

# Danger zones

As the Arab Spring last year showed, regions that companies and banks think they have a handle on might suddenly turn into hotspots of unrest. **Nick Kochan** talks to specialists about the risks to consider when establishing operations in dangerous areas

As the 2011 Libyan civil war gathered pace, companies in the UK were desperate to know where their staff and their families on the ground were, to ensure their safety. But the task wasn't easy – the government had closed down much of the local telecommunications system to keep it out of reach of protesters, and the companies lacked independent communications. In at least one case, company employees had moved towns to keep themselves safe but were unable to report this to their employers, leaving them – and family and friends – in the dark.

The same loss of contact was experienced with foreign students at a college in Cairo during the uprising in January 2011. International SOS, a Singapore-based medical and security specialist, was required to monitor the whereabouts of the students on behalf of the company owning the college, but the students had got lost in the teeming crowds in Tahrir Square. In this case enthusiasm for the cause had got the better of their duty to keep their school administrators up to speed, at a time of particular sensitivity.

Companies operating in dangerous places need to have structures in place to ensure business continuity. According to Adrian Stones, a director at Alaco, the London-based business consultancy: "It is absolutely critical to understand the landscape in which your company operates. You should have access to current information on the local politics, rule of law, civil society and potential flash points. A company that is not working off an accurate set of data will be caught out. There is no good reason for management not to be well-informed."

Stones cites some of the largest companies that hire sociologists, geographers and political analysts to work up studies on countries they intend to move into. "Events change extremely quickly, as we saw in

the Arab Spring. You need to be able to hit 'refresh' fairly regularly."

The value of this approach is only now dawning on some companies that have relocated facilities or established sites in emerging markets. Melvin Glapion, the London-based head of business intelligence at security specialist Kroll, says companies fail in many instances to take security risks into account. "Energy companies with long experience of operating in dangerous places are on top of the problems. But

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Adrian Stones, Alaco

[some senior management] might not understand the risks. The economics might look exciting, for example, in China or Russia. But have they thought through how their executives are going to get safely to work, day after day? Companies at headquarters level need to devise systems to which their staff on the ground adhere."

Michael Hancock, group general manager of worldwide assistance at International SOS in Singapore, concurs. "Clients that work in the energy and mining infrastructure areas tend to have much more robust planning than many general businesses working in a city environment. First, they have better communications equipment; second, they have more robust plans; third, their staff are more experienced at working in difficult locations, as a natural consequence of their area of operations."

Recent events in the Middle East proved a tough test even to the more experienced executive. Grant Strudwick, London-based head of security assistance at Travel Security Services, a joint venture between International SOS and Control Risks, says much of the corporate world was caught off guard. "If you break down the world into hotspots of risk, some you can easily identify as high risk. Most companies have a fairly robust planning structure around those countries. What we saw in the Arab Spring was a surprise to many organisations. It wasn't the typical hotspots: until the Arab Spring, Tunisia and Egypt were seen as the safe havens. Companies had good and solid plans for Nigeria, but they wouldn't necessarily have had the same solid plans for Cairo. Many companies, security firms, and human resources, safety and risk managers had to completely rethink their approach to the planning process."

In the face of unexpected events, many security and evacuation companies have had to improvise. One company operating in Syria had an executive who required an operation urgently. The medical company it had contracted with did a quick reconnaissance of the medical facilities in Syria and realised they were not accessible, due to security concerns. It then checked out local airports with a view to flying the invalid to the nearest safe hospital in Lebanon. That too was impossible, as airports were closed to civilian traffic. So it took the only remaining path, and put the invalid into the back of a car, on a stretcher, and whisked him across the Syrian border to Beirut, where medical facilities were available. The operation was successful.

The Arab Spring set managers further dilemmas. Most critically, they needed to decide whether to withdraw their staff to another country, which might have resulted in the closure of their operations.



Companies had also to consider who to pull out, and how. For example, some companies might decide to pull their expatriate workers back to headquarters, but not their local workers. “This has consequences for morale if the locals see some sort of division, and feel resentful,” says Strudwick. A decision to withdraw expat managers and not locals will also make it harder for those managers to go back to the site to restore normal business operations when stability returns. Strudwick says: “We saw some cases following the earthquake and tsunami in Japan, where a number of expats were pulled out in certain companies. And then it was difficult [for them] to go back in and face their Japanese colleagues. These policies have to be thought through by companies in advance, and communicated, so that it is not a surprise, and it is not a decision taken at the time. People must be aware of this policy before incidents occur. That is particularly important.”

Strudwick also warns that companies might find their subcontractors working in-country have differ-

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Melvin Glapion, Kroll

ing employment practices. “These should be aligned before you enter into a complex territory,” he advises. But he cites with approval one company operating in Syria that has adopted a firm policy. “While tensions were rising in Syria, one client said: ‘We will not be evacuating our expatriate staff, we have resilient plans in place.’ It recognises it is a particularly difficult issue to take expatriates out and leave locals behind. So it has made a conscious decision to stay there; and it

has the people on the ground who will be resilient in those circumstances. Those are difficult decisions to work through.”

While companies are likely to prefer to stay in a territory where they have built up a franchise, they have to be aware political change will also create differing political allegiances, and their position might be untenable. Kroll’s Glapion warns: “When people are tied to one regime, and there is a regime change, they might have to pull out.” Large energy companies are better prepared to withstand such a regime change. “Politicians are as indebted to them as they are to the politicians,” he says.

There are other problems with a regime change, however, Glapion warns. “If you’re going to be doing deals with the new regime, you have to ask yourself how comfortable you are with your compliance procedures in terms of preventing corruption and bribery, because you’re now somebody who’s looked at,” he says. “You were with the old regime, now you’re moving to the new regime – how did you get there?”



International SOS carries out an emergency evacuation

Did you pay your way in? You're putting yourself at risk again. [There are] lots of risk-and-reward balances that companies are making at the moment."

The threat of insurgent violence has led to a range of responses. For example, one Danish oil company operating in northern Iraq hired 1,000 Kurdish troops from the regional government's security police, Asayesh, to guard its refinery. Nick Doyle, the former manager of the site and now director of security at Kroll in London, comments: "The company was paying for it and that money would go back into the regional government. That's the way it did it. And it was a good option. It kept the government on side and its own facilities secure."

The task of protecting the site was considerable, he says. "These were such high-value targets. It's hard to hide an oil tank. It's hard to protect it." The local guards manned watchtowers around the perimeter of the site non-stop over the course of five years, successfully repelling local militia.

Strategies for protecting staff on site need to be thought through at the same time as the physical infrastructure. Building secure living quarters inside

compounds is now standard practice for large corporations in a dangerous territory. When staff members make a regular journey outside the compound, they are advised to vary their route. However, consultants warn local insurgents could strike at a company's staff at any time in the development of a project. Indeed, the shrewder insurgents strike before the main compounds have been constructed. One consultant comments: "They are likely to go for a few foreign personnel when they are visiting to carry out an early stage prospection. These people are exposed and ready targets."

Using the example of a mining company opening up a new site, Strudwick warns: "There's a long preparatory process before you get to the construction of the mine. You might have geologists travelling out there before you even begin to think about building a mine site. Teams of geologists or engineers perhaps going to an area to conduct the preliminary study are just individuals in four-wheel drive vehicles. They obviously face risks, and it's important to consider such risks in the low-level early stages of these projects, as well as thinking of the project when it's fully set up."

Once the site has been established, managers will consider the use of troops to protect the site. Nicholas Watson, head Americas analyst at Control Risks in London, notes that in parts of Colombia, for example, there is no alternative. "You can sign an agreement with the armed forces, who will then have specially assigned units to protect your assets, your installations, your people. Obviously, it depends on the size of your operations and what exactly they are doing. But for larger companies with extensive infrastructure – perhaps they've got their own railways or ports that they have built and operate themselves – you might have a whole battalion of troops."

But Watson warns the use of troops in the vicinity of a site might prove a two-edged sword. For example, companies could lose control of the forces guarding their property. This raises the possibility that they will behave rashly or dangerously, and so produce a reputational risk to the business. And the troops might also be seen as a provocation, drawing the facility to the attention of insurgents or criminals. "You should avoid using security forces, if possible, because it can be seen to be a bit heavy-handed: it might not go

down well with the local community,” Watson says.

If the decision is taken to use local troops or private security forces, due diligence into the backgrounds of the forces is essential, Watson warns, as many have been found to have been engaged in illegal or controversial activities. “You have to do background checks on the security providers: make sure they are completely legitimate. Many operators don’t comply with all the government regulations and are perhaps using personnel that have criminal records. That obviously brings liability to you as a company.”

Watson cites instances in Guatemala and Honduras where the security forces used proved no less dangerous than the threat they were hired to defend against. “People working for these companies were perhaps ex-army, and alleged cases of human rights violations were associated with the army they belonged to. In one Colombian case, there were reputational questions because of abuses committed by the security forces, massacres of civilians, or extra-legal executions. These are the risks. In attempting to mitigate some of the security risks, companies end up creating more risks for themselves by being involved with subcontractor companies that are perhaps not completely legitimate or haven’t fulfilled all their regulatory obligations. So, preparatory due diligence on all your security providers is essential, ensuring particularly that you’re taking into account the security risks facing different levels of your operation.”

Used properly, troops can also serve as an intelligence service to glean information about activities in the area. One oil company made an effort to stay close to the leaders of the local communities from which the troops came, and as a result the troops felt aligned with the interests of the company. This gave the company the opportunity to treat the troops as an intelligence service, encouraging them to share information on the local area, and keeping the company apprised of threats. One site manager comments: “Local communities are your eyes and ears for any risks. If you have local communities on side, they’re the first people to alert you if there’s anything happening. They’re as good as any watchtower.”

Regular meetings with the elders of the local communities provided informal opportunities to gauge their knowledge, says the manager. “Every month or so you would have a meal with the local tribal elders, you’d get some clothes and toys for the children, you’d employ some locals as cleaners or as

drivers for the duration you’re there. You’re putting revenue into that small community and they value that. In return they keep you alert to any particular risks or threats of individuals or groups that are paying attention to whatever you’re working on. With a little amount of money, you’re potentially getting quite a lot back.”

The downside is that a decision to interrupt links with the local community can be dangerous. Strudwick comments: “If royalties are not paid or if they are seen to not go to the right people, there can be security risks, such as blockades, attacks on convoys and so on.”

The meetings will also give the company a chance to obtain its own intelligence on the local commu-

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Site manager

nity. For example, there might be groups fomenting hostility towards a foreign company. However, Watson says companies need to manage the expectations of local communities. “Lots of communities say: ‘Hurrah, big multinational companies are coming in, we’re all going to be rich.’ Managing expectations is absolutely crucial. And also listening to local communities, finding out what it is that they want. Giving a community a stake in your project can be beneficial to mitigate some of those problems. Giving the locals jobs is important.”

The company needs to anticipate the demands of the local community and check out its record in dealing with other foreign companies – not only as a precaution against physical attack, but also to prepare for opposition through the courts or parliament. Companies, particularly in the natural resources sector, will be closely scrutinised regarding their attitude to the environment, especially in areas where local people are farmers and have concerns about water supply. In many cases, Watson says, local concerns – whether justified or not – about the side effects of a major infrastructure project such as a dam or pipeline have reached the national government,

which has then acted to delay or cancel the project.

The experience of US gold miner Newmont Mining provides a salutary reminder of the need for diplomacy in dealing with a local community. Its planned \$4.8 billion Conga gold mine in Peru was sited in an area where subsistence agriculture is the predominant means of living for most of the local population. Newmont was caught off guard when local activist groups targeted its use of local water for the purification process. Allegations that the project would result in the loss of six lagoons triggered a dispute with locals that resulted in violent campaigning and military intervention. The situation became a global *cause célèbre* when an international non-governmental organisation (NGO) became active, targeting the corporation. The dispute has put the company at loggerheads with the local community, and at the end of last year operations at the mine were suspended.

Watson says: “You can get some of these large organisations, such as Oxfam, launching campaigns in Europe or the US in protection of indigenous communities, [and sometimes] demonstrations turn violent. They have resisted and have objected to plans for mines. This happened in Colombia, this happened in Peru, I’ve seen it in Bolivia, and it can escalate quickly. When international NGOs get involved it adds an international dimension to a local problem.”

The need to understand the interests of communities is being increasingly recognised in boardrooms, says Kroll’s Glapion. “People are saying ‘I want to be a good corporate citizen.’ We’ve been saying this for years, it just makes good sense to be a good corporate citizen. That is at the front of your mind, something that’s come from the top of companies.”

Watson advises: “You can aid transparency by bringing in independent people to monitor your environmental impact through the project’s life cycle. You could partner with NGOs to help you with the social licence to operate. These things can all help. Larger companies have their anthropologists, for example, working with them. They will address all these things with the local community: consultations – not cosmetic consultations where you’ve already decided what you want to do and you’re just giving the appearance you’re consulting people – but seeking genuine feedback. You need to engage with those organisations that pertain to or affect a project, in a way that is acceptable to them and acceptable to the project.” ■