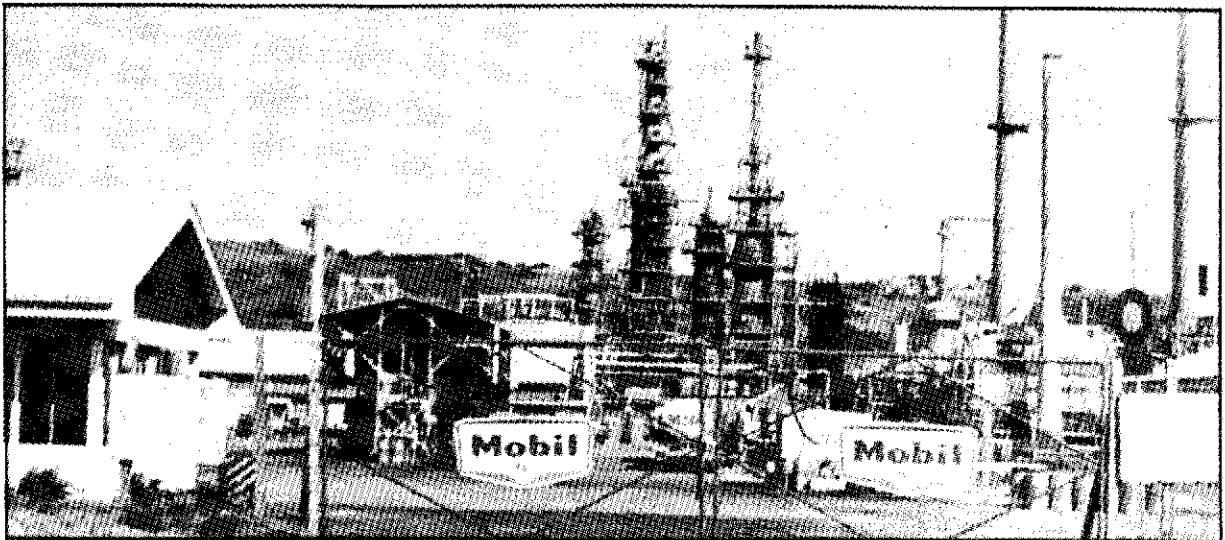


# SANCTION BREAKERS: Selling Oil to Rhodesia



The entrance to the Mobil Refinery near Durban, South Africa.

*The following article has been adapted from testimony presented by Bernard Rivers to the Sanctions Committee of the United Nations Security Council. Rivers, a British economist and researcher on Third World issues has, since 1974, been investigating the continuing fueling of the Smith regime by British, US and other Western controlled oil corporations. He has worked with the Haslemere group on this issue and has most recently acted as consultant to the Commonwealth Sanctions Committee for whom he helped prepare a lengthy report on sanctions-busting oil companies.*

Eleven years ago, then British Prime Minister Harold Wilson declared that the Rhodesian rebellion would be over "within weeks, rather than months." This confident prediction was made on the assumption that oil sanctions would be effectively implemented. But they were not. The oil is still flowing, and the Smith regime is still in power. Without oil, Rhodesia's economy and its military machine would, of course, be totally

incapable of survival. Rhodesia has no oil of its own, and neither has South Africa. Before sanctions were imposed, Rhodesia imported nearly all of its requirements in the form of crude oil, which it refined at its only refinery, near Umtali. The crude oil was pumped to the refinery through a pipeline from Beira, on the Mozambican coast. The pipeline was built and owned by a subsidiary of the British-based multinational company Lonrho.

## Five Foreign Oil Companies

The Western oil companies which owned subsidiaries in Rhodesia in 1965, at the time of the illegal declaration of independence, were Shell, British Petroleum (BP), Mobil, Caltex, and Total. All five Rhodesian subsidiaries were wholly owned by parent companies based in Europe or the United States. After UDI, these Rhodesian subsidiaries became 'directed' companies under Rhodesian legislation, and the parent companies overseas now claim to have no control over their operations, although they remain subsidiary companies, and have not been nationalized. Each of

the five oil companies also has subsidiaries in South Africa and Mozambique. Mobil Oil and Caltex Petroleum Corporation (jointly owned by the Standard Oil Company of California and Texaco) are both US-owned corporations. Total is wholly owned by the Compagnie Francaise des Petroles, in which the French government has a controlling shareholding. The Shell group is 40 per cent British, and 60 per cent Dutch; BP is a British company, in which the British government has a 51 per cent holding.

Once Britain imposed sanctions against Rhodesia, British boats patrolled the coast, and no crude oil was able to reach Beira. The Lonrho Mozambique-Rhodesia pipeline ceased operating at the end of 1965 and Rhodesia's Umtali refinery was shut down. (The British initially imposed sanctions on their own, were finally forced to bring the matter to the Security Council, and the first United Nations sanctions were imposed on December 16, 1966. *Ed.*)

Thus, for the last eleven and a half years, Rhodesia has had to import not

crude oil, but the entire range of oil products, including both fuels (such as petrol, aviation fuels), and non-fuel oil products (such as lubricants).

This much has long been public knowledge, but it was not clear, until recently, exactly who was sending the oil products into Rhodesia and how it was being done.

### Oil Conspiracy Revelations

Considerable light was thrown on the mechanism involved in 1976, when a number of secret documents, obtained from the South African and Rhodesian subsidiaries of Mobil were sent to the Center for Social Action of the United Church of Christ by OKHELA, an underground group of white South Africans dedicated to combating apartheid. In June 1976, the Center for Social Action published *The Oil Conspiracy*, a report based on the documents.

The report explained how Rhodesia has obtained its oil since sanctions were imposed. Most or all of the oil has come from the South African subsidiaries of the five oil companies—Mobil, Caltex, Total, Shell and BP. These South African subsidiaries did not sell directly to Rhodesia, but worked via intermediary companies in South Africa. Mobil called this scheme a 'paper-chase.' Its purpose was to minimize the chance that the role of the oil companies would be detected. Under the scheme, the South African subsidiaries of the five oil companies would sell oil products to a South African company (often a shipping and forwarding company called Freight Services Limited), knowing that the oil would then be passed on to other intermediary companies, which would eventually sell it to the required recipient in Rhodesia. The Rhodesian recipient was usually GENTA, an agency set up by the Smith regime to coordinate the importation of oil products.

After receiving the oil, GENTA would sell it to the Rhodesian subsidiaries of the five oil companies, for final sale to the public. Thus the South African subsidiaries of the five oil companies could claim that they made no sales to Rhodesia—although indirectly they were in fact providing most of Rhodesia's needs.

Even if it were discovered that certain oil products had found their way to Rhodesia from the South African refineries owned by the five oil companies, the scheme was still safe—so long as nobody could prove that there was *intention* on the part of the oil companies for their products to

reach Rhodesia. But documents reproduced in *The Oil Conspiracy* revealed that the companies did indeed have this intention.

### The Paper Chase

Thus, an internal Mobil-Rhodesia memorandum, quoted in the report says the paper chase

is necessary in order to make sure that there is no link between MOSA [Mobil-South Africa] and MOSR's [Mobil-Rhodesia's] supplies. . . .

This paper chase, which costs very little to administer, is done primarily to hide the fact that MOSA is in fact supplying MOSR with product[s] in contravention of US sanctions regulations. . . .

*The Oil Conspiracy* traced the route taken by most of the oil: from South Africa to Mozambique by sea, and then by rail to Rhodesia. Based on detailed

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**. . . even before UDI, when the Rhodesian subsidiaries of the five oil companies were still clearly under the control of their parent companies overseas, they acted in such a way as to help make it possible for Ian Smith to declare independence.**

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and technically complex secret documents, it concluded that:

- (a) the South African subsidiaries of the five oil companies have provided virtually all of Rhodesia's requirements since UDI;
- (b) the sales took place via South African intermediaries, so that the oil companies could truthfully claim that they made no sales direct to Rhodesia; and
- (c) the involvement of the South African subsidiaries of the five oil companies was deliberate and conscious: in no sense were they 'unwittingly' selling to South African companies without realizing that these companies were reselling to Rhodesia.

### The Company Response

Not surprisingly, the oil companies themselves responded to the allegations in *The Oil Conspiracy* by continuing to attempt to obscure their role in the whole process.

At no time has Mobil (or any of the other accused oil companies) ever denied the central allegations made

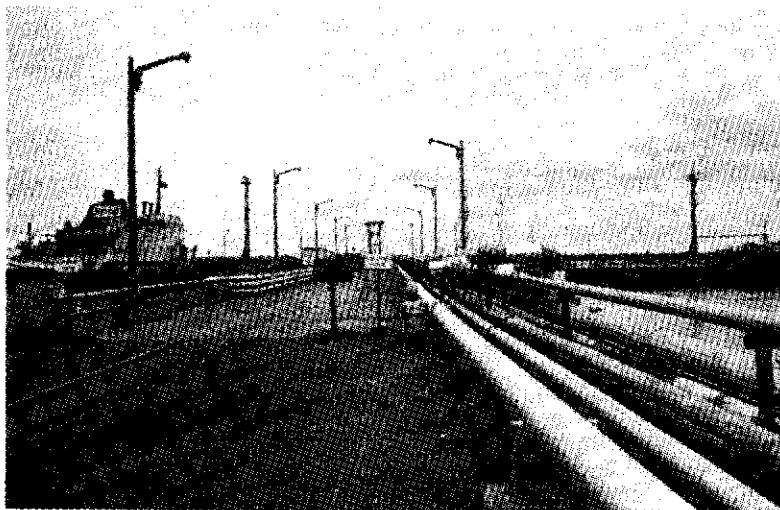
against it, namely that its South African subsidiary has deliberately sold oil to Rhodesia via intermediaries. Instead, Mobil has in effect claimed two things. Firstly, it says that it cannot find out from its South African subsidiary whether the allegations against the subsidiary are true because of the South African and Rhodesian Official Secrets Acts. Secondly, Mobil claims that if somehow it were proven that the allegations were true, it could do nothing to stop the sales taking place because the SA government prohibits "conditional selling." If these arguments are accepted, one would be forced to conclude that the oil companies had lost control over their South African subsidiaries—which would provide a powerful argument in favor of them pulling out of South Africa!

Finally, George Birrell, Mobil's General Counsel, claimed in testimony before the US Senate Subcommittee on September 17, 1976, that

US sanctions regulations do not prevent the South African subsidiaries of American companies from trading with Rhodesia, so long as US personnel and products originating in the United States are not involved.

Unfortunately it may be true that, as currently written, the sanctions legislation in Britain, France, the Netherlands and the United States does not apply to South African subsidiaries. This represents a crucial loophole in the various national laws. It has been suggested by those concerned with the struggle for justice in Zimbabwe that UN sanctions orders could be modified so as to render the parent oil companies legally liable for any sanctions-busting activities by their South African subsidiaries. There are indirect precedents for such legislation. Under the Trading With the Enemy Act of the United States, it is illegal for American corporations and their overseas subsidiaries to trade with North Korea and certain other countries.

Secondly, under a strict interpretation of sanctions legislation, the export of oil to South Africa might represent a contravention of the legislation. The U.K. sanctions order, for instance, forbids any person to "supply or deliver . . . any . . . goods to any person, knowing or *having reasonable cause to believe* that they will be supplied or delivered to . . . a person in Southern Rhodesia." (emphasis added) As it is known that Rhodesia now obtains all of its oil requirements via



**The tanker 'Mobil Durban' unloading fuel at Lourenco Marques, Mozambique, in the fall of 1974. (Note the 'Mobil' sign on the ship's funnel.) Most fuel unloaded here came from South Africa and was destined for Rhodesia.**

South Africa, it might be possible for a state to prosecute oil companies involved in supplying South Africa with crude and refined oil, on the grounds that some of this oil can reasonably be expected to reach Rhodesia.

It seems clear that nations urgently need to tighten their sanctions legislation to close the loopholes that now exist, and to use that legislation more energetically than has been true in the past.

#### **Recent Developments**

Despite the oil companies' intransigence, a number of extremely important revelations and political developments have taken place in the year since publication of *The Oil Conspiracy*. The principal allegations made have been widely discussed, accepted, and even, in some cases, acted on. Among the most important moves have been: the commencement by Lonrho, the British multinational, of legal proceedings against the five companies; the initiation of investigations into *The Oil Conspiracy* allegations by the US Treasury and the British government; and the announcement by President Kaunda that Zambia intended to sue the oil companies involved in supplying Rhodesia.

#### **Lonrho's Lawsuit**

Lonrho has extensive operations throughout 'white' and 'black' Africa. A Lonrho subsidiary built the oil pipe-

line from Beira to Rhodesia, and in 1962, this subsidiary signed a contract with the five oil companies, in which they guaranteed that they would use this pipeline *and no other route* to supply Rhodesia. When sanctions forced the pipeline to close, and the oil companies decided to send oil products to Rhodesia from South Africa, they were thus acting in breach of the contract which they had signed with the Lonrho subsidiary.

As a result, Lonrho has made a consistent loss on the pipeline. The company has now undertaken an extensive investigation to obtain evidence for a lawsuit against the oil companies for breach of contract. If Lonrho can prove breach of contract it will thereby also be proving that the oil companies have consistently evaded UN sanctions.

It would be naive to assume that Lonrho's major reason for bringing the suit at this time is the direct loss of revenue involved. In addition to any damages it may collect, Lonrho is probably looking to this action to restore its credibility in independent Africa—a credibility which suffered considerably in recent years when it was itself accused of sanctions-busting. It may also be hoping that this action will pave the way for profitable operations in the future in an independent Zimbabwe. But whatever its motives, to date the company has collected

some powerful evidence, including copies of secret letters from the then-governor of Mozambique to the Salazar government in Lisbon.

#### **Oil Companies Aided UDI**

Even before the commencement of court hearings, Lonrho's Chief Executive Officer, R. W. Rowland, outlined his case in correspondence with British government officials. The Haslemere Group in England obtained a copy of this correspondence, in which Rowland alleged that even before UDI, when the Rhodesian subsidiaries of the five oil companies were still clearly under the control of their parent companies overseas, they acted in such a way as to help make it possible for Ian Smith to declare independence. In mid-October 1965, Rhodesia had only a 24-day reserve of petrol (gas), which was considered insufficient, given the possibility of international sanctions, so UDI was apparently postponed for nearly a month, until November 11. During this period the oil companies built up stocks inside Rhodesia. By early December 1965, when the first moves to impose sanctions were taking place, reserves had been increased to a 90 day level.

#### **Squeezing Zambia**

Zambia, on the other hand, was deprived of oil. At the time of UDI, Zambia had no refinery, and its supplies came from the Rhodesian refinery. In mid-October, Zambia, like Rhodesia, had only a 25-day reserve of petrol. But it appears that the oil companies, in their efforts to build Rhodesia's stocks, cut supplies to Zambia. By early December, Zambia's stockpile was at a critically low 13 day level.

The oil companies also apparently supplied the Rhodesian government with ongoing data on the level of stocks in Zambia, which assisted what Mr. Rowland refers to as Rhodesia's attempts "to hold Zambia as a hostage." Undercutting Zambia's stockpile was intended to forestall the imposition of sanctions, but the tactic failed.

However, the maneuver bought Ian Smith's regime critically needed time, enabling it to spend three months establishing new procedures for importing oil from South Africa once sanctions were imposed. Oil was first brought in by road, then by rail from South Africa to Rhodesia via Mozambique. Finally, from mid-1966 until newly independent Mozambique closed its border with Rhodesia in March 1976, most of the oil went by

ship from Durban to Lourenco Marques, and then by rail to Rhodesia.

According to the Rowland letters, the chairman of the Rhodesian government agency GENTA flew to South Africa approximately every six weeks in the early days of sanctions, to negotiate with Shell, BP, Mobil and Caltex on the quantities and prices of fuel to be provided Rhodesia. He also made all necessary arrangements with the South African firm, Freight Services, so that neither GENTA nor Rhodesia featured in the oil company records.

### Zambian Government Sues

The five oil companies face a further legal challenge in the Zambian courts, where they are accused by the government, among other things, of depriving Zambia of oil in the mid-sixties so as to build up stocks in Rhodesia, thus damaging Zambia's economy.

### Weak US Government Probe

Shortly after publication of *The Oil Conspiracy*, the US Treasury carried out an investigation into the allegations against Mobil. The investigation lasted eleven months, and concentrated on the narrow question of whether American personnel or products of American origin were involved, rather than on the wider question of whether *The Oil Conspiracy* was correct in its central allegation that Mobil's South African subsidiary had been supplying Rhodesia via intermediaries.

Treasury investigators reported that they were unable to obtain any information from South Africa, and so were unable to prove or disprove the authenticity of all but one of the documents in *The Oil Conspiracy*.

It seems incredible that the United States government, with its enormous resources, has been unable to verify facts which are common knowledge to people with well-placed contacts in southern Africa. As long ago as 1967 the London *Sunday Times*, in two major articles, revealed the results of its own investigations into how oil reached Rhodesia after UDI. These articles showed how the South African subsidiaries of Shell, BP, Mobil, Caltex and Total were supplying Rhodesia both directly and via Mozambique. The articles revealed the role of GENTA, the quantities of oil being sent, and the use of South African intermediary companies.

### British Footdragging

Equally strong criticism can be made of the British government on this

issue. In April 1977, as a result of revelations and pressures by the Haslemere Group and anti-apartheid movement, the British Foreign and Commonwealth Secretary, Dr. Owen, announced that he was setting up an official inquiry "to establish the facts concerning the operations whereby supplies of petroleum and petroleum products have reached Rhodesia since December 1965." However, by summer the inquiry had still not formally started work. In addition, Dr. Owen informed the House of Commons that the inquiry will be held *in camera*, will be mostly "on a narrow point of law" and will not be what was originally intended, namely "an overall inquiry into oil sanctions and their breaking."

As late as September 2, 1976, the British government was still assuring the UN Sanctions Committee that it "accepted the assurances given by Shell and BP that neither they nor any company in which they have an interest have engaged either directly or with others in supplying crude oil or oil products to Rhodesia." Only when public evidence became overwhelming was Dr. Owen driven to admit, in June 1977, that

We all know that oil sanctions-breaking goes on. The question is, does it go on with the connivance of international oil companies based in this country and the United States, or is it going on purely because their subsidiaries in South Africa break the system?

Yet, in spite of such an admission, the British authorities still hesitate to take firm action against the sanction breakers, but restrict themselves to enquiries on points of law!

### Current Oil Suppliers to Rhodesia

As a result of Mozambique's border closure with Rhodesia in March 1976, there are now only three routes by which oil can get to Rhodesia. The first and most important is by the rail link from South Africa to Rhodesia which was opened in September 1974. The second is by road from South Africa to Rhodesia. The third is by rail link from South Africa via Botswana to Rhodesia.

Circumstantial evidence makes it likely that of SA's five refineries, the three controlled by Western interests—namely Mobil, Caltex, and Shell/BP continue to provide a significant proportion of Rhodesia's oil needs.

The fourth oil refinery (NATREF) controlled by the South African state corporation SASOL was only completed in 1971, so clearly could not have provided any of Rhodesia's needs

before that time. There is no available evidence that it has done so since.

The fifth oil refinery (SATMAR) has a minimal output, which could meet only a fraction of Rhodesia's needs. South Africa also has an oil-from-coal plant owned by SASOL. However, the output of this plant is also insufficient in quantity for Rhodesia's needs.

There are thus strong grounds for believing that much if not all of Rhodesia's oil, currently estimated at between 14,000 and 18,000 barrels a day, is still provided by Western-owned marketing companies in South Africa. □

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