American Committee on Africa

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To: Representative Ronald V. Dellums
United States House of Representatives

From: Charles Hightower, Washington Director

Date: April 5, 1971

Subject: The Gulf Oil Investment in Southern Africa

Enclosed find material relating to investment of the Gulf Oil Corporation in Southern Africa. According to a report prepared by Mr. Watambwa S. Zvoma for the Office of Information of the United Presbyterian Church, most of the Gulf investment is located in the Cabinda area of Angola where Gulf began tapping the oil reserves in 1967. To date it is estimated the total Gulf investment in Southern Africa is more than $125 million.

Gulf operations in Cabinda have made that Angolan region the number four oil producing development in Africa and the 20th most important in the world. The Cabinda region contains some 3,000 square miles, a coastline of 93 miles, and extends inland from the Atlantic coast for 70 miles at its widest point. (See map included)

Last year, Gulf set its export rate for Cabindan oil at 150,000 barrels a day or 7.5 million tons. The Zvoma report states that Gulf is currently exporting about twice as much oil from Cabinda as the total oil consumption of Portugal which is about 75,000 barrels a day.

Writing on the effects of Gulf's Investments, Mr. Zvoma points out:

"The Portuguese Government, which has been spending almost 40 per cent of its annual budget on the anti-guerrilla war, has a bing stake in the Cabinda operation. It must repay part of Gulf's investments over a period of time in return for: A rental fee on the concession area, 12.5 per cent royalties at the wellhead and 50 per cent of the net profits, plus the right to buy three-eighths of the production at current market prices."

The Task Force on Southern Africa of the United Presbyterian Church in the United States has presented four resolutions to the Gulf Oil Corporation in an effort to change that firm's policies in the Portuguese colonies of Angola and Mozambique. These resolutions are to be placed on the shareholders' proxy form for a vote at the corporation's annual shareholders

meeting on April 27th at Atlanta.

The American Committee On Africa fully supports these resolutions; a copy of the proxy statement is also included for your information.

Encl(s)

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ATTACHMENT C

GULF OIL CORPORATION'S INVESTMENT IN SOUTHERN AFRICA

By

Watambwa S. Zvoma

Gulf Oil Corporation's total investment in Southern Africa now exceeds $125 million. Most of this investment is in one of Angola's provinces, the small enclave of Cabinda, where Gulf struck oil in 1967.

Cabinda is now rated as the fourth most important oil producer in Africa and the 20th most important in the world. It is an area of 3,000 square miles with a 93 mile sandy coastline, extending up to 70 miles inland. Cabinda confronts the Atlantic Ocean on the West, and is bordered on land by the Congo Republics - to the North and Northeast by Congo (Brazzaville) and to the East and South by Congo (Kinshasa). A narrow strip of Congo (Kinshasa) and the Congo River separate Cabinda from the main territory of Angola to the South. The major port and capital of Angola, Luanda, lies about 235 miles south of the port of Cabinda, and the headquarters for Gulf management team directing and coordinating the Cabinda operation is situated there.

The Manager of Cabinda Gulf Oil Company is R. F. Ward. He is assisted by J. G. Ferrel, Operations; Chris Andersen, Jr., Services; J. S. DeMaret, Financial Services; Manuel Alonso, Personnel and Industrial Relations; Wayland Aavre, Exploration; and Dr. Victor Homen de Almeida, Legal Counsel in Luanda. Engineer Jose da Veiga Lima, Chairman of the Board of Directors of Cabinda Gulf Oil Company in Lisbon; and Mr. A. Mendonca, Director, provide Mr. Ward with assistance in government relations.

Gulf commenced surface geological surveys in 1954 in this area, and three years later it obtained the initial concession. The oil prospectors were flown from Pittsburgh, Pennnsylvania, to probe offshore concessions that show first-sample promise. One of the world's biggest rigs, "Transworld 58", was commissioned in Rotterdam and towed to Cabinda.

In 1967 Gulf announced in Lisbon that it had struck it rich in Cabinda and set its export target of 150,000 barrels a day (7 1/2 million tons) by 1970. This figure is twice the total consumption of oil for Portugal, whose present consumption amounts to only 75,000 barrels a day.

The first shipment of oil from Cabinda was made in November 1968 when 40,000 tons of oil were shipped to a refinery in Denmark. Since then huge tankers have tied up almost daily at the offshore loading point and Gulf contends that it is maintaining its production target.

There is no certainty of the size of the Cabinda oil field as Gulf officials are reluctant to give an indication about this. Also, prospecting that began several years ago is not yet completed in another concession area, which is said to extend 40 to 50 miles in some places along the Atlantic Coast's continental shelf. With this added potential, it is more than likely that Gulf's original estimate will be surpassed.

Two more marine rigs have been brought in since Gulf's 1967 announcement and one of them is said to have struck oil at almost every bore. North of the town of Landana in the Cabinda area are more than 30 offshore drillings worthy of further exploration. Some Portuguese Government sources are reported in press reports as mentioning a figure of 12 1/2 million tons of crude oil a year from Cabinda, but some sources in Angola maintain that this is far short of the potential.

At the Cabindan oil terminal at Malembo, which has a tank farm with an eventual capacity of 1.2 million barrels, Gulf has cleared 3,000 acres of forest. There are workshops and accomodation for about 400 technicians, most of whom are Americans.

The vast spread, onshore and offshore, of equipment and manpower is part of the vigorous program of exploration and expansion of the Cabinda oil field.

So far, Gulf employs nearly 2,000 men, 500 of whom are expatriates. And, offshore alone, there are some 19 pieces of floating equipment in addition to the rigs.

Some analyses of the crude oil from Cabinda have indicated a high quality oil with a low sulphur content. The oil in the shallow reservoirs has an average API gravity of about 26 degrees while the deeper reservoirs contain a lighter waxy oil of about 36 degrees API gravity.

The oil collected from offshore centers is pumped to the onshore tank farm from where it is loaded at a rate of 4,200 tons an hour to a buoy off the coast. Huge tankers -- some with a capacity of up to 100,000 tons -- can moor at the buoy and take on crude oil cargoes.

The Cabinda oil field is presently Portugal's most successful oil operation. However, there are indications of further explorations in the future and these will undoubtedly be carried out by Gulf Oil Corporation adding to its present investments. One such operation is south of the Cuanza River, close to the Angolan capital, Luanda, where some senior Portuguese officials are reported to have indicated with some optimism and enthusiasm the possibility of this strike to equal that of Cabinda oil field. There is now a belief that there exists

one great oil reservoir running down the Angolan Coast. Two other companies have been mentioned as possible competitors with Gulf for concessions in the Cuanza area. These are Portuguese companies, PETRANGOL (Belgo-Portuguese) and SACOR (Portuguese).

It is hoped that this oil wealth will assist in the development of Angola outlined in the Third Development Plan (1968-1973).

EFFECTS OF GULF'S INVESTMENTS

The Portuguese Government, which has been spending almost 40 percent of its annual budget on the anti-guerilla war, has a big stake in the Cabinda operation. It must repay part of Gulf's investments over a period of time in return for: A rental fee on the concession area, 12 1/2 percent royalties at the well-head and 50 percent of the net profits, plus the right to buy three-eighths of the production at current market prices.

The first waves of terrorist insurgents to establish "the free democratic republic of Angola" outraged Dr. Salazar about eight years ago and he decided to defy the world and stay on to fight and develop Angola as Portugal's overseas province. That decision has sometimes looked a little dicey and dangerous. But from the Portuguese point of view the important thing is to hold on to Angola and other "Portuguese" territories. Dr. Marceleo Caetano disclosed that when he took over from Dr. Salazar in September 1968, he "coldly considered" the alternatives to staying in Africa. He concluded that there was no other way for Portugal but to stay there.

To Portugal, Angola is just another Brazil (not from the political side but from the economic gains to be exploited from there). Specifically cited are the benefits to accrue from the Cabinda oil wealth. It is from the revenue obtained from the oil profits that the Portuguese Government finances the cost of 50,000 men under arms in Angola to fight the African nationalists.

The Cabinda oil wealth also makes it much easier to find the much needed finance for the vital infra-structure which forms a major part of the over-all war campaign. For the building of hospitals, clinics, schools, as well as housing schemes, is being stepped up in the hope that it will help win over the local community to the side of the Portuguese authorities.

Also significant is the fact that the Popular Movement for Liberation of Angola (MPLA) operates from bases in Zambia and the two Congos. The Portuguese believe that if they stand any chance of coming to terms with the African Government, it is with President Kaunda that they might succeed. The bait is an improved rail outlet to the sea via Angola -- one that could be an improvement on the proposed Tanzania-Zambia rail link or that of Lonhro via the Congo. From Lisbon, Angola has never looked more promising than now with the infusion of foreign capital (including that of Gulf which is strategically the most important)

What is obvious in the context of Portugal's determination to stay in Africa is the significance of the Cabinda oil wealth. In the face of United Nations oil embargo threats, and the Portuguese sympathy for South Africa and Rhodesia, Cabinda could easily supply the oil needs of these countries and frustrate the international pressure on the racist government there. It is certainly Gulf's Cabinda operation which is an indispensable new variable in the international equation in Southern Africa. The geographical location of Cabinda rules out any complication resulting from the ever turbulent Middle East situation and this adds to its value. Both South Africa's and Rhodesia's oil consumption (whose supply is currently from the Middle East) can be obtained from Cabinda in the event of a successful oil embargo.

In Angola alone, Gulf's investments directly affect the fate of nearly six million people under Portuguese rule. But that is only part of the total effect; for reasons already pointed out, there are more than 30 million people in Southern Africa under European colonial racist regimes which benefit from the oil exploitation of Cabinda by Gulf.

Relations between the Portuguese settlers and the white Rhodesians and South Africa have become even closer than before with the change in the political trend of events. Ian Smith and his supporters have long enjoyed the Portuguese sympathy in their struggle to cope with the effects of the U.N. economic sanctions by using the ports of Beira and Lourenco Marques bringing oil to the Feouka Oil Refinery near Umtali. South Africa and the Portuguese are jointly undertaking the Cunene River hydroelectric and irrigation project for both southern Angola and South West Africa. Some South African farmers have already settled in southern Angola as cattle ranchers.

Direct gains from investments, apart from the returns which come in the form of profits, can be seen from the employment provided to the people in the recipient country, and some external economies, if any. But an examination of the Cabinda oil operation leaves a lot to be desired because nearly half of the 2,000 employees of Gulf are non-indigenous. Even in the area of training engineers or technicians, the local Africans do not get a share in the opportunities provided by Gulf apart from not being employed in skilled jobs.

Last year Gulf offered ten scholarships for training. All of them were granted to people of Portuguese origin -- four at the Industrial Institute of Quanda, two at the General

University Studies of Angola, and four at the Industrial and Commercial School of Cabinda. In addition, six Portuguese geologists with Gulf are being entered, progressively, in an 18 month program which takes them to the United States for three months to study Gulf operations. The conspicuous absence of African trainees among this training program emphasizes further the undesirable effects of Gulf's investment at Cabinda.

The magnitude of Gulf's undertaking was pointed out by one of the Cabinda managers, Mr. Ward, who said that it is "one of the major growth areas in the Corporation". It is therefore pertinent that Gulf be made aware of the role it plays in deciding the fate of millions in Southern Africa. For Gulf's investment provides not only revenue to the Portuguese Government, but also the oil needed for the transportation of arms, men and equipment used to fight nationalists in this part of the continent. It is imperative that Gulf be approached concerning this matter, if only to register a protest or complaint.

REFERENCES

1. The Orange Disc, July, August, 1967 and 1968.

2. The Orange Disc, March, 1965.

3. The Financial Times, July 23, 1969.

4. American Petroleum Institute, February, 1968.