant to peace and security and will therefore not be discussed in more detail.
plans to end its commitment in Akassa in 2011 when the community is expected to be self-sufficient.

Assessments of community development programmes vary widely, while some acknowledge corporate efforts to provide basic services and induce development, others hardly see its potential (Christian Aid 2004).

“Corporate development work has had some good results but failed, incomplete and unsustainable projects have become Delta landmarks. White elephants – empty clinics and schools lacking staff or equipment, hulking, empty water towers with broken or missing pumps and pipes – are visible throughout the region.” (ICG 2006a: 12).

Companies operate community development programmes mostly in communities where they operate. Corporate efforts should certainly be acknowledged. But the missing acceptance of programs and lack of trusts among stakeholders are also a result of corporate failures as companies have designed projects badly and repeatedly broken their promises. Even in communities where companies engage expectations are higher (Eweje 2007). Some also suggest that even the best community engagement by companies might lead to further demands from communities because a culture of dependency has developed over time. Additionally, corporate efforts might be accompanied by unintended consequences, e.g. the provision of goods and services to some communities might induce conflict with other surrounding communities who are left out.

Environment

Environmental issues are also important to consider in the context of the Niger Delta. Enormous environmental problems, such as routine gas flaring and oil spills fuel the socio-economic deprivation of the population (Ottaway 2001: 46). Shell has committed itself to minimize the impacts of its operations on the environment but it takes the national legislation as benchmark for measuring its performance (Shell 2007). The company seeks to comply with existing laws. Available research and interviews with civil society organizations in Nigeria show that it is hard to evaluate Shell’s behaviour because stakeholders seriously challenge the company’s statements and commitments (also Omeje 2006: 93-96). Conflicts about compensations for communities after oil spills are common. Companies are obliged to clean up spills but they have to make compensation payments to communities only if spillage occurs due to bad maintenance. If ruptures occur due to vandalism, protest, or oil theft, communities do not receive compensation. Therefore, conflicts arise over the cause of oil
spills in which communities tend to blame oil companies’ bad maintenance and oil companies tend to argue that oil spills are due to vandalization.

Exxon Mobil states that it works under the industry’s highest standards of environmental management (Exxon Mobil 2007: 21) but the company also refers to national legislation as a point of reference:

“Wherever we operate, we meet local regulations for environmental performance, and where there are no local regulations, we operate to standards that we believe are protective of the environment.”

Oil spills are to a lesser degree problematic for Exxon Mobil, because its infrastructure onshore is very limited which minimizes its contact with communities. Nevertheless, Mobil has recorded one of the largest oil spills in Nigerian history in 1998, resulting from the rupture of a pipeline connecting a production platform to one of its terminals. The incident released some 40,000 barrels of oil polluting about twenty coastal communities. The company’s response was reasonably satisfactory (Omeje 2006: 114-117).

Another widespread environmental practice is the flaring of gas that is in fact a by-product of oil production, causing serious harm to the affected population. According to governmental estimates, Nigeria loses revenues of US$ 4 million per day due to gas flaring. Shell and Exxon Mobil both acknowledge the problems emerging from the practice of gas flaring (Shell 2007, Exxon Mobil 2007: 18). During a recent public hearing, the Ministry of Petroleum proposed 2010 as a new deadline for phasing out gas flaring, while oil companies suggested 2012 or 2013 as a realistic deadline not least because of funding constraints. At first sight, it is easy to blame companies on these issues but more than 50% of funding needs to come from NNPC (that means in fact from the Nigerian state) because of the joint venture agreements.

With regard to the environment, Statoil’s policy is “Zero harm to people and the environment”. However, since the company has no major operations on the ground, there are no environmental problems that would put the company’s policies on trial.

Shell, Statoil, and Exxon Mobil have all environmental policies in place though the implementation remains unclear and disputed. By taking local laws as a point of reference, companies do not voluntarily contribute to governance in this area.

CNOOC has a single reference to Nigeria in its sustainability report that refers to the protection of sleeping whales in the Gulf of Guinea (CNOOC 2007: 9). The company reports

35 www.exxonmobil.com (January 2009)
on its engagement in education initiatives, poverty reduction, and disaster relief, though the geographic focus seems to be almost exclusively on its operations in China. CNPC reports on donations, disaster relief and community relations in the public welfare section of its report. The focus is again on activities in China but the company also reports on education projects in Sudan and Kazakhstan and on its efforts to establish a “harmonious oil region” through community development in Ecuador (CNPC 2007). But there are no reports on activities in Nigeria. It has lately been reported that all three big Chinese oil companies are working on Corporate Social Responsibility plans for Africa.

5.3. Summary on Governance Contributions
All companies care about security as private good first, their interest is to protect their staff and facilities. By making different payments to public security forces and providing logistic support companies become involved in security governance. This most obvious in the case of Shell and has come with increasing security threats against the company (Avant 2005: 184). After 1995, there seems to be an increasing awareness among companies about the potential negative impacts of security arrangements, this is exemplified by the fact that Shell, Exxon Mobil, and Statoil are members of the Voluntary Principles on Security and Human Rights. Of course, none of the companies has the intention or capacity to tackle broader conflict and security issues in the Niger Delta.

Companies make indirect contributions to peace and security in the Niger Delta. They engage with regard to political order, mainly in anti-corruption and transparency initiatives and support NEITI and EITI on the global level. Companies have also become developmental actors by implementing or supporting community development programmes. There difference in size and design seem to be mainly a function of the size of the companies’ operations. Statoil’s engagement is surprising in that the company has not even started oil production. The cases of Shell, Exxon Mobil, and Statoil indicate that there might be a kind of standard model emerging including the topics on which companies should have policies and need to report. The companies also have environmental policies and procedures in place though the legal framework seems to be more important in this area and corporate policies and activities are therefore not governance contributions.

Shell’s and Statoil’s approaches seem to be most proactive and the two companies are most transparent with regard to reporting. Shell publishes an annual Nigeria People & Society report since 1998 and Statoil reports on its Nigerian operations in its different sustainability
reports. In comparison, Exxon keeps a lower profile, its reports are more aggregated and there is less information available on the specifics of the Nigerian operations.

As has been shown, corporate governance contributions are contentious issues and are much debated by different stakeholders, mainly due to the bad track record of oil companies in Nigeria and the lack of trust among different local and global stakeholders.

The Chinese companies are laggards with regard to policy development. Compared to the other three companies, their policies cover few issues. They do rarely report on specifics of operations outside China. But all companies including the Chinese display a trend towards committing to self-regulatory initiatives during the last ten to fifteen years. Even Chinese companies have started publishing sustainability reports in 2006 and have recently joined some CSR initiatives, such as the World Business Council on Sustainable Development and the Global Compact.

6. Explaining Company Behavior

Reflecting upon the results of the previous section, different questions can be asked: Why has Shell become more heavily involved in security governance than the other companies? Why do Shell, Exxon, and Statoil all contribute (albeit to varying degrees) to political order and socio-economic governance? Why is Exxon Mobil’s approach more reactive? And why are the Chinese companies laggards? The following section discusses relevant factors that influence companies’ governance contributions. While the location of facilities and security matters for companies’ involvement in security governance, I will mainly refer to the political and societal environment in Nigeria and in companies’ home states to explain their governance contributions.

Security risks and companies’ facilities

Companies prefer not to engage in security governance and perceive public security to be at the core of state responsibilities (Feil et al. 2008). Shell’s and other oil companies’ involvement in security governance comes along with the states’ failure to provide a sufficient level of security and companies’ vulnerability if they have large facilities and staff that are targets of violence. The size of facilities and their geographical spread in the Niger Delta makes companies vulnerable to protest and violence. Onshore oil production in Nigeria not only consists of wells and platforms but includes a large net of pipelines. In fact, the number
of pipeline incidents due to vandalization has risen to over 3000 per year in 2006 and 2007. The US Energy Information Administration (EIA) estimates that 20 to 25% of oil production was shut in before the 2007 elections (EIA 2007). According to the same source, Shell has the majority of shut-in production followed by Chevron and Agip (all three are mostly doing onshore production).

“And we are cut off indeed mostly because we are there, in the Niger Delta and that’s where the fight is taking place. Oil has been targeted, oil facilities have been destroyed, most of them onshore. And because we are the most exposed onshore, we are the worst hit. That’s just as simple as that.” (Interview Shell Representative, Lagos, February 2008)

The security situation of companies operating offshore (such as Exxon Mobil) is different and makes security a less precarious issue. Offshore oil production has been labelled as “the future of Nigerian oil production by allowing multinational operators to avoid security risks inherent to the unstable Niger Delta region.” (EIA 2007: 3). Over time, the balance has been shifting from all onshore production to increasing offshore production. Today, two-thirds of oil production is onshore and one-third is offshore (EIA 2007: 3). Protests and security risks have led companies operating onshore such as Shell to become more involved in security governance than companies operating mainly offshore. The exposure to security risks in the Niger Delta does not explain why Shell and other companies have changed their approach to security and why companies contribute to governance in the political order and socio-economic fields.

State Failure and the Transition to Democracy

One conjecture that can be found in the literature is that companies are more likely to contribute to governance in failed and failing states and in weak regulatory environments (Wolf et al. 2007). Companies operating in Nigeria have been confronted with state failure on the local level:

“We had to engage in issues that we didn’t have to engage ourselves in before because in developed countries the state takes care of governance and human rights issues. That is putting it a simplistic of course … We think that the corporate sector, just as

36 NNPC (2007), though the reliability of these numbers is difficult to assess.
37 Some of the violent groups are nowadays so well-equipped that they also threaten companies’ offshore facilities.
the non-governmental sector, has a role to play.” (Natalja Altermark, Statoil, cited in an interview for UNHCR)  

The conjecture that state failure leads to corporate governance contributions, needs further clarification: It is not state failure in itself that induces companies’ engagement, the opposite is true. This political environment during consecutive military regimes did not provide incentives for the voluntary engagement of oil companies. It rather gave companies a carte blanche to do what they wanted to do. There was no shadow of hierarchy that might have encouraged corporate governance contributions (Börzel 2008).

The political climate in Nigeria has at least slowly changed after the transition to democracy. Oversight of the oil industry has become a much discussed issue and a number of regulatory reforms have taken place concerning the oil industry.  

Companies are sensitive and react to governmental efforts and support governmental initiatives as the government is an important partner for them; one example is the establishment of NEITI. In contrast, companies seem to be reluctant to engage in areas where they are not sure that their engagement is welcome:

“But companies should not and cannot be on the driving seat […]. Whether it is for security or development, it’s the government that should be on the driving seat, because that’s the role of government; companies should make a contribution.”

(Interview Shell Representative, Lagos, February 2008)

In this sense, it is not state failure but rather a reliable and proactive governmental partner that can positively influence corporate governance contributions, especially on the macro level (see also Exxon Mobil 2007: 41).

Civil Society: Local Protest and Global Norm-entrepreneurship

Rather than the political environment in Nigeria, the societal environment has led companies to contribute to governance. Much of the literature on Corporate Social Responsibility assumes that civil society plays a role in influencing companies and that pressure from civil society organisations leads companies to acknowledge their social responsibility which might then foster corporate governance contributions (Haufler 2001; Spar and LaMure 2003).

In 1990 the Ogoni people formed the Movement for the Survival of the Ogoni People (MOSOP) to “peacefully confront both the oil companies and the military regime” (Ibeanu and Luckham 2007: 65). The Ogoni Bill of Rights articulated the plight of the Ogoni people...
and asked for compensation and a fair share of revenues from oil production. From 1992 until 1995 MOSOP protests and occupations of oil installations continued and escalated. The Abacha regime waged a systematic campaign of state violence against them. Nevertheless, other communities followed and started organizing and voicing their demands. Groups like the Ijaw formulated their own bill of rights; different youth movements emerged in the following years. “Nigeria has been unique in its vigorous grassroots protests against the petro-state and oil multinationals.” (Ibeanu and Luckham 2007: 64) Brutal oppression of protests by public security forces became an untenable option for companies when global civil society took up the case of the Ogoni people and the broader issue of oil companies’ operations in the Niger Delta. After the Brent Spar and Ogoni crisis, Shell conducted a general review of its policies and activities, its business principles were revised in 1997 to include a commitment to sustainable development and human rights (Shell 1998). On the local level, Shell redesigned and extended its community programmes (Ite 2007). The protests and the ensuing campaign against Shell in Nigeria were landmark events and had not only an effect on Shell but also on other companies:

“We had a wake-up call with the Ken Saro Wiwa case. We were there. Other companies were targeted in the international media, but Statoil was in the Norwegian debate in a way. A lot of people got very critical about how we could be in Nigeria, when human rights violations took place. It became clear that both from a moral view point and also in order to protect reputation and manage the risks we face, we needed to move beyond our sphere of influence and do something with problems in society at large.” (Natalja Altermark, Statoil cited in an interview for UNHCR)

The effects of civil society activities in and with regard to Nigeria must be seen in the larger context of campaigns against different oil companies operating in other zones of conflict such as Unocal and Total in Burma, Lundin Oil in Sudan, BP in Columbia or Exxon Mobil in Indonesia. The pressure from civil society on specific companies varies: among the companies operating in Nigeria Shell has attracted most of the negative attention. But through different campaigns, the whole oil industry has come under pressure to prove their social license to operate.

In more general terms, civil society organizations have acted as norm-entrepreneurs vis-à-vis companies by questioning the prevailing idea that the only social responsibility of business is to make profits (Friedman 1970). Civil society has contributed to the establishment of sectoral

40 In contrast to the “earlier and more idealistic generation of Niger Delta activists”, the use of violence is today more common and is often coupled with criminal activities.
self-regulatory initiatives: the founding of EITI was preceded by the Publish What You Pay Campaign that targeted extractive industries. The Voluntary Principles are a reaction to NGO reports revealing the ambiguous cooperation between extractive industry companies and public and private security forces (Freeman et al. 2001). These global initiatives also indicate a trend that continues on the national and local level: dialogue processes and partnerships between civil society organisations and companies. EITI and the Voluntary Principles are both organized as multistakeholder initiatives including NGOs and companies. Most companies have also some form of dialogue with NGOs. Changing global ideas brought into the debate by civil society actors and norm-diffusion processes would also help to explain the similarity of policies and engagement of different companies.

It is not new that civil society activities do have varying effects on companies depending upon the target’s vulnerability and the connectivity of new norms to previously established ones (Price 2002). In this regard, corporate culture and companies’ reputation become important. Reputation concerns and the protection of a brand is an incentive to avoid campaigns, take over responsibility and contribute to governance (Wolf et al. 2007: 305). Within the oil industry this reflects the division between upstream and downstream activities. Companies that have downstream activities are closer to the consumer and therefore are more sensitive for boycotts. Shell, Statoil, and Exxon have well-known brands, Shell and Exxon Mobil are present in more countries than Statoil whose presence with service stations is limited to Northern Europe (Statoil 2001: 48, Rieth and Zimmer 2004). All three companies make arguments concerning their reputation when referring to their engagement. Chinese companies seem to be a somewhat different case. Domestic civil society is certainly organized differently in China and these groups have mostly looked at CSR at home. Additionally, Chinese companies have only recently entered into the global domain. CSR issues have only recently been brought into the Chinese debate and embraced by the government which is still the majority owner of the companies.

**Home States Influencing Companies’ Governance Contributions**

Companies are not footloose organizations. Their “nationality” plays a role in explaining different aspects of their behavior (Pauly and Reich 1997). Beyond providing the regulatory frameworks home countries can encourage companies to engage in voluntary frameworks. The influence of the home state gains further importance when looking at state-owned companies.
Home States Encouraging Voluntary Commitments

A first obvious correlation is that three companies (Shell, Exxon, and Statoil) are EITI supporters and so are their home countries (UK, US, and Norway). Great Britain’s former Prime Minister Tony Blair even co-initiated EITI in 2002. Norway is hosting the newly established EITI secretariat since 2007. The development of the Voluntary Principles on Security and Human Rights was also initiated by the US and UK government (Freeman et al. 2001). The major US and UK companies were involved from the very beginning and the drafting of the principles was mainly done by officials from the two governments. The governments of Norway (Statoil) and the Netherlands (Shell) joined the initiative soon after the initial drafting phase. In contrast, China and Chinese companies are not involved in these initiatives. In more general terms, it can be argued that home states have different “CSR public policies”, i.e. the policy of governments in regard to CSR. Accordingly, the United Kingdom is an “outspoken CSR country” with cutting edge CSR policies where the government is “focused on enabling and facilitating the CSR-relevant behaviour of private actors” (Bertelsmann 2007: 9-10, 32). Much in the same vein, it has been argued that the high level of norm entrepreneurship among UK companies in collective self-regulation initiatives can be explained by the non-adversarial, “partnership-type relations prevailing between business and government.” (Flohr et al. 2008: 17-18) In contrast, the situation in the United States is different because governmental engagement for CSR is relatively weak and fragmented (Bertelsmann Stiftung 2007: 35). It is also argued that US companies are reluctant to engage in self-regulation because they fear that self-regulatory commitments would be used against them as the basis for litigation in US courts. The US approach to law and policy implementation has been characterized as “adversarial legalism” (Kagan 1997). Consequently, “American companies have no history of working in collaboration with government and of taking on public functions, such as setting of rules for their own behaviour” (Flohr et al. 2008: 20) which might help explain Exxon Mobil’s more cautious approach.

State-owned Enterprises and their Home States

Statoil and the Chinese companies share that they have been going global late. Statoil started activities outside Norway early in the 1990s, the Chinese companies even later. Nevertheless, companies’ approaches could not vary more with Statoil being proactive and the Chinese companies being laggards. Norway’s welfare state is characterized by comprehensive legislation, for example in the fields of health and safety at work, equal work, environmental
protection, and reporting (Kvale 2007). The discussion about CSR has focussed on the engagement of companies in their operations abroad and issues such as working conditions and fighting corruption (Kvale and Olsen 2006: 13). Moreover, the Norwegian welfare state has at least partly been financed by income from oil production and Norway considers itself to be a successful oil history; there seems to be the idea that Norway and Norwegian firms can provide some lessons learnt and best practices for other countries.

"I think it is also a reflection of the fact that we are a Norwegian oil company and we are a child of what most people would call a successful oil history. Oil has been a blessing for the Norwegian society because of the opportunities that oil has given this society have been well spend.” (Natalja Altermark, Statoil, cited in an interview for UNHCR)

The influence of its distinct Norwegian identity is also mirrored in Statoil’s sustainability reports (for example Statoil 2001: 49).

Chinese companies have lately entered into a national and global dialogue about CSR. The Chinese government has first objected CSR as a Western idea and an imperialist concept. It has, however, recently embraced the concept and is now trying to adapt it to the Chinese context (Bertelsmann 2007: 14) by linking it to the newly adopted leitmotiv of a “harmonious society”. CSR is understood as companies’ contribution to foster such a harmonious society. This can often be found in Chinese CSR reports, as companies try to establish a “harmonious organization” or community development intends to establish a “harmonious oil region”. CSR Guidelines for state-owned enterprises were published in 2008 by the State-Owned Assets Supervision and Administration Commission of the State Council. The guidelines include that companies are expected to comply with laws and regulations, to be active participants on the community level and to engage in philanthropy (Chahoud 2008, Ho 2008). The mere fact that a guideline for CSR has been developed shows that the agenda of state-owned oil enterprises is influenced by the topic’s discussion in state bodies.

Taken together, it is not only regulation in the home state that influences corporate governance contributions, but setting incentives for companies’ engagement. It is also plausible to assume that (previously) state-owned companies are even more likely to externalize policies from their home states than shareholder owned companies.

41 SASAC is a ministry-like bureaucracy. The SASAC is the sole owner of state-owned enterprises or holds a majority of stocks if state-owned enterprises are listed on stock exchange (Reilly/Na 2008: 141-2).
To sum up, various motivations and factors do influence companies’ governance contributions, i.e. there are multicausal and complex dynamics at work. The same result might be explained by very different constellations of factors: Taking Shell and Statoil as examples, both companies are rather proactive and have a wide variety of policies and activities. The case of Shell shows that a mixture of pressure from below (community protest) combined with global civil society activities and a relatively proactive home state helps explain Shell’s changing approach. Statoil’s proactive approach seems to be influenced by its Norwegian identity and the idea to transfer the positive Norwegian oil experiences to other states. Additionally, the company perceives Norwegian and global civil society as closely watching the company’s activities abroad without having been the target of a major civil society campaign. Exxon Mobil has been less affected by violence and community pressure in Nigeria because of the location of its oil production. However, the company has also faced a civil society campaign because of its operations in Indonesia. The more legalistic approach in its home state the US might lead to its more reactive stance and the company disclosing less information. Both state-owned companies are definitely influenced by their home governments. In particular in China, the state has a major influence on the strategy of its big three oil companies and their behaviour abroad. These are preliminary conjectures that should be analysed more thoroughly by also drawing on other cases and attention should also be given to detail the causal mechanism at work.

7. Oil companies: Emerging best practice or still fuelling conflict?

Oil companies contribute to governance in different fields including security, political order and the socio-economic policy fields in Nigeria. Different global self-regulatory initiatives have emerged and been embraced by companies during the last ten to fifteen years. Additionally, companies have initiated and (re-)designed local projects to secure their social license to operate. These governance contributions illustrate that corporations have increasingly become political actors on the local, national, and global level. However, to focus the analytical lens on companies’ governance contributions tells only part of the story. Companies’ governance contributions are by definition voluntary and companies can choose the fields in which they want to engage. The broader picture of oil companies’ engagement needs to be taken into account: this includes core business operations, those areas

42 A lawsuit under the ATCA is ongoing; http://www.globalpolicy.org/opinion/2006/0417exxonaceh.htm (15.11.2008).
where companies do not contribute to governance, and the impact of companies’ engagement. The presented case studies indicate that even well-meant governance contributions could fuel violence and that they cannot compensate for bad standards in core business. The findings on explaining corporate governance contributions highlight the importance of companies’ political and societal environment in home and host states and therefore the potential to influence companies’ governance contributions. In this sense, companies are social actors that are not only part of the economic sphere but are influenced by and react to societal and political expectations. The potential of corporate governance contributions to peace and security should not be overemphasized in the Nigerian context or in other conflict contexts. Societal conflicts and problems in Nigeria are deeply rooted; violence and underdevelopment in the Niger Delta and beyond are the result of years of neglect and mismanagement. Companies can certainly play a role (Ottaway 2001: 53 f.) but they stress themselves that the main responsibility for development and solving conflicts lies with the government. Companies do not feel responsible for public welfare and policy development in an encompassing sense. If this would be the expectation, companies necessarily fail. Many interviewees from civil society expect the Nigerian government to take over governance functions and public goods paid by revenues from oil production and to set and implement standards for oil companies. They do not expect oil companies to behave responsibly without proper regulation and enforcement.
Literature:


Cutler, A. Claire/Haufler, Virginia/Porter, Tony (eds.) 1999: Private Authority in International Affairs, New York.


