A proposal to effect the discouragement
of foreign corporations from investment
in Southern Africa.

Model: The Oil Corporations.

Submitted to the Special Session of
the Special Committee on Apartheid
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by the American Committee on Africa
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In March 1969 the American Committee on Africa submitted a memorandum to the Special Committee on the Policies of Apartheid of the Government of South Africa which outlined a proposal for co-operation between African States and non-governmental organizations aimed at ending investment by United States companies in Southern Africa. The American Committee on Africa proposal was limited to United States companies in Africa for practical reasons; the Committee has its constituency within the United States and can thus primarily help build an effective campaign aimed at a particular or at several United States corporations. (Similar recent actions have been the Bank campaign, the Gulf, General Motors and Polaroid projects.) Our limited research facilities make it impossible for us to study corporation activities in Asia, Europe and the rest of the world. Such research would best be undertaken within each state that adopts a policy of embargoing investment in its own country and in Southern Africa at the same time. The principle of the issue under discussion is a more general one, relating to the possibility of all progressive states joining in a campaign to force all foreign corporations currently investing in or trading with Southern Africa to stop such activities. One of the strategies suggested to achieve this end is the posing of incompatible alternatives: either investment in Southern Africa or in independent Africa or in other progressive states, not in both. The 1970 Organization of African Unity resolution on this matter took the proposal a large step nearer practical action, calling as it did for "the creation of a Special Committee on sanctions with a view to studying the activities of the trading companies, monopolies and other firms operating both in the African territories under colonial and racist domination as well as in the Independent African States in order to:

1. To discourage by all means the activities of these companies . . .

2. To decide on a concerted policy of efficient boycott against the companies . . . which continue to ignore the demands of the Member States of the Organization of African Unity

3. To suggest to the African Independent States all appropriate action to be undertaken with a view to imposing economic and financial sanctions on the companies, monopolies, firms and Governments which are investing, trading or strengthening one way or another colonial and racist regimes in Africa.

The paper that follows is a brief attempt to work out in rough outline a model of the kind of process that will need to be gone through if states take on the task of attacking foreign corporations who continue to invest in Southern Africa. It refers specifically to African states but the general principles apply to all interested states.

The whole of the argument that follows is based on the fundamental assumption that Independent African States have considered all the implications of allowing major foreign investment in their countries and have decided in each particular case that benefits outweigh disadvantages. It is in no way intended as a comment on the relative advantages of private investment as against nationalization of resources and industries. Within the given context, any

threatened action against a foreign corporation must thus be assumed to imply certain dislocations for the host country. It would be unrealistic to ignore this factor in drawing up any model.

It must also be assumed that the relevant foreign corporation will not automatically choose to leave Southern Africa if posed with an 'either/or' choice, particularly if their Southern Africa operation brings good profits. Thus it is important to build up a set of criteria against which proposed action in relation to any particular corporation may be measured.

Some obvious criteria follow; more accurate ones will no doubt be developed as discussion proceeds.

1. Relationship between the size of the corporation's investment/trade in Southern Africa and elsewhere in Africa.

2. The expandability of the corporation's operation in any particular area.

3. The importance of the corporation to Southern Africa. Thus some countries might be willing to accept a significant degree of dislocation in order to force a critical industry such as armaments or strategic materials out of Southern Africa.

4. Strengths and weaknesses of the particular corporation, its vulnerability to international, African or domestic attack; the size of the corporation may be a factor.

5. Sensitivity of the corporation to publicity and action either in its home country or elsewhere.

6. Special factors which give a single host country or any combination of such countries particular 'bargaining power' - e.g. special supply or cost factors.

7. The host country's chance of avoiding dislocation by finding acceptable alternative investors/trading partners.

The original American Committee paper gave some statistics on the trends of U.S. investment and trade with Africa. These trends have not altered; Table 1 is included to update the information. The list of U.S. firms with a substantial direct investment in Southern Africa and in one or more Independent African countries has not been extended. The information on U.S. investment in Southern Africa has been extensively dealt with in two recent ACOA publications, viz "Allies in Empire" which deals with Angola and Mozambique and "Apartheid and Imperialism" which handles the Republic of South Africa. Necessary research into the extent of such corporations' activities in the rest of Africa could be performed either in Africa or in the U.S. when the need arises.

A brief glance at the figures for U.S. direct investment in Africa reveals the major areas of U.S. interest - petroleum and mining. Thus most U.S. corporations still regard Africa primarily as a source of raw materials. That attitude

might be used to wrest a victory in the particular battle now being planned, for while U.S. investment in manufacturing is almost as great in the Republic of South Africa as it is in the whole of the rest of Africa, there is a great gap in the figures for petroleum and other mineral exploitation.

It may seem quixotic to choose the oil companies as an initial target, for the U.S. corporations involved (and the British and Dutch ones too) are amongst the strongest international corporations in the world. Yet there are a number of elements involved which make this a campaign worth considering.

Petroleum has become the most important single commodity in international trade. World oil consumption has been rising dramatically, Japan (20% consumption increase in 1969) and Western Europe (12% consumption increase in 1969) are in the vanguard of the advance, but U.S. and other demands also continue to rise. Western Europe is now the world's greatest oil importing area and Africa's share of this market has risen from 5% in 1960 to 42% in 1970. African oil production is showing a remarkable annual growth rate of 25%.

The years since the closing of the Suez Canal have highlighted the importance of African oil potential; there is an increasing 'scramble' for African oil among the major world oil corporations. Primarily this is because, so far as the international oil industry is concerned, nothing is quite so valuable nowadays as diversified reserves. The Middle East, even with a 'cease fire,' no longer appears a totally secure area for them. The closure of Suez and the Tapline (the pipe that carried 500,000 barrels/day (bbpd) of Saudi Arabian oil to the Mediterranean) meant that more than a third of Europe's needs now had to travel 23,000 miles around the Cape from the Persian Gulf sources, instead of making the old 13,000 mile Suez trip. Costs soared, were checked by the development of mammoth tankers, but rose again in 1970 after the Libyan Government's insistence on production cutbacks and price increases. Finally the oil producing states' organizing ability, revealed at recent O.P.E.C. meetings, further spurred corporate interest in new fields.

Apart from the principle of spreading eggs in many baskets, the geography of African oil development confers a special charm on African oil for U.S. corporations. Major new oil developments are primarily in the West, much of it is off-shore, in the Atlantic. West Africa is thousands of miles closer to the U.S. and to Western Europe than are the Middle East/Persian Gulf sources; thus transport costs can be significantly reduced.

In these days of high pollution consciousness West African oil has another major advantage: it is light and low in sulphur. Nigerian crude has an average sulphur content of 0.2% versus 2.5% for Kuwait and Venezuela.

Africa has long been a hunting ground for crude oil, but the trickle only began to swell significantly in the last decade, and U.S. oil corporations have been predominant in this development.

Appendix 1 summarizes the main activities in Africa of eight of the major U.S. oil corporations. These corporations have been selected because they are all deeply involved in Southern Africa (South Africa, Angola, Mozambique, Cabinda.) As will be seen there has been much recent activity, particularly in Libya and

on the West coast, where Nigerian development has been most spectacular.

In 1970 Libya was producing 3.7 million barrels per day and Nigeria had entered the league of the top ten oil-producing nations of the world, and was producing over 1 million bbpd,* with output expected to reach 2 million bbpd by 1972. The recent announcement that the Nigerian Federal Government is to establish a national exploration company indicates Nigerian awareness of the need for a coherent and 'self-interested' national policy towards resource development. It may also provide a possible vehicle for action in any campaign designed to bring pressure on U.S. oil corporations to evacuate Southern Africa.

Why take on the Goliath? A brief reference to some of the criteria proposed earlier may be useful at this juncture.

1 & 2. The relative size of investment in Southern Africa as against the rest of Africa and the possible expendability of operations in any given area. (See Appendix II for details of U.S. oil corporation activities in Southern Africa.) Two things are immediately obvious. Total oil investment in Southern Africa overall is far smaller than in the rest of Africa. No significant oil is being produced in South Africa, and the Gulf Oil operation in Cabinda which aims at 150,000 bbpd by 1972 falls far short of Gulf's current off-shore production of 240,000 bbpd in Nigeria. Gulf has vast expansion possibilities in Nigeria, talks of doubling production there by 1972.
Thus visible factors - size of output and investment - weigh heavily in independent Africa's favor, particularly if the campaign were to be conducted by all or many of the critical oil producing countries in Africa at the same time. What cannot be so easily measured is the long term economic and political investment and return involved in the relationship of these giant corporations and their mother countries with South Africa. This element will need careful analysis.

3. The importance of the corporation to Southern Africa.
Oil is the one crucial resource that mineral rich South Africa still lacks. Her drive towards independence capability in a crisis is nullified so long as she must rely on the outside world for oil. The Cabinda discovery in 'friendly' territory has eased her tension, but even Cabinda is too far away for real security, so the drive for local oil continues. Indubitably U.S. capital, knowhow and technology are very useful to South Africa in this context. Cutting off U.S. involvement would not deal South Africa a crippling blow, but it would leave a noticeable gap.

4 & 5. Strengths and weaknesses, vulnerability, sensitivity to publicity.
This again requires more detailed analysis than can be dealt with in such an outline proposal. The Gulf campaign

* 1969 world crude production, excluding communist country production, was 35 million bbpd.

has shown that corporations can be made quickly uncomfortable; more important it has shown that grass roots popular support can be mustered when the role of a major corporation is exposed. The multi-national operations of many of these corporations would make effective organization dependent on a reasonable degree of co-ordination on all fronts - in Africa, in Europe and in the U.S.

6. Special bargaining power. The particular factors making especially West African oil desirable have been outlined above. Briefly, the oil has three highly valuable qualities. It is light; it is almost entirely free of sulphur; it is relatively near the big markets of Europe and North America; it provides an opportunity to diversify resource holdings.

7. Chances of avoiding dislocation. International oil is increasingly competitive, not only intra-corporation but also intra-nation. Algerian and other recent experience indicates the possibilities of obtaining alternative assistance for oil exploitation and marketing. A campaign adopted at Government level would in fact be best able to cope with such fundamental planning factors.

This paper has touched on a few of the problems involved, and has focused on only one area of activity. There are various alternative possibilities - moving from giant to midget one might suggest for instance that a U.S. corporation like Holiday Inns, which is building a chain of hotels both in Southern and in independent Africa, and which has already indicated involuntarily that it recognizes that South African investment is subject to disapproval from certain groups in the U.S., might become the focus for an initial action.

Appendix I

Some major oil corporations with exploration, production or marketing operations in two or more independent African countries and concurrent operations in Southern Africa.

Note: The following list has been restricted to nine countries and 7 Major Oil Corporations (U.S.). This is not an exhaustive list, but does cover major fields of activity.

Algeria, although a significant producer, has not been included because recent Algerian Government action in relation to the oil industry has radically changed the nature of oil control.

Many of the Corporations have widespread marketing operations in Africa. These have been referred to in passing only, as it is the oil production factor in Africa that appears to promise the best leverage in any attempt to move U.S. oil corporations out of Southern Africa.

Caltex.

Caltex is widely engaged in marketing and refining throughout Africa; it owns a 23.5% interest in the refinery at Mombasa, a 15% interest in a refinery in Rhodesia and a 12% interest in a Malagasy Republic refinery.

Standard Oil of New Jersey. (Esso.)

Esso has prospecting, crude oil production, refining and marketing operations in Africa. Major prospecting areas include a new (1968) concession in Ghana, and a more recent one (1970) off-shore the Ivory Coast. An exploration concession off Ethiopia in the Red Sea brought in a well in 1968 which blew, and was abandoned. The company's major production area in Africa is Libya; total Esso crude oil production in May, 1970 averaged over 700,000 bbpd; Esso is also engaged in a vast natural gas production program in Libya. The refinery in Mombasa is 25,5% controlled by Esso.

Standard Oil of Indiana. (Amoco.)

Amoco has recently been granted a new copper mining concession (1970), together with the Anglo American Corporation of South Africa, in Congo (K). It has also recently discovered oil off-shore Ghana and is actively producing from the huge El Morgen fields in the United Arab Republic (where it operates a 50% partnership with the Government). It is prospecting inter-alia on and off-shore Mauritania.

Standard Oil of California. (Chevron.)

This Corporation has vast exploration concession areas in Nigeria where it began actual production, in collaboration with Texaco, off-shore, in 1970. It has also been engaged in an active drilling and prospecting program in Ghana since 1969, in Gabon since 1968. In Libya the company produces crude via its subsidiary, Amoseas, in collaboration with Texaco, and was producing an average 384,000 bbpd. before the Government imposed conservation production cuts in 1970. Chevron also has recently begun exploration in Equatorial Guinea and operates the Chevron Transport Company of Liberia which operates tankers in foreign service.

Mobil.

Mobil has been increasingly involved in oil prospecting in Africa, was recently granted a concession in Congo (Kinshasa), has exploration concessions on the coast of Western Nigeria and Ghana, and is prospecting in Equatorial Guinea and Cameroun. Mobil has begun production from its Nigerian concessions - 1970 saw oil production mount from 20,000 bbpd to 59,000 bbpd. The company is

building an onshore terminal and a $60 million tanker terminal off-shore. Mobil is also producing crude in Libya, at a rate of well over 100,000 bbpd. Mobil is a major distributor in Africa, marketing widely through more than 17 subsidiaries in East and West Africa, and has an interest in the refinery at Abidjan.

Texaco.

Texaco has been prospecting off the coast of Ghana since 1968, is also reported prospecting in Gabon, Niger and Somalia. It is beginning to expand production in Nigeria, produces (see above) close to 400,000 bbpd with California Standard in Libya. The company also has widespread marketing interests, and holds equity in several refineries including those in Senegal, Malagasy, Mombasa, Gabon and Abidjan.

Gulf.

Gulf has a concession off the coast of Congo (K) where it has recently (1970) discovered oil. It is also prospecting off-shore Ghana and Gabon, as well as prospecting in Libya and Cameroun. Gulf is the biggest Nigerian off-shore producer; it continued production right through the recent war, average 1970 daily production from its 4 major fields was 242,000 bbpd, and production is expected to double by 1972. Gulf has some marketing operations, primarily in East Africa.

Sun Oil and Tenneco.

These two companies have a joint operation in Nigeria which is now producing at the rate of 30,000 bbpd. Sun Oil is active in Mozambique; Tenneco has operations in Angola and Mozambique.

STANDARD OIL OF CALIFORNIA

Standard Oil of California, like Texaco, has block concessions in Namibia (South West Africa) through its subsidiary Chevron Oil S.W.A. (Africa Today, Sept.-October, 1970). More significant, however, is Standard's operations through CALTEX in South Africa with its complex of refineries and marketing outlets. It is also reported that Standard of California has applied for an exploratory concession in Angola (Wall Street Journal, Jan. 5, 1970), and has a concession in Mozambique. (Standard of California, Annual Report, 1969).

STANDARD OIL OF INDIANA

Standard Oil of Indiana has an 80 per cent owned subsidiary in Southern Africa, the Mozambique Pan American Oil Company. (Standard of Indiana, Annual Report, 1967). This company owns 50 per cent in an on and off shore concession of 11.8 million acres south of Beira, Mozambique. The other half was owned by Gulf Oil Corporation. Together the partners carried out a marine seismic survey, and in December, 1969, an off shore exploratory well drilling was started. (Annual Reports, 1968, 1969). The companies have held the concession since 1958 and had spent $22 million by 1968. (Africa Today, July-August, 1970). The companies found natural gas deposits, but in November, 1970 it was reported that Gulf withdrew from the oil exploration project selling its share to the American International Oil Corporation, a Standard of Indiana subsidiary. (The Star, Johannesburg, November 21, 1970).

STANDARD OIL OF NEW JERSEY (ESSO)

Standard Oil of New Jersey, Mobil and Standard Oil of New York were combined as Standard Vacuum in 1907. They operated as such until 1962 when a U.S. Government anti-trust suit forced them to separate. Mobil retained the South African operation. (Interview, E.R. Hartman, Managing Director, Esso South Africa, 1970). ESSO re-entered South Africa in 1963. Until 1969 it held a 50 per cent interest in Triomf Fertiliser and Chemical Industries, but sold its shares to South Africans. (Sunday Times, Johannesburg, February 2, 1969; Rand Daily Mail, February 21, 1969). ESSO also had exploration rights to a 7,322 sq. mile block off the South African coast near Namibia which it sold in 1970. (Interview, op. cit.)

ESSO's present facilities are limited to marketing (together with Mobil and CALTEX holding more than 40 per cent of the South African market). ESSO has an automated terminal at Cape Town worth $980,000, and others in Durban, Milberton, and storage depots/outlets in other major cities. (Africa Today, Sept.-Oct., 1970). It is rumored that ESSO may build a refinery at Richards Bay, a development nexus in South Africa. (Financial Mail, January 30, 1970). ESSO did negotiate with the South African Government to build a $40 million refinery at Sasolburg, a government industrial area but the deal fell through when the U.S. Government cancelled the visit of the Carrier 'Independence', as a result of South Africa's insistence that only white crews fly planes from the carrier to the air field. In July of that year, 1968, a senior ESSO executive overlooked the affront and said the company was willing to invest $100 million in South Africa over the next five years. (Sunday Times, Johannesburg, July 14, 1968).

ESSO employs a work force of 210 whites and 53 non-whites. In a recent interview with company officials in South Africa they explained the employment situation in these terms; "The law of supply and demand is in effect. But because of job reservation whites have jobs at high wages, and Africans because the job pool is bigger can be paid a lower wage. With job reservation you can pretty well assume that blacks are involved as messengers here and laborers in the plant. The most skilled position is probably drey truck drivers." (Interview, Mr. David Knowles, Director of Economics and Planning Department, Mr. E.R. Hartman, Managing Director, ESSO S.A., 1970). The officials went on to say they felt that the answer in South Africa is not votes for Africans, but that separate development is a good policy and South Africa simply needs better public relations. As guests, American companies must toe the line even more carefully than South African firms. (Ibid.)

CALTEX

CALTEX, jointed owned by Texaco, Inc. and Standard Oil of California, was formed in South Africa in 1941, but did not build a refinery until 1966. Now it has two refineries, the first at Killarny, Cape Province worth $27.3 million with a capacity for crude oil of 30,000 bbpd. and a storage capacity of 1.2 million barrels. (Africa Today, Sept.-Oct., 1970). In 1967, the company opened a second refinery at Milnerton, Cape Town, which processes another 30,000 bbpd. The capacity of the Milnerton refinery is now being doubled. (Sunday Times, Johannesburg, January 1, 1970). With the expansion, CALTEX will yield an additional 8 per cent of kerosene and jet fuel. Chevron-Regent, a subsidiary of the two owners of CALTEX, has off shore exploration rights east of Cape Town near Stillbay as well as off shore Namibia. (Africa Today, op.cit.).

The CALTEX commitment to South Africa is evident in an advertisement the company placed in a South African paper. It read: "Ahead of Caltex lies many years of search and perhaps disappointment - or the discovery which will free South Africa for all time from dependence on outside oil supplies." (Los Angeles Times, January 8, 1968). CALTEX, together with Mobil and ESSO, controls 44 per cent of the South African petroleum market, with sales systems in Mozambique as well. CALTEX is diversifying in cooperation with a Cape Town property company, Leon Pascall, to establish shoping and office centers. (Sunday Times, Johannesburg, January 1, 1970).

Of 1,700 employees of CALTEX, 550 are non-whites. The company claims to pay the rate for the job, but whites and non-whites have different grading systems. For example, both whites and Africans can be salesmen, but a black salesman would pedal parafin heat in black townships while whites supply service stations. (Interview, Mr. Marshall Smith, Mr. R.D. Wrigley of CALTEX, South Africa, 1970). Wages for non-whites begin at about $15-18/week, while whites receive for the same period of time, about $33 to $50. The corporation assists the South African drive for skilled immigrants, recruiting itself in Britain. It has no unions in its South African operations. With regard to the South African Government, officials said CALTEX has a healthy working relationship. "We couldn't live here if we weren't good citizens; therefore, we are very law-abiding." Another CALTEX comment was: "Twenty five or thirty years is nothing in social history. In 200 years people will forget that South African even had a problem." (Interview, op. cit.).

TEXACO

In South Africa, Texaco has interests in refining and in marketing through joint ownership of CALTEX, and in exploration. Through a subsidiary, Regent Petroleum SWA, Texaco has a concession in Namibia; and through links with Standard of California's subsidiary Chevron it has an off shore concession near Stillbay in South Africa. (Texaco, Annual Report, 1969; Africa Today, Sept.-Oct., 1970).

In Angola, Texaco is full owner of a subsidiary, Texaco Petroleos de Angola S.A.R.L. In 1968, with major revisions the following year, Texaco with Angol (a Portuguese and South African firm), and Petrangol (a Portuguese and Belgian firm) obtained concessions for oil prospecting on and off shore near the Congo River. The projected expenditure for both concessions is almost $16 million by 1975. (Diario de Lisboa, January 24, 1969). Texaco also distributes fuel products in Angola.

In Mozambique, Texaco was granted a three year concession in 1968 covering on and off shore prospecting rights for an area beginning at the Tanzanian border in the north, a region within the general control of the Mozambique Liberation Front (FRELIMO). By the terms of the concession, Texaco guaranteed a minimum $2 million expenditure on prospecting, plus 12.5 per cent in royalties to the Portuguese Government, 50 per cent of the profits and rights to purchase 37.5 percent of the possible crude oil production. (United Nations, A/7320/Add 1., Append. III, Part III.) Texaco also holds sulphur prospecting rights in Mozambique.

MOBIL

Mobil Oil operates through two subsidiaries in South Africa; Mobil Oil Southern Africa Pty. Ltd. and Mobil Refining Company Southern Africa Pty. Ltd. It controls 25 per cent of the marketing and refining there. Mobil has been doing business in South Africa since 1897 through Vacuum Oil, and when Mobil and ESSO were forced to split through an anti-trust suit, Mobil retained the South African operation. (Africa Today, Sept.-Oct., 1970; Socony-Mobil, Annual Reports, 1960-1963.).

Mobil together with CALTEX refines and transports half of South Africa's oil. It has a refinery in Durban which is currently undergoing a massive expansion program involving an expenditure of $8.4million. (South African Scope, 3/70) This refinery produces 55,000 bbpd. Mobil has other facilities in Natal, Isando, and Cape Town, and there are Mobil dealerships, with service stations, throughout South Africa. Annual sales have been placed at $160 million. In 1966 Mobil and Shell financed the building of a 100,000 gallon oil depot at Messina in the northern Transvaal near the Rhodesian border thus helping Rhodesia avoid fuel sanctions. (Rhodesia: Why Minority Rule Survives, London, 1969). Mobil also participates in a consortium of companies exploring for oil off shore East London in a 1,833 sq. mile concession. Drilling began in the summer of 1970. (South African Digest, August 21, 1970.).

Mobil employs 1,970 whites and 1,250 non-whites in South Africa with jobs classified according to race. A starting wage for a non-white employees is $13-$19 per week in the lowest grade 1 position, while in the highest grade 8 spot, where there are very few non-whites, the weekly wage is $56 per week. Mobil officials in South Africa cite law, "government concepts and attitudes" plus

"well-established customer and employee attitudes" as reasons for racial employment and wage patterns. (Interview, W.F. de la Back, Managing Director, and William Greenwood, Employee and Personnel Relations Director, Mobil, South Africa, 1970.). Mobil has no union, and admits that no non-white worker can supervise a white or even have "direct business dealings with whites." (Ibid.) The company trains Africans to work in Bantustans. It also subscribes to the South Africa Foundation.

In Portuguese Africa, Mobil built a $500,000 storage and processing plant in Angola, and distributes fuels there and in Mozambique. It has been reported that Mobil is interested in building a refinery in Mozambique at Nacala, where rumors have it the U.S. is planning to establish an Indian Ocean naval base. (The Star, Johannesburg, January 23, 1971). Mobil advertisements have been placed in the Portuguese Army's journal, and one read that Mobil "has been participating with pride in the fight for Angola, striving to assure the supply of fuel and lubricants to the Armed Forces." (Jornal do Exercito, 11-12, 1964)

Mobil also has a sales operation in Namibia.

ATLANTIC RICHFIELD

In South Africa, Atlantic Richfield has exploratory rights off shore near Port Elizabeth. (Africa Today, Sept.-Oct., 1970).

GULF

Gulf Oil is the largest single American investor in Portuguese Africa; it is the sole concession holder along the continental shelf of Cabinda, the Portuguese controlled enclave north of Angola. Granted a concession in 1957, Gulf discovered oil with a very valuable low sulphur content in 1966, began production in 1968 and by the end of 1969 had spent $130 million and was projecting further massive investments for future development. 1970 production averaged 84,700 bbpd. (Gulf Oil, Annual General Statement, 1970.) Cabinda oil reserves are estimated at 300 million tons (Christian Science Monitor, April 24, 1970) and Gulf already has 30 off-shore drilling wells and is still expanding. (Diario de Lisboa, February 25, 1969)

The Portuguese Government, poor by any standard, needs and has a very profitable arrangement with Gulf Oil. At the time of the oil discovery a contract was drawn up which set out various payments due, including surface rent, bonuses, royalties, income tax on profits (50% to the Portuguese Government), contributions to state funds, special defence taxes, etc. This contract was renewed in 1968, but special provisions were introduced which required that Gulf make various payments, (both in dollars and escudos) in advance. Thus the estimated 50% income tax on expected profits for 1971-1973 had to be paid within 30 days of the signing of the contract.

Gulf admits that in 1969 it paid the Portuguese $11 million. (Gulf Statement to the Trustees of the Ohio Conference of the United Church of Christ, Columbus, Ohio, September 10, 1970.) The payment of money to the Portuguese Government is supportative of colonial oppression in two

obvious ways. The provision of badly needed foreign exchange helps ease Portugal's chronic balance of payments problems; the receipt of large amounts of income enables the Portuguese Government, which expends almost 50% of its annual budget on the African wars just to continue fighting such wars. In addition the Gulf contract provides the Portuguese with a guaranteed source of supply of that crucial strategic material, oil, specifying as it does, that in times of war the Portuguese Government is entitled to purchase all Gulf oil production.

Gulf has also found it necessary to enter into defense agreements which provide that the Portuguese Government will "undertake such measures as may be ncessary to ensure that the company may carry out its operations freely and efficiently, including . . . measures as may be necessary to prevent third parties from interfering with the Company's free exercise of its contractual rights." In fact, some Gulf installations are reported to resemble armed encampments surrounded with barbed wire.

Gulf claims to be contributing to the welfare of the Angolan people by virtue of its "payment to the community in the form of wages and purchases of goods and services." (Gulf Statement to the Ohio Conference of the United Church of Christ, September 10, 1970, p. 10). Gulf and its contractors employed at the peak of establishing production 2,000 "nationals" of which the corporation says 90% were "black." The terminology is interesting here as "nationals" in the Portuguese sense may of course be metropolitan European Portuguese, European settlers in Angola; people of mixed racial descent (metizos) or Africans. At present, the company employs, with its contractors, 569 "native Angolans", 123 of them being directly employed by Cabinda Gulf. Gulf states that 65% of its work force is "nationals" thus there is a total work force of 186 people, of which 30 hold "supervisory" positions and 10% of whom (i.e. 12 people) have been sent to the U.S. for specialized training. Gulf also reveals that its annual payroll in 1970 was $700,000, an average salary of $3,762 per person. Given the presence of American expatriate personnel with American size salaries, one can see that pay for a "national" is greatly reduced. Gulf also claims it purchased $20 million yearly in goods and services, but it should be noted that much of this is spent for foreign goods as well as the fact that Gulf's contract give preference to the purchase of goods from "Portuguese" industries. (Reply to Gulf Oil, pp. 25-26). Gulf finally prides itself in its contribution to education ($70,000 to the Mining Development Fund as well as 10 scholarships to the Angolan Institute of Education), and the building of schools and houses. The Gulf contract again as well as the Angolan labor code requires such activity.

Gulf was in Mozambique in oil exploration and the production of natural gas together with Standard of Indiana's Pan American Oil Company until 1970 when it was reported that Gulf transferred interests to a subsidiary of Indiana. (The Star, Johannesburg, November 21, 1970).

Gulf also had a concession in South Africa until 1970, and still has one off shore Namibia.

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