American Oil Investments in Angola and Mozambique

American private investment in Angola and Mozambique has grown dramatically in the four years since 1965 when the Portuguese Government, finding it increasingly difficult to hold onto its Colonial Empire, started looking for allies and initiated a deliberate policy of attracting foreign investment. The extractive industries play a key role in the economy of both these countries, and it is in this sector, particularly in oil, that the major part of American interest and finance is involved.

The Oil Concessions: Cabinda/Angola

By February, 1969 the Portuguese Government had granted a total of seven petroleum concessions along the coast of Angola (on and off-shore) to various foreign firms including two U.S. Corporations, Gulf Oil and Texaco. Cabinda is already rated 4th biggest oil producer in Africa. The largest single investor in oil to date is Cabinda Gulf Oil., a subsidiary of Gulf Oil Corporation (Pittsburgh) and the sole oil concessionaire in Cabinda, the Portuguese enclave wedged between Congo Kinshasa and Congo-Brazzaville to the north of Angola.

GULF OIL

Gulf, the world's third largest oil company, (1) had a net income of $626,319,000 in 1968. (2) According to the Journal of Commerce "Gulf's net production of crude oil, condensate and natural gas liquids averaged 2,745,000 barrels per day from January to September 1969, 9.6% over last year. This growth reflects a more than doubled production rate in Nigeria, a healthy rise in Kuwait, new production in Columbia and offshore Cabinda." (3) Robert F. Ward, Manager of Cabinda Gulf, commenting on the value of the project to Gulf Oil said, 'This represents one of the major growth areas in the Corporation.' (4) Gulf got its first concession in Cabinda in 1957, made its first oil strikes in 1966 and had spent probably $125 million by the end of 1968 when it went into production. Expansion plans will require considerably more investment in the near future. Reportedly the Company will spend more than $76 million on facilities for producing 150,000 barrels per day (bblpd) by 1970. The program includes a storage of 14 million barrel capacity, a 36 inch sealine, a floating jetty to
accomodate huge 100,000 dwt tankers, and loading facilities of 4,200
ton/hour. (5) The corporation already had 30 wells under exploration by
February, 1969. (5)

By June, 1969 daily output from Cabinda Gulf was already 30,000
bbpd and rising rapidly towards the 150,000 bbpd target. Current total
Portuguese import of oil from all sources is 75,000 bbpd. By the end of
this year Portugal will, if necessary, be able to secure all its needs
from Angola...thus guaranteeing a safe source of supply and potentially
conserving precious foreign exchange. Cabinda oil reserves have been
estimated at a minimum 300 million tons, so the Cabinda concession has
a long life ahead of it. (7)

With so fruitful a concession in its gift the Portuguese Government
has continually raised, with each renewal of the contract, its "price" to
Cabinda Gulf, thus increasing Government revenue from the oil operation.
Gulf in turn has acceded to new demands because of the profitability of
the venture. The only people who will not share in the benefits of the
richness of Angolan natural resources are the Angolan people themselves.

It has consistently been reported that the new Cabinda Oil field
is not expected to provide many new job opportunities. Out of an ex-
pected staff of 2,000, 400 jobs have been reserved for Portuguese citi-
zens recruited for specific technical jobs* These will be trained by
the Company. Various other posts will go to technical and engineering
personnel recruited from other Gulf subsidiaries in the rest of the
world. (8)

Thus the revenue derived from Angolan oil will be shared between
an American Corporation and the Colonial Government of Portugal which
needs funds to fight a war against the mass of the people under its rule.

**History of the Concession Contracts**

The terms of recent contracts are interesting because they high-
light the points made above.

* These technical jobs, requiring a reasonable minimum educational level
are unlike to go to Africans. There is still an estimated 90% illiter-
cacy rate in Angola. The Portuguese Government claims a significant
jump in education provided in the decade 1955/56 to 1965/66, an increase
in primary school enrollment from 63,759 to 225,145 in secondary academic
enrollment from 3,729 to 14,577 and in secondary technical enrollment from
2,185 to 13,220. But examination of the figures indicates that of the
children who do go to school, few progress beyond the 1st or 2nd grade.
There are also many children who still get no schooling at all, particu-
larly in rural districts. (UN Document A/7200/Add3)
1966

In Terms of the 1966 Agreement, Gulf had exclusive prospecting concessions in Cabinda renewed to cover 10,166 sq. km; the area was to be reduced by 25% at the end of the first and the second two year contracts.

**Surface Rent** was raised from 630 escudos ($22) per sq km during prospecting to 750 escudos ($26/25) per sq km 1969
900 escudos ($31.50) per sq km 1970 (9)

**Minimum investment** 150 million escudos ($5,250,000) before end of 1968.

**Payments to Government:** Gulf to pay 1 million escudos ($35,000) per year to Mining Development Fund. Also Gulf granted two year concession, renewable twice for 2 more years each... and on each extension Gulf to the Portuguese Government a bonus of 20 million esc. ($700,000)

**Profit Sharing:** The Portuguese Government to receive 50% of profits from Cabinda Gulf Oil operations.

1968

By 1968 it was clear to both parties that Cabinda wells were going to be significant producers. Thus the new contract was drastically revised, giving the Portuguese Government considerable extra financial benefits.

**Surface rent** was raised retroactively to 2000 esc. ($70) per sq km for the period January 1, 1967 to 31 December 1970, the unpaid balance to be paid in advance within 30 days of the signing of the contract.

Thereafter 2000 esc. ($70) per sq km 1971-75
2500 esc. ($87.50) per sq km 1976-81
3000 esc. ($105.00) per sq km thereafter.

**Minimum Investment:** At least 25 million esc. ($875,000) (on development) every five year period plus 75 million esc. ($2,625,000) annually on prospecting. (10)
Royalties: The Company is to pay the Portuguese Government U.S. 10 cents per barrel royalty. From January 1, 1969 this royalty is to be paid monthly in the currency actually earned. At the current (mid-69) 30,000 barrel per day production this would yield the Portuguese Government an estimated $1 million a year income. By 1970, 150,000 bblpd should bring the Government an annual royalty payment of $5.5 million or, $15,000 a day.

Income Tax: The Company has to pay 50% income tax on its net profits. The estimated amounts due for 1971-1973 had to be paid in advance an amount of $7 million by July 1, 1969.

Mining Development Fund: The Company was required to pay 10 million esc ($350,000), an estimated half of its statutory contribution to the Fund for the period 1968-1977, in advance, within 30 days of the signing of the contract.

Direito de concessao: The Government enjoys a concession right equivalent to 12.5% of all petroleum produced, in addition to the 50% tax on profit. If the Government does not wish to take the petroleum, the value to be calculated on the basis of the posted price, is to be paid to the Government. (Posted price is usually considerably higher than the actual market price obtained on selling the petroleum)

Expected Proceeds to the Portuguese Government:

There has been considerable dispute about this. The Portuguese Government has said it expects about 500 million esc. ($17.5 million) annually from the Cabinda oil bonanza. Actual annual income may be less, but the Portuguese Government has clearly made a great effort to get as much as it can as quickly as it can. Thus several payments have been extracted in advance which may help to supply the embattled Government with funds to carry on its war against the people of Angola, Mozambique, and Guinea. A recent United Nations working paper estimated Gulf payments to the Portuguese Government for 1969 as being 563 million esc (Almost $20 million). (11) This is almost exactly half of the total military Budget for Angola for 1969, which was estimated at 1,125 million esc. ($46,375,000).

Gulf and the War:

According to Portuguese military bulletins there has been constant guerilla activity in the Cabinda district for several years. A large contingent of Government troops has been stationed there since
1967 to protect the Cabinda Gulf operations. Under the 1966 and 1968 Agreements the Portuguese Government "Agrees to undertake such measures as may be necessary to ensure that the Company may carry out its operations freely and efficiently, including measures to permit the Company the use and free access to public land and such measures as may be necessary to prevent third parties from interfering with the Company's free exercise of its contractual rights." Thus a major American Corporation has sought the aid of the Portuguese Colonial government to protect it against the mass of the people of the country in which it is operating.

Writing from Lisbon in October, 1969 in the Baltimore "Sun", Daniel Berger speculates about wider implications of Gulf involvement in Cabinda. "The United States mildly opposes Portuguese African policy. Nevertheless, some Portuguese officials here believe that the United States, both officially and unofficially, brought secret pressure to bear on the Congo to help them after the oil strike.

An American official here denies any government pressure, but thinks that American commercial interests may have used influence successfully to help stop the raids." (12)

Portugal's eagerness to protect the oil fields is no doubt reinforced by the Agreement with Cabinda Gulf under which the Portuguese Government has retained the right to take all crude oil that is produced, or the equivalent in refined products, should her military or political needs dictate it. Robert Ward, Texan General Manager of Cabinda Gulf, commenting on the implications of this said recently to a New York Times reporter "Well, let's just say it will never come to that".

Yet the continued existence of Gulf Oil Co. in Cabinda must be seen as contributing significantly to the Portuguese Government's ability to carry on the war against the Angolan people who are fighting for their liberation on at least two levels.

1) By the significant flow of new funds to government revenue derived from the Company's operation.

2) By providing Portugal with a guaranteed supply of oil, a crucial strategic material.

1. Business Week October 25, 1969
2. Moody's Industrial
5. World Petroleum 1969 Annual Report
6. Diario de Lisboa 25.2.69
7. Standard Bank Review
8. $1.00 equals 28.5 escudos. All calculations are approximations on the basis of 1000 esc. equals $35.00.

11. UN " " See Appendix I
12. The Sun (Baltimore) Oct. 28, 1969

J.D.
November 29, 1969

The Africa Fund
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### APPENDIX I

#### TABLE 2

**Cabinda Gulf Oil Company: Payments to the Angolan Government**

**In 1969**

<table>
<thead>
<tr>
<th>Nature</th>
<th>Amount</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface rent</td>
<td>80 million escudos</td>
<td>At 2,000 escudos per km², paid retroactively since 1 January 1967 and in advance to 31 December 1970</td>
</tr>
<tr>
<td>Royalty per barrel for period before January 1, 1969</td>
<td>2 million dollars</td>
<td>Maximum amount to be paid</td>
</tr>
<tr>
<td>Royalty per barrel for 1969 production</td>
<td>1</td>
<td>Calculated at 30,000 barrels a day</td>
</tr>
<tr>
<td>Advance payment of income tax</td>
<td>7</td>
<td>For period 1971-1973 inclusive</td>
</tr>
<tr>
<td>Advance payment of contribution to the Mining Development Fund</td>
<td>100</td>
<td>Estimated by an unofficial source</td>
</tr>
<tr>
<td>12.5 per cent share in production</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Bonus on signing contract</td>
<td>155</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>278</td>
<td>10 (285 m.esc.)</td>
</tr>
<tr>
<td>Grand total</td>
<td>563 M esc</td>
<td></td>
</tr>
</tbody>
</table>