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IMPLEMENTING AN EFFECTIVE OIL EMBARGO AGAINST SOUTH AFRICA: THE CURRENT SITUATION

by

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The Sanctions Working Group is a New York-based non-governmental organization actively involved in research on Apartheid South Africa. The views expressed are those of the Group.)

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Introduction

Despite the many proposals and resolutions passed at the United Nations, the Organization of African Unity (OAU), and other intergovernmental organizations on an oil embargo against South Africa, the apartheid régime has consistently been able to obtain its required oil supplie . It is estimated that in recent years South Africa has imported between 300,000 and 400,000 barrels of crude oil per day (b/d), plus an average of 15,000 b/d of refined oil products. 1/

This paper attempts to show, with selected examples, how South Africa secures access to oil by acquiring potential oil-producing properties abroad and by transport manipulations of tankers delivering oil, for instance, from the Middle East to Europe. It also attempts to show examples of direct actions taken by oil workers, tanker crew, citizens and Governments which led to the successful stoppage of oil to the apartheid régime.

I. How South Africa secures access to own oil abroad

There is one area of planning for an oil embargo against South Africa that has, as yet, received little attention. It involves South African efforts to ensure access to oil by direct control of external oil exploration and production. Oppenheimer's Anglo American Corporation, a $15 billion dollar minerals empire, has taken the lead in this venture.

1. Beaufort Sea

In late March 1980, a sudden shift in the fortunes of the Hunt Brothers, United States corporate giants famous for their silver market speculations, gave Anglo access to important prospecting rights in the Beaufort Sea, north of Canada.

The Hunts had been buying silver speculatively for years, pushing the price up and making vast paper fortunes. But in early 1980 the price plunged, and the Hunts found themselves unable to pay for silver they were pledged to buy at the old high price. One of the largest contracts was with Engelhard Minerals and Chemicals Corporation, and involved an agreement to buy 19 million ounces of silver at $35 an ounce, with payment due 31 March. On 1 April Engelhard announced that the Hunts had not been able to meet this payment, and had instead, as part of a settlement, transferred to the company a 20 per cent undivided interest in each of the blocks of permits that they held for exploration in the Beaufort Sea. The concessions cover a total of some 3.5 to 3.7 million acres, their value has been conservatively estimated between $300 and $700 million.

Efforts were made to alert both Government officials and concerned groups in Canada to the South African connexion involved in this deal. Anglo American has a controlling 29 per cent interest in Engelhard Minerals via its Bermuda based holding company, Minorco. Several Canadian groups, including indigenous peoples and trade unions, have already been campaigning against foreign control of Canadian resources, so that there appears to be a good basis for forming a broad alliance to oppose the transfer of Canadian oil interests to a fundamentally

South African controlled company. Unfortunately the Canadian Government moved very swiftly to allow the transfer (which was subject to review and possible refusal by a special Government agency).

But only the first round is over. The Toronto Committee for the Liberation of Southern Africa (TCLSAC) has already raised a number of questions in Canada about the implications of the Hunt-Engelhard deal for the oil embargo against South Africa. There are likely to be more opportunities to mobilize opposition to South Africa oil ownership in the future.

Engelhard has indicated it may consider exchanging the exploration rights for producing properties elsewhere. This would put it in direct control of crude oil. Prospecting in the Beaufort Sea has only begun recently, but there are already a number of sizable finds, and an official of one exploring company said in June 1980 that oil shipments might begin in 1985 and reach one million barrels a day in 1990.

The oil for silver deal is only the most prominent example of a consistent trend which presents important possibilities for future action in several countries.

Anglo American has already acquired considerable international holding in oil exploration and producing companies, primarily through Minorco, but often through several intermediary holding companies. In this fashion Anglo controls 62 per cent of Canadian Merrill Ltd., a company involved in oil and gas exploration, development and production in Canada and the United States of America. It has an 80 per cent interest in Francana Oil and Gas Ltd., a Canadian based oil exploration and development company also active in the United States and Canada. Francana in turn controls Trend International and Trend Exploration - companies with interests in the United States, Canada, Indonesia, Paraguay, the Philippines and the United Kingdom. 2/

2. Namibia

The recent announcement that oil prospecting in Namibia is to be intensified presents another important basis for mobilizing opposition to oil for South Africa.

In mid-June it was announced that Superior Oil (United States) had signed a contract with Etosha Petroleum to begin test drilling on portions of Etosha's 120,000-square-mile concession in northern Namibia. Etosha is controlled by Brilund Corporation which is incorporated in Canada, but it has United States officers. It has had oil concessions in Namibia since 1959, and its president, Emanuel Rosenblat, has repeatedly hinted that "big things are just over the horizon". Superior's current interest seems to confirm recent rumors that oil has indeed been struck in some of the test wells already drilled under Etosha management.

Oil in Namibia will provide South Africa with yet another incentive for denying independence. An international campaign against all companies assisting in developing the Namibian oil at this stage would appear to deserve a high priority in strategy planning.

II. Transport manipulations

1. Tanker S.S. Salem

The S. S. Salem (formerly South Sun), a Monrovia registered 213,928 deadweight-ton tanker, owned by Oxford Shipping Company (believed to be a subsidiary of American Polmax International Inc. of Houston, Texas) sank off the coast of Senegal on 17 January 1980. On board the Salem was a cargo of 190,000 tons of Kuwaiti crude oil under sales contract between Kuwait and Pontoil, an Italian-based trader. Investigations on the sinking of the Salem show that the Salem had previously secretly off-loaded most of its cargo at Durban, and was laden with seawater when it sank.

The S. S. Salem left Kuwait with the cargo of crude oil on 10 December 1979 and headed for Europe via the Cape of Good Hope. While on the high sea, Pontoil sold the Salem's cargo to Shell International Trading for delivery to Europe. On 27 December, the Salem changed its mane to Lema before approaching the port of Durban. It was found later that the tanker Lema was booked into its mooring at Durban well ahead of its arrival, and the sale of 176,000 tons of its oil had been arranged weeks before. (It is interesting to note that the single mooring buoy at Durban is operated by a 50-50 joint venture of Shell and BP South African Refineries, SAPREF). Much later it was disclosed that Sasol (South African Coal, Oil and Gas Ltd.) had arranged for the financing of the purchase of the South Sun (later renamed Salem) through two South African banks, Merca Bank and Volkskas, as advance against the delivery of the oil. It was also known that Sasol paid for the bulk of the oil unloaded in Durban, even though Dr. Schalk van der Merwe, Minister of Trade and Industries, emphatically states that South Africa had no part in the secret oil purchase. 3/

The Salem incident illustrates some of the elaborate mechanisms of the surreptitious scheme used by South Africa to obtain an illegal supply of oil.

2. "Double loading scam"

A second type of transport manipulation is the double loading of tankers. A preliminary analysis of tanker data suggests that some tankers load crude oil in the Middle East and indicate that the oil is destined for Europe. Then some or all of the crude is off-loaded in Durban or Capetown. The empty tankers then proceed north up the West African coast to another crude loading point, the main ones being Warri and Port Harcourt in Nigeria (but also Cabinda in Angola, or Gabon). The tankers load crude again at one of these export terminals and proceed to their European destinations, for final off-loading.

In order to detect and halt the "double loading scam" it would be useful to have: (a) requirements in West African loading terminals for documents from the ship's master listing the tanker's ports of call in a preceding and specified period of time. The oil exporting country can refuse to load if there is evidence that the tanker has just off-loaded any oil in South Africa; 4/ and (b) requirements from the original Middle East oil exporter that the ship's master and the buyer provide the exporter with documents showing that the oil was actually delivered to the refinery specified in the end-user clause of the oil sales contract. However, such documentation may be insufficient because tankers apparently transfer crude to other ships outside South African ports, while still at

sea, as discussed later. This practice results in the possibility of double loading without records of the tanker which loaded in the Middle East having put into port in South Africa. Therefore, it would be useful to have a further detection mechanism (c) requiring that the tanker master provide to the terminal authorities at, say, a West African crude exporting point, with documentation showing where and when any crude was last loaded on the tanker in question.

3. Crude transfer during breakdowns

A third type of transport manipulation is the transfer of crude from a tanker which has claimed a need for repairs in the vicinity in South Africa to another tanker in the area which then takes the oil into Durban or Capetown. The original carrier which has claimed mechanical breakdowns undergoes repairs at sea after discharging its load into the second tanker, and then proceeds empty back to the Arabian Gulf for another load of crude.

The transfer of crude at sea is a particularly useful method of getting embargoed crude to South Africa because (a) there are few or no public records of the transaction, and (b) there is significant economic incentive for an empty tanker coming around the Cape for loading in the Middle East to spend 2 to 3 days taking oil from a "crippled" tanker and bringing the crude into Durban, for example, at a typical fee of about $500,000 for a large tanker.

A preliminary survey indicates an escalating number of tanker breakdowns in the vicinity of South Africa in recent months. It may be useful for oil exporters to secure records of the tanker's breakdown history and sailing schedules prior to allowing it to load, especially if the tanker is being loaded at an unusually short time after an earlier loading.

III. Direct Action

A number of direct actions by oil workers, tanker crewmen, citizens and Governments in 1978-80 heighten the prospect of a successful oil embargo on South Africa. These instances include strike action to shut down exports of oil; nationalization of an oil company because of its deliberate involvement in supplying oil to South Africa; popular opposition to State collaboration with South Africa in an oil supply deal; revelation by a tanker crew-member of illegal off-loading of oil in South Africa; refusal by oil workers to handle ships which are involved in South African trade; and finally, suspension of an oil sales contract by an exporting country to an oil company. Important insights into the possible forms of action which might be organized internationally can be gained from examination of the execution and implications of the following cases.

A classic case of direct action is the 1978 decision of Iranian oil workers to stop oil sales to South Africa. Iran had up to then supplied 90 per cent of South Africa's crude imports. Strikes by day-labourers and staff employees in the Ahwaz oilfields and by Abadan refinery workers led to a nationwide general strike which resulted in the imposition of an oil embargo on South Africa and Israel by the new Iranian Government.

Nigeria nationalized BP's substantial holdings in 1979 for selling crude oil to South Africa. The sales had the consent of the British Government. Nigeria's action denied BP 300,000 b/d. The Nigerian Government stated that the British decision on oil sales to South Africa would mean that "North Sea oil will be released to South Africa while Nigerian oil is made to take its place in European markets". In addition, the Nigerian Government cancelled BP's contract to buy 100,000 b/d of Government oil.

In 1979, the people of Dominica unseated the Prime Minister for making deals with South Africa which allowed the apartheid régime to build an oil refinery and a petrochemical plant on the island. South Africa was attempting to use Dominica as a new oil trading partner and intermediary to gain access to crude.

The Oilfield Workers' Trade Union of Trinidad and Tobago has initiated actions since 1977 to refuse to bunker ships taking arms to South Africa, to press for stricter Government scrutiny of Texaco's and other oil companies' operations and to expose Texaco's assistance to tankers which transport oil products and other merchandise to South Africa. The complicity of Texaco with the apartheid régime was made public, and other Trinidadian workers have followed the initiative of oil workers in blocking trade with South Africa. 5/

After the Salem incident, the Ministry of Oil of Kuwait suspended all shipments of oil to Pontoil because of a clandestine sale of oil to South Africa. Pontoil will never receive Kuwaiti oil again, the Ministry stated. (Pontoil had been getting about four million tons of crude a year.) Additionally, the Oil Ministry announced that "buyers would be required in future to submit documents specifying the destination and port of call of tankers carrying contracted oil from Kuwait, and that foreign oil companies will be required to sell the oil only to the country mentioned in the contract". Clients are being notified of the new contract terms.

The secret that the tanker Salem had made a non-scheduled stop at Durban and discharged its cargo of oil there was exposed by a Tunisian crew member on board the tanker. This disclosure made it more difficult for the tanker owner, the South African Government and others involved to hide the evidence that a shipment of oil had been illegally delivered to South Africa.

IV. South Africa's other oil trade

Recently the Sanctions Working Group has begun to investigate another aspect of the South African oil supply situation. South African oil refineries produce a mix of refined products which is not completely suited to the domestic consumption pattern, and hence must export some surplus refined products. While the extent of this export effort is unknown, sources indicate that in at least one case an Asian oil importing country raised serious objections to allowing imports of refined products which came from South Africa. This example, suggests that it may be feasible and worthwhile for oil sanctions to begin to devote some efforts to this area. One obvious benefit of such successful efforts would be to raise the effective cost to South Africa of imported crude oil (since it would reduce the off-setting revenues from surplus product sales). But, in addition, a boycott of imports of South Africa refined oil products could also allow the effective mobilization of many groups and Governments in oil importing countries, particularly in the third world, against the racist South African régime.

V. Conclusion

The examples outlined in this paper yield a number of concrete possibilities for making the oil embargo against South Africa more effective. First, South African companies and the racist régime are attempting to secure oil producing properties abroad, as the examples of the Beaufort Sea and Namibia suggest. Therefore, it is vital that progressive forces expose and resist the efforts of South African interests to actually own oil rights in any part of the world. All oil exploration work in Namibia must be stopped until that country is independent under SWAPO's leadership.

Second, analysis of the oil and tanker markets reveals a range of transport manipulations which must be blocked if the embargo is to be effective. The S. S. Salem case involved the delivery of Kuwaiti crude, owned by Shell, to the Shell-BP operated mooring at Durban, with Shell receiving payment for the oil. Among the methods for stopping this type of manipulation are (a) more stringent contracts imposed by oil-exporting countries requiring that foreign oil buyers sell the oil only to the country mentioned in the contract (Kuwait has adopted this method); (b) refusal by oil-exporting countries to deal with tankers, tanker-owners, charterers and crude buyers that have supplied oil to South Africa; and (c) incentives to ship owners which would encourage them to refuse requests from charterers for release of cargoes to South Africa.

The "double-loading scam" can be challenged if the authorities in oil-exporting countries determine, before loading a tanker, where and when the ship last loaded crude and where it off-loaded any part of this cargo (by consulting the tanker master's log). Tankers arriving empty or part-loaded from the Cape to West Africa are clearly suspect in this "double-loading scam". Exporting Governments should follow the Nigerian example and refuse to handle tankers which called at South Africa in the previous six weeks.

The transfer of crude during tanker "breakdowns" can be made more costly if exporting countries (a) refuse to load tankers which have undergone questionable "repairs" in South African waters, and (b) require that all tankers sailing in the vicinity of South Africa which take on bunkers and supplies (or for any reason stop in South African ports) provide a statement that they did not deliver oil (or transfer oil), as a condition of being loaded by the oil-exporting country.

Third, a number of direct actions were taken against suppliers of oil to South Africa: these actions must be generalized to involve more than one union, Government or tanker crew member. For example, it was vital in exposing the S. S. Salem's name change (to Lema) and delivery of oil to South Africa, that a Tunisian crew member reported this information even though all crew had been offered bribes to remain silent. All tanker crews must be informed about the oil embargo and motivated to make reports through (a) encouraging political solidarity, and (b) making available money rewards. More broadly, oilworkers' unions and exporting (or transshipping) countries must coordinate actions to halt, detect and penalize embargo breakers.

Finally, the export of oil products by South Africa can be challenged. Oil importing Governments should inform oil suppliers that they will not accept products exported from South Africa and that any attempt by suppliers to provide

South African oil products will result in reprisals, including the cancellation of the purchasing contracts. Of special importance in this regard is the current dependence of countries bordering South Africa on the racist régime for oil supplies. The provision for alternative supplies for these countries is essential in making it possible for them to support the oil embargo against South Africa.

The more effective the international campaign becomes, the more illegal and desperate will be South Africa's efforts to secure its life-blood, oil. Recognizing this, our solidarity with the liberation struggle requires an increasingly in-depth analysis of the possibilities for halting the supply of oil to apartheid South Africa.

The Sanctions Working Group fully supports the existing arms embargo against South Africa and calls on the Security Council to pass a similar resolution for an oil embargo. A Security Council oil embargo is urgent, and the enforcement of the existing international oil embargo is vital because, without the assured supply of oil, the apartheid régime will be unable to launch massive criminal acts of aggression against the front-line States, particularly Angola and Zambia. An intensified international campaign on sanctions and embargoes, including the oil embargo, against South Africa is needed in order to bring about an end to apartheid, racism and oppression in South Africa and Namibia.

NOTES

1. Martin Bailey, Oil Sanctions: South Africa's weak link, Notes and Documents 15/80, April 1980

2. The Oppenheimer oil connexion, a study by the Sanctions Working Group

3. How South Africa obtains illegal supplies of oil: a case study S. S. Salem. Sanctions Working Group, May 1980.

4. In May 1979, the Nigerian authorities seized the VLCC Kulu, beneficially owned by South African interests, as part of their campaign against countries they consider politically undesirable. Subsequently, vessels in any way associated with South Africa, Namibia, Zimbabwe-Rhodesia or Israel have been banned from Nigerian territorial waters. Any vessel which has called at or off a port in those countries during a period of six seeks immediately preceding the vessel's arrival in Nigeria is similarly precluded from entry.

5. Oil: a weapon against apartheid. Proposals for action to cut off South Africa's supply of oil. Paper published by the Sanctions Working Group at the International Seminar on An Oil Embargo against South Africa, Amsterdam, March 1980.