OIL FUELS APARTHEID

The Strategy of the Pretoria regime to secure the survival of Apartheid is many pronged:

- Intensification of repression in South Africa with so-called reforms which amount to a variation in the forms and institutions of apartheid in order the better to perpetuate and entrench domination;
- Escalating repression and militarisation in Namibia in order to maintain Pretoria's illegal occupation;
- Aggression and destabilisation in the region;
- An economic and political offensive to counter the growing international isolation of the regime and limit the effects on white morale and privilege.

The apportion of a large part of the country's resources to the implementation of this strategy has contributed significanly to the present economic crisis, which has been further componded by the administrative costs of the numerous and duplicated institutions created by apartheid.

The cost to the regime of securing its fuel needs in the face of the oil embargo, which is quantified here, suggests that the total impact of existing sanctions is far creater than has been Hitherto recognised. More importantly, the fact that Pretoria is being obliged to allocate resources on this scale testfies to the effecacy of sanctions in the struggle against apartheid and the necessity of strengthening and extending existing measures while securing the imposition of comprehensive and mandatory sanctions by the security council.

THE COST OF THE OIL EMBARGO

The South African economy is being drained of Billions of dollars annually by the Pretoria regime's efforts to overcome the embargo imposed by most of the world's oil Exporting countries. These consts have been hidden from the South African Public. In Parliament and Official Inquiries it is suggested that the only additional costs to arising from the embargo are the Premiums that have to be paid for the clandestine purhase of embargoed Oil Amounting to 150 - 200 million dollars per annum. The real cost is many times that figure and in the last year exceeded the country's budgeted military expenditure. These unpublicised amonts have contributed to the present economic problems and to the recent 40% increase in the price of fuel.

Billions of dollars have been wasted on uneconomic projects that have been undetaken purely in order to reduce the impact of the Oil Embargo. The SASOL Plants cannot be justified on economic grounds as the process is at least 20% more costly than the conventional method of refining crude oil. Some experts estimate the additional costs to be much higher South Africa claims to have stored up to 2 years of its crude oil needs in contrast to the 90 day's supply stockpiled by most Industrial Countries. It is the determination to maintain apartheid that has led the regime to consort with criminals and rsort to corruption in order to buy oil in the International Market Place.

PARIAH COSTS PER ANNUM

	MILLION US DOLLARS
Construction of SASOL Plants and ANCILLIARY facilities written off over 15 years	700
Additional annual cost of production of 8500/B/D using SASOL process	175
Excessive oil stockpile 21 months) Write off of preparation of storage facilities	40
Los of interest on outlay for purchase of excess Oil in Stockpile @ 10% P.A.	525
Exploration Costs	150
Premiums, Kickbacks, Bribes or commission paid for purchase of Embargoed Oil Averaged over 5 years 1979 - 1983 (1)	
Losses on Frauds : Salem and "Sniffer Planes" written off over 5 years	10
TOTAL = US DOLLARS	1990 MILLION

These costs are based on some of the contracts, the information in the advocate-general's report of June 1984 and evidence presented in the South African courts.

The above figure of 1990 million per annum does not include the loss of potential earnings on the export of coal used in the SASOL process, or the costs of pollution and ecological damage : e.g. SASOL uses 100 million litre of water per day while the country is short of water resources. The loss of opportunity on capital tied up in unnecessary projects would on a conservative basis of 10% P.A. amount to an additional 1.050 Billion Dollars Annually.

Even the basic figure of 1990 million dollars at the current rate of exchange, exceeds the military budget, is more than double that of health and welfare and many times more than that for education and training. If the Mossel Bay project is carried through to Production, South Africans will be faced with an additional cost of at least 168. 75 million dollars per annum for the next 8 years.

Notwithstanding this vast expenditure, apartheid South Africa has not achieved self-sufficiency, is vulnerable to the Oil Embargo and has cause to fear its extension.

APARTHEID SOUTH AFRICA'S CONTINUED VULNERABILITY

Oil is the one resource South Africa does not have. Without imported oil, the regime's occupation army in Namibia, its aggressive capacity in Southern Africa, and its repressive and military machine inside South Africa all would be slowed down. The already overburdened economy would be unable to cope effectively with the costs of implementing apartheid policies and defending itself against popular resistance.

The Pretoria regime has attenpted to obscure the issues and imply that it no longer has cause to fear an Oil Embargo, claiming that it is able to produce Oil from coal and make clandestine purchases of Embargoed Oil through bribery and dubious dealings. There has also been a systematic attempt to exaggerate the significance of the "finds" of Oil in off-shore exploration.

The true picture is a very different one. Despite an outlay of Billions of Dollars of capital and a recurreing annual cost of over US$ 1990 million, which exceeds the military allocation for 1984, South Africa remains dependent on the import of crude Oil for over 60% of its needs. It continues, and has cause to fear an Oil Embargo.

This was confirmed in June 1984 in a confidential report to a Parliamentary select committee by the South Africa advocate general who was investigating allegations of corruption in the purchase of Oil. He States:

> "Everybody is acutely aware of the extremely sensitive nature of the information concerning South Africa's crude Oil purchases and although the crude oil market has now to a large extent turned into a buyers market <u>this has not reduced South Africa's economic and even military vulnerability</u> in this sphere. As must be clear from the current events in the persian gulf, an over-supply of crude oil can change overnight into a critical shortage". (Section 9.12) <u>Our emphasis</u>

The regime has invested more than ten billion dollars in the construction of Oil-From-Coal Plants (SASOL 1,2 & 3) and associated facilities, in its efforts to reduce dependence on external sources. These plants are expensive, inefficient and incapable of providing self-sufficiency. The chairman of the South African Manganese Corporation, Dr. J.P. Kearney, told a scintific research conference in July 1980 that "although SASOL is the only Oil-From-Coal process presently in Commercial Operation, it is still wasteful and inefficient when judged by energy conversation standards."

The regime has boasted its immunity from an Oil Embargo, as did the former director of the strategic fuel fund, Dr. D.F. Mostert in August 1984 : "Today I can say that we cannot be blackmailed anymore due to SASOL 2 and SASOL 3 which have come on stream". It is Ironic that the International audience he tried to deceive had come to Johannesburg to discuss maritime fraud, including the case of the <u>SALEM</u>.

Dr Mostert's statement was not true. Last year the production of the three plants together was in the region of 85,000 Barrels per day. if there are no further technical hitches and the SASOL Plants are brought to full capacity, they would still only be able to meet 37% of the country's 1981 Liquid, fuel consumption. Today the proportion is considerably lower, if one takes into account increases in consumer demand, the escalating military needs arising from the regime's war against the people in the black township, together with its military escalation in Namibia, the continued occupation of Angola and the maintenance of an overall aggressive stance in the region.

The figure of over 60% dependence on imports represents an irreducible minimum. Over the last few years the apartheid regime has pursued policies to dempen the rate at which consumption has expanned and has channeled energy use to coal of which it has enormous reserves. The use of oil is now concentrated in those areas where it is not possible to replace it with other forms of energy. As a result there is little Room for further economies and a reduction of supplies due to a strengthening of the Oil Embargo will have an immediate impact.

The already overstretched economy cannot build enough additional capacity to achieve self sufficiency. Present plans provide for an increase of only 6% in the capacity of the SASOL Plants by 1987. An additional investment of US$ 16 - 20000 million by 1995 would be required to bring the country to about 70% self sufficiency and thereafter the country would have to build one new plant every three years. (Financial Mail energy survey March 1982).

Payments made in an attempt to ensure the survival of the apartheid system have brought the economy to crisis. By 1984, the foreign debt was in excess of US$ 17 000 Million, representing 30% of GDP. Two thirds of the foreign debt is due to be repaid in 1985. In the past, South Africa rolled over most of its debts. But with the growing internatioal pressure for disinvestment and the evident political instability in the country, new swopping are more difficult to come by. The South African reserve Bank is swopping Gold to butress a plummetting rand. In the first month of this year the Gold content of the reserves dropped from 92% with a further decline in February.

The South African economy clearly cannot generate funds from domestic sources for investement in further Oil-from-Coal Plants. The regime has indicated that this area will be left to private enterprise, which would undoubtebly seek foreign collaborators.

The African National Congress and SWAPO of Namibia emphasise that an essential aspect of the Oil embargo is the ending of all financial, technical or material collaboration with any aspect of apartheid South Africa's Petroleum Industry.

DRILLING FOR OIL

The Pretoria regime has spent a lot of money and effort in exploring for oil on land and off shore. Many alleged "finds" have been announced with great fantare only to sink into total obscurity thereafter. This led the wall street Journal (23.12.80) to comment : "They (South Africa) are inclined to get excited about any possible discovery".

In December 1984, contracts were awarded for feasibility studies on the most promising find in South African waters off Mossel Bay. The us firm of foster wheeler will be collaborating on the on shore plant while John Brown of the clyde (U.K.) will be involved in the off shore study.

The two fields to be investigated lie 70 Km and 58KM off shore and at depths of 110 and 94 metres of water. A gas production of 4.25 million standard cubic metres is targetted to produce 20000 Barrels per day of Liquid Fuels such as Gasoline and Diesel for a period of 20 years.

Preliminary cost estimates indicate that the total development (2 off shore plarforms, pipelines and on shore processing plant) will cost in excess of US$ 1350 million over 8 years. This costing was based on experience in the UK North Sea (July 1984). Given the South African locale and the synthetic process to be used, the development costs of the on shore synthetic process to be used, the development costs of the on shore and off shore facilities combined would be nearer 2 Billion Dollars.

Like the Sasol Plants, the Mossel Bay project is not being assessed in terms of its commercial viability but on its possible contribution to the preservation of apartheid, regardless of the cost to the South African people.

International collaboration in the Mossel Bay project will provide cover for the transfer of vital technology to South Africa, this facilitating the proposed development and exploitation of the much larger 'Kudu' field in Namibian waters. Companies which collaborate in exploiting theses Namibian assest will be further violating decree No. 1.

WHO ARE PRETORIA'S FRIENDS AND PARTNERS

> "The struggle against boycotts is by no means over. United Nations attempts to prevent Crude Oil deliveries to South Africa continue. Any relaxation in respect of secrecy can help to spotlight the target and enable our enemies to identify our friends and partners who deliver to us".

SOUTH AFRICAN MINISTER OF INTERNAL AFFAIRS

IN PARLIAMENT - 9-3-83

Despite draconian legislation providing for imprisonment up to seven years for any breach of the secrecy surrounding the procurement, production, transportation, storage, consumption or any other matter relating to oil and the Petroleum industry, a great deal of information has become avaliable about the regime's methods and its collaborating "friends and partners". This information cannot be published in South Africa but is otherwise in the International Public domain. It can be guiled from documents leaked from the regime's own department of mineral and Nergy affairs, the "Confidential" report of the advocate-general presented to a Parliamentary select committee in June 1984, the [illegible], pleadings, disclosure and documents comprising the evidence in a series of cases being heard in camera before the South African courts and information available to the ANC SWAPO together with the research and moniroring by solidarity groups, trade unions, newspaper and others.

The ANC and SWAPO are today publishing the first instalment of a list naming the collaborators with apartheid's petroleum industry. The list includes:

MAJOR INTERNATIONAL OIL COMPANIES

British Petroleum (BP), Caltex, Mobil, Shell and Total have established, expanded and continue to operate refineries in South Africa, they are directly involved in the repression of the Namibian and South African people and the aggression against South Africa's neighbours by their continued supply of fuel and petroleum products to the military and security arms of the regime in Namibia and South Africa. These companies have diversified their interests in the Apartheid economy and help buttress it by investment and the transfer of technology.

The Oil majors have been given special incentives to secure their continued collaborations. In 1976 BP Shell and Total were granted substantial mining concessions. Three years later the minster of economic affairs told parliament that the oil companies' participation in the highly profitable area of coal exports had been allowed "subject to the condition that they continue to fulfill their obligations in supplying liquid petroleum fuels". (Financial Mail 18.5.79)

BP, Shell and Total now control 40% of South Africa's highly lucrative Coal Exports.

The International Oil Companies have tried to hide their continued involvement behind South Africa's secrecy laws and behind claims that they have no control over their South African subsidiaries. The regime has further tried to protect them by taking over the major part of Crude Oil purchases through the strategic fuel fund (SFF), though Crude Oil is ostensibly purchases through the SFF or on contracts between oil traders and South African subsidiaries, the international companies are known to have bough directly or arranged for the purchases of embargoed crude for their refineries in South Africa. Along companies which have done so are BP, Compagnie Francaise Des Petroles (CFP) whose subsidiary operates the Natraf refinery in partnership with SASOL, and Shell.

The advocate-general's report reveals the extent to which they all profited from the supply of crude oil:

> "As a further incentive to international oil companies to supply their subsidiaries in South Africa with crude oil, 8$ per Barrel of crude oil was paid under a subsidy scheme during 1980. For each barrel of crude oil imported by a company 8$ per barrel, adjusted in terms of oil quality, was repaid to the company".
>
> (Section 3.8.)

In subsequent years a lower incentive payment was made.

Other sections of the report show that 'strategic collaboration' began prior to and in preparation for Rhodesia's UDI. It also predates much of the legislation which these companies claim requires their subsidiaries to collaborate.

> "In 1964 the creation of a fund for the stockpiling of strategic crude oil supplies was initiated by the depertment of economic affairs in conjunction with the industrial development corporation and the Oil companies". (SECTION 4.1.)

> "In terms of secific guidelines that had been laid down, amounts were collected from oil companies for the fund and oil companies also received compensation amounts from the fund for the creation of storage facilities". (Section 4.3.)

> "The Equalisation fund came into existence as a result of discussions held by the Minister of economic affairs with the managing directors of all the local oil Companies .... during November 1978". (SEC 4.10.1)

It is from this equalisation fund that companies are "compensated for abnormal costs in connection with crude oil purchased by the companies for use in South Africa .... " (SEC 4.10.1)

The International Oil Companies advertise their collaboration with Apartheid in the South African press and deny it to their shareholders. The evidence is plain and unambiguous, as is the need for their prompt and total withdrawal from South Africa and Namibia.

THE SHIPPING COMPANIES

Tanker Owners, Charterers, and Managers involved in transporting embargeod oil and products to South Africa and Namibia have done so in the full knowledge of the criminal nature of their involvement. They have attempted to discusse their ships, changed the names, maintained radio silence, declared false destination, and connived in the presentation of forged discharge and customs certificates. Their methods have placed in Jeopardy the freedom of their crews in non-South African ports and their safety in the waters near South Africa.

Governments can bring an end to this traffic by legislating to prevent their national Fleets or ships which fly their flag from engaging in acting against the companies and ships involved.

OIL TRADERS COMPANIES AND MIDDLEMEN

Two advocate-general prominently in the advocate-general's report: John Duess of the Netherlands and the American Tax Evader Marc Rich now living in Siwtzerland. The very substantial profit from the clandestine supply of oil to South Africa has proved a great attraction, and the South African courts have witnessed the battles over the spoils as the thieves have fallen out.

The advocate-general allegedly clears South African Officials of improper enrichment, yet his own report details in extension the substantial premiums that were written into the contracts and were divided among the intermediaries: "He (John Duess) said that part of the Premium would go into the pockets of some of the persons involved ...." (SEC 6.4.11)

The cases in the courts reveal that middlemen were authorised to disburse substantial additional commissions when setting up the deals. There were no checks on those individuals who were the ultimate beneficiaries of this bribery.

The report of the advocate-general provides evidence that would stand up in any court of law, that the two oil traders John Duess and Marc Rich contracted to supply the Pretoria regime with embargoed oil. Discussions over prices, premiums and terms are outlined for a 3 year contract with John Duess to supply 4 million tons of crude oil per annum and later an additional 2 million tons. The Marc Rich contact was for the delivery of 17 consigments over one year.

John Duess and Marc Rich are known to have supplied crude oil and products under a number of other contracts with the SFF, Shell and Total. Amongst their cargoes have been brent crude (British North Sea) and Ekofisk (Norwegian). Both these traders are still involved in this trade.

The African National Congress and SWAPO of Namibia urge all governments to take legal action against these two criminals and refuse any further dealings with them. They should also penalise all others engaged in this nefarious trade.

COMPANIES PROVIDING TECHNOLOGY CAPITAL EQUIPMENT AND FINANCE

South Africa desparately needs technology. The SASOL Plants which the regime claims as its own achievement, require a great deal of foreign technology. The list of collaborators reveals the extent and scale of the support given to apartheid South Africa by the federal Republic of Germany, France, United States and other countries.

South Africa still needs and seeks technology, finance and equipment for research and production of fuel alternates and substitutes such as ethanol and methanol and for its exploitation programme.

Those who have invested and collaborated in strengthening apartheid's Petrolaum industry have brought funds, technological expertise and managerial skills. Each is vital and must be encompassed in the oil embargoe. All must be stopped.

Stop Oiling the war machinery of South Africa and help bring about genuine peace in our region.