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NIGERIA UPDATE

NOTES OF MEETING WITH HEAD OF STATE 30.4.94

INTRODUCTION

This meeting had been set up with the assistance of the Chairman of NOLCHEM, Major General Hassan Usman Katsina, ex-Governor of the North and a close (and militarily senior) friend of Abacha.

The meeting took place in the Head of State's residence in Abuja, after a 5-hour wait.

I had asked that the meeting should not come to the attention of the Minister for Petroleum, for a previous attempt to see the Head of State had been rebuffed, but in the event he arrived at the offices of the Presidency, unexpectedly, at the same time as Godwin Omeje and I. He did not inquire the purpose of our visit, and later on I agreed with the HoS that he would, if asked, say that it had been an outstanding courtesy call.

For obvious reasons I was concerned not to upset the Minister of Petroleum, but perhaps this will show that he cannot easily block my meeting with the HoS, and he may therefore in future not keep the HoS in the dark on important issues, as he seems to have done recently (see below). However, the matter is delicate so I will try and ensure that I and the Minister don't fall out over this point.

COMMUNITY DISTURBANCES

Ogoni Issues

I raised the problem of the Ogonis and Ken Saro Wiwa, pointing out that Shell had not been in the area now for almost a year. We told him of the destruction that they had created at our sites of which he was apparently unaware.

He said that, although he and Sero Wiwa were old friends from his time as a military officer in the delta, he could not agree with his current stance. The HoS said that he would not be allowing development to take place in the Ogoni area until Sero Wiwa stopped his activities.

General disturbances

I gave a quick overview of the recent problems we had had, and told of our serious concern that there was an escalation in the severity of such events and of their frequency. I said that I was particularly worried about the hostage-taking that was now becoming routine, and of the risk of violence should the military or the police become involved and overreact.

The HoS said that he understood the problems were becoming more widespread and that he believed that there must be more enforcement of discipline to stop such lawlessness. I sense from this that he will intervene with either the military or the police. I made it clear that I had specifically asked my staff not to involve either body during the recent problems for fear of escalation and of Shell again being accused of hiding behind the forces of law and order, and in fact of being responsible for any injuries that may transpire. He seemed to understand this, but he said that he could not condone the unlawful activities of such communities.

The HoS said that he would be calling elders and Military Administrators from the regions involved to a meeting at which he said that he would be making the Military Administrators responsible for any future problems.

Oil Company attitudes to oil communities

He said that he thought Company attitudes towards the locals could be better, and I said that I agreed that there was room for improvement in this regard. I promised that I would be taking a personal interest in the matter.

Compensation payments to oil communities

The HoS referred to the age of legislation that laid down compensation to farmers and local communities affected by oil operations, saying that the rates for economic trees, land etc. were now far too low. We told him that we had already adjusted our rates to compensate for some inflation.

Shell assistance

I suggested to the HoS that although we may be able to do some more we felt that it was the government's job to tackle the major problems. We may be prepared to assist in some cases, and we may redirect our attention to more support-related activities rather than concentrating solely on projects.

Security

I told him of our problems with deteriorating security and of the numbers of guards we had and how this was steadily costing more. He also felt that something should be done.

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Impact of recent 100,000 b/d shut in on oil prices

He realised that the recent shut-ins in the West had contributed to a rise in oil price that effectively meant that the country derived a net benefit! He joked that perhaps we should have more disturbances.

NNPC CASH CALL ARREARS

Quantum of Current Cash Call Arrears

I told the HoS that the current arrears stood at *US\$700 million*, and gave him a graph to illustrate the point. He seemed to be *very surprised* at the magnitude of the sum owed, mentioning that he had been led to believe that it was around *\$300 million*. He said that he thought he had been approving payments that *fully accounted for all cash calls in 1994, and that some extra had been allocated to reducing the 1993 backlog*.

It was quite evident that he had *not* been given the same facts.

He said that he would call a meeting in the coming week with Industry, NNPC, the CBN and, I presume, with the Ministry of Petroleum, in order to verify the facts.

Cash Call Crude and uncertainties of being paid

I made the point that uncertainties were creating havoc in the oil business, and that as a result most operators were reducing their rate of investment, and that this would result in lower production in 1995/6.

He retorted that we should not worry because there was a sufficient allocation in the budget for both ongoing 1994 cash calls and for the arrears. He said that we would be paid according to the budget.

When I cautiously mentioned the cash call crude payment option he said that this would not be viable as the crude was *"already sold"*. From this I presume he meant that LT contracts have been entered into already, and perhaps that oil had also been sold forward (as has been rumoured). [SITCO could perhaps try and verify this].

1994 BUDGET MATTERS AND THE ECONOMY

Forex

From his views on this subject I feel that *there is only a small chance that the current forex procedures will be changed*. He commented that he felt that the current approach would result in lower inflation (it is, of course, having the opposite effect).

He is obviously well under the Jakande influence (Minister for Housing and Works and the populist politician who seems to have "hijacked" economic policy from the Minister of Finance). Coming as it does after the recent review of economic policy, during which the Minister of Finance called for a change back to a parallel forex market, I am fearful that the die has been recast, at least until the economy declines even further.

Inflation

Declining purchasing power of the Naira is high on his agenda, and it seems that much of his attention is riveted on this.

Centralised wage fixing?

As part of his strategy for keeping inflation under control he mentioned that he was considering some form of centralised wage fixing arrangements "as some developed countries see fit to do".

He said that he was worried at the oil and banking industries paying too much, and that the resulting precedent was bad for the other sectors of the economy, particularly the civil service.

On all these points, and those above, I chose not to raise any arguments, this being our first meeting, and wanting to hear what he had on his mind.

There are clearly indications of a "centralist" approach to solving the problems we are encountering.

It was interesting to note that he was actually supportive of the Structural Adjustment Programme undertaken during the Babangida tenure, but he faulted the previous government for losing its initially strong resolve and for not therefore allowing time for the SAP to work. I think this anecdote was meant to reinforce his current commitment to the new policies of the 1994 Budget.

Foreign Investment.

He was concerned at the limited availability of foreign capital. I took the opportunity to point out that companies were concerned at the lack of political stability in the country, and that other factors were raising the risks for investors. He accepted this remarkably well. He said that the recent announcement of the Programme for the Constitutional Conference was meant to demonstrate the degree of commitment he had to a proper resolution of the current political impasse. I think he meant it.

BRITAIN

He said quite a lot about his views on Britain, emphasising that they and Nigeria were natural partners, etc. He said that even though relationships were not so good at present (due, I suppose, to the sanctions against the military after the June 12th problems last year) he would be happy to invite John Major to revisit the country where he had once been a bank manager in Jos!

He made a link between Shell and the UK and that he felt that these days diplomacy was usually based on economic cooperation, trying to indicate that he felt that Shell should continue to sustain Nigeria in these difficult times.

I made the point that we were long term players, and that we were prepared to continue to invest so long as we felt that there was political stability and that the economic terms and conditions of doing business were sufficiently attractive. I recalled that the current cash call arrears was a good example of the sort of thing that would put off investors.

OIL BUSINESS

OPEC Quotas

The HoS said that we should find creative ways of producing as much as possible! I pointed out that we had been severely censored by the Minister for producing over quota!

Legislation

He said that he felt that current Petroleum Legislation was outdated and should be revised.

Government involvement and verification of costs

As part of the message on legislation he seems to believe that the oil operators have too free a hand when it comes to costs, and he believes that there should be more government control. This, and the legislation issue above, is an *ominous sign* that perhaps he has been convinced by NNPC or the DPR, or both, that we are not sensitive to costs. The Minister was of the same view (see earlier notes on the subject), so I believe that we had better try and steer this carefully before things go too far.

GENERAL COMMENTS

Further contacts

I offered to be available to the HoS should he need to discuss matters further, and he then gave me his (2) personal telephone numbers, and asked for my card and home number.

I feel that the meeting was fruitful in that we gathered quite a few useful hints on the government's views and possible future plans, and that I have a possible opening for further direct contact with the HoS. This may prove very valuable under the current uncertain circumstances.

Apparently contributing to the success of the contact was the fact that I had been born and lived here in the past. He seems to feel this must help me to understand the Nigerian ways. I will have to be careful how I use this, but it certainly seems to help (as does my, still somewhat rusty, understanding of the Hausa language).

Bakassi Conflict

He didn't say much on this except to point out that the French had consistently helped its ex-colony both militarily and economically, and that he felt that Britain should do the same for Nigeria.

Mood

Even though we finished at 9.15 pm, he did not seem in a hurry to get rid of us. He served us with coffee and honey, and was relaxed in demeanor in spite of admitting to having a lot of urgent problems to solve.

He seems to be a quiet and thoughtful man, with what appears to be a genuine desire to help the country to improve its lot. He also came across as someone who was reasonably well versed in the most important subjects, although that is not to say that his views were always well balanced, particularly as regards economic issues.

There were a lot of Hausa guards, but all were in civilian dress.

The palace decor was in very good taste and of a high quality (so unlike what one normally sees here)

Brian.

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