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Newsletter on the OIL EMBARGO against SOUTH AFRICA

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NEW SRB REPORT on OIL EMBARGO 1989-1991

see inside pp. 7-16

SECRECY STILL GOVERNS SOUTH AFRICA'S OIL INDUSTRY

MOSSGAS: Fiasco evident, but nobody can be sued
SASOL: Fiction overrules facts, press muzzled

'Secrecy is essential', was Mr. F.W. de Klerk's conclusion when he, on 9 March 1983 (then as Minister of Internal Affairs), addressed South African parliament on the issue of supplies to the country's oil industry. *'The crux of the matter is not what is said overseas but what we say in South Africa'*, emphasised his colleague Mr. Danie Steyn, on 20 May 1985 when he, as Minister of Mineral and Energy Affairs, impressed upon parliament the need of a silent press on oil matters. These two policy principles still reign inside the South African government, despite the process of transition to democracy. The touchstone in question is the outcome of the recent rows on the country's 'white elephants' **Mossgas** and **Sasol**.

Although a special Auditor-General's report on the Mossgas project clearly shows the government's responsibility for the Mossgas fiasco and its financial burden of more than R 12 billion, normal criteria of economic viability and political liability do not count here. The government's defense is still that Mossgas (like Sasol) was a strategic investment and vital to national survival to counter the oil embargo.

When the South African monthly magazine *'The Executive'* in recent months started to raise serious questions on South Africa's oil industry, and, in particular, on hidden factors in the oil price administration and on excessive state protection of Sasol, the government chose not to apply the sanctions still provided for in the Petroleum Products Act to silence critical voices inside the country. Instead, now Sasol itself - since it was the main culprit in the Executive's articles - executed the penalty: Sasol made the articles subject to the South African **Media Council**, a rather inappropriate forum to settle an issue like this. For Sasol, however, the Media Council was the best instrument, because the publication was seen by Sasol as *'malicious in its intent and distorted in its content'*. Eventually the outcome was the same as it would have been under the Petroleum Products Act: the secrecy on the oil price and on Sasol's finances was safeguarded. *'The Executive'* had to give in and to settle on Sasol's terms.

Costs of Mossgas increased by 80 per cent

On 5 December 1991 Mossgas, the joint venture of Engen (Gencor) and the state-owned Central Energy Fund (CEF) in fuels-from-gas production, organised a big media event to present a report endorsed by the Auditor-General. The press conference was hosted by the South African minister of Mineral and Energy Affairs, Mr. George Bartlett. The report had been made by an outside consultant, Mr. Maurice E. Brooks based in New York, and was finalized on 16 september 1991. Although Mr. Brooks explicitly was not asked to comment on Mossgas' viability and on alleged corruption, his findings were very critical on the organisation and management of the project. The main conclusion were:

* Total costs increased by 80 per cent to R 9,805 million, compared with the 1987 estimate of R 5,447 million (in order to complete Mossgas ready for commercial production total costs are now estimated to be **R 12 billion**).

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In this issue:

* Major problems were caused by the technical complexity of the onshore project, i.e. construction of the conversion plants.
* Economic sanctions prevented qualified international contractors from participating.
* The managing contractor, BDL, a joint venture of Davy McKee (UK) and Bateman (SA), had no adequate resources, no proven track record on megaprojects and had to work with largely new hires.
* The required local content, i.e. the work by South African industry, of 80 per cent resulted in long delays and inflation.
* Schedules were not adjusted when delays became evident.
* Problems arising from limited South African resources and policy constraints were magnified by Sasol's obsession with secrecy.
* Cost data by the US companies Fluor and Badger on the Synthol engineering design were inaccurate.
* The government and Mossgas decided to push ahead with a costly and complex megaproject without adequate planning, definition, a sound cost estimate or even an experienced owner's organisation to control and manage the project.

'South Africa was under siege'

The fourth minister to oversee the Mossgas project since its start in 1987, Mr. George Bartlett, minister of Mineral and Energy Affairs, defended the government's decision to push ahead, despite its knowledge of the technical and financial problems involved, by saying: *'South Africa was under siege at the time and the sanctions screws were tightening'*. Referring to February 1987 when the government gave the green light for the Mossel Bay project, Mr. Bartlett stated: *'Those were bleak days indeed, survival and self-sufficiency were the order of the day'*. At that time South Africa was still involved in a war in Namibia and the noose of international isolation was tightening, and the minister did not hesitate to make plain that Mossgas was started because of strategic reasons: *'It was never considered to be a commercially attractive investment from a private sector point of view'*.

'The generals wanted diesel'

At the media conference at a site called 'the Wilderness' in December 1991, Mossgas managing director and Engen's chairman, Mr. Bernard Smith conceded that, apart from the strategic needs of the project, the South African government directly interfered in the project. Contrary to the initial design of the onshore conversion plant, Mossgas was ordered by the government to build a COD plant, a redesign to produce extra diesel at an extra cost of R 43 million, because 'the generals wanted diesel'.

Sanctions stopped entry of foreign expertise

Originally the onshore process route, as recommended to the Central Energy Fund (CEF) in 1985, was based on the so-called MTO/MOGD technology developed by **Mobil**, also known as the methanol route. In December 1988 CEF learned that the Mobil technology was no longer available because of US economic sanctions. Therefore, it was decided to take the synthol route as developed by Sasol.

Also because of the threat of US economic sanctions the government rejected the involvement of **Fluor**, as the managing contractor for the total Mossgas project organisation. Sasol had strongly recommended Fluor because of its superior resources and experience since Fluor had been the main contractor when the Sasol plants were built. In 1986 Fluor was one out of a list of six contractors seen as enough qualified. Besides Fluor, there were four other US companies (Bechtel, Foster Wheeler, Kellogg and Stone & Webster) and one Japanese company (Chiyoda). So, in 1986 European contractors were not seen as qualified. Economic sanctions reduced the list then to four: Fluor, Bechtel, Davy McKee (UK) and Lurgi/Uhde (Germany). Bechtel finally chose not to bid. The two European contractors were added although they would normally not be acceptable as contractors for a megaproject such as Mossgas. In the end the government did not accept Fluor because of its US origin and Lurgi/Uhde showed less project management. As a result Davy McKee was selected as the overseas partner in a new joint venture BDL with the South African engineering firm E.L. Bateman to become the managing contractor. So BDL, a group without a proven track record on such facilities was thus given the responsability for managing one of the largest plants complexes ever built. Eventually BDL had to do this with an organisation made up largely by newly hired personnel.

'Sasol's obsession with secrecy'

According to the report by Mr. Brooks two major problems, in the field of technology as well as in management of the Mossgas project, were caused by Sasol's poor performance. One was the failure to recognise early on that the synthesis gas feed resulting from the use of natural gas was significantly different from the process deriving from the coal feed used at the Sasol Two and Sasol Three plants at Secunda. This required major changes in the design and construction. The other basic problem was Sasol's 'obsession with secrecy' which obstructed the orderly flow of the work process and imposed considerable difficulty on managing the project. *'Sasol licenced its Synthol technology under the most stringent secrecy provisions we have ever encountered'*, was Brooks' conclusion. This led to the creation of a separate 'Principal Engineering Contractor' and divided the management responsibilities of the project. As a result the managing contractor BDL was effectively excluded from playing a technical and engineering role in management where the technical and cost decisions were made. This blurred the lines of authority, duplicated staff, increased the required number of people in the loop and increased the time required to reach decisions.

'Nightmare right from the start'

Apparently well aware of the impact of Mr. Brooks' report on Sasol's reputation, Sasol organised its own press conference just a day before the big Mossgas media event. At its press conference on 4 December 1991 Sasol's managing director, Mr. Paul Kruger, said that the management structure of the Mossgas project was 'a nightmare right from the start'. According to Mr. Kruger, Sasol was approached to manage Mossgas at an early stage, but declined *'as the project was not commercially viable from a capital investment point of view. We advised the Government strongly to find an owner for the project as soon as possible. Before Engen took over running Mossgas, overall project management was completely wrong'*. In response to criticism of Sasol's involvement by Mr. Brooks' report Mr. Kruger said Sasol never had any responsibility for project management and that its role was 'purely one of a licensor of technology'.

Engen to pull out?

In its latest annual report Engen, Gencor's oil division and the present manager of the Mossgas project, is remarkably cautious on the prospects of Mossgas. Engen' annual report states: *'The project has been delayed, and could be further delayed by difficulties associated with its scale, in a South African context and the complex nature of the process elements within its flowsheet. Start-up and commissioning is therefore also likely to be difficult'*.

Engen's annual report has been written under the supervision of its former chairman, Mr. **Derek Keys**, who is now leading the new super-ministry of Trade, Industry and Economic Coordination. As minister he will be responsible again for future funding of Mossgas. Mr. Keys, an auditor by profession, has previously worked for IDC and since 1986 he was chairman of Gencor which is controlled by the insurance house SANLAM.

Engen's equity is now limited to a 30 per cent share in the R 100 million Mossgas equity. The other owners are the Central Energy Fund (CEF) and the Industrial Development Corporation (IDC), both state-financed companies with a stake of 50 and 20 per cent respectively. Engen has the right to elect to follow this participation up to six months after the commencement of commercial production of Mossgas, which is expected to start in the end of 1993. If it does, Engen will have to contribute at least R1,440 million.

IDC has already announced it will not pick up its 20 per cent option in Mossgas equity capital.

Foreign loan to Mossgas' rescue

If Engen will increase its stake by taking up its option, 40 per cent of Mossgas' total funding will come from CEF loans, 40 per cent from equity and 20 per cent from commercial loans. If the current estimate of R12 billion holds up, the equity contribution by Engen will be R1,440 million, while CEF will pay R3,300 million in equity and R4,800 million in loans. The balance will come from foreign commercial loans with R2,400 million.

The bulk of foreign loans are being provided by the British securities house **Kleinwort Benson** and by a consortium of German banks consisting of the **Bayerische Vereinsbank**, **Bayerische Hypobank** and **Bayerische Landesbank**. These have opened credit lines for almost 80 per cent (R1,900 million) of the total amount. Other financial facilities have been sourced in Brazil, Italy, France and Austria at an effective interest rate of 14.25 per cent. Repayment to foreign creditors will start on 1 July 1993.

[Special report of the Auditor-General concerning the independent evaluation of the Mossgas project, Pretoria, 2 October 1991; Sunday Times (SA), 24 November 1991; Finansies & Tegniek (SA), 6 December 1991; Business Day (SA), 6 and 10 December 1991; The Star (SA), 11 December 1991; The Star Weekly (SA), 11 December 1991; Financial Times (UK), 13 December 1991; Financial Mail (SA), 13 December 1991/3 January 1992; Arab Oil & Gas (France), 16 January 1992; The Citizen (SA), 30 January 1992; Gencor Annual Report 1991]

'Inside Sasol': Profits are Subsidies

A leading article in the November 1991 issue of the South African monthly magazine *'The Executive'* has sharply questioned Sasol's profitability and, therewith, the secret state funding of the oil industry. Under the title 'Inside Sasol' the article showed that Sasol's profits on 1989/90 of more than R1 billion were made on the back of a package of several subsidies worth R1.1 billion. The article, written by the magazine's editor, Mr. Kevin Davie, was a plea for deregulation of the oil industry, for an end of apartheid economics, and for a public inquiry into the destination of the secret energy funds. In an editorial comment Mr. Davie concluded: *'Government has admitted Mossgas is a waste of money. But Sasol also appears to be a drain on the economy. Political reform will only succeed on a sound economic base. The appointment of an independent, public inquiry into the entire synfuel industry is a necessary first step'*.

The Equalisation Fund

According to 'The Executive' article the protectionist package for Sasol consists of three forms of subsidies. The first is a support formula for the synthetic fuel industry that guarantees Sasol will be profitable, whether oil prices are high or low. If the oil price falls below US $23 a barrel, this subsidy comes in. Sasol receives thus a minimum price for its refined products equivalent to a crude oil price of US $23 a barrel. It is funded from the **Equalisation Fund**, by a special levy of seven cents at the moment from every litre of petrol sold at the pump. The original purpose of the fund was to cover the difference between world oil prices and what South Africa had to pay through **middlemen** who were only willing to supply at a premium. Between US $23 and $28.70 there is no protection. Above $28.70 a barrel Sasol pays 25 per cent of its extra revenu into this fund. The fund is administered by the state. During 1989/90 the synfuel subsidy for Sasol was R539 million.

According to the latest report by the Auditor-General, reviewing the year 1 April 1990-31 March 1991, an amount of R209,854,000 was paid to Sasol 'in repect of import protection for the production of petroleum products from domestic raw materials'. The report also mentioned the total amount paid since 1 April 1985: **R1,290,660,000**. As before 1 April 1985 auditing on the Equalisation Fund has not been assigned to the Auditor-General's Office, the real total figure, therefore, is much higher.

Compensation to oil companies: nearly R1 billion!

For the first time in the Auditor-General's report figures were presented on subsidies to oil companies for 'their loss of refinery throughput in respect of synthetic fuel elements'

As a result of operation of the Sasol Two and Three plants at Secunda the loss of production by oil companies was compensated by the Equalisation Fund at an amount

of R122,735,000 on the year 1 April 1990-31 March 1991.
The total amount paid by the fund since 1 April 1985 till 31 March 1991 to the oil companies was **R940,077,000**. The oil companies involved are the foreign companies **Shell**, **BP**, **Mobil**, **Caltex** (Chevron and Texaco) and **Total**, and the local companies **Sasol** (as owner of Natref) and **Engen** which took over Mobil in 1989. Engen is still using the name Mobil as its brand name, but in April 1992 a new brand name will be announced by the company. Besides the Mobil brand, Engen also sells petrol under the name of Trek.

The transport levy

The second support system comes from the **transport levy** which is 9.2 cent on every litre at the moment. This levy covers commercial costs of moving crude oil or refined products from the coast. Operation of the pipeline network is the monopoly of the state, through **Petronet**, a subsidiary of Transnet (SATS). Sasol, based at Secunda, however, does not move its products from the coast and sells its fuel largely on the Reef. Sasol's transport costs are therefore much lower, only three cents a litre. The difference adds R324 million to Sasol's benefit.

The fiction of landed cost

The third type of protection is the most sophisticated one since it is based on an artificial oil price mechanism which is called the **in-bond landed cost (IBLC)**. At present the IBLC is 54.5 cents out of the total price of 143 cents a litre of 93 octane petrol at the Reef. The IBLC is the **major protection for all refineries** in South Africa. It was designed in the seventies to encourage the foreign oil companies to stay in South Africa. It operates as a basket of posted or contract prices of **refined products** obtained from four oil refineries outside South Africa. These are three refineries in Singapore owned by Shell, BP and Mobil, and one in Bahrain owned by Caltex. The price (i.e. the FOB value of a litre of 93 octane petrol based on the average cost of the four refineries) is calculated by the oil companies themselves, and they benefit from it. Added to this price are then the costs of shipping (a weighted average of ocean freight to South Africa from the Bahrain and Singapore ports), marine and war insurance, ocean loss, and wharfage (landing charges levied by Transnet-Portnet). The IBLC thus appears to set South African domestic fuel prices at international market prices. In reality **crude oil** is brought into the country aboard large tankers, almost all of them sailing from the Middle East directly to South Africa. The crude oil is then pumped from the coast to the oil companies for refining.
According to 'The Executive' on average the IBLC has been US $50 per ton higher during the eighties than contract selling prices in European markets like Rotterdam. This reflects an amount of $7 a barrel or 13 cents a litre of petrol sold in South Africa since 1979. This means that the IBLC has **added** an average of **R2.2 billion** to South Africa's annual fuel bill compared to European prices. In the case of Sasol the magazine calculated an IBLC/Europe differential at R237 million, based on an average $17.50 per ton differential between 1986 and 1990.

Calls for a public inquiry

Several South African press media, interest groups and political parties showed support for the call by 'The Executive' to have an independent public inquiry into Sasol's protection. In an editorial comment the '**Star**' wrote: *'If The Executive magazine's Sasol funding exposé is true (Sasol claim it was distorted), then this isn't capitalism. It isn't even communism. It is an extravagant scam by a government which used the law to conceal facts from the people'*. And in response to the defense of Sasol by Minister Bartlett who said that history will judge Sasol a triumph, the 'Star' continued: *'But history will judge it part of the horrific and crippling cost of apartheid. For, make no mistake, Sasol has cost this country a bomb. Afraid of a world oil boycott triggered by its inhuman policies, the Government was compelled to produce oil from coal'*.
A clear stance was taken by the '**Financial Mail**' which opened in a leading article: *'The perverse arrangements that this country had to make during the years of the oil embargo to protect its energy supplies and keep the economy running are as much a part of the apartheid system as the Group Areas Act and influx controls. And they will have to be reviewed in the same light'*.
'**Business Day**' stated in its editorial called 'Executive Action': *'While large sections of government, business and industry hide their activities we should perhaps not be surprised if organisations such as the ANC or Cosatu appear to have only tenuous grasps of economic reality. They will not be the only ones suspicious of what they are told by businessmen or government for whom secrecy has become second nature'*.
Mr. Giel van Zyl, the acting general manager of the National Maize Producers Organisation (**Nampo**) representing big users of fuel, said: *'We are supposed to be in an open economy. But if the State is subsidising a sector, details should be published'*. The South African Black Taxi Association (**SABTA**), through its media manager, Mr. Fanyana Shiburi, said his members spend R1.2 billion a year on fuel, making them the second-largest buyer after the Government, and he added: *'We would welcome an investigation'*. **Automobile Association** managing director Mr. Peter Elliott said: *'There should be a full investigation into all issues relating to the fuel price. It should cover not only Sasol but the iniquitious profits made by on Petronet's fuel pipeline and the way Sasol benefits from it'*.
The Democratic Party and the Conservative Party both called for an inquiry, stating not all the facts are available. As this newsletter went at press, no information on action in parliament by these parties was reported.

'Malicious and distorted acticle'

'The Executive' forced to capitulate

The article by 'The Executive', the subsequent extensive media coverage of the issue, and the reponse by organisations like the Automobile Association provoked Sasol to hit back hard. The company spent nearly R1 million on advertisements in national papers in an attempt to restore its credibility. In the advertisement under a head called 'Inside Sasol - The True Facts' Sasol stated that the article was written with the intent to harm Sasol and its shareholders. Suspicious of a conspiracy against the company, Sasol even hinted at hidden interests by other parties than the magazine's editor: *'He was assisted or manipulated by an undisclosed source with its own agenda'*.

Sasol concluded that that the article was *'so malicious in it intent and so distorted in its content that it is being referred to the South African Media Council'*. In January 1992 the Media Council finally negotiated an agreement between Sasol and 'The Executive'. The outcome turned out be a victory for Sasol. The magazine settled basicly on Sasol's terms: It regretted any inference in its articles that Sasol would not be financially viable without support from government.

'The giant on the African continent'

To become better known outside South Africa Sasol hired advertisement time on the international television network **CNN**. The commercials, or infomercials as Sasol calls them, went on the air under the slogan 'The giant on the African continent'. During the month of January 1991 14 commercials of 12 seconds each have been broadcasted. The features covered were a corporate look at the company, mining, chemicals, plastics, explosives, fertilisers, careers, new ventures and its social responsibility programme. 'We first have to position Sasol as a chemical company worldwide. The company is no. 1 in terms of profits and percentage of sales and 33rd in the world among chemical companies', Sasol's communications manager, Mr. Jan Krynauw said.

Sasol heads for expansion

Inside South Africa Sasol has embarked on an extensive expansion programme and outside the country the company starts exploring new markets. Sasol has given the go-ahead for major capital projects worth more than R3 billion to be financed from cash flows. The main projects are:

- The modernisation of its Sasol One plant at Sasolburg, where now only chemicals and high value waxes for export will be produced. Estimated costs are R900 million;
- The construction of an anode coke plant, partly for the export of needle and coke anode (R340 million);
- The expansion of NATREF , the oil refinery Sasol co-owns with the French company TOTAL (R370 million);
- The building of an acrylic fibre plant together with IDC (R320 million);
- The development of the new coal mine at Syferfontein (R1,200 million);
- The building of a chemical plant to produce alpha-olefins at Secunda. Capacity is planned to be 750,000 tons of alpha olefins a year which is nearly 75 per cent of current world demand. Alpha olefins are used to improve performance of plastics, and to improve lubricants and detergents. Here Sasol shows its intention to take on Shell, Ethyl Corporation and other international chemical corporations in the world market. Estimated costs are R250 million.

In **Namibia** Sasol has asked for a licence to carry out oil exploration offshore. Negotiations with Namcor, the Namibian state-run oil exploration company, will begin in March 1992. Sasol is also examining exploration opportunities in other African states.

In **Pacific Rim** countries Sasol is looking for new joint ventures to build synthetic fuel plants. With **Czechoslovakia** Sasol has entered into talks on future cooperation in oil-from-coal plants in Eastern Europe.

[Sunday Tribune (SA), 13 October 1991; The Executive (SA), November 1991; Sasol advertisement in a.o. Business Day (SA), 7 November 1991; The Star (SA), 7 November 1991; Business Day (SA), 8 November 1991; Financial Mail (SA), 8 and 15 November 1991, 24 January 1992; Sunday Times (SA), 10 and 24 November 1991, 26 January 1992; 15 December 1991; The Star Weekly (SA), 13 November 1991; Finance Week (SA), 14 November 1991; Financial Mail (SA), 15 November 1991; Beeld (SA), 29 November 1991; Report of the Auditor-General reviewing government spending on the year 1 April 1990-31 March 1991, page 231, Pretoria, February 1992]

UNITED NATIONS

General Assembly maintains oil embargo

More abstentions by European states

On 13 December 1991 the UN General Assembly adopted its latest resolution on the oil embargo against South Africa. 127 member states voted in favour, three against, and 28 abstained. As in previous years the USA and the United Kingdom voted against the oil embargo, but now there was a third opposing vote by South Africa's neighbour state **Swaziland**.

The number of states abstaining from the vote was larger than in the previous session: 28 compared with 19 in 1990. The main reason for this is a change of policy on economic sanctions by countries in Europe. West European countries abstaining now, while voting in favour in 1990, were Italy, Spain, Austria, Finland and Iceland. Some East European states like Albania, Czechoslovakia abstained for the first time, as well as the new member states Latvia and Lithuania. This means that the number of European states supporting the oil embargo have been reduced to seven countries: the two EC member states Denmark and Ireland, two Nordic countries Norway and Sweden, and three states in Eastern Europe: the USSR, Byelorussia and Ukraine.

The vote took place some days after ANC president Mr. Nelson Mandela addressed the UN Assembly where he urged to maintain economic sanctions until a new democratic constitution or at least until the establishment of an interim government in South Africa.

[United Nations General Assembly, resolution 46/79 E, 3 December 1991; The Star (SA), 11 December 1991]

UN Group continues monitoring work

In its first 1992 session the UN *Intergovernmental Group to Monitor the Supply and Shipping of Oil and Petroleum Products to South Africa* emphasized that the oil embargo, while remaining in force, must be fully respected and implemented by all UN member states. The Group repeated its call upon the Security Council to make the embargo mandatory under Chapter VII of the UN Charter. As long as the Council does not take up the matter, the monitoring mechanism established by the Group should remain in place, said the Group's chairman, Mr. Anthony B. Nyakyi (Tanzania). He further stated that the task of the Group was 'to ensure that the maintenance of the oil embargo against South Africa conveyed the clear message that the international community would not

allow the process of change in South Africa to be delayed or derailed'. He emphasised that the oil embargo would only be lifted when a new Constitution for a democratic and non-racial South Africa had been adopted. He warned for too much optimism on the negotiation process: *'Although the process has started, there are still possibilities of delays and set-backs. Therefore, maintaining the oil embargo will drive the message home to the white South Africa minority that the international community is committed to seeing the process through to the end of apartheid.'*
Although Mr. Nyakyi did not mention names, he undoubtedly referred to increasing contacts during 1991 between the South African government and oil producing countries in Africa and the Middle East, such as Angola, Congo, Gabon, Zaire, Oman, Bahrain and the United Arab Emirates, when he said: *'We have been greatly alarmed and disturbed by reports of visits by South African officials to a number of oil producing and other states. There have also been some reports about oil deals between South Africa and other countries.'* On behalf of the Group he stated that such exchanges should be prohibited.
The Group re-elected Ms. Nabeela Al-Mulla (Kuwait) as Vice-Chairman and elected Mr. Rolf Fife (Norway) as Rapporteur. The Intergovernmental Group was established pursuant the UN General Assembly oil embargo resolution of 1986. The present ten members are Algeria, Cuba, Indonesia, Kuwait, New Zealand, Nicaragua, Nigeria, Norway, Ukraine and United Republic of Tanzania.
[UN Press Release, SAF/129, 14 January 1992]

UN oil embargo publications

During 1991 the UN Centre against Apartheid has released two reports on the oil embargo:

1. Model law on the oil embargo against South Africa - by Professor Mr. Richard B. Lillich. UN Notes and Documents 10/91, April 1991.
2. Hearings on the oil embargo against South Africa (New York, 15 August 1991). UN Notes and Documents 18/91, November 1991.

NORWAY

SA oil embargo expert now to monitor Iraqi oil

Managers of the Norwegian oil companies **Statoil** and **Saga Petroleum** have been hired by the United Nations Security Council to monitor Iraqi oil sales. Norwegian aid was sought by the UN because of the country's long-standing interest in international cooperation, its large oil industry and its experience in the tanker trade. Statoil 's former chief, Mr. Arve Johnsen is chairman of an international advising panel appointed to check sales of Iraqi oil and report directly to the Council. The UN Deputy Secretary General, Mr. Kofi Annan, has signed an ageement with Mr. Thorvald Stoltenberg, Norway's foreign minister and the former head of the United Nations High Commission for Refugees (UNHCR).
UN's choice for Saga, in particular, is interesting because of the role of Saga's vice-president, Mr. **Tom Vraalsen**, who joined the company in June 1991. As Norway's ambassador at the UN Mr. Vraalsen was chairman of the UN Oil Embargo Monitoring Group since its start in 1986 till 1990. He has also served as Norway's minister for development cooperation in the non-socialist coalition. Within Saga Mr. Vraalsen covers international affairs and public relations.
[Statoil Magazine (Norway), No. 4, December 1991; Lloyd's List (UK), 14 January 1991]

MOZAMBIQUE

Gas export plans to South Africa

The Mozambican government is looking to South Africa as an export market for its natural gas resources. Mr. John Kachamila, Mozambique's minister of Mineral Resources, stated on 18 November 1991 that *'Mozambique is very interested in exporting natural gas and we look for the main market in South Africa'*. He said his government hoped to start production of natural gas in 1992 for local use, supplying a power station at Vilanculos. This is 125 kilometres south of the onshore gas field at **Pande** on the southern coast.
According to Mr. Kachamila drilling activities in the Pande region had confirmed gas reserves of 40 billion cubic metres. The gas is said to be dry with 95 per cent methane and free of sulphur. The gas potential could be made greater as deeper wells were drilled, he said. Present drilling had stopped at 1,500 metres. A feasibility study has been completed recently by the South African company Engineering Management Services (EMS), a subsidiary of Murray & Roberts. The Pande gasfield was discovered by Gulf Oil already in 1961 and is reported one of the world's largest gas fields.
Petronet, the pipeline subsidiary of South Africa's national railways Transnet (formerly SATS), hopes to build the 900 km pipeline to bring gas from Pande to the Reef. A parallel line should carry refined fuel in the opposite direction to Mozambique. Costs are estimated to be about R 1 billion. According to Petronet discussions were held with the Mozambican government and the **World Bank**, which is planning to participate in the funding of the project. However, preparation of the work will only be possible once a peace accord between the Mozambican government and the Renamo rebels (MNR) is in place.
Three South African companies are interested to build refinery capacity to convert the gas into liquid fuels and chemicals: **SASOL**, at the moment the only producer of synthetic fuels from coal; **Engen**, Gencor's petrochemical division which took over the Mobil refinery in 1989; and **AECI**, a major producer of chemicals and jointly owned by Anglo American and ICI.
[Business Day (SA), 19 November 1991; Southscan (UK), 14 February 1992]

THE MIDDLE EAST

BAHRAIN

Rembrandt's Rupert joins Bush jr. in oil search

Mr. Johann Rupert, a member of the family that owns the South African Rembrandt Group (the investment company with major interests in tobacco and liquor) is

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THE OIL EMBARGO 1989-1991 – SECRECY STILL RULES

Main findings of the SRB

■ This report contains the updated findings of the Shipping Research Bureau on violations of the oil embargo against South Africa in the period 1 January 1989 - 1 July 1991. To these are added some preliminary findings for the second half of 1991, and a number of deliveries of refined petroleum products identified during the same period. All cases listed are currently under investigation by the United Nations Intergovernmental Group to Monitor the Supply and Shipping of Oil and Petroleum Products to South Africa.

■ *138 vessels* of 50,000 tons deadweight and over were found to have supplied crude oil or petroleum products to South Africa in the period January 1989 - late 1991. 122 vessels delivered an estimated total volume of *28.2 million tons of crude oil*, while 16 vessels delivered various types of refined product.

■ 12 of the 122 cases are preliminary findings for the second half of 1991. The cargo capacity of the 110 vessels delivering crude oil in the period 1 January 1989 - 1 July 1991 was about 25.4 million tons, representing some 73 per cent of the estimated crude oil import needs over these two years and a half. This outcome is based on an estimate of the country's oil imports, the volume of which is officially kept an absolute secret.

■ The shipping companies involved in the crude oil deliveries appear more and more to be confined to a limited group. At least 14.4 million tons of crude oil, or *more than 51 per cent* of the total volume identified, was carried by 60 tankers controlled by one single company, *World-Wide Shipping* of Hong Kong. This company has been extensively involved since Norwegian shipping companies – formerly the main suppliers – were banned by law from shipping crude oil to South Africa (1987). A number of companies in *Greece/UK* accounted for 49 of the 122 deliveries, or 39 per cent of the oil. With no less than eleven deliveries, a single vessel of the London-based Greek company *Embiricos Shipping/Andros Maritime* (active since 1989) ranks first among a number of 'shuttle tankers' supplying South Africa with crude oil.

■ The oil company *African Middle East* was the last-known owner of six cargoes delivered from Egypt. The well-known oil suppliers to South Africa *Marc Rich* and *Marimpex* are represented once again. One cargo of crude oil was found to be directly supplied by the major US oil company *Texaco*, which owns part of the South African Caltex refinery.

■ Countries whose companies and flags are linked with a considerable number of crude oil deliveries are *Liberia*, *Hong Kong*, the *United Kingdom*, *Greece*, *Panama* and *Cyprus*. If the figure for Hong Kong, a country over which the UK holds sovereignty, is included, the latter country clearly holds the top position. *In one way or another, the United Kingdom is linked to 113 of the 122 deliveries, thus accounting for no less than 93 per cent of the total volume identified.*

■ 119 of the 122 tankers sailed to South Africa from the *Middle East*. The findings confirm the *prominent role of the United Arab Emirates* observed in recent years: 63 tankers sailed from the UAE, accounting for more than half of the volume identified. 21 tankers sailing from *Egypt* accounted for almost 17 per cent. A newcomer is *Yemen* with one cargo identified.

■ Until just after mid-1990, *Norwegian*-controlled vessels were prominent in shipping *refined oil products* to South Africa. Their role appears to have been taken over in 1991 by the Turkish shipping company *Martı Shipping & Trading*. Most petrol and other refined products have been delivered to South Africa from sources varying from *the Netherlands* to the former *Soviet Union* by combined carriers, carrying South African coal or iron ore on their return voyages.

New disclosures on secret oil supplies to South Africa

The latest research findings of the Shipping Research Bureau on secret oil deliveries to South Africa were published on 24 January 1992, the day of the opening session of the South African parliament. For the first time since the introduction of the oil embargo, the findings were released in the press within the country itself.

Newspapers in South Africa publishing such reports are liable to prosecution under the *Petroleum Products Act* which makes it illegal for anyone to disclose information on oil-related matters. Those infringing the Act face fines up to R 7,000 and possible jail terms of up to seven years. The Act, adopted in 1977 as part of the South African government's system of official secrecy and draconian legislation prompted by the country's vulnerability to oil sanctions, is still in force today.

Secrecy measures remain in full force

The international oil embargo is still in place. No relevant oil-exporting or shipping nation or international organisation that has adopted oil sanctions has abandoned its policies, and the *United Nations General Assembly* has reconfirmed its resolution on the oil embargo as recently as 13 December 1991 with a majority of 127 to 3 (28 abstentions).[1]

1. See page 5 of this Newsletter.

The machinery of secrecy set up by South Africa in response to the oil embargo remains in full force today. The South African Mineral & Energy Affairs Minister, Mr George Bartlett, has emphasised that his government has no intention of bringing about any relaxation in this respect as long as the oil embargo is in place.
Every tanker delivering oil to South Africa is still being ordered to take all precautions against identification when calling at South Africa. The *names* of ships and their ports of registration are *covered or painted out* during their calls; South African-assigned secret *code names* are used in radio communications instead of the ships' own names and official call signs. *False destinations* are entered in Bills of Lading, misleading reports on ships' movements are issued to the international shipping press, and *forged discharge documentation* is submitted to the exporting countries and the UN Intergovernmental Oil Embargo Monitoring Group. *Confidentiality-clauses* in charter-parties ensure that no information on the sellers of the oil be disclosed, and if names of companies involved would leak out these would often be *obscure 'front companies'* only.

Improved coverage

The findings presented reflect a considerably *improved monitoring effort*. The volume of imported crude oil identified during the period 1 January 1989 - 1 July 1991 covers nearly three quarters of South Africa's estimated crude oil import needs. Findings regarding the year 1989 would even cover some 84 per cent of South Africa's oil imports, on the basis of an estimated import need of around 14 million tons on average per year.

Findings on oil deliveries 1989-1991

Table 1 lists a total of 139 ships, each capable of carrying an oil cargo of about 50,000 tons or more, which have been found to have called at South African ports in 1989-1991. Based on evidence at the Bureau's disposal, all 139 ships apparently discharged oil cargoes during their calls.
Of these ships, 123 were found to have discharged *crude oil*. Sixteen ships with a deadweight tonnage of more than 50,000 tons were identified as having delivered *refined petroleum products*.[2]
One of the tankers listed (the *Bos Energy*, which discharged a full cargo of crude oil in a South African port in or around April 1991), is not taken into account in the calculations below. According to the available information, the ship's cargo was put into temporary storage only in the South African port of Saldanha Bay, and collected for further delivery to the Netherlands from there by another tanker (presumably the *Alki*, which had just delivered another cargo of crude oil to South Africa).

1 Jan 89 - 1 Jly 91: 110 crude oil deliveries – 25.4 million tons of oil

The total cargo capacity of the 110 vessels delivering crude oil in the two years and a half between 1 January 1989 and 1 July 1991 amounts to about 25.4 million tons of crude oil.
South Africa has to import an estimated 14 million tons of crude oil per year. On the basis of this estimate, the volume identified would constitute some 73 per cent of the country's crude oil imports in this period.
The volume for *1989* alone, 11.7 milion tons, constitutes an even higher percentage, 84 per cent, of the estimated average figure of 14 million tons. A lower volume identified for *1990* (38 shipments – about 8.6 mln tons) may be due to below-average actual crude oil imports occasioned by high world market prices during the Gulf Crisis.
However, these outcomes are based on an estimate of the country's oil import needs, the volume of which is officially kept an absolute secret. Depending on 1. the assumed average yearly level of imports and 2. manipulations of the *strategic stockpile of oil* in any specific year, the volumes identified could constitute a higher or lower proportion.

In *1991*, the tonnage identified for the first half of the year (21 shipments – 5.0 million tons) would cover about 72 per cent of the estimated six-month import figure. The findings for the second half of 1991 (12 shipments – 2.8 million tons) are only preliminary.

The main oil companies involved

Oil companies nowadays make use of their own tankers for only a few of the transports to South Africa. In almost all cases listed (119 out of 122), oil companies used tankers chartered from independent tanker owners. They usually demanded that a confidentiality-clause be included in the charter-party to protect their identities. In 14 cases, the Shipping Research Bureau has been able to identify the *owners of the oil cargo* delivered to South Africa. The oil companies are listed in Table 2.
The international commodities trader **Marc Rich** is responsible for only five of the shipments identified, but most likely for a far greater number of shipments now

Table 2

The oil companies apparently owning the oil cargoes on board the 138 tankers

oil company	principal country or countries in which the oil company is based	number of deliveries		volume of crude oil cargo (mln t)
		total	crude oil	
AFRICAN MIDDLE EAST	Monaco/Switzerland	6	6	1.4
MARC RICH	Switzerland	5	2	0.5
MARIMPEX	F.R. Germany	4	4	1.0
INTER-MEDITERRANEAN	United Kingdom	2	-	-
EURAVIA	Switzerland	1	1	0.2
TEXACO INC.	USA	1	1	0.1
KUO INTERNATIONAL	Hong Kong	1	1	0.1
unknown companies			108	25.1
TOTAL		138	122	28.2

2. Data on refined product shipments make no claim to be exhaustive. For a more extensive discussion of refined product deliveries, see *Fuel for Apartheid*, SRB September 1990, pp. 9-13, 89-94.

Several of the vessels listed in Table 1 have been deployed for more than shipping oil to South Africa only:

– The *combined carriers* (or 'ore/bulk/oil carriers') among the vessels are almost always used for transporting South African *dry bulk goods* to their subsequent destinations (see last column of Table 1). Some of the combined carriers deployed in this two-way traffic have called at South Africa a few more times during 1989-1991 to collect coal or iron ore, apparently without first delivering oil (e.g., *Höegh Fountain*, *Batis*). The World-Wide Shipping Group (e.g., *World Eden*, *United Appraoch*) and other shipping companies involved also have dry bulk vessels in their fleets, used for transporting South African coal or iron ore.

– The *South African Shipping News & Fishing Industry Review* reported in October 1990 (p.3): *'Ship watchers on the west coast are furious. They see large tankers loading at Saldanha Bay and believe South Africa is exporting crude oil from its strategic reserves.'* However, the magazine offered the following explanation: *'Oil is being back hauled to Durban for refining and use domestically, a process that has been going on since 1983.'* Among the vessels delivering crude oil which in all probability have been used for this purpose too, especially in the period mid-1989 to late 1990, are familiar names like the *Fortuneship L.*, the *World Ambassador*, *World Champion* and *World Renown*, the *Aurora Borealis* and *Aurora Australis*, the *Alki* and the *Rafio*.

– Readers of the magazine quoted above told the editors that their explanation *'was nonsense. They said they knew of at least one large tanker that had sailed laden from Saldanha Bay for Europe a few months ago'* (December 1990, p.18). There have been reports that between three and five 'very large crude carriers' brought cargoes of Iranian heavy crude oil from South Africa's stockpile to Europe in December 1990 when prices were around US $30 a barrel; when the price of oil dropped to US $20 in early 1991, South Africa replenished its stockpile with lighter crudes, thus drawing a nice profit. One of the oil-trading firms reportedly involved in marketing the crude oil was **Marc Rich** (*Africa Confidential*, UK, 22 March 1991). A tanker that may have been involved in such an operation is once again the *Fortuneship L.*, which delivered 256,570 tons of crude oil to the Red Sea to be transferred to the Mediterranean by pipeline in November 1990; the oil may have been collected beforehand in South Africa. The next trip was one back to South Africa where the vessel delivered Egyptian oil in December 1990.

hidden under the heading 'oil company unknown' or under the names of other oil companies.[3]

The total number of crude oil deliveries to South Africa by Marc Rich since 1979 is *at least 79*. Moreover, 7-10 deliveries of petrol and other refined products by Marc Rich have been identified during recent years. Marc Rich has also become increasingly active in trading in South African coal. Rich was mentioned as one of those involved in shipping oil from the South African strategic stockpile to Europe.[4] *'He has a soft spot for commodity-dependent countries in trouble, whether it be in the form of internationally-imposed sanctions or domestic mismanagement'*, the South African magazine *The Executive* said of him in its September 1991 issue.

A few months ago, in September 1991, the Finnish police went after Marc Rich when he was reportedly planning to visit Finland, one of the countries he cannot enter legally for fear of being extradited to the USA, where he is sought for tax evasion and other crimes.[5]

Egyptian oil has been supplied to South Africa since 1988. Reportedly, the Egyptian-owned trading company **African Middle East Petroleum Company Ltd. Inc.** (offices in Monaco and Switzerland) has been the major channel through which the **Egyptian state-owned national oil company EGPC** and its joint ventures GUPCO (with Amoco) and SUCO (with Shell, BP and Deminex) sell their surplus production, the oil ending up in, among other countries, South Africa. The *Petroleum Economist* (March 1991, p.25) quoted foreign companies active in Egypt as reporting that *'sizeable quantities of Egyptian crude oil are exported to South Africa, in contravention of the international oil boycott on that country, but earning a premium on the world price'*. In one instance (that of the *Pacificos* in May 1990), the trading company selling the Egyptian oil to South Africa has been identified by the Shipping Research Bureau as **Marc Rich**; the company African Middle East has always declined to reveal the identity of the company to which they had possibly resold the cargoes.[6]

The German oil-trading company **Marimpex** has supplied South Africa with at least 40 oil cargoes since late 1980. Taking into account regular periods of faulty reporting with regard to the movements of the *Rafio*, *Dorian* and other tankers owned by the company itself, the number of deliveries during the period 1983-1991 may even be some three times higher than the number identified by the Bureau. Marimpex, the company of the Hamburg businessman Gert Lutter, was taken over by the company *Sucden Kerry International* in 1988-1989. The giant French commodity house **Sucre et Denrées** has a controlling interest and the Hong Kong-based **Kuok Group** a minority interest of 30 per cent in Sucden Kerry. For the financial settlement of oil deliveries to South Africa Gert Lutter has often used companies based in *Switzerland*, including *Corylus Trading GmbH* and *Ecos AG*.[7] The name of *Mexxoil AG* has been mentioned since 1989 in this connection.

Oil major directly involved

The major international oil companies appeared to have ceased sending themselves tankers to deliver oil to their South African refineries since early 1981. However, the Shipping Research Bureau has now identified one shipment of crude oil from Yemen directly delivered to South Africa by the **major US oil company Texaco**, in what

3. Cf. section on Egyptian oil below.
4. See insert on this page.
5. SRB Newsletter No. 25, p. 8.
6. SRB Newsletter No. 22, p. 8.
7. *Fuel for Apartheid*, p. 18.

Table 1

139 vessels of 50,000 tons dwt and over which called at South Africa in 1989-1991, and which apparently discharged crude oil (123 vessels) or refined oil products (16 vessels) during their visits to South Africa

ship's name	dwt tonnage	month in South Africa	sailed to SA from	main shipping company	owners of oil cargo	refined products delivered to SA	cargo/destination from SA
Alki	232,600	Jan 89	UAE	Seaarland	-		
Pacificos	268,467	Jan 89	Middle East	Kulukundis	-		
Ocean Carrier *b/o*	123,999	Jan 89	Malaysia	J. Fredriksen	Kuo Intern.		ore France
Eastern Promise	268,038	Jan 89	UAE	World-Wide Sh.	Euravia/Rich		
World Bermuda	271,580	Jan 89	Persian Gulf	World-Wide Sh.	-		
Faroship L.	268,951	Jan 89	UAE	G.P. Livanos	-		
World Hitachi Zosen	268,904	Feb 89	Egypt	World-Wide Sh.	Afr. M. East		
Indiana	300,029	Feb 89	UAE	Hadjipateras	-		
World Eminence	261,729	Mar 89	Persian Gulf	World-Wide Sh.	-		
World Hitachi Zosen	268,904	Mar 89	UAE	World-Wide Sh.	-		
Ethnic	274,629	Mar 89	UAE	C.M. Lemos	-		
World Summit	260,064	Mar 89	UAE	World-Wide Sh.	-		
Faroship L.	268,951	Mar 89	Persian Gulf	G.P. Livanos	-		
Eastern Promise	268,038	Apr 89	Persian Gulf	World-Wide Sh.	-		
Rafio	290,271	Apr 89	Persian Gulf	Marimpex	Marimpex		
Anax	259,449	Apr 89	UAE	Pegasus O.S.	-		
Batis *o/o*	155,089	Apr 89	Egypt	Embiricos	Afr. M. East		ore Japan
Dorian	260,158	Apr 89	Iran	Marimpex	Marimpex		
Pacificos	268,467	Apr 89	Middle East	Kulukundis	-		
World Xanadu	264,170	May 89	Persian Gulf	World-Wide Sh.	-		
World Champion	273,117	May 89	Egypt	World-Wide Sh.	Afr. M. East		
Alki	232,600	May 89	UAE	Seaarland	-		
Cali	236,425	May 89	UAE	World-Wide Sh.	-		
Fortuneship L.	268,081	May 89	Persian Gulf	G.P. Livanos	-		
World Champion	273,117	Jne 89	Middle East?	World-Wide Sh.	-		
Axon	219,287	Jne 89	UAE	Pegasus O.S.	-		
Cali	236,425	Jne 89	UAE	World-Wide Sh.	-		
Pacificos	268,467	Jne/Jly 89	Egypt	Kulukundis	Afr. M. East		
Griparion *b/o*	70,247	Jne/Jly 89	Netherlands	Thalassic SS	-	petrol	coal H. Kong
Batis *o/o*	155,089	Jly 89	Persian Gulf	Embiricos	-		ore Japan
Alki	232,600	Jly 89	Persian Gulf	Seaarland	-		
Obo Vega *b/o*	97,947	Jly 89	Netherlands	Marti Sh. & Tr.	-	petrol	ore Turkey
World Renown	262,267	Jly 89	UAE; Oman	World-Wide Sh.	-		
World Harmony	259,596	Jly 89	Persian Gulf	World-Wide Sh.	-		
Cali	236,425	Jly 89	UAE	World-Wide Sh.	-		
Fortuneship L.	268,081	Aug 89 [1]	Iran	G.P. Livanos	-		
Fortuneship L.	268,081	Aug 89 [2]	unknown	G.P. Livanos	-		
Alki	232,600	Aug 89	UAE	Seaarland	-		
Jarama *b/o*	77,673	Aug/Sep 89	Neth.; Portugal	L. Höegh	-	gasoil/petrol/jetfuel	coal France
World Admiral	237,311	Sep 89	unknown [ME?]	World-Wide Sh.	-		
World Harmony	259,596	Sep 89	Middle East?	World-Wide Sh.	-		
Illinois	290,753	Sep 89	Iran	Hadjipateras	-		
Aurora Borealis	237,183	Sep 89	UAE	Embiricos	-		
Alki	232,600	Oct 89 [1]	UAE; Oman	Seaarland	-		
Höegh Fountain *b/o*	78,488	Oct 89	Sweden; Netherl.	L. Höegh	Inter-Med	gasoil/petrol	coal Spain
Höegh Foam *b/o*	78,571	Oct 89	Romania	L. Höegh	-	petrol	coal Belgium
World Ambassador	237,474	Oct 89	UAE	World-Wide Sh.	-		
Alki	232,600	Oct 89 [2]	unknown	Seaarland	-		
Ambia Fair *b/o*	78,434	Oct 89	Greece	L. Höegh	-	refined products	coal Netherl.
World Renown	262,267	Nov 89	Egypt	World-Wide Sh.	Afr. M. East		
Fortuneship L.	268,081	Nov 89	UAE	G.P. Livanos	-		
Höegh Foam *b/o*	78,571	Nov/Dec 89	Netherlands	L. Höegh	Marc Rich	petrol	coal France
World Ambassador	237,474	Nov 89	UAE	World-Wide Sh.	-		
Aurora Borealis	237,183	Dec 89	Persian Gulf	Embiricos	-		
World Renown	262,267	Dec 89	Middle East?	World-Wide Sh.	-		
Batis *o/o*	155,089	Dec 89	UAE	Embiricos	-		ore Japan
Brittany	233,348	Dec 89	Egypt	World-Wide Sh.	Afr. M. East		
Rafio	290,271	Dec 89/Jan 90	Persian Gulf	Marimpex	Marimpex		
Aurora Borealis	237,183	Jan 90	UAE; Oman	Embiricos	-		
Argos	219,175	Jan 90	UAE	Pegasus O.S.	-		
Griparion *b/o*	70,247	Jan 90	Netherlands	Thalassic SS	Marc Rich	petrol	coal H. Kong
World Bermuda	271,580	Jan/Feb 90	Egypt	World-Wide Sh.	-		
World Champion	273,117	Feb 90	UAE	World-Wide Sh.	-		
Aias	259,442	Feb 90	UAE	Pegasus O.S.	Marimpex		
Batis *o/o*	155,089	Mar 90	Egypt	Embiricos	-		ore Japan
Pacificos	268,467	Mar 90	UAE; Oman	Kulukundis	-		
World Ambassador	237,474	Mar 90	UAE	World-Wide Sh.	-		
World Renown	262,267	Mar 90	Persian Gulf	World-Wide Sh.	-		
Arrow Combiner *b/o*	116,281	Mar/Apr 90	Netherlands	K.G. Jebsen	-	petrol	ore U.K.
Eastern Promise	268,038	Apr 90	Persian Gulf	World-Wide Sh.	-		
Aurora Borealis	237,183	Apr 90	UAE	Embiricos	-		
Höegh Falcon *b/o*	81,158	Apr 90	Netherlands	L. Höegh	-	petrol	coal Belgium
Indiana	300,029	Apr 90	Persian Gulf	Hadjipateras	-		
World Admiral	237,311	May 90	UAE	World-Wide Sh.	-		
Pacificos	268,467	May 90	Egypt	Kulukundis	Marc Rich		
Lima	234,090	May 90	UAE	World-Wide Sh.	-		
Aurora Borealis	237,183	May 90	Middle East?	Embiricos	-		
Freedomship L.	283,271	Jne 90	UAE	G.P. Livanos	-		
World Ambassador	237,474	Jne 90	unknown [ME?]	World-Wide Sh.	-		
Eastern Promise	268,038	Jne 90	UAE	World-Wide Sh.	-		
Pacificos	268,467	Jne 90	UAE	Kulukundis	-		
Obo Engin *b/o*	78,075	Jly 90	Netherlands	Marti Sh. & Tr.	-	petrol	ore Turkey
Batis *o/o*	155,089	Jly 90	Egypt	Embiricos	-		coal? Roman.
Aurora Australis	227,440	Jly 90	UAE	Embiricos	-		

ship's name	dwt tonnage	month in South Africa	sailed to SA from	main shipping company	owners of oil cargo	refined products delivered to SA	cargo/destination from SA
Friendship L.	267,590	Jly 90	Persian Gulf	G.P. Livanos	-		
Graz	233,335	Jly 90	Egypt	World-Wide Sh.	-		
Aurora Borealis	237,183	Aug 90	UAE; Pers. Gulf	Embiricos	-		
Aurora Australis	227,440	Aug 90	UAE	Embiricos	-		
Lima	234,090	Aug 90	Egypt	World-Wide Sh.	-		
Aurora Borealis	237,183	Sep 90	UAE	Embiricos	-		
Höegh Favour *b/o*	79,999	Sep 90	Netherlands	L. Höegh	Marc Rich	petrol	coal Belgium
Brittany	233,348	Sep 90	UAE	World-Wide Sh.	-		
World Ambassador	237,474	Sep/Oct 90	UAE	World-Wide Sh.	-		
Aspra	249,992	Oct/Nov 90	Persian Gulf	Com. Gen. Italiana	-		
Aurora Borealis	237,183	Nov 90	Egypt	Embiricos	-		
Eastern Promise	268,038	Nov 90	UAE	World-Wide Sh.	-		
Connecticut	227,355	Nov 90	UAE	Hadjipateras	-		
Aurora Australis	227,440	Dec 90	UAE	Embiricos	-		
Fortuneship L.	268,081	Dec 90	Egypt	G.P. Livanos	-		
Aurora Borealis	237,183	Dec 90	UAE	Embiricos	-		
Ethnic	274,629	Dec 90/Jan 91	UAE	C.M. Lemos	-		
Obo Engin *b/o*	78,075	Jan 91	Netherlands	Marti Sh. & Tr.	Inter-Med	petrol/gasoil	coal Netherl.
Graz	233,335	Jan 91	UAE	World-Wide Sh.	-		
World Prelude	265,243	Jan 91	Persian Gulf	World-Wide Sh.	-		
Aurora Borealis	237,183	Jan 91	UAE; Iran	Embiricos	-		
World Brasilia	283,761	Jan 91	UAE	World-Wide Sh.	-		
World Harmony	259,596	Feb 91	Egypt	World-Wide Sh.	-		
Pisa	276,422	Feb 91	UAE	World-Wide Sh.	-		
Obo Deniz *b/o*	103,312	Feb/Mar 91	France [USSR]	Marti Sh. & Tr.	-	fuel oil [orig. USSR]	unkn. E. Afr.
Obo Basak *b/o*	103,312	Mar 91	Netherlands	Marti Sh. & Tr.	-	petrol	coal Benelux
Pacificos	268,467	Mar 91	Middle East	Kulukundis	-		
World Prelude	265,243	Mar 91	Egypt	World-Wide Sh.	-		
World Brasilia	283,761	Mar 91	UAE	World-Wide Sh.	-		
Graz	233,335	Mar 91	UAE	World-Wide Sh.	-		
Batis *o/o*	155,089	Apr 91	Yemen	Embiricos	Texaco		ore Italy
World Brasilia	283,761	Apr 91	UAE	World-Wide Sh.	-		
Bos Energy +	231,992	Dec 90/Jne 91	P. Gulf [Iran?]	Bulk O./Acomarit	-		
Alki	232,600	Apr 91	UAE	Seaarland	-		[oil Netherl.]
Eastern Power	275,553	Apr 91	Egypt	World-Wide Sh.	-		
World Xanadu	264,170	Apr 91	UAE	World-Wide Sh.	-		
Rome	274,531	May 91	Iran; UAE	World-Wide Sh.	-		
World Harmony	259,596	May 91	UAE	World-Wide Sh.	-		
World Pendant	265,316	May 91	Egypt	World-Wide Sh.	-		
Eastern Trust	270,985	May 91	UAE	World-Wide Sh.	-		
World Brasilia	283,761	Jne 91	UAE	World-Wide Sh.	-		
World Summit	260,064	Jne 91	Iran	World-Wide Sh.	-		
World Harmony	259,596	Jly 91	UAE	World-Wide Sh.	-		
Batis *o/o*	155,089	Jly 91	Egypt	Embiricos *	-		
World Brasilia	283,761	Jly/Aug 91	UAE	World-Wide Sh.	-		
World Renown	262,267	Aug 91	Persian Gulf	World-Wide Sh.	-		
Crete [ex-Aur.B.]	237,183	Aug 91	UAE	Embiricos *	-		
World Champion	273,117	Aug 91	unknown [ME?]	World-Wide Sh.	-		
Obo Vega *b/o*	97,947	Aug/Sep 91	Netherlands	Marti Sh. & Tr.	-	petrol	coal Belg./FRG
Alki	232,600	Aug/Sep 91	UAE	Seaarland	-		
Indiana	300,029	Aug/Sep 91	Persian Gulf	Hadjipateras	-		
Eastern Courage	267,807	Sep 91	UAE	World-Wide Sh.	-		
World Champion	273,117	Oct 91	Egypt	World-Wide Sh.	-		
Chryssi [ex-Aur.A.]	227,440	Oct 91	UAE	Embiricos *	-		
Eastern Courage	267,807	Nov/Dec 91	Egypt	World-Wide Sh.	-		

\+ Discharge of crude oil in SA around Apr 91 confirmed. According to press reports, the oil was transhipped into temporary storage in Saldanha Bay, before being shipped on to Europe.
* Embiricos Shipping: now Andros Maritime.

Explanation of table 1:

type of ship: tanker, unless indicated as o/o (ore/oil carrier) or b/o (bulk/oil carrier)

dwt tonnage: deadweight tonnage, the weight (in metric tons) that the ship can carry; 90-95 per cent of this is the actual cargo capacity

companies: details on registered owners, managing companies, apparent owners of the ships' cargoes etc. can be obtained from the Shipping Research Bureau on request

refined products: if no products are listed, the vessel delivered crude oil

cargo/destination from SA: information on (dry bulk) cargo carried from South Africa after the delivery of oil

Table 3

Shipping companies active in crude oil shipping to South Africa, listed by country (1989-1991)

TOTAL	**122 deliveries**	**(by 44 ships) –**	**30,473,245 dwt**
Hong Kong (see also below)			
– World-Wide Shipping Group	60 deliveries	(by 23 ships) –	15,560,115 dwt
London-based Greek shipping groups			
– total	49 deliveries	(by 16 ships) –	11,837,639 dwt
– Embiricos Shipping/Buenamar Cia. Nav. *	22 deliveries	(by 3 ships) –	4,604,396 dwt
– G.P. Livanos-Carras Group/Ceres Hellenic	9 deliveries	(by 4 ships) –	2,429,168 dwt
– Kulukundis Group/Saipan Steamship	7 deliveries	(by 1 ship) –	1,879,269 dwt
– Hadjipateras Group/Peninsular Maritime	5 deliveries	(by 3 ships) –	1,418,195 dwt
– Pegasus Ocean Services/Pleiades	4 deliveries	(by 4 ships) –	957,353 dwt
– C.M. Lemos/Nereus	2 deliveries	(by 1 ship) –	549,258 dwt
Austria			
– Seaarland Shipping Management	8 deliveries	(by 1 ship) –	1,860,800 dwt
F.R. Germany (France/Hong Kong)			
– Marimpex	4 deliveries	(by 1 chartered/2 owned ships) –	1,100,142 dwt
United Kingdom (see also above)			
– Peninsular & Ocean +		1 delivery –	270,985 dwt
Italy			
– Commissionaria Gen. Italiana/A-Ship Management		1 delivery –	249,992 dwt
Cyprus/Norway			
– John Fredriksen Group		1 delivery –	123,999 dwt

* Now Andros Maritime (UK)/Aeolos Management (Greece); same ships, partly renamed.
+ Vessel bareboat chartered to World-Wide Shipping.

seems a departure from that general picture. The company, together with Chevron, owns the Caltex SA refinery at Milnerton near Cape Town. After having delivered her crude oil cargo in April 1991, the vessel *Batis* collected a cargo of iron ore at Saldanha Bay for delivery to Italy.

Ever growing prominence of shipowners from Hong Kong and Greece/UK

Scandinavian shipping companies – once the leading transporters – were forced by law to end their involvement in crude oil transports to South Africa in 1986 (Denmark) and 1987 (Norway). A limited number of shipping companies based in **Hong Kong**, **Greece** and the **United Kingdom** filled the gap, thus profiting from the legal bans on such transports imposed by shipping nations whose companies used to be heavily involved in oil transports to South Africa. This trend has become particularly clear since 1989. The Hong Kong-based **World-Wide Shipping Group** tops the list, with 60 of the 122 deliveries identified. The volume of oil shipped was at least 14.4 million tons, or *over 51 per cent of the total volume*.

Greek shipping companies, their commercial operations often based in the **United Kingdom**, were involved in 49 of the 122 crude oil deliveries (10.9 million tons, or *39 per cent of the total volume*).

Prominent among the London-based Greek shipping groups is the company **Embiricos Shipping** (now Andros Maritime). Its first oil shipment to South Africa was only identified in April 1989. The company supplied South Africa with no less than 22 shipments of crude oil (4.3 million tons of oil, or over 15 per cent of the total volume) using only three vessels. With 11 trips since September 1989, the company's 237,183 dwt tanker *Aurora Borealis* (now renamed *Crete*) ranks first among a number of ships engaged in a veritable 'shuttle' trade to South Africa.

Another relatively new shipping company featuring in the Bureau's lists is the **Austrian** company **Seaarland Shipping Management GmbH** which came to the fore as an oil transporter to South Africa in mid-1988. The company has continued its involvement: with eight trips in 1989 and 1991 (1.7 million tons – 6 per cent), the company's vessel *Alki* is the second 'shuttle' tanker in the list.

Shipping and trading: UK involved in almost all deliveries

Countries whose oil and shipping companies and/or flags were linked with a considerable number of deliveries are:

	crude oil and refined product deliveries (138 cases)	crude oil deliveries only (122 cases)
UNITED KINGDOM	116 cases	113 cases[8]
LIBERIA	71 cases	70 cases
HONG KONG	65 cases	65 cases[9,10]
GREECE	51 cases	49 cases
PANAMA	26 cases	26 cases
CYPRUS	20 cases	18 cases
SWITZERLAND	11 cases	8 cases
BAHAMAS	9 cases	3 cases
NORWAY	9 cases	1 case
AUSTRIA	8 cases	8 cases
MONACO	6 cases	6 cases
TURKEY	6 cases	–

Cases linked to Hong Kong, a country over which the United Kingdom holds sovereignty, are included in the figure for the United Kingdom. The latter country clearly holds the top position. In one way or another, the United Kingdom is linked to *113 of the 122 crude oil deliveries* listed, thus accounting for as much as *93 per cent* of the total volume identified.
In the United Nations General Assembly, the United Kingdom has consistently voted against resolutions on the oil embargo. As a Permanent Member of the Security Council, the UK has, along with the USA, always blocked the awarding of a mandatory status to the UN oil embargo.

Most tankers from Middle East – United Arab Emirates and Egypt identified as main sources

No less than 119 of the 122 crude oil tankers sailed to South Africa from the **Middle East**, with most of them returning immediately. All countries in the area have an embargo on oil shipments to South Africa.
The total cargo capacity of the 119 tankers which sailed to South Africa from the Middle East was about 27.6 million tons, or *98 per cent of the total volume*.
The trend observed earlier, that the **United Arab Emirates** account for the largest number of sailings identified by the Shipping Research Bureau, has continued to an increased degree in the period under consideration.
63 tankers, with a combined cargo capacity of over 14.5 million tons or more than half the total volume identified, sailed to South Africa after having called at one or more oil terminals in the United Arab Emirates.[11]
21 tankers sailed to South Africa from **Egypt**. Their cargo capacity was about 4.7 million tons, or almost 17 per cent of the total volume identified.
Other Persian Gulf countries from which tankers sailed to South Africa were **Iran** and **Oman**. Several tankers called at more than one oil-exporting country before sailing to South Africa, and others did not report their calls at Persian Gulf oil-exporting terminals at all, which makes it hard to establish with certainty how much oil would originate from any specific country.
For the first time, a vessel has been found to have loaded crude oil in a Middle East country which is a newcomer

World-Wide Shipping: South Africa's top supplier

Between April 1979 and December 1991, the Shipping Research Bureau has been able to identify *at least 93 cargoes of crude oil* which were delivered to South Africa by vessels of the World-Wide Shipping Group. This figure includes preliminary findings after mid-1991; at the time of printing, it has become clear that the figure will keep rising. The total volume of crude oil involved in the shipments identified thus far is about *22.1 mln tons*.
Before the end of 1986, only a few shipments were identified. The company's involvement increased rapidly when Norwegian companies had to pull out. 81 deliveries were made between late October 1986 and mid-1991, involving at least about 19.5 mln tons of oil. This means that probably at least *30 per cent* of South Africa's estimated need for imported crude oil during that period have been covered by supplies made by this single shipping company. The table below shows that, apart from a dip during 1990, the percentage has steadily risen to a high of no less than *60 per cent* over the first half of 1991. (It should be kept in mind, however, that lower figures for 1990 and higher ones for 1991 may as well be partly explained by crude imports possibly having been deferred to ward off the consequences of rising crude prices due to the Gulf Crisis.)

Identified deliveries by World-Wide tankers

period	number	appr. volume of oil (mln tons)	% of estimated average imports
Apr 79 – Mar 86	5	0.9	1
late Oct 86 – Dec 87	13	3.2	20
1988	15	3.6	25
1989	22	5.2	37
1990	14	3.2	23
1991 first half	17	4.2	60
1991 second half *	7	1.7	
TOTAL	**93**	**22.1**	

* Preliminary figures

More in: *World-Wide Shipping: The major oil transporter to South Africa – Update*, SRB Newsletter No.23, 1991, pp.5-8.

8. Without Hong Kong: total 53, crude oil 50.
9. Of which 4 owing to the minority interest of the Hong Kong-based Kuok Group in the Marimpex company.
10. The World-Wide Shipping Group (HQ in Hong Kong) accounts for 60 of these cases. A seizable part of the cases could have been linked to BERMUDA and the CAYMAN ISLANDS as well, since the Group has brought several of its ships under branches in these countries in 1991 (SRB Newsletter No. 23, p. 6).
11. On reports on oil-for-arms barter deals between the UAE and South Africa, see SRB Newsletter Nos. 21, p. 5, and 22, p. 11.

Table 4

The regions/countries from which the 138 tankers sailed to South Africa

country	number of cases	dwt tonnage
United Arab Emirates	63 *	15,740,113 *
Iran	6 *	1,590,770 *
Oman	4 *	1,000,517
unknown countries in the Persian Gulf	20	5,243,014
Persian Gulf total:	**87**	**22,062,183**
Egypt	21	5,045,827
Yemen	1	155,089
unknown countries in the Middle East	10 [a]	2,585,466
Middle East total:	**119 [a]**	**29,848,565**
Malaysia	1	123,999
unknown countries or transhipment	2	500,681
TOTAL CRUDE OIL	**122**	**30,473,245**
The Netherlands	13 *	1,108,020 *
France [b]	1	103,312
Romania	1	78,571
Greece	1	78,434
Sweden [c]	1 *	78,488 *
Portugal	1 *	77,673 *
TOTAL REFINED PRODUCTS	**16 [d]**	**1,368,337 [d]**

* Including 'multi-porting' in more than one country.
a Including 7 cases in which the Middle East was vessel's most likely region of sailing.
b Fuel oil originating from the *Soviet Union*.
c Gasoil refined from *Danish* crude oil.
d These figures make no claim to be exhaustive. For a few more refined product shipments to South Africa, made during the same period by vessels under 50,000 tons dwt, see SRB, *Fuel for Apartheid*, p. 10, and SRB Newsletter No. 21, p. 4.

as an exporter of oil. The ore/oil carrier *Batis* loaded 142,110 tons of oil in **Yemen** in the second half of March 1991, purportedly destined by the buyer of the oil, **Texaco**, 'for Singapore'. In fact, the vessel sailed directly to South Africa.
For some of the vessels, the Middle East is listed as the *most likely* region of sailing. In these cases, clear information on the loading region is lacking. However, in a typical case, a vessel would deliver oil on South Africa's east coast, depart northwards in ballast, and return from the north one month later with another cargo. In such a case, the second cargo was apparently collected in an oil-exporting region located at some two weeks sailing to the north from South Africa, or most likely in the Middle East.
Two tankers were found to have collected their cargoes from an unknown source. One vessel loaded her oil cargo in the Far East.

Refined product shipments 1989-1991

In 1991, a Turkish shipping company, controlling a fleet of ore/bulk/oil or OBO carriers in the range of 75-100,000 tons deadweight, became prominent in shipping petrol and other refined petroleum products to South Africa, often from the Dutch port of *Amsterdam*. In one case, embargoed fuel oil from the then *Soviet Union* was transhipped to South Africa via a French port. On a typical return voyage from South Africa, the Turkish ships carried South African coal or iron ore.

1989-90: Norwegians exploit loophole in boycott law

In the past, refined petroleum products were only occasionally transported to South Africa by tankers of the larger size classes of 70,000 tons dwt and over. However, since mid-1989 a striking number of larger vessels have been identified as suppliers of refined products to South Africa.
The Shipping Research Bureau discovered that **Norwegian-controlled** OBO carriers and tankers were foremost among the vessels involved in this trade in 1989-1990. The transhipment port of Amsterdam was emerging as a major source for oil products for South Africa.[12]
On several occasions in 1989 and 1990, extensive media attention was devoted in Norway and elsewhere to Norwegian shipping companies found to have taken advantage of a loophole in their country's boycott law. The law bans transports of crude oil but was being undermined by an increasing number of vessels carrying refined oil products instead. At the release of the report *Fuel for Apartheid* in September 1990 – at the time the Norwegian vessel *Höegh Favour* discharged her load of petrol in South Africa – the Shipping Research Bureau presented an overview of vessels and companies,[13] demonstrating the extent of the Norwegian involvement. Thus far, no more deliveries by Norwegian vessels have been identified after September 1990.[14]

1990-91: Turkish ships take over

OBO carriers of the Turkish shipping company **Martı Shipping & Trading Co. Inc.**, previously included in the list of deliveries with only one ill-fated voyage to South Africa in mid-1989 (see insert) and one in

12. *Fuel for Apartheid*, pp. 9-13 and 89-94. One of the most likely explanations for the surge in refined product shipments by such relatively large vessels since mid-1989 may be found in problems at the Sasol oil-from-coal plants (NEC group executive Lourens van den Berg quoted in *The Executive*, South Africa, November 1991). However, the Bureau's new findings on the continuing transports from Amsterdam and elsewhere raise doubts as to whether South Africa's need for imported petrol was a temporary one.
13. Ibidem; see also SRB Newsletter No. 21, pp. 3-4.
14. Director Olav Foss of Leif Höegh & Co. told the press in January 1992 that his company's ships have been primarily deployed on the cross-Atlantic run lately. He would not preclude that they would be used again for shipping refined oil to South Africa when the market would justify this. 'But now our priority is the mid-Atlantic' (NTB, Norway, 26 January 1992).

Ill-starred beginning of Martı's South African voyages

When the first Martı vessel identified as having been used for petroleum product transports to South Africa made her trip there in July 1989, she might almost have escaped the attention of the institutions engaged in monitoring violations of the oil embargo.

A false destination was reported when the ship sailed from the Dutch port of Amsterdam on 15 June 1989: the cargo of petrol on board the ship was purportedly destined 'for Australia'.

Instead, the *Obo Vega* sailed directly to South Africa, secretly discharged her cargo there, shifted to the iron ore berth in the South African port of Saldanha Bay on 18 July, and sailed 22 July 1989 laden with iron ore for Turkey – without any of these movements being reflected in reports to the international shipping press. Her call at South Africa was only brought to light when, two days after her departure from Saldanha Bay, an explosion took place in one of her tanks. The accident occurred on 24 July when the vessel was sailing off the Namibian coast, approximately 180 miles north-west of Lüderitz, and took the lives of two crew members. A two-day search to no avail was undertaken in order to trace the lost crewmen; then the vessel sailed on to Turkey.

The company was apparently not to be deterred by this sad start: the *Obo Vega* turned out to be only the first of a list of Martı OBO vessels deployed on the South African run.

mid-1990, apparently have taken over the role of the Norwegian vessels. The Turkish ships have been regularly delivering loads of refined oil products (mainly petrol) to South Africa, starting from the turn of the year 1990-1991. Again, the port of **Amsterdam** was the main source.

To date, *six* Martı vessels have been found sailing with oil products to South Africa, four of which since January 1991. The last vessel identified sailed from Amsterdam on 25 July 1991. The combined cargo capacity of the six vessels is *more than half a million tons*. The actual volume of petroleum products shipped is somewhat smaller, some of the ships sailing to South Africa after loading only part cargoes of 60,000-70.000 tons.

Nearly all Martı ships carried cargoes of *petrol*. Five loaded in Amsterdam. One ship collected a part cargo of *gasoil* in the Dutch port of Rotterdam on top of her petrol cargo from Amsterdam.

One vessel collected *fuel oil* originating from the then **Soviet Union** in the French port of Port de Bouc (see insert).

In none of the cases, the vessels reported their real destination on departure from Europe. Most reported 'Australia' instead, and one 'Australia' and 'Gibraltar' alternately. Neither of these places was ever called at by the vessels. After their secret voyages to South Africa, two ships surfaced in the Netherlands again loaded with *South African coal*, and two others in Turkey to discharge *South African iron ore*. One vessel sailed on from South Africa to East Africa.

Marc Rich again prominent among embargo-breaking oil traders

In at least nine of 25 refined product deliveries identified since January 1988,[15] the Swiss oil trader **Marc Rich** or a company believed to be a 'front' for Marc Rich was the owner of the oil cargo delivered to South Africa. In three cases, the oil-trading company involved was identified as **Inter-Mediterranean Petroleum Co. (U.K.) Ltd.**, a company which realises about three-quarters of its turnover and profits from the oil trade with South Africa.[16]

Most Martı shipments are among the remaining ones for which the Bureau has been unable to establish the identity of the oil companies involved. However, it is highly likely that Marc Rich or Inter-Med were responsible for a far greater number of the shipments listed. The gasoil cargo which the *Obo Engin* carried to South Africa in January 1991 was sold by **Shell** via another trader to Inter-Med: it had been loaded via ship-to-ship transfer in the port of Rotterdam from another tanker which had collected the cargo 1 – 2 days before at the Shell refinery.[17]

The cargoes from *Amsterdam* were collected in two different parts of the harbour (sometimes one after the other). Amsterdam is simply a storage and transhipment port without refining capacity. Marc Rich reportedly has

Embargoed fuel oil from the Soviet Union to South Africa

In February/March 1991, the Turkish vessel *Obo Deniz* apparently delivered a cargo of fuel oil to South Africa which originated from the Soviet Union, a country which had a full embargo on oil supplies.

The total cargo of the ship (between 67,000 and 68,000 tons) was taken on board in the French Mediterranean port of Port de Bouc near Marseilles, where the *Obo Deniz* arrived in ballast from Genoa on 22 January 1991. Two days earlier, the following two smaller tankers had arrived at Port de Bouc from a Ukrainian and a Russian oil-exporting port in the Black Sea:

– *Geroi Sevastopolya* (flag USSR, 55,870 dwt): This ship's cargo of 47,476 tons of fuel oil loaded at Odessa around 10 January 1991 for V/O Soyuznefteeksport Moskva Nafta was collected at Port de Bouc by the *Obo Deniz*;

– *Esram* (Turkish flag, 21,352 dwt): This ship's cargo of 20,129 tons of fuel oil loaded at Novorossiysk around 10 January 1991 was collected at Port de Bouc by the *Obo Deniz*.

In both cases, the destination reported on departure from the Soviet Union was in *Italy*. Exactly the same had been the case with the tanker *Dagli* which delivered fuel oil from Odessa to South Africa in 1988 for **Marc Rich**, who had bought the cargo via a chain of intermediate companies under his control.

15. See Table 1, and Table H in *Fuel for Apartheid*, op. cit.
16. Cf. *Fuel for Apartheid*, p. 13.
17. The Shell company in Rotterdam informed the SRB that this was a delivery FOB for Australia and that the con-

Martı Shipping & Trading*

In 1988, the **Martı group** broke up into a number of separate companies. Among the companies of shipowning company Martı Shipping & Trading (Istanbul; president: Mr Erol Yücel) is **Martı Chartering Co. Inc.** In September 1989, Martı Chartering merged its activities with three other Turkish shipping companies in a pool called **Türkbulk**. The other three companies are the Cerrahgil group, Margem Chartering Inc. (another Martı subsidiary) and the Zihni Group. Each company took a 25% stake in the venture. On behalf of Martı Chartering, Mr Levent Karaçelik became a member of the Türkbulk board. Martı Chartering and Margem Chartering assumed the responsibility for Türkbulk's chartering. The Martı OBOs (at the time the company owned two OBOs, the *Obo Engin* and the *Obo Vega*) were brought into the new pool. Vessels from outside the pool were chartered in, for example for the carriage of *South African wheat*. At present, Martı has four OBO carriers: *Obo Başak*, *Obo Deniz*, *Obo Engin* and *Obo Vega*, all of which are involved in shipping *petroleum products to South Africa* and *coal and iron ore from South Africa*.

* Information mainly from various issues of *Lloyd's List* (UK).

a standing contract with one or two storage companies for the blending of petrol from various sources which is then loaded into ships taking the product out again.

Reaction by Martı and Turkish Government

> *'As it is known, Turkey has commercial relations with the Republic of South Africa which show a steady increase.*
> *The supply of low-sulphured coal for the heating system of the province of Ankara and the supply of iron ore for the Erdemir and Isdemir Factories are being realised through imports from the Republic of South Africa.*
> *The Turkish national fleet has been given privileged access to this trade.'*
> [Letter from Martı Shipping & Trading Co. Inc. to Ministry of Transport dated 4 May 1990]

When the Turkish Government (which voted in favour of the United Nations resolution on the oil embargo on 13 December 1991) was requested in 1990 by the United Nations to investigate the delivery of petrol to South Africa by the *Obo Vega* in 1989, the Ministry of Transport asked the company for information. Martı reacted in the above-quoted way, apparently suggesting that the voyage of their ship to South Africa was wholly in line with the Government's policies. The company provided details on the ship's call at Saldanha Bay from 18-22 July 1989 and her calamitous voyage *from* South Africa to Turkey (cf. insert), but not a word was said about the subject of the enquiry: the delivery from the Netherlands *to* South Africa.

To the Shipping Research Bureau, the company wrote that it could not confirm whether or not the ship delivered oil to South Africa. It added that *'for many occasions related charter parties order us not to release information about the business'*.[18]

On the Bureau's request for a comment on the findings regarding subsequent shipments by their vessels, the company reacted with a long letter denying that any of the ships had discharged in South Africa. They provided a series of details which were in part rather vague, in part unverifiable by other sources, and in part in clear contradiction to information from independent sources of information.

The company would for instance claim that all cargoes, officially destined for Australia, had been rerouted on the request of the charterers to 'off shore Madagascar' or 'Mozambique', and that the cargoes were discharged accordingly before the vessels collected cargoes of coal or iron ore in South Africa. Only one vessel (the *Obo Engin*, January 1991) was said to have sailed from Rotterdam *directly* 'for destination off shore Maputo' (Mozambique) laden with gasoil. The apparent background for this exception was that at the time the company was contacted, the Bureau did not know that this vessel's cargo was sold 'for Australia' as well (cf. note 17). The second buyer of the cargo has been identified since as Inter-Med, a company whose principal activity is in oil sales to South Africa. In contrast to what the company stated, the ship had in reality not only loaded gasoil 'for Australia' in Rotterdam, but a part cargo of petrol in Amsterdam as well. Although a spokesperson spoke of having *'nothing to hide'* from the Bureau, the company has declined to react to several subsequent requests for a clarification of these and other inconsistencies and inaccuracies.[19]

ditions of sale stipulated that direct or indirect delivery to countries with regard to which there is a destination restriction in force is not allowed. The first buyer, the company AIC Ltd. (Monaco), has passed discharge instructions 'Australia for orders' on to its client Inter-Med.

18. Fax of Martı Shipping & Trading to SRB, 6 June 1991.
19. Fax messages from SRB to Martı, 1, 9 and 12 August and 9 September 1991; letter from Martı to SRB, 2 August 1991; telephone conversation, 9 September 1991.

COAL MONITOR

No. 10 first quarter 1992

GENCOR: 'US, Denmark and France have not lifted their coal embargoes'

South African coal exporters have benefited little from the lifting of sanctions, because the US, Denmark and France have not yet lifted their embargoes on imports of South African coal. This observation was made by Mr. Mike Salamon, managing director of **Trans-Natal** (Gencor's coal division) at an Australian conference in early February 1992. At the National Agricultural and Resources Outlook Conference in Canberra Mr. Salomon said he believed domestic demand for steamcoal by ESCOM would be flat or lower, but a weaker rand was likely to offset lower dollar prices for exports. Since almost all coal sales are negotiated on the basis of year-long contracts, coal embargoes, if they fell away in 1992, would only effect contracts for 1993. Only **Japan** had lifted its embargo on South African coal imports, he noted.

On the project to upgrade the Moatize coal field near Tete in **Mozambique** Mr. Salomon stated that the parties interested would meet in March 1992. Besides Trans-Natal, the Brazilian mining group CVRD and the British investment company Lonrho have participated in a feasibility study on the project.

Small drop in 1991 coal exports

Coal exports through the Richards Bay Coal Terminal have dropped by 200,000 tonnes in 1991 to 45.3 million tonnes. According to Mr. Salomon the decline has been small because of exceptionally strong exports in December 1991 of five million tonnes. If the volume of exports from Durban and Maputo of nearly 4 million tonnes in 1990 have been the same in 1991, then total exports of South African coal would have been slightly lower in 1991. Trans-Natal's senior marketing manager, Mr. Gordon Osterloh, said exporters would be lucky to hit the 46 million tonnes mark this year. Despite the current expansion of the Richards Bay terminal to a theoretical capacity of 53 million tonnes, this maximum is not expected before 1995-1996.

Trans-Natal's exports rose to 5.5 million tonnes from 5.3 million tonnes in 1990. Export sales contributed 67 per cent to the company's total sales revenue. Sales to ESCOM had fallen to 4.9 from 6.1 million tonnes in 1990. Trans-Natal has stopped supplies to SASOL, the oil-from-coal producer.

[Beeld (SA), 7 February 1992; Coal Week International (USA), hereafter listed as CWI, 25 February 1992]

Boosting coal exports would be 'imprudent'

Addressing the same conference Mr. Allen Sealy, chairman of **Randcoal**, said that South Africa's coal exporters believed it would be 'imprudent' to expand exports too rapidly, despite the present capacity expansion of RBCT. Randcoal is the new name of Barlow Rand's coal arm in control of Rand Mines and Witbank Collieries. *'The South African coal industry is still very aware of the effects of the oversupply situation, compounded by sanctions, which occurred in the mid 1980s'*, Mr Sealy emphasised. Here he was referring to the so-called 'sanctions discount' which South African exporters were forced to offer to new markets in the Mediterranean and the Far East after Denmark and France stopped their imports of a total volume of about 10 million tonnes.

'It is very clear that further expansions of the export industry cannot be justified without the encouragement of a significant improvement in price levels', Mr. Sealy said. He conceded, however, that a competing group of new exporters is developing a plan to build an additional export terminal since export allocations at Richards Bay are under control of the major coal producers only, such as Anglo American, Randcoal, Trans-Natal, Shell and Total. *'It is true there are a number of aspirant new exporters in South Africa who are investigating the development of a separate terminal at Richards Bay. However no decisions have been made. Considering the time lag in bringing major capital projects such as port terminals and mines to fruition, it seems that an export level of 53 million tons through Richards Bay in 1995 is reasonable'*.

These new competitors are Gold Fields Coal, Sasol, Kangra (owned by AGIP Coal of Italy), Lonrho (UK) and Messina Investment. Portnet, the state-owned ports division of Transnet (formerly SATS) is making a feasibility study. The likely capacity would be 10 millions tonnes.

[CWI (USA), 10 December 1991 and 25 February 1992; International Coal Report (UK), hereafter listed as ICR, 30 November 1991]

Total and JCI open new export mine

On 21 January 1992 the French oil company Total and the South African mining house Johannesburg Consolidated Investment (JCI) officially opened a new mine at Tavistock. The mine, the Arthur Taylor Colliery Opencast Mine (ATCOM), is the second joint venture by the two companies which invested R480 million in ATCOM. The mine is expected to produce 2.4 million tonnes of export coal annually, for markets in **Europe** and the **Far East**. Reserves are estimated at 60 million tonnes. JCI operates the mine and Total will market the coal. It will employ about 450 people. The first joint venture was the Arthur Taylor Colliery (ATC) currently producing 2.7 million tonnes of coal a year.

Total's chairman, Mr. Serge Tchuruk, who presided over the inauguration, said he felt akward opening the mine at a time when France continued to ban South African coal imports. The development of the mine had been kept under wraps, but Total's expectation that European sanctions would have been lifted already, led to public announcement of the opening. *'But I shall continue to urge the French authorities to lift the restrictions'*, he said. In September 1991 the international coal press reported that Total, in anticipation of ATCOM's production, already had entered into a four-year contract with the Japanese shipping company Mitsui for transport of 1.8 million tonnes to Europe.

Besides its joint ventures with JCI, Total is also co-owner (33 per cent) of the Ermelo mine operated by Trans-Natal.

[Energies, the international magazine of TOTAL (France), no. 7, December 1991/January 1992; Citizen (SA), 21 January 1992; Business Day (SA), 22 January 1992; Southscan (UK), 24 January 1992; See also SRB's Coal Monitor, no. 9]

Scargill: 'South African coal is too cheap'
The president of the British National Union of Mineworkers, Mr. Arthur Scargill has called for an internationally agreed and stable coal price. He said coal miners in South Africa and other coal-exporting countries were the losers in the current 'dog eat dog' situation. South Africa is currently selling coal up to US$10 per tonne below accepted world prices, he said. The extra money generated by a stable price would enable the South African industry to improve its 'appalling' wages, labour conditions, welfare facilities and safety standards, Mr. Scargill stated.
His call was made during an international miners' unions summit held in Johannesburg on 23-24 January 1992 and hosted for the first time by the South African National Union of Mineworkers. The meeting, a sequel of the one held in Geneva in October 1991, was also attended by the Australian United Mineworkers Federation, the United Mineworkers of America and the the German union IG Bergbau und Energie.
[The Star (SA), 17 January 1992; Business Day (SA), 22 January 1992; Weekly Mail (SA), 24-30 January 1992; see also Coal Monitor, no. 9]

Motlanthe elected as new NUM leader
The South African National Union of Mineworkers' Central Committee has elected Mr. Kgalema Motlanthe as its new general-secretary. As the successor of Mr. Cyril Ramaphosa, who is now ANC's general-secretary and of Mr. Marcel Golding who acted as interim secretary for a year, Mr. Motlanthe will lead the 290,000 workers of South Afric's most strategic industry. Although his election came as a surprise to many, including himself, Mr. Motlanthe was well-known as NUM's chief negotiator at ISCOR, the major national steel producer. He has been one of the architects of the 1991 ground-breaking wage agreement in which the NUM embraced productivity bargaining for the first time. Earlier he had been sent to Sweden and Germany to study how such deals operate in Europe.
Before joining the NUM Mr. Motlanthe has been jailed for ten years on Robben Island, convicted of 'terrorism'. He also has been chairman of the ANC's Witwatersrand region.
[Weekly Mail (SA), 31 January 1992]

FINLAND

Trade unions lift ban on imports
In the beginning of February 1992 the Finnish Central Organisation of Trade Unions (SAK) lifted its longstanding boycott on trade with South Africa. The Transport Workers' Union (AKT), a member of SAK, endorsed SAK's decision a week later. AKT's president Mr. Rismo Kuisma voted in favour of lifting the union's ban. According to a SAK's spokesman the move was made in coordination with **COSATU**, South Africa's trade union federation.
Especially in view of supply problems of Russian coal, SAK's decision was welcomed by Finnish coal traders and buyers, who soon were flooded with South African offers.
[CWI (USA), 7 January, 11 and 18 February 1992]

1992 CONTRACTS: lower prices for SA coal

ITALY

ENEL, the national utility of Italy, has made new contracts, covering a total volume of nearly 4 million tonnes, with its usual South African suppliers: Amcoal (Anglo America), Trans-Natal (Gencor), Randcoal (Barlow Rand), Shell, Total, Kangra (Agip Coal) and TCOA. The prices, however, were lower than in 1991 contracts. Amcoal will get for its delivery of one million tonnes a price of US$31.80 FOB Richards Bay, down from US$32.15 in 1991.
[CWI (USA), 26 November and 10 December 1991; see also SRB's Coal Monitor, No. 7]

GERMANY

The public utility **Stadtwerke Bremen** has entered into a contract to import 500,000 tonnes from Randcoal and Trans-Natal. **Bayernwerk** will probably import 140,000 tonnes of South African coal, while **Energie-Versorgung Schwaben (EVS)** taking 250,000 tonnes. Thyssen Handelsunion and Agip Coal of Italy have entered into a joint venture to sell in Germany imported coal such as from South Africa.
[CWI (USA), 17 December 1991, 4/18/25 February 1992; ICR (UK), 30 November 1991]

JAPAN

Japan Steel Mills (JSM) will import one million tonnes of coking coal from South Africa in 1992. The **Electric Power Development Company (EPDC)** will take about 900,000 tonnes steam coal from Total, Shell and TCOA.
[CWI (USA), 21/28 January and 25 February 1992; ICR (UK), 13 January 1992]

BELGIUM

Electrobel (Pool des Calories), the importing agency for Belgian utilities, has signed a contract to import more than 2 million tonnes from South Africa. The steel company **Cockerill** will take coking coal from Trans-Natal via Transcol.
[CWI (USA), 12 November 1991; ICR (UK), 4 November 1991, 13 January 1992]

SPAIN

Cement Atlantico is believed to have made an award to Duiker (Lonrho's coal exporter). **Carboex**, Spain's national coal trader, has concluded new contracts for 1992 imports of which the majority will come from South Africa.
[ICR (UK), 4 November 1991; CWI (USA), 4 February 1992]

GREECE

Heracles, the national Greek cement producer, will import 360,000 tonnes of South African coal through US trader Phibro. **Titan**, a private cement producer, will take about 120,000 tonnes from Shell and the same volume from trader **Marc Rich**.
[CWI (USA), 26 November 1991; ICR (UK), 30 November 1991]

TURKEY

The Turkish municipality of **Bursa** has awarded a 50,000 tonnes contract to **Marc Rich** for South African steam coal.
[ICR (UK), 4 November 1991]

MALTA

Marc Rich has also won a six-month tender of **Enemalta**, the island's national utility for four cargoes of 40,000 tonnes of South African coal. The contract was taken from Shell which had won the previous tender for the same volume involving countertrade.
[ICR (UK), 13 January 1992; see also Coal Monitor, no. 8]

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participating together with Mr. George Bush jr., sone of the US president, in a controversial search for oil off the coast of Bahrain. Test drilling was planned to start in November 1991. The controversy is over how the Bahrain government came to select the Texas-based company **Harken Energy Corporation** for the work of developing its oil fields, since Harken has no international drilling experience. Allegedly Bahrain's emir, Sheik Isa bin Salman al-Khalifa, has tried to please the US president, whose son George jr. is an investor and director of Harken. Shortly before Iraq's invasion of Kuwait Mr. Bush jr. made a big profit by selling 66 per cent of his stake in Harken after word of the Bahrain contract sent the share price soaring. The Bahrain connection caused the White House some embarrassment in October 1991 when the US president was asked whether his sons's investment had any bearing on his decision to deploy troops in the Gulf.

The involvement by the Rupert family is through Cie Financière **Richemont**, a holding company based in Switzerland and headed by Mr. Johann Rupert. Richemont has acquired a sizable stake in Harken, through a British Virgin Islands company named North American Resources (NAR). NAR owns 20.8 per cent of Harken's stock. On 26 October 1991 Mr. Rupert, on holidays in Florida, leapt to Bush jr.'s defense describing the allegations as political smears timed to coincide with the start of the 1992 presidential election campaign.

This was not the first time the Rupert family dealings in the US oil business attracted attention. In 1988 the family came in the news when the Rembrandt Group suddenly took over the control of Denver-based Frontier Oil and Refining Company.

[Sunday Times (SA), 27 October 1991]

This newsletter is a publication of the Shipping Research Bureau. The Shipping Research Bureau was founded in 1980 by two Dutch non-governmental organisations, the Holland Committee on Southern Africa and the Working Group KAIROS (Christians against Apartheid). The Bureau conducts research and publishes reports on the ways in which South Africa tries to obtain its crude oil imports to encounter the embargo imposed by nearly all oil-exporting countries. Since 1989 the Shipping Research Bureau also monitors coal exports from South Africa in support of existing and future sanctions on South African coal. Material published, unless otherwise stated, does not necessarily represent the findings of the Shipping Research Bureau. In case material is derived from other publications, the main sources are listed. Any material in this newsletter may be freely re-published. Please acknowledge source.
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Part of oil stockpile sold for R1 billion

In reply to parliamentary questions Mr. George Bartlett, minister of Mineral and Energy Affairs, has stated his ministry sold an undisclosed volume of oil from the strategic stockpile on 2 September 1991 to **local refineries** and to **Madagascar**. The total price was R1.0074 billion or about US $ 350 million. Figures, given earlier by the South African Reserve Bank on 'unclassified' imports during the month November 1991, indicate there was a sharp drop in crude oil imports in that month due to the use of the domestic stockpile. The amount of 'unclassified' imports (oil and arms) dropped from R629 in October to R192 in November 1991.
On 29 April 1991 the government announced for the first time to sell part of the stockpile. A second announcement was made on 27 August 1991 by the then minister of Economic Co-ordination and Public Enterprises, Mr. Dawie de Villiers. The apparent delay of the sale was that the government had not yet decided on what projects the money should be spent. Mr. de Villiers said that the money would be spent on a programme of *'socio-economic projects aimed at improving the quality of life of South Africans'*. According to the minister 59,000 jobs over a period of 15 month would be created by this programme. R742 million would be used to build classrooms, clinics, creches, community centres, sports fields and housing accomodation for 270,000 people. Some of this money has already been allocated: the Natal Community Administration received R73 million and the Department of Education and Training capital works programme got R45 million.
In addition, more than R200 million would be spent on roads upgrading and R20 million for a 'special job creation programme' administered by the Department of Manpower.
Moreover, to address 'security problems' about R60 million would be used for the construction of 59 satellite **police** stations and 250 police contact points.

CP: 'Selling off the family jewels'

The Conservative Party (CP) has strongly criticised the government decision to sell part of the country's strategic oil reserves. CP spokesman on finance, Mr. Casper Uys, said the government was selling off the family jewels for consumption expenditure. *'Of course we should hold on to the reserves, the hard times are not over yet'*, he said.
[Citizen (SA), 28 August 1991; Daily News (SA, Natal), 8 November 1991; Natal Mercury (SA), 20 December 1991; Financial Mail (SA), 3 January 1992; Platt's Oilgram News (USA), 21 February 1992]

OMAN

President de Klerk visits Oman

In seeking 'normal' access of South African exports to Middle East markets South Africa's president Mr. F.W. de Klerk paid a visit to Oman in November 1991. Undoubtedly also on his agenda were discussions with the Omani government on the possible lifting of trade sanctions and, in particular, of the oil embargo by Gulf states.
Being a member of the Arab League, Oman has always supported oil embargo resolutions in the UN (Oman is not a member of OAPEC and OPEC). Nevertheless, research findings by the Shipping Research Bureau show that during the period 1979-1991 at least **61 tankers** have been identified which sailed to South Africa from Oman. British press reports in 1982-1983 revealed that **Shell** in early 1981 consulted with a London-based oil trader and offered to make sales of Omani crude oil to South Africa's oil importing agency, the Strategic Fuel Fund (SFF). Oil industry experts at that time pointed at the sudden reduction of Shell's purchases of Omani crude during 1981, and at a sharp increase at the same time of liftings from Oman by **Transworld Oil** (TWO), the oil trading company owned by the Dutchman Mr. John Deuss. Royal Dutch Shell has a controlling stake of 34 per cent in Petroleum Development of Oman (PDO), the major exporter of Omani crude.
De Klerk's visit to Oman was preceded by a visit of a South African Foreign Affairs official to Bahrain and Dubai in October 1991. This was Mr. John Sunde, responsible for Middle East Affairs in the foreign ministry, who then confirmed Oman had been *'supplying much of South African needs for several years'*.
During de Klerk's visit Mr. David Graham, general manager of international operations of SAFTO (South African Free Trade Organisation) said that the Arab League could discuss the lifting of trade sanctions against South Africa at its December 1991 meeting. Mr. Graham also stated that South African exports which could find a ready market in an 'open' Gulf included food products, consumer goods, valves, building materials, transport services and steels. After the Gulf war SAFTO established its Gulf Business Development Unit to promote participation in the rebuilding of Kuwait. Since then 25 South African companies have joined this unit to find potential export markets in the Gulf region. During February 1992 a SAFTO delegation visited several Gulf states and attended an international trade fair in Kuwait.
[Finansies & Tegniek (SA), 15 November 1991; Financial Mail (SA), 20 December 1991; AP-Dow Jones News Service, Manama (Bahrain), 9 October 1991]

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