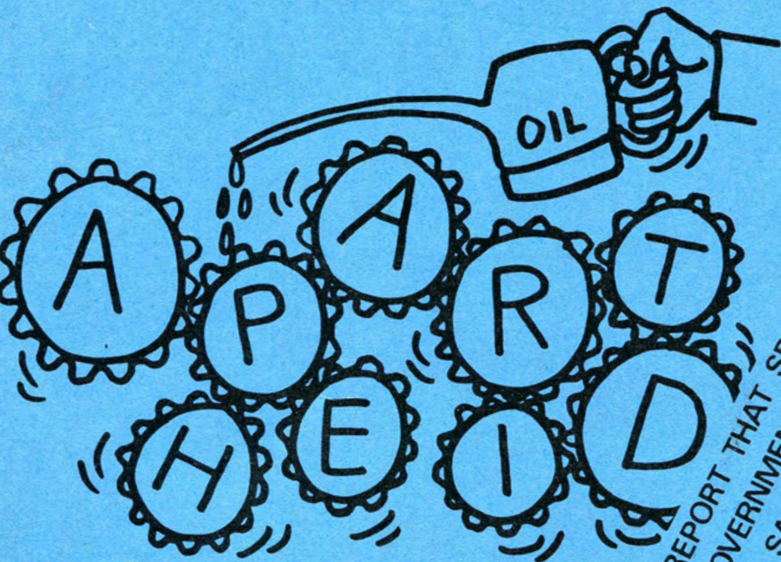
Shell and BP in South Africa

by Martin Bailey
A joint Anti-Apartheid Movement/
Haslemere Group publication



THE REPORT THAT SPARKED OFF THE GOVERNMENT INQUIRY INTO SANCTIONS-BUSTING

1978

35p

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Second edition 1978

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Birmingham

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London W1P 2DQ

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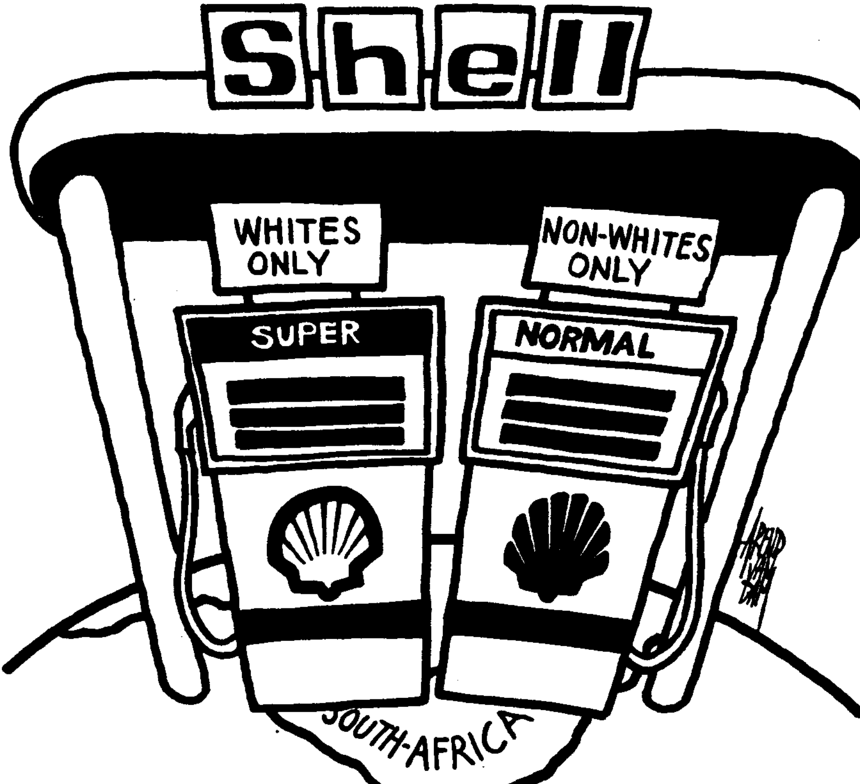


Introduction to Second Edition

Since the publication of the first edition of *Shell and BP in South Africa* last year, a number of important developments have made oil a key element in Southern Africa. Mounting international pressure has forced the West to consider taking action to tighten oil sanctions against Rhodesia. At the same time increasing repression in South Africa has made it even more urgent for effective steps to be taken to isolate the apartheid regime.

Shortly after UDI, Prime Minister Wilson told Commonwealth leaders that the oil embargo against Rhodesia would topple Smith 'within weeks, rather than months'. Britain's token effort at enforcing the embargo was the introduction of the 'Beira Patrol' to prevent crude oil from reaching Rhodesia. But the UK did nothing to stop South Africa from supplying all Rhodesia's oil requirements in refined form. As Dr Owen himself later pointed out, in his book on 'The Politics of Defence', the biggest mistake over sanctions was 'never seriously to consider threatening a maritime blockade of any country which connived at sanctions busting'. A total blockade of South Africa, he wrote, would be 'a perfectly viable strategy providing that the international will exists among the major powers'. Alas Dr Owen, now Foreign Secretary, has done little to tighten the oil embargo against Rhodesia.

In looking back over more than twelve years of UDI it is surprising that so little was published on exactly how Rhodesia had been evading the UN oil embargo. It was not until June 1976, three months after the closure of the Mozambique-Rhodesia border, that the real story began to break. A report on 'The Oil Conspiracy', published in New York, reproduced seventeen secret Mobil documents. These papers showed how the South African subsidiary of the company had set up what it described as a 'paper-chase' to supply Rhodesia through a chain of intermediaries.

Further information on Shell and BP, revealed in the first edition of this pamphlet, helped to make oil sanctions-busting an issue of international concern. Appendix III provides a chronological account of subsequent developments since the publication of the original report.

Rhodesia has only been able to survive sanctions because of support provided by South Africa. In view of South Africa's intransigence, the only effective way of tightening sanctions is therefore to extend the oil embargo against South Africa. The urgency of imposing an oil embargo against South Africa — because of its own internal policies — has also been increased by escalating repression in the apartheid state.

Oil is essential for the armed forces and the police. Its importance was clearly brought out in legal advice which Mobil received from its South African lawyers: 'As oil is absolutely vital to enable the army to move, the navy to sail, and the air force to fly, it is likely that a South African court would hold that it falls within the definition of munitions of war.' The South African liberation movements have therefore argued that the oil embargo represents only a logical extension of the arms embargo.

Urgent action is required to secure an effective oil embargo against the apartheid regime. South Africa is extremely vulnerable. 98 per cent of its oil requirements are imported — with the remainder coming from a small oil-from-coal plant — and if the oil dries up, then the economy would quickly grind to a halt. The size of South Africa's stockpile of fuel is a closely guarded secret, but unofficial estimates of two to three years' oil seem considerably exaggerated. To give some idea of the storage problems involved: this quantity of oil, if kept in oil drums piled one on top of each other, would reach the moon!

UN member states should be required to pass legislation making it illegal to sell or transport oil to South Africa. The embargo could be enforced by introducing measures to enable the United Nations, or member states acting on its behalf, to seize any oil tanker which had delivered oil to South Africa, after the vessel had left South African territorial waters. This would make it practically impossible for South Africa to obtain transport facilities for importing oil.

Shell and BP provide direct support for the apartheid regime. The oil companies, through their involvement in the energy industry, play an essential role in sustaining the South African economy, and in fuelling the armed forces and police. Recent events, particularly the bannings of October 1977, have exposed the 'constructive engagement' argument of Western companies as a hollow sham. Rather than increasing their massive investments, as Shell and BP are doing, the oil companies must pull out. The British and Dutch Governments should therefore take appropriate action to secure the withdrawal of Shell and BP from South Africa.

April 1978

Introduction

Shell and BP are now on the verge of an enormous programme of expansion in South Africa.

The Chairman of BP Southern Africa has just announced that his company will invest £267m over the next five years. BP still has faith in the long term stability of South Africa, he explained, and "we are laying down hard cash to prove it."[1] Sixty-eight per cent of the shares in BP are held by the British Government. Yet despite the Labour Party's manifesto commitment to reduce "Britain's unhealthy involvement with apartheid", BP still plans to triple its investment in South Africa.[2]

Shell has recently revealed that the group intends to invest £333m in South Africa during the next decade. Shell Chemical, which will be spending £67m in the period up to 1980, has been running an advertising campaign directed at "anyone thinking of quitting South Africa".[3] "Why is Shell Chemical coming in with R100 million?" one advertisement asked. "Because of our belief in the nation's emerging greatness," was the answer, "we're backing South Africa."

Shell and BP play a vital role in the South African economy. Together they import, refine, and distribute 40 per cent of the country's petroleum requirements. The two companies have therefore played a crucial role in thwarting attempts to impose an oil embargo against the apartheid regime. In addition they appear to have been major suppliers of fuel to both the South African armed forces and the rebel government in Rhodesia. Recently Shell and BP have also diversified their interests, mainly into chemical production and coal mining, and they are now among the largest foreign investors in South Africa.

Western financial links are vital to the South African economy. Foreign investment provides capital for expansion and imported technology ensures that South Africa's industrial sector remains the most advanced in Africa. *But since the South African economy depends on apartheid, anything that strengthens the white economy strengthens apartheid.*

The oil industry in South Africa, despite its strategic importance, is still dominated by foreign companies. Five firms—Shell, BP, Mobil, Caltex and Total—control 85 per cent of the South African market. This study focuses on the activities of the two British oil companies in South Africa—BP and Shell—and examines the ways in which they help prop up the apartheid system.

Shell and BP work closely together in South Africa. They each hold half the shares in the country's largest refinery and, until 1975, the two companies had joint marketing arrangements. Shell and BP recently joined together in an unsuccessful search for oil off the South African and Namibian coasts. Both companies also hold major stakes in SAMCO, a lubricant manufacturer, and Trek, an oil distribution company.

Much of the material in this pamphlet is based on a report on *Shell in South Africa* which is being published in the Netherlands.[4] The Dutch study was written by Sami Faltas of the Ecumenical Study and Action Centre on Investments (OSACI) and published by the KAIROS Working Group. Both the Anti-Apartheid Movement and the Haslemere Group would like to express their gratitude to the publishers of the Dutch report for allowing them to use this valuable source of research on Shell's operations in South Africa. Special thanks are due to Sami Faltas, writer of the Dutch study; Marguerite Isaacs-Jonathan, who translated the document into English; Arend van Dam, who drew the cartoons; and the KAIROS Working Group. Finally, the Anti-Apartheid Movement and the Haslemere Group would like to express their appreciation to the Methodist Development Committee for providing a grant to cover publicity expenses, and the International University Exchange Fund, which financed the printing costs of this pamphlet.

The Actors

Shell

Shell is the second largest company in the world—after Exxon (Esso)—with assets of £5,774m. The Royal Dutch/Shell Group has grown out of an alliance made in 1907 between Royal Dutch Petroleum (established 1890) and British-based "Shell" Transport and Trading (1897). Royal Dutch has a 60 per cent interest in the Group, and Shell Transport 40 per cent. The major shareholders in the Group are British (40 per cent) and Dutch (24 per cent). Shell's profits amounted to £950m in 1975, slightly down on the staggering £1,093m achieved the previous year, and worldwide sales reached a record £12,755m.[5]

Shell claims to be the pioneer of oil marketing in Southern Africa. The origins of Shell's operations in South Africa go back to 1901, with the establishment of British Imperial Oil, and since 1926 the company has traded under the Shell trademark. Shell Southern Africa is a wholly-owned South African affiliate of the British holding company, Shell Petroleum Supply, and the group's assets in South Africa are now worth over £170m.

British Petroleum

BP is Britain's largest company. British Petroleum has its origins in the Anglo-Persian Oil Company, which was formed in 1909, and by 1975 its assets were worth £2,676m. Total profits amounted to £166m in 1975—considerably below the record £476m chalked up the previous year—on worldwide sales of £7,781m.[6]

The British Government is the major shareholder in BP. When the Government acquired a 48 per cent stake in the company back in 1914, it was given the right to nominate two members on the board with the power to veto any resolution.

At the same time the Government pledged that it would not interfere in the company's commercial affairs. The veto would only be exercised in regard to certain specific matters of general policy, including foreign policy, and since then the veto has never actually been used. In January 1975 the Bank of England acquired a 20 per cent share in BP as part of its rescue operation to save the Burmah Oil Company. While the Bank of England holds this stock, it has undertaken not to exercise the votes attached to this holding. The British Government therefore holds a total of 68 per cent of the shares in BP.

The Labour Party Programme, approved by the party conference in September 1976, called on the Government to "ensure that British Petroleum acts in future in a way that is consistent with Government policy". BP, the Programme added, "should be brought firmly within the public sector and treated as a publicly owned and publicly accountable company".

BP's origins in South Africa go back to 1924, when the Atlantic Refining Company of Africa began operating there, and since 1959 BP has traded under its own name. BP Southern Africa is a wholly-owned South African affiliate of the British holding company, BP Southern Oil, and the group's assets in South Africa now exceed £100m.

South African Subsidiaries of Shell and BP

	Shell	BP
UK holding company	Shell Petroleum Supply	BP Southern Oil
South African affiliate	Shell Southern Africa	BP Southern Africa
Oil refining	Shell and BP South Africa Petroleum Refineries (50%)	(50%)
Oil marketing	Shell Oil South Africa Shell Oil South West Africa	BP Oil South Africa BP Oil South West Africa
Oil exploration	Shell Eksplorasie Suid-Afrika; Shell Eksplorasie Suides-Afrika	BP Development Co of South Africa
Oil interests	Trek Beleggings (18%)	(18%)
Lubricants	Shell and BP South Africa Manufacturing (25%)	(25%) Duckhams Oils Africa
Liquid gas	Dragon Gas Service	
Bitumen	African Bitumen Emulsions (54%)	
Candles	Price's South Africa (36%)	(28%)
Chemicals	Shell Chemical South Africa; Unifoam Industries; Styrochem (25%)	Sentrachem (20%)
Metals	Billiton Exploration South Africa	

Note: Unless otherwise stated, all subsidiaries are wholly-owned by the Shell or BP group.

How the Companies Broke the Boycott

Oil is the one vital raw material which South Africa does not possess. South Africa has an unusual pattern of energy consumption, compared with most industrialised countries, because only a quarter of its energy requirements are met from petroleum.[7] But the economy still remains very dependent on imported oil to fuel its transport system and industrial sector. As the managing director of the Industrial Development Corporation has stressed, "dependence on imported fuel is one of South Africa's most vulnerable points".[8]

In August 1976 the eighty six members of the non-aligned movement unanimously passed a resolution urging "all countries concerned to take steps to prevent the supply of petroleum and petroleum products to South Africa".[9] This was not the first time, however, that an attempt has been made to impose sanctions against the apartheid regime. Back in 1960 the Conference of Independent African States had called for a ban on oil sales to South Africa. Three years later the UN General Assembly passed a resolution which urged "all states to refrain from the supply in any manner or form of any petroleum or petroleum products to South Africa".[10] But a number of Middle Eastern producers—primarily Iran, Iraq, Qatar, Saudi Arabia and the United Arab Emirates—continued to sell oil to South Africa.

The first serious attempt to implement the embargo came in 1973, following the Arab-Israeli War, when most African states broke off diplomatic relations with Israel. The Arab nations, which has just become aware of the power in the hands of the oil producers, put their strength behind the liberation struggle in Southern Africa. In November 1973 the members of the

Arab League adopted a resolution calling for a "complete Arab oil embargo" against South Africa, Rhodesia and Portugal.[11]

It is believed that most Arab oil was then cut off. Iran, however, immediately stepped up sales to South Africa and now provides virtually all of South Africa's requirements. Much of Iran's petroleum is sold through an international consortium of oil companies. BP is the most important partner in the Iranian Consortium, with a 40 per cent share, followed by Shell with its 14 per cent share. On 9 November 1976 the UN General Assembly passed the Programme of Action Against Apartheid, which called for an oil embargo against South Africa. Iran may therefore now find it increasingly embarrassing to be seen as an active supporter of the apartheid regime.

Shell and BP—together with the three other major international petroleum companies operating in South Africa (Mobil, Caltex and Total)—have played a crucial role in helping to break the oil embargo. Since the 1960s Shell and BP had stockpiled large quantities of oil in order to cushion the country against an international embargo. Under South African government regulations, all petroleum companies have to hold thirteen weeks' supply of fuel and twelve months supply of lubricants.

Immediately after the imposition of the Arab oil ban in 1973, the well-informed Johannesburg *Financial Mail* reported that "chiefs of South Africa's major oil companies . . . have been advising Government and their head office on how best to conserve and utilise supplies".[12] Soon afterwards the same source revealed that "only expert and artful juggling by international oil companies is keeping some refineries going".[13]

Late in 1973 the South African government took the opportunity of rising petroleum prices to allow the oil companies a higher profit margin. A writer in the official South African Yearbook, published by the Department of Information, speculated on the reasons behind this move: "Nobody was saying so, but it seemed clear that, by ensuring that South Africa remained one of the most profitable and attractive of the world's smaller oil markets, the government was helping to secure maximum cooperation from the international oil companies in the difficult days ahead."[14]

It has also been claimed by Peter Odell, in a study of the

Oil Crisis, that the South African government actually tried to secure "guarantees" from the oil companies that they would continue to supply petroleum in the event of international action to impose an embargo. "It is highly likely that all have given an assurance that they will do what they can should the occasion arise," Odell added.[15] BP's Chairman, on a visit to South Africa in March 1974, himself confirmed that the petroleum firms have "intentionally set out to thwart Arab attempts at enforcing oil embargoes on countries like South Africa".[16]

International sanctions against South Africa would represent an effective form of pressure to support the struggle of the black population for majority rule. Companies like Shell and BP, which have been helping South Africa thwart the oil embargo, must therefore bear part of the responsibility for the protracted and violent struggle which has already begun.

South Africa, conscious of the dangers of remaining dependent on imported petroleum, has already embarked on two schemes which could provide alternative sources of oil. First, the government has encouraged the oil companies to prospect for petroleum deposits. Geological conditions in South Africa, however, offered little hope and no commercially viable deposits have been found. This led one economist to speculate that the exploration efforts of some of the foreign companies were "dictated not by the expectation of finding oil, but rather by the need to curry favour with the government to obtain marketing concessions".[17]

Shell and BP spent several million pounds in an unsuccessful attempt to find commercially viable oilfields between 1969 and 1972.[18] Both companies set up subsidiaries—Shell Eksplorasie and the BP Development Company of South Africa—which prospected on two sites off the South African and Namibian coasts. Shell and BP, together with Total, formed a consortium to explore an offshore area between Port Elizabeth and East London.

The two British companies also joined forces to prospect off the Namibian coast, north of Walvis Bay, but this project had even more serious political implications. South Africa's mandate to administer South West Africa, later renamed Namibia, had been revoked by the UN General Assembly in

1966. Shell and BP, in the view of the United Nations, were therefore prospecting in Namibia without proper authorisation.

A second way of reducing South Africa's dependence on imported oil is to manufacture petroleum from coal. The world's first large-scale coal-to-oil plant was set up in South Africa by SASOL, the government Coal, Oil and Gas Corporation, back in 1950. This presently produces only 3 per cent of the country's oil needs. Already, however, work has begun on a second SASOL plant which is due to come into operation in 1981. This £1,300m project is being partly financed from the government's Strategic Oil Fund, which is itself funded from a levy on all petroleum sold in South Africa.

Shell is also considering building a coal-to-oil plant in South Africa. In June 1975 the company announced that it was "deeply involved in major research on the efficient and economic conversion of coal into hydro-carbon gases and liquids" and that "laboratory and pilot studies are expected to lead to processes showing improvement over current technology".[19] It is not clear if Shell is pinning its hopes on a further refinement of the Fischer-Tropsch process, as used by SASOL, or whether its plans are based on the hydrogenation process currently being researched by the company in the United States.[20] Shell's interest in establishing a coal-to-oil plant in South Africa, however, is clearly influenced by the government's call to reduce the country's dependence on imported fuel.

South Africa—despite the efforts of the international oil companies—still remains dependent on imported crude petroleum from Iran. Reliable estimates suggest that South Africa is now spending around £677m a year, or 14 per cent of its total imports, on 140m barrels of oil.[21] This represents about 32 per cent of the total petroleum consumed in Africa and the South African market is therefore particularly important to the oil companies.[22]

Recent events, however, suggest that the government has become increasingly anxious to reduce its dependence on imported oil. Since October 1976 new emergency fuel-saving measures have been introduced. Petrol stations are to close every weekend, from mid-day Friday to Monday morning, in order to discourage non-essential motoring. Informed sources also claim that the possibility of petrol rationing is being seriously considered by the South African government.

Crude to Refined

Shell and BP now supply almost 40 per cent of South Africa's petroleum requirements. In 1972 Mobil was the largest petrol distributor, with 21 per cent of the market, closely followed by Shell (20 per cent), Caltex (19 per cent) and BP (18 per cent).[23] Shell (929 stations) and BP (718 stations) between them operated 45 per cent of the country's service stations. Total sales of petroleum products by Shell amounted to £87m in 1972, with BP's sales worth £72m, but since the massive rise in oil prices these figures have probably quadrupled. Shell and BP had joint marketing arrangements until July 1975, when separate companies were set up to market their products.

South Africa's crude oil is shipped by large tankers from Iran to Durban, where the two companies have installed a £7m single buoy mooring outside the harbour to pump crude to the refinery at Reunion. The refinery is owned by Shell and BP South African Petroleum Refineries, known as SAPREF, and the shares are jointly held by the two oil companies. When the refinery came into production in 1963, it was the second major refining unit to be built in South Africa and it remains the largest refinery in the whole of Africa. The plant has a capacity of 200,000 barrels of crude oil a day.[24] Almost half its output is fed into the 398-mile pipeline to Germiston, near Johannesburg, which transports 31,000 barrels a day of refined oil to the industrial heart of South Africa.

South Africa's largest lubricant plant is located on the same site as the SAPREF refinery. The £7m factory, which refines heavy oils and produces lubricants, is owned by the South African Lubricants Manufacturing Company (SAMCO). Shell and BP each have a 25 per cent stake in SAMCO, and the remaining 50 per cent of the shares are held by Trek Beleggings. This is a complicated interlocking financial arrangement, since Shell and BP both have a 17.5 per cent share in Trek.

Trek, which was established in 1968, is the only privately-owned South African oil company. At present Trek's petroleum is processed at the Shell/BP SAPREF refinery. The company has received a government licence to build its own refinery at Richards Bay. BP was to have actually built the refinery, because of complex technology required, and Shell and BP would have together put up 35 per cent of the capital.[25] But in 1974, following the oil crisis, the project was shelved.

Shell and BP also have interests in a number of other petroleum products. BP owns Dragon Gas Service, which markets liquid petroleum gas, and Duckhams Oils Africa, a motor oil distributor. Shell has a 54 per cent stake in African Bitumen Emulsions. Both Shell (36 per cent) and BP (28 per cent) also have substantial shareholdings in Price's South Africa, a candle manufacturer.

Investments of over £40m in the SAPREF refinery are planned in the next few years. The catalytic cracking plant will be improved and a new complex is being designed to make more diesel available in place of fuel oil to meet the country's needs from less imported crude. Shell and BP are together spending £33m on an ethylene cracker for the production of feedstock for the plastics industry. This £67m plant, which is being jointly built with SASOL, should on completion in 1979 make South Africa self-sufficient in plastics feedstock for some years. Production of ethylene will reach 200,000 tons annually.[26]

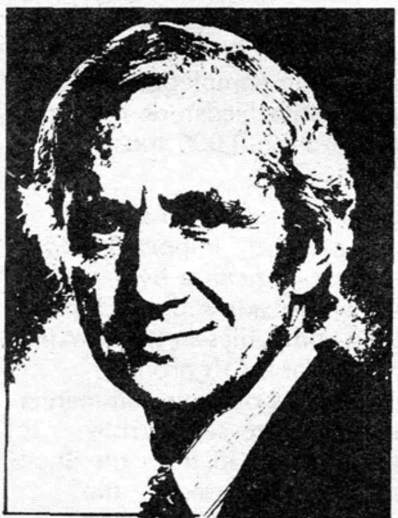
Shell is also conducting investigations into the possibility of producing aviation gasoline, which is presently imported, and this would have an important strategic significance by reducing South Africa's dependence on outside supplies for the country's growing air force. The oil companies in South Africa are in fact required by government legislation to produce products of strategic importance, regardless of their commercial potential. Both Shell and BP are believed to sell petroleum to the South African armed forces and police. Oil from the Shell/BP refinery, for instance, may well have been used by the motorised column which invaded Angola in 1975.

Shell and BP are playing a major role in helping South Africa thwart attempts by the United Nations to impose an oil embargo against the apartheid regime. The two companies, by actually supplying the armed forces and police, are deeply involved in supporting the repression of the black population of South Africa.

Shell plans vast further investment in Southern Africa.

Becomes independent oil, chemical, coal, nuclear group.

Chairman outlines company's plans.



Mr. K. L. G. Geeling,
Chairman and Chief Representative of
Shell in Southern Africa.

Shell's Developing Role.

"On June 26, Shell's local oil interests will become *completely independent,* thus joining the existing 100 per cent owned chemicals, coal and base metals companies in the Royal Dutch Shell Group in Southern Africa.

At that date the historic value of our asset investment in the Republic, South West Africa, Botswana, Swaziland and Lesotho will stand at some R250-million.

We aspire to play a continuing and developing role in the economies of these countries and we are at present evaluating new major projects which may well involve capital expenditure of up to R500-million over the next ten years.

By the end of that period, therefore, the cost of our *asset investment in Southern Africa could be some three-quarter billion Rand.*

Oil will continue to dominate the energy business for some years. In the years immediately ahead, our oil business will see an emphasis on equipping and improving manufacturing facilities to meet a changed pattern of product demand which followed the steep rise in oil prices.

Normal capital expenditure of several million Rand a year on tankage, modernisation, the protection of the environment and to improve services to customers in all categories, will be augmented by a two-stage expansion of the group's refining facilities, the biggest in Africa in both capacity and capital investment, at Durban.

To enable more petrol and gas-oil to be produced from available crude oil, the catalytic cracking plant will be improved and a new complex is being designed to make gas-oil available in place of fuel oil. This will enable the country's needs to be met with less imported crude oil and improve flexibility. In addition, a new feedstock preparation unit is on the drawing board.

These facilities will cost the group R25-million.

The group is also involved in the development of an ethylene cracker for the production of feedstock for South Africa's plastics industry. Preliminary estimates indicate a total capital investment of R100-million of which the group's share again will be R25-million. The plan will make South Africa independent of plastics feedstock importation for some years.

Investments to produce aviation gasoline and special products for industrial purposes in the Republic are also being studied. In the more distant future heavy investment is envisaged to improve both the quality and yield of marketable products from crude oil."

x

Financial Mail June 27 1975

Coal energy.

Experience gained over several decades in the search for oil - including expenditure of R2-million in the Republic - has enabled Shell to develop significant resources in manpower and exploratory techniques which are being used to search for coal in Southern Africa.

Collectively our skills in exploration, transportation, and as a world-wide energy marketer, together with our ability to design, co-ordinate and find the money for major projects on an international scale, place us in a unique position to locate, develop and market coal.

Shell Coal has been active for several years in "grass roots" coal exploration in various parts of the Republic and has located significant reserves.

Detailed feasibility studies are being made for mining, transporting and marketing coal from a new mine in the Witbank/Bethal area in equal partnership with Transvaal Consolidated Lands, a company in the Barlow Rand Group.

We are negotiating with the Government in connection with the long-term export of coal from the Republic and expect to be able to satisfy any conditions placed on future exporters.

The group holds special prospecting licences to look for coal, oil shales and radio-active minerals in Botswana and Swaziland and we began exploratory work in both countries in 1974.

Wherever feasible, coal deposits will be developed by the most modern strip mining methods which will include the preservation of the environment by reclamation and replanting. An order worth more than R30-million for drag-lines has already been placed.

We are acknowledged experts in the technology of transporting solids through slurry pipelines. Detailed design studies are being finalised to transport coal by pipeline to Richards Bay, where the Railway Administration is building facilities to enable the export of coal in large vessels.

We are also deeply involved in major research on the efficient and economic conversion of coal into hydrocarbon gases and liquids. Laboratory and pilot studies are expected to lead to processes showing improvement over current technology.

The viability studies we are undertaking on coal mining, solids pipelining and coal conversion will, if they come to fruition, involve investments of hundreds of millions of rand.

New commitments in chemicals.

Shell Chemical, which began operating in South Africa 26 years ago now has four main divisions — agricultural chemicals, industrial chemicals, polymers and consumer products — and its investments represent a significant proportion of the group's net capital employed in the Republic.

Its epikote resin plant, the first on the African continent, represents a capital investment of more than R2-million, and produces 4000 tons a year - more than sufficient to meet South Africa's present needs.

The company operates formulation plants for agricultural chemicals, paint and lacquer solvents, polyurethane chemicals, and consumer products, at Durban, Wadeville, Cape Town and Port Elizabeth and manufacture polyurethane products mainly for building and refrigeration.

In the thermoplastic field Shell know-how is used to manufacture more than 10 000 tons a year of a range of polystyrenes and plans for a new plant to increase production to meet South African current and future needs are being considered.

A R50-million polypropylene plant is being planned and we expect it to be in production in the second half of 1978.

The new plant, to be built at Durban, will have a design capacity of 50 000 tons a year, which will make South Africa self-sufficient at that time and open up significant possibilities for polypropylene.

Atomic power.

Shell has 50 per cent ownership of General Atomic, developer and manufacturer of the high temperature gas-cooled reactor (HTGR). This association makes know-how on the most advanced international nuclear technology available to the group.

The HTGR is considered to be particularly suitable for South African conditions and preliminary studies now in progress could lead to the introduction of this more advanced reactor in the late 1980's.

Mineral exploration.

We have also entered the minerals field and through our wholly-owned subsidiary, Billiton Exploration South Africa, are actively prospecting for base metals such as [illegible], copper, nickel and lead, in various parts of the Rep[illegible]c. At a later stage we hope to extend our activities into other sectors of the metals industry.

In our 75th year in Southern Africa the independent Shell group stands on the threshold of transforming from a petroleum supplier into a great energy producer with expanding interests in chemicals and metals

Shell

Odes-Marais 4795E

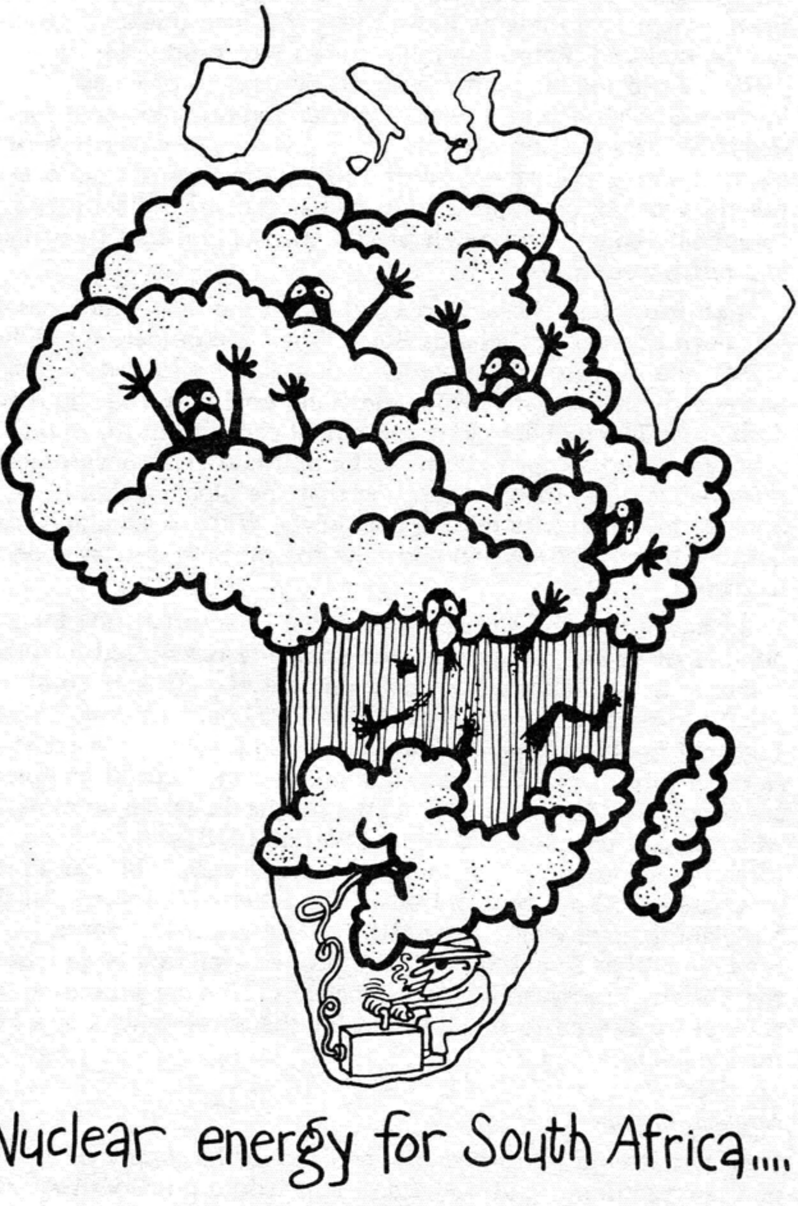
Diversification

Diversification is the name of the game. The oil companies have become increasingly involved in petrochemicals over the last decade. With the slowdown in the growth of oil consumption, following massive price rises, the petroleum companies have also realised the importance of developing into energy companies in order to secure their future prospects. The high degree of diversification in the interests of the oil firms in South Africa can be guaged from the fact that nearly 70 per cent of BP's investment over the next five years will be in coal mining and the chemical industry.

Coal

South Africa has 64 per cent of Africa's known coal deposits. Mining costs are among the lowest in the world. The pithead price is only £0.87 per ton,[27] compared with £8 in Britain, and this is partly because of the very low wages paid to African workers in the mines. In 1972 average monthly pay for African miners was only £15, although white miners earned £266.[28] Coal provides about three-quarters of South Africa's energy requirements, a comparatively high proportion, and coal is also fast becoming an important export.

Exploration for coal is a fairly similar exercise to oil prospecting. Modified oil exploration equipment is often all that is necessary when looking for coal. Shell have in fact already spent £1m on prospecting for coal in the Transvaal and Orange Free State.[29] Recently Shell has also been exporting coal purchased from an existing colliery. In 1975 the company signed a contract to provide a £3m interest-free loan to the Newcastle-Platberg Colliery and to buy 1 million tons of coal a year from the expanded mine.



Nuclear energy for South Africa....

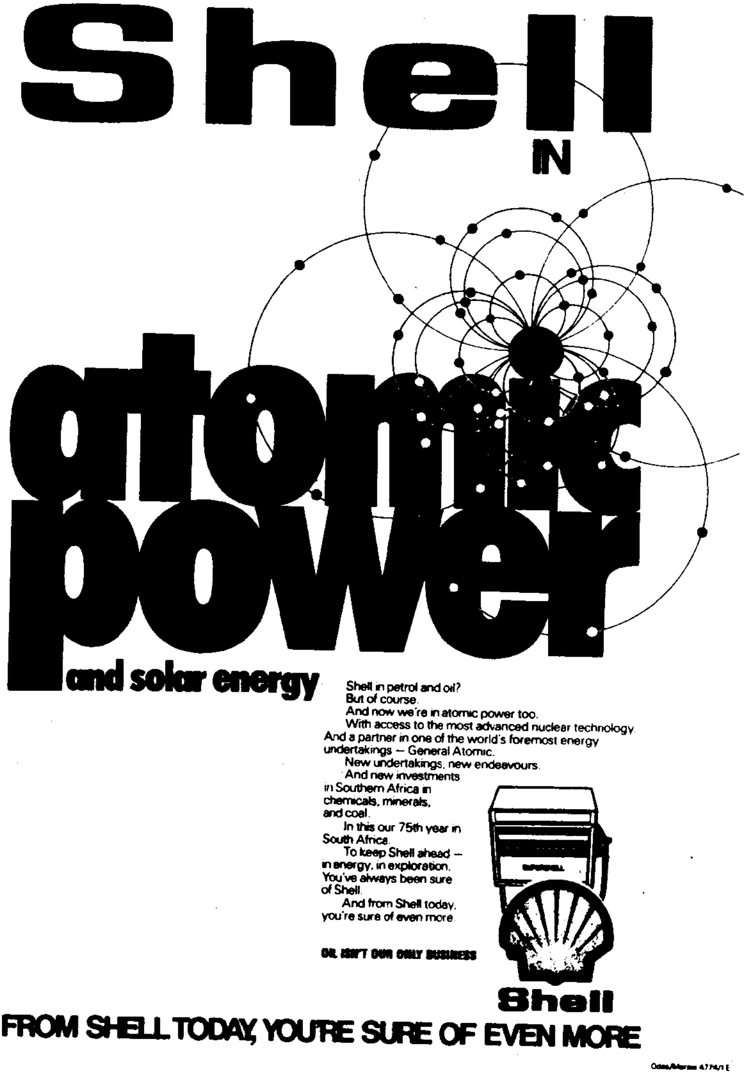
Shell has also gone into partnership with Transvaal Consolidated Lands, a subsidiary of the Barlow Rand Group, to open a large new mine at Rietspruit. An investment of £67m will be required before the mine comes into production in 1979. Strip mining methods are to be used to produce initially 3 million tons a year of power station grade coal for export.[30] Permission is likely to be given by the South African government to export a total of 150 million tons of coal over a twenty year period, representing 19 per cent of the country's total coal exports, and much of this coal will be sold to Britain and north-west Europe.[31]

Rietspruit coal will be shipped through the port which has just been opened at Richards Bay. Shell is considering building a 250-mile slurry pipeline, which would carry a suspension of pulverised coal in water, from the Rand coal mines to the new harbour. The pipeline, with an annual capacity of 20 million tons, would cost over £200m. The South African government, however, appears to be stipulating that the pipeline should be open to all companies mining coal in the Witbank area and that South African Railways should take the pipeline over as soon as it is built.

BP has also been prospecting for coal in South Africa for a number of years. At present the company is involved in three collieries at various stages of development.[32] BP and Total have gone into partnership to invest £43m in a coalfield near Ermelo. The coal rights and management are being provided by Trans-Natal, a subsidiary of General Mining, and the two oil companies are supplying the capital and marketing facilities. The mine, which is due to come into production in 1978, will produce three million tons of coal for export every year. BP has already purchased a 50 per cent option in the Eikeboom colliery, in the Middleburg area, which is owned by Kanhym Investments. Finally, BP has acquired mineral options covering a large area of the Eastern Transvaal, where geological results are promising enough for capital to be allocated for the development of a third colliery.

Nuclear Energy

Shell has attempted to become involved in the supply of a nuclear reactor to South Africa. This would put South Africa



Financial Mail June 20 1976

in a position to produce nuclear weapons, since plutonium is a by-product from an electricity-generating reactor. South Africa, which has refused to sign the Non-Proliferation Treaty, may well already be embarking on the development of nuclear weapons.

Shell holds a 50 per cent share, along with Gulf Oil, in General Atomic, an American firm that has been developing a high temperature gas-cooled reactor (HTGR) since 1973. In June 1975 Shell announced that the HTGR was "considered to be particularly suitable for South African conditions and preliminary studies now in progress could lead to the introduction of this more advanced reactor in the late 1980s".[33] General Atomic recently suffered a serious setback in the commercial development of the HTGR. A fall in forecasted demand for electricity in the United States reduced the company's order books at a time of rapidly escalating costs. Operational problems and tightened regulations also delayed the commercial HTGR in Colorado. In October 1975 it was announced that plans to bring the reactor into commercial production had been halted.

Shell has also been involved in another venture which could have transferred sophisticated nuclear technology to South Africa. One of the bids to build South Africa's first nuclear power station came from an American-Dutch-Swiss group—consisting of General Electric, Brown Boveri and Benuco. Shell has a 24 per cent share in a Dutch company, Comprimo, which as part of the Benuco group would have been in charge of technical matters and overall supervision.[34] In May 1976, however, a French consortium was awarded the contract to build the £530m nuclear power station at Koeberg.

Shell is nevertheless still interested in playing a major role in helping South Africa develop nuclear power. "The nuclear power generation age will come to Southern Africa," a Shell Director recently pointed out, "it must come."[35]

Metals

South Africa is extraordinarily rich in minerals. Low labour costs also make mining a particularly attractive investment. Through Shell's wholly-owned South African subsidiary, Billiton Exploration, the company has been actively prospecting for base metals—including zinc, copper, nickel and lead—since South African operations began in 1972. Billiton has also announced that it plans to extend its activities "into other sectors of the metals industry" and the company would presumably become involved in mining if commercially viable deposits are found.[36]

Chemicals

The chemical industry, the South African manager of Shell Chemical has pointed out, is a "strategic investment".[37] Sixty per cent of the basic products of the chemical industry are of petrochemical origin, and both Shell and BP have extensive interests in the industry. Shell Chemical, which has been operating in South Africa since 1949, now has four main divisions: agricultural chemicals, industrial chemicals, polymers and consumer products. Annual sales amount to £33. · Sixty per cent consists of imported chemicals, and in 1975 the company announced that it hoped to reduce this proportion to 25 per cent over the next five years.[38] Shell, according to its South African managing director, sees this as a contribution towards greater economic independence for the country.

In 1974 Shell built a £1m epikote resin plant, the first on the African continent, which produces 4,000 tons a year and has made South Africa self-sufficient in epoxy resins. Plans are going ahead to build a £43m polypropylene plant at Durban. The factory, which may well come into production in 1979, will use feedstock from the SAPREF refinery to produce 50,000 tons a year of polypropylene. Shell, which is to use its own alkylate process, is apparently considering the desirability of a South African partner in the venture. Other future plans for Shell Chemical include the production of hydrocarbon solvents, as well as studies on manufacturing products for the nutrition, detergent and agrochemical industries.

Shell also owns Unifoam Industries, which manufactures urethane foam blocks, and has a 25 per cent share in Styrochem, a plastics firm. The remaining chares in Styrochem are held by Sentrachem, and this ties up with BP's interest in the chemical industry. BP has a 20 per cent share in Sentrachem, South Africa's largest chemical firm, and BP has earmarked £27m for investment in Sentrachem over the next five years. It has been announced that Sentrachem will be investing £133m between

To the birds of passage.
South Africa has always been an orchard ripe with fruit, to be plundered, then deserted at the first sign of trouble.

Yet despite the predictions of disaster and doom the nation continues to flourish.

While mightier and more dominant countries flounder and fall, caught in a web of economic woe, political upheaval and social unrest, South Africa steadily gathers strength.

Its peoples are increasingly better fed, better housed and better educated.

Its social endowments continue to embrace a broadening number of its less-privileged groups.

And without casting aside values on which the nation's entire structure was formed, South Africa quietly affirms its willingness to accommodate the changing times.

Within this environment of social and political evolution, Shell Chemicals is responding by contributing to the emergence of South Africa at the forefront of the world's great economic powers.

But the path to the top is pitted with problems.

Essential raw materials will become ever more difficult to obtain.

The nation will continue to need commodities from abroad, causing importation of inflation and a struggle to balance the budget.

Capital and expertise will be needed to finance development of local potential: money and skills we at Shell Chemicals are well able to provide.

Thus in the next five years our company will pour R100-million into fueling South Africa's economic growth.

This investment will help to make the country self-sufficient in key materials such as polypropylene, polystyrene, hydrocarbon solvents and many other commodities needed by industry in huge volumes for the manufacture of important everyday products.

Our participation in South Africa's development is our way of proving by deed our belief in the nation's emerging greatness.

We're backing South Africa.

To anyone thinking of quitting South Africa: why is Shell Chemicals coming in with R100-million?

1975 and 1979. Half of this sum will represent the company's contribution towards a major coal-based chemical complex at Sasolburg.

Sentrachem hit the headlines four years ago when the *Sunday Times* revealed that chemical warfare was being waged against FRELIMO forces in Mozambique.[39] Defoliants were being dropped by airplane in the northern part of the country and one of the products, Convolvotox, was manufactured in South Africa by Sentrachem. BP, which has a 20 per cent share in the company, may not have been directly responsible for this misuse of this product, but it illustrates the point that any economic investment in South Africa can involve active support for fascist methods.

The diversification of the oil companies in South Africa into other sectors of the economy has helped to strengthen their involvement in the country. In many cases Shell and BP have gone into partnership with South African government or private corporations to invest in large new projects. This, of course, identifies the oil companies even more closely with the South African establishment.

Shell and BP have provided considerable capital and sophisticated technology to South Africa. The development of coal mining and the chemical industry has enabled the country to become more self-sufficient, making it less vulnerable to an international boycott, as well as increasing the country's exports, tying its customers to South Africa. *Investment in South Africa represents investment in apartheid.*


SHELL CHEM
VORSTER

Expansion

"A stake in the South African market is of great benefit to the oil 'majors', for it is a lucrative one and ripe for expansion," commented the *Financial Mail*, and "in return they have put a vast amount of capital and know-how into the country."[40] "Without the massive resources of the international oil companies," the journal continued, "the oil industry in the Republic would not have been built into a R700 m business." Shell and BP, operating in South Africa for over fifty years, probably account for almost half the total investment in the petroleum industry.

Recently it was reported in *The Guardian* that BP intends to invest more than £250m in South Africa over the next five years.BP, the newspaper added, "may soon unwittingly deliver a powerful propaganda weapon into the hands of the South African government which is urgently seeking foreign capital to prop up its ailing economy."[41] Major investments include £133m for coal exploration and mining, £40m for upgrading the SAPREF refinery, £50m for marketing facilities, and £27m for chemical manufacturing.[42]

In 1972 BP's assets in South Africa were worth £51m[43] and four years later the company's investments had probably almost tripled. During the late 1970s BP plans to invest £33m a year and most of this capital, according to the Chairman of BP Southern Africa, will be funded from outside South Africa by the parent company.[44]

Shell's interests in South Africa are even larger. In 1972 its total investments in Southern Africa were worth £63m, and three years later the figure had jumped to £167m.[45] Shell then announced plans to invest an additional £333m over the next decade to triple its interests.[46] The *Financial Mail* commented that the amount could "possibly be much higher if all goes well for the company in coals and metals".[47]

An argument often used against the withdrawal of Western investment from South Africa is that exchange control regulations make it difficult to repatriate capital invested there. This is also an important reason against the expansion of existing operations, since there would be little prospect of recovering the investment in the event of a crisis. It can therefore be argued that on economic grounds it is unwise for Shell and BP to increase their investments in South Africa at a time when the apartheid system is increasingly threatened by political developments in Southern Africa.

Expansion in South Africa by Shell and BP is taking place at a time when British firms are reducing investment at home and creating mass unemployment on a scale unknown since the 1930s. It could therefore be argued that investment by Shell and BP in South Africa may well have a negative impact on their expansion plans in Britain.

Investment in Apartheid

The inflow of capital helps South Africa's balance of payments and plays an important part in sustaining the country's economic growth. During 1975 South Africa had a deficit on current account of £1,782m, equal to 50 per cent of merchandise exports, and this deficit was covered by an inflow of £1,897m of long and short term capital.[48] South Africa's economy is based on apartheid, which provides a huge reservoir of cheap black labour, and any investment in the country therefore strengthens minority rule.

Any company operating in South Africa has to accept the laws and practices of apartheid. A petty example of Shell's acceptance of apartheid was shown by the company's proud announcement that 25 luxury toilets had been installed in their service stations for "whites only". Shell's Public Relations Officer pointed out that "when we find that the non-whites have proved that they are capable of looking after and keeping their present toilets clean, the new luxury rest-

Shell service station in Windhoek, Namibia rooms would be made available to them".[49] This led the President of the Natal Indian Congress to complain that Shell "canvass for business from blacks when they haven't the slightest respect for them", and the Coloured Labour Party called for a boycott of the company.[50]

Apartheid, of course, means rather more than two-class toilets. It is more than an ideology based on a belief in "separate development". Apartheid is an *economic system* based on the exploitation of black labour. It is therefore significant that there are still no trade unions—which might threaten the basis of apartheid—in the South African oil industry. Shell, when questioned over this situation, replied that the absence of a union was regarded as "a compliment to us".[51] Even if a union was formed and recognised, however, black workers in the oil industry would still lack the right to strike under South African law. Until free collective bargaining and the right to strike are won, workers in South Africa will continue to earn little more than starvation wages.

Foreign investment not only provides capital for expansion—it is also a vital source of technological and managerial expertise. "Possibly the most important reason why South Africa needs foreign investment," one economist has claimed, "is because it gives her access to industrial technology."[52] Shell and BP have both provided substantial technological assistance to South Africa in developing oil refining, coal mining and chemical production. Extracts from an advertisement by Shell South Africa outlined a few of the advantages that the country has gained from the company's operations:[53]

* "Our skills in exploration, transportation, and as a world-wide energy marketeer . . . place us in a unique position to locate, develop and market coal."
* Shell are the "acknowledged experts in the technology of transporting solids through slurry pipelines."
* "Shell know-how is used to manufacture more than 10,000 tons a year of a range of polystyrenes."

Without the assistance of the international oil companies, South Africa would have found it much more difficult and expensive to gain access to the modern technology required to operate a petroleum industry.

The oil companies have also supplied skilled administrators and technical personnel to assist their South African operations. Two of Shell's senior officials in South Africa, for instance, have come from European offices of the firm. Hans Pohl, managing director of the Shell Group in Southern Africa, is a West German. Stuart Squires, managing director of Shell Chemical (South Africa) is from Britain. Importing skilled labour from abroad means that black workers in South Africa do not have to be trained and promoted to senior posts in their own country.

Shell and BP plan to invest almost £100m a year in South Africa, much of it financed by the parent companies from outside the country. The massive scale of these expansion plans can be seen by looking at the figures for total British investment in South Africa over the period between 1967 and 1971. Direct investment by *all* British companies in South Africa averaged £53m a year. £42m was financed out of unremitted profits—and only £9m came from the parent companies.[54]

As Britain's stake in the maintenance of the *status quo* in South Africa increases, it becomes less likely that the British Government will take a firm stand against apartheid. Further investment by Shell and BP in South Africa makes it more difficult for the United Kingdom to consider supporting the UN's call for a petroleum embargo against the apartheid regime. The investment plans of Shell and BP also involve a chain reaction of further involvement by Western subcontractors, banks and other concerns attracted by expansion in such a critical sector as petroleum.

Foreign investors—and their governments—develop a vested interest in the maintenance of the apartheid system.

Busting Sanctions

The story of how petroleum has been supplied to Rhodesia since UDI illustrates two important aspects of the operations of the oil companies in Southern Africa. First, the oil companies are naturally concerned with maximising profits and they have shown little interest in encouraging majority rule. Secondly, the South African government, through a series of laws and regulations, has restricted the activities of the oil companies and forced them to serve the interests of the white regimes.

Petroleum is vital to the Rhodesian economy. After Ian Smith declared UDI, on 11 November 1965, one of the first measures taken by the United Nations was the imposition of an oil embargo against the rebel regime. The pipeline from the Mozambican port of Beira into Rhodesia was shut, cutting off supplies of crude oil for the Umtali refinery. The refinery, with a capacity of 20,000 barrels a day, is owned by Central African Petroleum Refineries. Both Shell and BP each hold a 21 per cent stake in the refining company.

Yet, despite the embargo, Rhodesia continued to receive sufficient supplies of oil. On 5 February 1966, after an intensive surveillance of the South African-Rhodesian border at Beit Bridge, the *Rand Daily Mail* reported that three or four vehicles were crossing the frontier every day with fuel. A photograph, published in the newspaper, showed a Rhodesian oil tanker. Just visible through a thin coat of grey paint was a large "P"—part of the "BP" insignia of British Petroleum.[55] Soon Shell also joined BP in supplying Rhodesia by road from South Africa. Later in 1966 Shell and BP cooperated with Mobil to finance a 100,000 gallon oil depot at Messina. This was just ten miles from the Beit Bridge border and the depot was presumably built for supplying petroleum to Rhodesia.

Since UDI, the Rhodesian subsidiaries of Shell and BP have been "directed" companies, under local legislation, and the headquarters of the oil firms in London claim to have no control over their operations. Shell and BP, it could be argued, might have been able to take some action to put pressure on their Rhodesian subsidiaries to comply with UN policy. Nevertheless, at present they are not legally responsible for the activities of their Rhodesian companies. Shell and BP, however, still retain control over the operations of their South African subsidiaries.

The Oil Conspiracy

Recently substantial evidence has been published which suggests that the South African subsidiaries of Western oil companies have knowingly—and deliberately—supplied petroleum to Rhodesia. A series of highly secret papers from Mobil's offices were leaked to OKHELA, a clandestine organisation operating in Southern Africa, and published in New York by the Center for Social Action of the United Church for Christ.[56]

The Mobil papers showed that the company's South African subsidiary had established what was described in a secret memorandum as a paper-chase "to hide the fact that MOSA [Mobil South Africa] is in fact supplying MOSR [Mobil Rhodesia] with product in contravention of US sanctions regulations".[57] A complicated system was set up to sell petrol to Rhodesia through a series of intermediaries, many of them "bogus" companies which were little more than letter boxes for passing invoices.

Freight Services Limited was the only intermediary to appear in practically all of Mobil's paper-chases. It seemed to act as a coordinator for the other companies, helping them with practical details, like the printing of invoice forms, and it was one of the few intermediaries which was entrusted with handling money. A spokesman for Freight Services, contacted in South Africa, would not deny that the company sold oil to Rhodesia. "Freight Services acts as agents for a number of principals," he commented, but "we do not disclose their identities or details of their business activities."[58]

Part of a Mobil (Rhodesia) memorandum describing the paper-chase to import petroleum products.

CONFIDENTIAL

PRODUCT PROCUREMENT

Situation:

When orders for lubricants and solvents are placed on our South African associates, a carefully planned "paper chase" is used to disguise the final destination of these products. This is necessary in order to make sure that there is no link between MOSA and MOSR's supplies.

What happens is this:

MOSR places orders for lubes and greases on Chemico through Warrick Ward in Central Region. MOSA then sell to Chemico who in turn supply MOSR.

The order is billed and consigned by MOSA to Chemico No. 3 Account with the Durban attorneys, Monney Ford, and Partners' box number. Mooney Ford and Partners then make out two debits; the first of these is to Mineral Exploration (Freight Services) and the other to either:

Rand Oils
Village Main Distributors, or
· W.T. Development

who in turn circulate it to the other (e.g. Village Main Distributors debits Rand Oils) before it finally again comes to Mineral Exploration. Mineral Exploration act on the first advise and debit Recom of Rhodesia (MOSR). Payment is made by MOSR to Chemico No. 3 account through Mooney Ford and Partners.

A similar set up, but using different parties is used for the procurement of solvents.

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 in contravention of U.S. Sanctions Regulations.

I. REFINED PRODUCTS (excluding solvents and some aviation)

On the face of it, it is a straight transaction between ourselves and Genta. Product is received from them based on our stock from our Depot stock - levels as provided by Mr. J. Gray and he liases with Genta on Product Movement. The product is received by Depot at 20°C and these quantities are used for payment purposes. There are, however, additional aspects to this:

(a) Genta Allocation - Genta allocates to Mobil the importation of Premium, Regular, ADO, and Avtur. Avtur is imported on behalf of Industry despite frequent attempts by Shell to stop this; they claim product contamination etc. This is resolved by a sample to them from each batch. While Mobil imports Avtur, other companies import kerosene avgas etc. Genta makes these allocations every four months and we send our allocation figures to Mr. E. Bedford, who informs S & D who in turn liases with the Genta agent.

(1) Petrol - The attached schedule shows the method whereby Genta is debited by Moref. You will note that there are three 'agents':

A. Rand Oils
B. W.T. Development
C. Minerals Exploration.

Rand Oils and W.T. Development are purely a "paper-chase" and Minerals Exploration debits Genta at Rhodesian Mission, Maritime House, Johannesburg.

(2) ADO - Moref debits the Motor and Industrial Transport using the Minerals Exploration box number; Minerals Exploration in turn debit Genta in the same way as petrol.

(3) Avtur - Genta is billed direct by Freight Services.

II. AVIATION REFINED

(a) Avgas 115/145 for Air Trans Africa ordered by telex on Ron Glover of Northern Region for onward transmission to L.M. Glover advises details on availability etc. to Mosr. Mosa debits either Trek or Caritas who debits Genta in Johannesburg. Payment by Mosa to Genta is done on the same basis as Refined above.

(b) Avgas 80 as per (a) above

(c) Avgas 100/130 imported from Shell by Genta. Our supplies are obtained Ex Genta.

Strong evidence is now emerging to suggest that Shell may also have been involved in selling petroleum to Rhodesia. Shell is by far the most important oil distributor in Rhodesia, accounting for 36 per cent of petrol sales, and in South Africa it is only marginally behind Mobil in its share of the market.[59] Informed sources claim that the British Government is quite aware of the fact that Shell's South African subsidiary is supplying fuel to Rhodesia.[60]

When Shell's South African subsidiary plans its future sales, it apparently includes a special category enigmatically entitled *FS.*[61] This stands for Freight Services, the main intermediary D100 used by Mobil, and the figure is believed to cover purchases made for subsequent resale to Mozambique, Malawi . . . and Rhodesia. Every three months Freight Services, acting on behalf of themselves and the other intermediaries, apparently sends Shell details of its requirements for a variety of oil products, specifying how much they estimate will be needed over the next 3 and 12 months.[62] Their requirements for Rhodesia have averaged a fairly steady rate over the past few years.

Evidence revealed in the Mobil papers also suggests that Shell held a monopoly on the import into Rhodesia of two 200 particular oil products. First, in 1974 Shell's Rhodesian subsidiary built a lubricant blending plant at Willowdale on the outskirts of Salisbury, which uses base-stock (semi-processed crude oil) imported from the Shell refinery at Durban.[63] From 1975 the plant has apparently been used to blend lubricants according to Shell specifications, which is then put into tins marked with the trademarks of BP, Mobil, Caltex and Total.

Secondly, Shell Rhodesia is the sole importer of Avgas 100/130, a vital aviation fuel used in light aircraft.[64] This fuel was imported through Shell South Africa, sold to Genta (a Rhodesian government petroleum agency), and then supplied to the oil companies operating in Rhodesia. Avtur, turbine aviation fuel, was imported by Mobil "despite frequent attempts by Shell to stop this".[65] Presumably Shell was jealous of Mobil's monopoly of this particular product.

Spokesmen for Shell and BP, contacted in London, have not denied that their South African subsidiaries sold petroleum to Freight Services.[66] Neither of the oil companies appears to have investigated allegations that Freight Services has been supplying oil to Rhodesia.

The simple facts of the situation are that Shell and BP both refine oil in Durban; the two companies distribute petroleum inside Rhodesia; and clearly fuel has been flowing from South Africa to Rhodesia. There is therefore little doubt that Shell and BP oil has been reaching Rhodesia. The only question that remains is whether the South African subsidiaries of the two companies are themselves involved in this trade. But until Shell and BP have announced that they have taken measures to ensure that their products are not exported to Rhodesia, clouds of suspicion will remain.

Government Control

If Western oil companies took steps to prevent their petroleum from reaching Rhodesia, then they could in fact be liable to prosecution under South African law. The petroleum firms are forbidden from restricting their customers or the destination of their products.

The degree of government control over the South African oil industry was recently illustrated when Mobil sent a Vice President and two top executives of its International Division to South Africa to look into allegations that oil had been supplied to Rhodesia. These leading Mobil officials, according to a company statement, "consulted a leading South African lawyer, who advised them that if they attempted to carry out any investigation in South Africa, they themselves would be subject to prosecution as foreign agents under the . . . Official Secrets Act".[67] Three senior employees of a Western company were therefore in danger of being imprisoned as spies merely for enquiring into the affairs of their wholly-owned subsidiary in South Africa.

Only about 4 per cent of South Africa's oil imports are re-exported to Rhodesia. South Africa would therefore presumably be reluctant to endanger its supply just to keep the Smith regime afloat. If, however, the South African government actually prevented Western petroleum companies from refusing to supply Rhodesia, then this would provide an additional justification for extending the embargo to include South Africa itself.

British companies operating in South Africa usually take the position that by remaining in the country—and encouraging reforms—they can do more to eliminate apartheid than by simply withdrawing their investment. The "constructive engagement" argument is convenient, since it enables firms to profit from a system they claim to abhor, but there is little evidence that British companies have ever used their influence to encourage majority rule in South Africa.

If Shell and BP were genuine in their claims to have a progressive influence on the Southern African scene, then there were four steps that they could have taken to demonstrate their commitment to majority rule:

1) Halt oil sales to the South African armed forces and police.
2) Cease new investment in South Africa.
3) Withdraw from Namibia.
4) Ensure that oil was not being supplied to Rhodesia.

Shell and BP have become involved in highly strategically important sectors of the South African economy. Even *if* the oil companies wanted to fight the apartheid system, they would find this was impossible because of the high degree of government control over the petroleum industry. But Shell and BP have little interest in fighting apartheid. The two companies are in South Africa to make a profit. The apartheid system, *in the short term,* is highly profitable for the firms involved.

Western economic links with South Africa actually represent a form of support to the apartheid system. Black organisations have therefore called for an end to collaboration with apartheid.

The liberation movements—the African National Congress (ANC), the Pan Africanist Congress (PAC) and the South West


SOUTH-AFRICA
BP
WE'RE BA KING
SOUTH AFR CA
BP

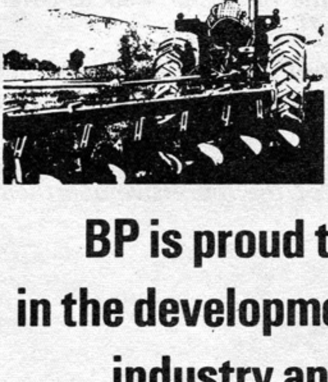
African People's Organisation (SWAPO) have all urged Western companies to pull out of South Africa and Namibia. Other black groups in South Africa—including the Black People's Convention, the Coloured Labour Party and the South African Students Organisation—have supported this stand. Even Chief Buthelezi, the Bantustan leader, has now come out against foreign investment after he had earlier positively encouraged outside investors. Buthelezi, along with Dr Beyers Naude, Director of the Christian Institute, recently issued a statement which pointed out that investment in the central economy was "devoid of all morality".[68]

Investment in South Africa is now increasingly seen as a risky venture from a financial viewpoint. Shell and BP may well be unwise in taking a decision to increase their investments in Southern Africa at the very time when political developments suggest major changes in the region.

First of all, the oil companies have subsidiaries throughout independent Africa and they could well face retaliation because of their involvement in the apartheid economy. Shell and BP are about to take a major stake in a massive £1,770m liquid gas plant in Nigeria. Yet the Nigerian Government has made it clear that it is seriously considering action against those companies operating in Nigeria which provide military assistance to the South African regime. Shell and BP, which now supply fuel to the armed forces in South Africa, could soon find themselves pushed out of their lucrative Nigerian operations.

Secondly, the OPEC countries may well use access to oil supplies as a powerful weapon in the Southern African liberation struggle. All OPEC nations, with the exception of Iran, have now voted their support for an oil embargo against the apartheid regime. Action could therefore be taken against the massive investments which Shell and BP still maintain in the producing countries.

Thirdly, Shell and BP may soon find that they have been backing a loser by aligning their interests with those of the white minority. Change will come first in Zimbabwe and Namibia. The two oil companies, which have been regarded as collaborators by the liberation movements, could find that their investments suffer. SWAPO, for instance, has issued a statement pointing out that "Shell and BP have placed them-



selves on the frontline of the battle—on the side of our enemy—and SWAPO will judge such companies harshly when Namibia achieves its independence".[69] Revolutionary change must also come to South Africa: the Soweto riots are just the tip of the tensions that exist within South African society. Companies like Shell and BP, which have been firm supporters of white power, may well find that the struggle for majority rule will affect their massive investments in South Africa.

The British Government should take steps to force Shell and BP to withdraw from South Africa. The fact that the UK Government is the majority shareholder in BP makes it imperative that immediate action be taken to make the company pull out of the apartheid regime. One recent example of the way in which BP's policy is out of step with its major shareholder was revealed by reactions to the "independence" of the Transkei on 26 October 1976. The British Government refused to recognise the Transkei on the grounds that the new state would "not really be independent".[70] BP, on the other hand, took a full page advertisement in the *Financial Mail* to offer its "Congratulations to the Transkei".[71]

Shell and BP, by operating in South Africa, have been helping to prop up—and profit from—the apartheid system. While the two petroleum companies continue to do business in South Africa they are oiling the wheels of apartheid. Shell and BP have now become an integral part of the repressive apartheid system.

APPENDIX I:
Liberation Movements condemn Shell and BP

African National Congress

The reported decision by British Petroleum's subsidiary in South Africa to step up its investments to the tune of £250m in the next five years, at a time when the eyes of the world are focused on that country, must be seen in its correct perspective: that of assisting the racist regime in South Africa.

The capital for investment coming from the parent company, which is controlled by the British Government, implicates the UK Government in direct support of the white racist regime of South Africa. This action by BP and the British Government is in direct opposition to the aspirations of the oppressed people of South Africa who are demanding—through the United Nations, the Organisation of African Unity and the Non-Aligned Conference—an economic, political and cultural boycott of South Africa.

Hitherto, South Africa has failed to discover oil deposits. The racist regime is totally dependent on the importation of oil obtained through the multinational oil cartels, such as Shell and BP. The oil companies have used South Africa to supply the illegal racist minority regime of Zimbabwe with oil. This must be condemned in accordance with United Nations resolutions on Zimbabwe. It is also the oil supplied by these cartels which was used by the military to drive the vehicles, helicopters and airplanes during the uprisings in Soweto and other areas in South Africa. These cartels assist in propping up the South African economy against the needs of the people who are oppressed by the regime.

The African National Congress repeats its demands for the total embargo of oil to South Africa and Zimbabwe. Any revelations of the role of multinational companies and oil cartels aiding and abetting the South African regime can only further expose British complicity with apartheid.

Reg September
Representative in Britain
African National Congress (ANC)

Pan-Africanist Congress

The Pan-Africanist Congress of Azania condemns the involvement of companies like Shell and BP in the South African economy. The giant oil companies play a major role in supplying the apartheid regime with petroleum, thereby breaking the embargo called for by the 86 nations of the non-aligned movement. The oil companies continue to sell fuel to the South African armed forces and police. In addition petroleum is being supplied to the illegal Smith regime in Rhodesia.

Company chairmen argue that they are agents of peaceful change in South Africa. Politicians plead for gradualism, and for critics to be patient. Apartheid, they say, will die of attrition beneath the weight of economic logic. But investment in South Africa represents investment in apartheid.

The Pan Africanist Congress is fighting for the principle of self-determination for the African people in South Africa. The movement will seize power from the racist apartheid regime and retrieve all land stolen from our people by the settlers. The means of production will be restored to the rightful owners—the toiling masses—and the means of production will be publicly owned. The working people will enjoy equality of status in the ownership of land, factories and mines in South Africa—and an equal chance of employment in these enterprises.

This is the message of the Pan Africanist Congress to Shell and BP—and all the big battalions of profit-makers which are operating in South Africa. *The PAC calls for the withdrawal of all Western oil companies from South Africa.*

Vuyani Mngaza
Representative in Britain
Pan Africanist Congress (PAC)

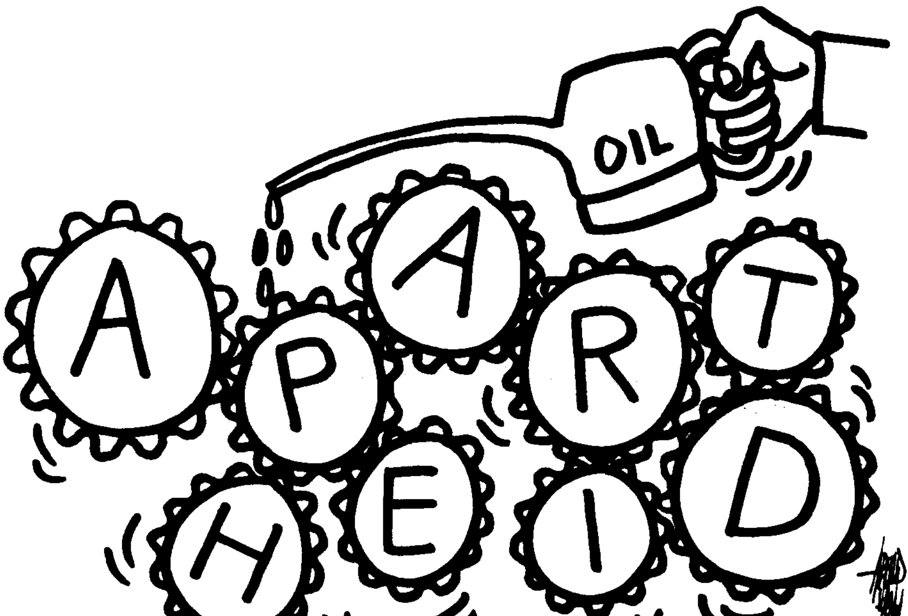
South West Africa People's Organisation

SWAPO strongly opposes the involvement and investment of foreign companies such as Shell and BP in Namibia. It is our view that foreign investment in Namibia is one of the major factors contributing to the continuing presence of South Africa's illegal occupying forces in our country.

By their presence, their collaboration with the occupying regime, and their ready acceptance of job reservation and labour controls, foreign companies are helping to perpetuate South Africa's exploitation of our people. Shell and BP are taking advantage of the immediate political situation in Namibia by trading there. Moreover they are heavily involved in South Africa itself. Thus they are helping to finance and sustain the South African economy and its military machine, enabling South Africa to continue to defy international pressure for change.

Through these actions Shell and BP have placed themselves on the frontline of the battle—on the side of our enemy. SWAPO will judge such companies harshly when Namibia achieves its independence.

Peter Katjavivi
Secretary for Publicity and Information
South West Africa People's Organisation (SWAPO)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APPENDIX II:
Labour's Programme

The National Executive Committee of the British Labour Party issued an important statement on South Africa in August 1976. 1976. The recommendations of the statement, which were approved at the Party's conference the following month, would —*if* implemented—go a considerable way to reduce Britain's involvement in apartheid. Those of the recommendations which would affect the operations of Shell and BP in South Africa are listed below:[72]

* *Ensure that British companies already there create the conditions necessary for the proper functioning of free African trade union activity.*
  No Shell or BP employees in South Africa are trade union members.
* *Ensure the ending of all relationships with South African security forces.*
  Shell and BP both supply fuel to the South African armed forces and police.
* *Ensure that the export of capital goods to South Africa cease and ban the transfer of patents and licence rights.*
  Shell and BP are providing sophisticated technology for the development of South Africa's oil, petro-chemical and mining industries.
* *Ensure the repatriation of profits earned in South Africa to prevent further investment.*
  Shell and BP are reinvesting all their profits to help finance their massive expansion in South Africa.

* *Prohibit all further investment by British companies in South Africa.*
  Shell and BP have announced plans to invest £400m during the next five years.
* *Investigate the possibility of nationalised industries withdrawing their investments from South Africa.*
  BP has nearly £150m invested in South Africa. Sixty-eight per cent of the shares of BP are owned by the British Government.
* *Work at the UN towards a mandatory ban on all trade with apartheid South Africa.*
  Shell and BP supply nearly £300m worth of oil products to South Africa every year.
* *Ensure that all British companies operating in Namibia . . . withdraw from the occupied territory.*
  Shell and BP continue to market petroleum products in Namibia.
* *There should be an intensification of sanctions against the illegal regime [in Rhodesia].*
  Evidence suggests that the South African subsidiaries of Shell and BP are involved in supplying petroleum products to Rhodesia.

APPENDIX III:
Chronology of Recent Developments

1977	
1 March	Publication of *Shell and BP in South Africa*
31 March	President Kaunda reveals that the Zambian Government is considering legal action against the oil companies involved in sanctions-busting
8 April	Dr Owen sets up an official inquiry into allegations of sanctions-busting by Shell and BP
10 April	It is revealed that Lonrho is considering legal action against the oil companies which have been supplying Rhodesia via South Africa
25 April	The Haslemere Group and the Anti-Apartheid Movement release a detailed Submission to the official British inquiry outlining evidence of sanctions-busting by Shell and BP
28 April	Thomas Bingham QC is appointed to head the official British inquiry into sanctions-busting
21 May	The UN conference on Zimbabwe and Namibia, held at Maputo, calls for the tightening of oil sanctions following strong statements by the liberation movements
31 May	Lonrho formally starts legal proceedings against Shell, BP, Mobil, Caltex and Total for breach of contract. It is alleged that the oil companies, by supplying Rhodesia by road and rail from South Africa, have contravened an agreement under which they undertook to use the Lonrho-controlled pipeline from Beira to Umtali. Lonrho claims £100 million in compensation
15 June	Commonwealth leaders, meeting in London, condemn oil sanctions-busting as 'a crucial factor in the survival of the illegal regime'. The Commonwealth Committee on Southern Africa is requested to make an urgent study of the problem
16 June	Dr Owen acknowledges that the South African subsidiaries of Shell and BP are supplying Rhodesia. In a BBC interview he says: 'We all know that oil sanctions-busting goes on. The question is, does it go on with the connivance of

	international companies based in this country and the United States, or is it going on purely because their subsidiaries in South Africa break the system?'
5 July	The Organisation of African Unity (OAU) decides to send a seven-nation Ministerial Committee to the oil-exporting countries. These states are urged to tighten the oil embargo against South Africa and Rhodesia
8 July	The Commonwealth Secretariat announces the establishment of a ten-nation Working Group on Sanctions to make recommendations for tightening the oil embargo against Rhodesia.
5 September	President Kaunda asks President Obasanjo of Nigeria to urge OPEC members to take steps to cut off oil supplies to South Africa and Rhodesia
8 September	The Zambian High Court authorises the issue of writs against Shell, BP, Mobil, Caltex and Total. Zambia claims that the oil companies helped Smith declare UDI in 1965 – by building up oil stockpiles in Rhodesia while depriving Zambia of supplies – and that they have sustained the illegal regime by continuing to meet the country's fuel requirements. The Zambian Government's claim for compensation exceeds £4,000 million
19 October	The Commonwealth Committee on Southern Africa, after studying a report prepared by the Working Group on Sanctions, adopts recommendations for tightening the oil embargo against Rhodesia. Commonwealth governments unanimously agree that the South African Government should be approached to give guarantees that no oil will be supplied to Rhodesia. In the absence of such guarantees, it was decided, the oil embargo should be extended to cover South Africa.
4 November	The UN Security Council unanimously imposes a mandatory embargo on the supply of arms and related material to South Africa
18 November	The UN Sanctions Committee, following a detailed study, presents a report to the Security Council on tightening sanctions against Rhodesia. Proposals for strengthening oil sanctions are suggested by committee members
16 December	The UN General Assembly overwhelmingly approves a resolution on Rhodesia which calls on the Security Council to impose an oil embargo against South Africa 'in view of the fact that petroleum and petroleum products are transported from South Africa into Southern Rhodesia.'

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2 Labour Party Manifesto, February 1974.

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28 Official figures

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52 John Suckling, in *The Investment Factor* (London: Study Project on External Investment in South Africa and Namibia, 1975), p 17.

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Further Information

Organisations:

Anti-Apartheid Movement, 89 Charlotte St, London W1P 2DQ (01-580 5311)

Haslemere Group, 467 Caledonian Rd, London N7

African National Congress (ANC) of South Africa, 28 Penton Street, London N1 9PR (01-837 2012)

Pan Africanist Congress (PAC) of Azania (South Africa), 42 Chaplin Rd, London NW2

South West African People's Organisation (SWAPO) of Namibia, 21/25 Tabernacle St, London EC2 (01-588 1878)

KAIROS Working Group, Cornelis Houtmanstraat 17, Utrecht, Netherlands

Ecumenical Study and Action Centre on Investments (OSACI), Johannes Verhulstdtraat 178, Amsterdam, Netherlands

Publications:

Sami Faltas, *Shell in South Africa* (Amsterdam: KAIROS Working Group, 1976), obtainable for £1.50 from KAIROS Working Group, Cornelis Houtmanstraat 17, Utrecht, Netherlands.

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Barbara Rogers, *The Expansion of Foreign Oil Companies in South Africa* (New York: Interfaith Center on Corporate Responsibility, 1976), paper obtainable for $1 plus postage from Interfaith Center on Corporate Responsibility, 475 Riverside Drive, New York, NY 10027.

Barbara Rogers, *White Wealth and Black Poverty* (London: Greenwood Press, 1976).

HASLEMERE GROUP

467 Caledonian Road, London N7

The Haslemere Group was founded in 1968 to discuss the social and economis crisis facing the developing countries, the failure of the rich industrialised countries such as Britain to recognise their responsibility for this crisis, and the urgent need to draw effective public attention to these issues.

Haslemere pamphlets available from Third World Publications, 151 Stratford Rd, Birmingham (prices include postage):

Shell and BP in South Africa, by Martin Bailey, 1976, 35p

Barclays and South Africa, by Martin Bailey, 1975, 12 pages, 30p

Who Needs the Drug Companies? , 1976, 44 pages, 50p

Get off their Backs! Trade and Investment in the Third World, by Paul Cavadino, 1972, 24 pages, 30p

Cocoa: The Beginnings of a Trade Union of the Third World, 1973, 19 pages, 25p

ANTI-APARTHEID MOVEMENT

89 Charlotte Street, London W1P 2DQ (01-580 5311)

The Anti-Apartheid Movement is the main action group in Britain fighting minority rule in Southern Africa. Membership of the Anti-Apartheid Movement (which includes a subscription to *Anti-Apartheid News*) is £5 a year (£3 for students).

A publications list is available on request. Recent publications include (please add postage to prices):

Anti-Apartheid News, monthly, £3 pa (including postage)

South Africa: The Crisis in Britain and the Apartheid Economy, by Dorcas Good and Michael Williams, 23 pages, 1976, 50p

Foreign Investment and the Reproduction of Racial Capitalism in South Africa, by Martin Legassick and David Hemson, 16 pages, 1976, 50p

Papers presented to the conference on Southern Africa and the British Trade Union and Labour Movement, 6 November 1976, 50p

Apartheid: A Threat to Peace, by Abdul S Minty, 14 pages, 1976, 25p

Guardians of White Power: The Rhodesian security forces, 17 pp, 1978, 50p

A wide variety of posters, priced from 15p to 50p, including *Shell and BP Fuel Apartheid,* 15p