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REPORT OF THE ADMINISTRATIVE SECRETARY-GENERAL TO THE COUNCIL
OF MINISTERS ON THE PROBLEMS OF INVESTMENTS IN
SOUTHERN AFRICA



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COMPANIES SEARCHING FOR OIL IN SOUTH AFRICA

1. Without going into the details of the long and expensive oil search, it should be said that no oil has yet been found in commercial quantities, and the prospects do not appear very encouraging. To judge from ministerial statements, the search is continued more out of the burning desire of the Government to find its own oil than the realistic prospect of its being there. The companies are more or less obliged to prospect, in return for a share in the South African market, but they have been sharply criticized for their failure to maintain the highest level of activity and co-ordination. A giant American oil rig, Sedco 135, started drilling off the mouth of the Orange River in late December 1973, which has proved fairly promising, following a drilling programme for the Total - Shell - Soekor consortium; its next contract is for Chevron-Regent, in Namibian waters, and it will later move on to Angola.

2. The following companies are exploration lease holders:

Offshore

Esso Exportation and Production

Arco

Atlantic Richfield

Caltex

Placid International (S.A.)

Odeca consortium, Sasol, East

Coast Venture, Kewanee Oil

Superior Oil International, Highland

Resources, Tenneco, Cities Service

Mobil consortium: Mobil, Total (France)

Shell, BP (U.K.)

American Pacific Petroleum, with

Pantepec International, Petroleum

Corporation of America, Kewanee,

Security Resources Petroleum

Pantepec consortium

U.S. National (for Midland Oil)

U.S. Natural Resources, associated with

Rand Mines (S.A.), Engelhard Hanovia and others.

.../...

C.F.P. (Total -- Fr.)
 Karroo Basin Oil
 South East Oil and Gas Corp.
 Zululand Oil (Gulf 70% Soekor (S.A.)
 10% also Angolo Vaal, Rand Mines (S.A)
 and Engelhard Hanovia)
 Krobel Consortium, S.A.
 Oil Ventures International (S.A.)
 Continental Oil

2. Onshore

Argus Exploration (S.A.)
 Karroo Basin Oil
 H.M. Mining with Syracuse Oils, Oceana Petroleum, and Soekor)
 Midlands Oil (ceded to U.S. Natural Resources)
 Zululand Oil
 Glair and Kestler
 Gulf Oil (may have sold out)
 G.JH du Preez, S.A.
 Brand's Petroleum

Except where otherwise stated, the companies are almost all American.

3. The question of natural gas is not clear. A significant discovery of petroleum gas on the continental shelf of Plettenberg Bay was announced in April 1969, found by the drilling ship Glomar Sirte, for the Superior Oil Co. and its American co-venturers, Cities Service Co., Highland Resources Inc., and Tenneco Ind. Gas production was estimated at about 25m cubic feet per day, together with 100b.p.d. of condensate; a lower gas zone would produce at least another 10m cubic feet per day.

4. In spite of the euphoria that greeted the discovery, no further move has apparently been made to exploit it. Since the announcement, the hole has been plugged, and the drilling rig moved Superior Oil has not applied for exploration rights in connection with the discovery. Since the strike was 40 miles from the coast of South Africa, it was suggested there were legal uncertainties as to whether it came within South Africa's jurisdiction. It was asumed at the time that the size of the find was uneconomic, at least in the absence of a large user to buy in bulk, and the construction of equipment to move the gas onshore and provide the expensive high-pressure pipeline grid system that would be built to bring the natural gas

from the vast Pande deposits in Mozambique to South Africa, and the Managing Director of Soekor, Dr. F.W. Quass, has stated that the South African find will not be exploited in the near future; "Relatively moderate reserves do not justify the development for a local market at present, but I feel that the gas will be marketable both locally and in America in the 80s", he has said.

THE ROLE OF THE OIL COMPANIES IN SOUTH AFRICA

5. All the oil marketing companies make similar products, because of the tight Government control of octane ratings and retail prices. South Africa and Namibia are at present carved up into refinery zones served by much, except where there is a special arrangement between companies. This provides a very limiting framework for the companies.

6. However, one of the major attractions which serve to offset this disadvantage is the profit to be gained from distribution. As summed up by the Financial Mail, service stations are very cheap to run: "In South Africa, all you need is a few Africans under White supervision." It is the keen competition for this lucrative market that drives the companies into collaboration with the South African Government in its strategic planning, and even into the oil exploration programme regardless of the actual prospect of finding oil.

7. With its complete control of the petroleum market, the South African Government is in a position to suggest to the companies concerned that a little discreet co-operation with their plans could improve their share of the distribution market. In 1967, they formalised this control; it was announced that, as a condition of remaining in South Africa, all foreign-controlled oil companies would be requested to:

- a. Make their refineries available for processing crude products from any source, when excess capacity was available;
- b. Give South Africans the opportunity to buy shares in the company;
- c. Ensure that the major proportion of their earnings remain in South Africa to finance the future expansion of the industry;
- d. Be prepared to produce specialised petroleum and oil products required for strategic and other logistical reasons, irrespective of the commercial potential (emphasis added). This arrangement has already been implemented with explosives manufacturing, which was not profitable for the company involved, subsidiary of British ICI.

- BP (British Petroleum), in which the British Government has a 49% interest, operates in South Africa through BP Southern Africa (Pty) Ltd. It has an interest with Shell in the joint refinery, Single Buoy Mooring terminal, lube oil and prospecting activities; however it maintains separate marketing, depot and other facilities. BP has arranged with Shell to take over a large number of its sales outlets in South Africa, so that the two companies will have 20% of the market each, as compared to the 12% BP had previous to 1971. In support of this commitment, BP's huge tanker fleet of 127 ships, with 142 more on charter, puts in about 400 calls at South African ports every year, and Safmarine's first supertanker, the IST KULU, was chartered for 8 years after its commissioning in 1971.
11. Mobil is the third largest marketing force in South Africa, with annual sales in 1971 of over R100m. (\$140m) and its own refinery, the first in South Africa. Together with Caltex and Esso, Mobil controls approximately 44% of the South African market. Although under attack from corporate campaigners in the U.S., Mobil has repeatedly proclaimed its intention of continuing and increasing its involvement in South Africa.
 12. Caltex Oil (South Africa) is owned by Caltex Petroleum of the U.S., which in turn is controlled 50% by Texaco, Inc. and 50% by Standard Oil of California (Socil). It has been in South Africa since 1911, and now has an investment of some R90m. (126m.) and claims 20-21% of the market. It has a vigorous refining programme, with its own facilities, and has become very closely identified with South African interests. Its commitment to the search for oil in South Africa is indisputable. An intensive advertising campaign has been carried out in Johannesburg papers proclaiming the message: "Ahead of Caltex lie lonely years of search and perhaps disappointment -- or the discovery which will free South Africa, for all time, from dependence on outside oil supplies." With such devotion to the cause, Caltex will presumably be prepared to spend lonely years doing the dodging the Arab oil embargo for its client.
 13. Esso, a subsidiary of what is now the Exxon Corporation of the U.S., arrived late on the South African scene in 1963-64. Its South African Managing Director, Mr. E.R. Hartman, explained: "We did it because the Republic is a most attractive and stable country." Operations are still relatively modest, with capital investment of about R10m. Its 65 service and filling stations compare with over 1,000 each for Mobil and Caltex. Esso's biggest impact has been on the agricultural sector.

14. Total, S.A. (Pty) Ltd. used to be a wholly owned subsidiary of C.F.P., but in 1969 gave a 15% share to the local bank, Volkskas; this stake is expected to increase. Possibility as a result of its collaboration with this Afrikaner business element, Total has done well in the local market, and has 400 service stations.
15. Trek, Beleggings is the only major oil company with control in the Republic, being 65% locally owned, and in a Government-controlled market is naturally doing very well. It is already replacing Shell and BP on filling stations, and its profits are mounting rapidly. Shell and BP have a 17½% interest in Trek, and Trek also has a 50% interest in Shell and BP Southern Africa Manufacturing Co. (Pty), Samco. Trek is controlled by Dederale Volksbeleggings Bpk and General Mining and Finance Corporation. It has been central to the supply of oil to Southern Rhodesia after the imposition of Sanctions.
16. Sonarep, a Portuguese petrol company which is actually controlled by French Capital, started to establish petrol stations on the Rand and in the Transvaal, and also in Namibia, using the brand name Sonap. It used petroleum from the refinery at Lourenco Marques which it controls, and has been obtaining an increasing share of the market. It is unlikely, however, that there will be much if anything to spare for South Africa from this refinery in present circumstances.
17. The last two companies do not have the international connections which are the only way for South Africa to obtain Middle East oil. This role is likely to be played mainly by the first six: Shell, BP, Mobil, Caltex, Esso (Exxon) and C.F.P. (Total).
18. Meanwhile, South Africa's need for foreign capital will increase, since the substantial trade gap experienced in the latter part of 1973 is expected to widen further in 1974, according to the Standard Bank Review, and the rising price of oil will exacerbate this, to the extent that South Africa is able to obtain it. The declining reserves will have to be strengthened by an inflow of foreign capital, and the public sector in particular will have to rely to a large extent on foreign borrowing to finance its vast capital expansion programme. With a reduction in the economy's growth rate, this could be a problem. Bank loans made in the last few years to the South African Government from the United States are also coming under attack, and two banks have already undertaken not to make any more loans. The major source of finance apart from the U.S., has been Germany and Switzerland. Whether or not South Africa can raise the loan capital it will need may depend on how strong the opposition to South Africa becomes in these two countries.

COMPANIES SEARCHING FOR OIL IN NAMIBIA

19. The solution to the Namibian problem is to a large extent dependent on weakening the South African regime. The Namibian economy itself may be at least as badly affected as the South African, since it is dependent on fishing (which requires oil fuels), mining (requiring bulk transportation for export) and related concerns. The vast distance involved also make South Africa's control of Namibia dependent on reliable communication network, including commercial and private aircraft on a large scale. Although the military operation in Namibia will probably be given absolute priority, even at the expense of important sectors of the South African economy, it will become more of a burden than previously.

20. The following international oil companies are prospecting in Namibia:

Chevron Regent (Caltex, U.S.)
Shell
BP (UK)
Societe Nationale des Petroles d'Aquitaine (Fr.)
Aracca Exploration (U.S.)
Phillips Petroleum (U.S.)
Getty Oil (U.S.)
Continental Oil (U.S.)
Milford Argosy (U.S.), starting in early 1974
De Beers (S.A.)

21. Three consortia of oil prospectors have already abandoned their claims -- two of them for political reasons at about the time of the International Court of Justice Opinion on Namibia, according to the South African press -- and in view of the relatively small number of companies involved, the special legal situation of Namibia, and the fact that half of the companies have arrived in the last two years, in spite of official "discouragement" by their Government in the U.S., the operations there should receive special attention.

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OIL PROSPECTING IN MOZAMBIQUE

22. The following prospecting consortia are operating in Mozambique:

Societe Nationale des Pétroles d'Aquitaine (SNPA), Entreprise de Recherches et d'Activités pétrolières (ERAP), Anglo-American Corporation, and Gelsenirchener Bergwerks A.G.

23. Aquitaine is a large French publicly-owned company, with a 40% share in the consortium through Aquitaine Moçambique-Companhia de Petroleos, SARL. ERAP is owned by the French Government, with exploitation in North and West Africa and the Middle East, and has 10% interest in that company. Anglo-American is the operating company, and is South African-based with a local subsidiary Anmercosa-Campanhia de Petroleoso de Moçambique. The concession was acquired in 1967, stipulating expenditure of 20m. escudos in the first year, 40m. in the second and 80m. in the third. Gllsenkirchene: Bergwérks, a huge German company, was reported to have joined the consortium in April 1968 by agreement with Aquitaine and Anglo, possibly replacing ERAP. Aquitaine announced that in 1971 activities were concentrated in the Zambezi River basin. The prospects for 1972 were not considered encouraging and the activities of the company were to be limited to any analysis of the results of the drilling operations.

24. Hunt International Petroleum Co., a subsidiary of the Hunt Oil Co. of Dallas, U.S. another of whose subsidiaries in Placid Oil. The Company was granted exploration rights in December 1967 for 41 years. In November 1973 it asked for an extension of its prospecting licence, and restarted its formerly suspended activities in the mouth of the Zambezi River.

25. Texaco Petroleum, U.S. (short for Texas Corporation), one of the leading oil conglomerates received a concession in January 1968, and the terms were those generally stipulated: the Portuguese administration would receive 12.5% in royalties and 50% of the profits, with rights to purchase 37.5% of production. 2m. escudos were also to be paid into the Mining Development Fund.

26. Gulf Oil Corporation, Pan American (U.S.) Mozgoc and Panamoz, as they are known locally, have been operating a joint concern since 1958, with a concession renewed several times. Natural gas has been found, and production of this was expected to begin in December 1972. This could be the source of the natural gas to be piped into South Africa. They do not appear to be prospecting actively at the present time.

Sunray DX Oil Co., Skelly Oil Co. and Clark Oil and Refining Corporation, all of the U.S. have cancelled their 1967 concession. New York Kilroy, also of the U.S, has applied for a concession to prospect along the southern coast.

PROSPECTING AND PRODUCTION IN ANGOLA

27. According to the Angolan Department of Geology and Mines, 1,700 million escudos (about \$68 million) will be spent on prospecting and research in 1974. The companies dominating the search are: Angol, Sociedade Portuguesa de Exploracao de Petroleos, SARL. Angol is specially authorised to co-operate with other national or foreign enterprises, and raise foreign capital for prospecting. Not only has the Portuguese Government the right to purchase 50% of the crude or processed products from Angol, but in case of war, the whole production is at the Government's disposal. In 1965 78.4% of Angol's capital was held by Sacor. Sacor is listed a subsidiary of the Compagnie Francaise des Petroles, the French Government-owned company whose subsidiaries include Total Oil. One of Sacor's Directors is from Total Trading International, and in 1965 one of Sacor's other Directors was also on the board of that Company. Sacor is otherwise controlled by Portuguese Government and private interests, and also has strong links with the Anglo-Dutch company, Royal Dutch Shell. The present 9 - member Board of Directors of Angol includes 4 former Portuguese Government Ministers. Sacor holds the rights to process the surplus crude from Angola.
28. Petrangol is the Companhia de Petroleos de Angola, SARL, and is largely Belgian-owned although identified also with Portuguese Government and private interests. It was set up in 1956 by the Belgian backed company Purfina, or Carbonang. It operates the refinery near Luanda, and controls operative oil-fields.
29. The Companhia de Minerios do Ultramar, which is owned by Portuguese, South African and U.S. capital, acquired a new petroleum concession in 1968. Petrangol operates by itself in the drilling areas of Benfica, Luanda, Cacuaco, Galinda, Tobias and Puaca; in the rest of its area it operates with other companies; with Angol in western Cuanza, and with Angol and Texaco (the concession extended in May 1973) having 26% each in the interior of the Congo province. In the Angol concession area, that company works with total (50%) for the Ambriz and Eastern Cuanza regions and with Texaco for the coastal Congo area. Production in these areas is expected to be 1.2 million tons in 1974 and total investment to reach \$30 million.

30. In 1971, Angol conducted prospecting off-shore in the Congo area through a U.S. contractor, the Eastern Geophysical co., a subsidiary of Litton Industries, Inc. -- a company with a record of activities favouring Southern African regimes. Petrangol is also reported to be stepping up oil prospection off and inland of Ambriz and the Cuanza river estuary, in conjunction with Mobil Oil of the U.S. The Ranger Oil Co. of Cheyenne Wyoming, USA has been granted prospecting rights in an area covering 12,000 sq. km. along the coastal sedimentary area and the continental shelf. In 1969, South African interests participated for the first time in Angolan oil activities, with the General Mining and Finance Corporation Ltd. leading a consortium with Sanlam, Bonuskor and other mining houses to take a 25% interest in certain of the concessions of Angol. Angol was reported to have retained a 25% interest, the remaining 50% belonging to the Belgian group, Petrofina. The concession in question had produced 4m, barrels during 1972. Production seems to have reached maximum level. Another major attempt to participate, this time in the financing of the Angolan oil activity, was less successful. A new bank was formed at the end of 1965, the Bank of Lisbon and South Africa, to promote trade between the countries of Southern Africa, and with Portugal. It was formed with the co-operation of general mining, and there was a suggestion at the time that Federal Mynbou and General Minining would become connected with the financing of oil production in Angola. Mr. Coetzer, Chairman of Federale Mynbou, told the press, "If it is known we get oil from the Portuguese, it would be a great factor in influencing boycotters not to boycott South Africa seriously." However, the project was later abandoned, largely because of the lack of adequate capital in South Africa, whose own resources would not cope with such an outlay, and no suitable partners could be found abroad to support the attempt.

31. In 1971, production from the Petrangol-Angol association dropped to 683,137 tons, from 688,058 tons in 1970. Of this total, 49,917 tons were from Petrangol's own concession and 633,220 tons from the joint concession. In 1972 production started from a new deposit, the Cabeça de Cobra in Zaire District, with about 606,000 tons, or 12,000 bpd, for the last six months of 1972. This new deposit is located in an area held by the petrangol-Angol Taxaco association. In January 1973, a new petroleum find was reported at Belas near Luanda, an area also held by the association.

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32. Further research was under way to determine whether this new finding could be commercially explored. The search for oil near the coast is currently taking place on a large-scale basis, and the massive research programme is to be completed in 1974 having cost over 637,000 escudos. Petrangol has announced a new 360-million escudos programme, to be carried out with the technical assistance of Total. Total-Angol is in a joint venture with the Portuguese company Saçor, Borges & Irmae. In its Ambriz off-shore area, the ship-mounted drilling-rig Pelican has just completed some drilling, and will return in mind - 1974. It represents the latest in off-shore drilling technology, having been in use for a year after design in France and construction in the Netherlands.
33. The standard Oil Co., of New Jersey, known in the U.S. as the Exxon Corporation, has confirmed that its international exploration subsidiary Esso Exploration Inc., has applied for rights to explore for oil in the off-shore area of Angola. They have stated in the informal meetings that they intend to commit large amounts of capital and efforts to this concession, which they see as very favourable to them, although production would probably not start until the 1980s if oil is found.
34. During 1972, various other U.S. companies applied to the Portuguese Government for petroleum concessions in Angola. The Ranger Oil Co. of Cheyenne applied for a concession to prospect for, and exploit Petroleum deposits in an area adjacent to the Petrangol concession. The superior Oil Co. of Houston applied for a concession for an area covering part of the continental shelf and the sea-bed. The Carlsberg Resources Corporation of Los Angeles applied for the concession to an area extending from Egipto Praia, north of Benguela, to the Novo Redondo area further north. The Milford Argosy Corporation of North Portland, which has also just started prospecting in Namibia applied for a concession to an area lying between the border with the Republic of Zaire and the Cabinda Gulf concession in Cabinda district. Iberian Petroleum Ltd. of Stamford applied for the concession to an unspecified off-shore area.
35. In 1973, further applications for concession were received from an international consortium consisting of Tesoro Petroleum Corporation of San Antonio (U.S.O. General Exploration of Los Angeles (U.S.) and Geotermie of Paris, and also from Energy Ltd. of London, which has requested the right to explore an area close to Angola's boundary with Namibia.

36. In April 1972, a petroleum concession was granted to the Argo Petroleum Corporation of Los Angeles (U.S.) which is probably an indication of the arrangement that would be negotiated with the numerous other U.S. applicants for concession. Under the terms of the contract the corporation was required to set up a subsidiary in Portugal, Argo Petroleum Portuguesa, which is the official holder of 110 million escudos, and may be increased by the company up to 500m. The colonial authority receives free of charge a 20% share of the original and any subsequent capital.

37. The company was granted prospecting rights for an initial period of three years which may be extended for another seven years. It will have production rights for 30 years, extendable for two successive ten-year periods. Prior to signing the contract, Argo Petroleum was required to deposit a security of 50 million escudos with the Portuguese Government as a guarantee. It has to spend a minimum amount on prospecting in each year of the contract, and make contributions to the Mining Development Fund, and if production is started it has to pay various bonuses to the colonial Government in addition to taxation amounting to 50% of income, plus 12.5% royalties. The company is required to give preference to the hiring of Portuguese personnel on a rigorous quota system, and also give preference to Portuguese goods and services, particularly transport facilities. From this it is obvious that its operations are of benefit to the metropolitan and colonial Governments in many different ways, and that the company can be tightly controlled by official policy. Perhaps even more important, however, is the contractual provision that the Portuguese Government must be given preference in the purchase of up to 37.5% of output, and in case of war or "serious emergency", the total output of the company must be placed at the disposal of the Government. The Government reserves to itself the right, following demarcation of the first petroleum deposit, to form an association between a Government-owned company Argo Petroleum on a joint venture basis for the exploitation of the deposit.

38. Finally, in spite of denials by official spokesman in Brazil, there is much discussion at the moment about the possible participation of its State-owned oil concern, Petrobras, participating in the exploitation of Angolan oil. Dr. Tomaz Pompeu, leader of the Brazilian delegation to the Centro Empresarial Luso-Brasileiro meeting in Luanda, stated that he had discussed possible Brazilian collaboration in the industry.

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39. Gulf oil has a major investment in Nigeria, which is double the size of its Cabinda operation. It also operates in the Middle East as well as the US. The corporation has been the target of a sustained campaign since about three years ago by US church groups, local organizations, and Black American groups, supported by major Black leaders. The "Boycott Gulf" campaign has resulted in activity in Canada, Holland the UK as well, to criticise the company at public meetings and cancel municipal and private accounts with Gulf. The company has launched a major public relations campaign in the US to win the support of the Black community, especially by contributing to civil rights organizations, and they obviously feel under considerable pressure on the issue -- though not enough to withdraw. It is true that the investment and opening-up of the existing wells in Cabinda cannot be withdrawn, but the most important feature of Gulf's presence there is its international links, and in particular the agreement to supply an alternative to Cabinda oil if technical difficulties make this necessary. This is probably the way in which Portugal will be able to continue its colonial wars in spite of the Arab oil boycott. Since Gulf is having "problems" with a long-term trend of reduced earnings it is relatively vulnerable to action by other oil-producing countries, including Nigeria and the Arab States. For example, it is currently negotiating for a contract to process Nigeria's petroleum gas.

41. Gulf according to the Petroleum Press Service, Cabinda Gulf Oil has over 100 wells in four offshore fields:
1. Malongo North, discovered in 1966, with an annual production of 2.5 million tons;
 2. Malongo South, also discovered in 1966, with an annual oil production of 2.5 million tons;
 3. 61-1 field, discovered in 1968;
 4. Malongo West, discovered in 1969.
42. According to Petroleum Press Service all onshore exploration has halted and Cabinda Gulf has kept only 19 square miles of property onshore where Malongo terminal is located. Mr. M.R.T. Wyllie President of Gulf Oil Eastern Hemisphere operations has stated that Gulf is currently operating 120 oil wells in 3 oil fields, the last of which was discovered in 1971.
43. The extent of Gulf's discoveries in Cabinda has been questioned by Arslan Humbaraci in the November 25th, 1973 London Observer. Humbaraci has accused Gulf of keeping quite about new discoveries made in 1972. He claims that two further fields are already commercially operative: an offshore field at 44-IX and an onshore one at 61-IX. In the Observer of December 2nd, 1973, Humbaraci challenged Gulf to deny "that - apart from the well known Malongo fields and the two last commercial ones (44-IX and 61-X) - it has in 1972 discovered new fields at 37-1-2, 01-6-4, 96-E2, 95-3, 120-IX, 120-2X, 121-2X and 177-IX". Humbaraci added: I would be happy to join Gulf in a public debate at any time on these Angola operations".
44. One thing, though, is certain: Cabinda Gulf's output of crude oil is now considerable, running at about 144 barrels a day or 7.2 million tons a year in mid-1973 and probably reaching 150,000 barrels a day - 7.5 million tons a year - by the end of 1973.

Cabinda Gulf Oil's end-of-year results have gone from a net loss of nearly £ 1 million in 1968 to a profit of nearly £ 6 million in 1971, as the Table below shows.

Cabinda Gulf Oil's end-of year results in (£ millions)

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Total Expenditure	1.98	23.49	10.09	33.49
Staff & Social	0.8	.92	.76	.85
Concession Royalties	.27	2.82	2.52	2.83
Production Royalties	.07	.75	2.86	5.66
Revenue Tax	-	-	-	6.59
Total Revenue	1.04	9.36	23.98	39.27
Net Results	-.94	-13.98	4.89	5.78

44. Now for the second group of companies, Petrangol is operating in the following zones of its concession: Benfica, Luanda, Cacuaco, Galinda, Tobisas and Pauca. In addition it is involved in joint activity with Angol in western Cuanza and with Angol and Texaco near the Zaire Border. Angol and Toyal under their agreement signed in 1969 are operating around Ambriz and Eastern Cuanza, and Angol is engaged in joint operations with Texaco near the Zaire border. As we have already seen, oil output by these companies is expected to reach 1.2 million tons in 1974 and total investment planned for 1974 is nearly £ 30 millions.

A third company has also been given concessions for exploration in Angola: Argo. But Argo is not yet involved in production.

45. The Standard Bank Review of November 1973 considers that "because of developments in the Middle East considerable interest is expected to be shown in the regions of Angola where oil is known to exist but where concessions have not yet been granted". Indeed, even before the Middle East war, several oil companies were applying for prospecting concessions, including Shell, Tenneco, Union Carbide, British Petroleum and Standard Oil of California. By the end of 1972 sixteen firms were applying.

46. New applicants constantly joining the queue. For example, we read that "an international consortium, consisting of Tesoro Petroleum of San Antonio (Texas), General Exploration of Los Angeles, and Geotermie of Paris, has asked for permission to search for oil in Angola."

In a similar vein: "Portugal is interested in letting Brazil explore for oil in Portugal's African territories, a leading businessman said in Brazil yesterday.

4. "Senhor Rhomaz Pompeu de Souza Brasil Netto, head of the Brazilian Federation of Industries, returned from a business meeting in Angola, and told reporters: 'The territorial governments are very interested in commercial relations with Brazil.

"In the case of petroleum joint oil exploration by Portuguese and Brazilians in the African fields would be a solutions."

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47. GUINEA-BISSAU: There is no oil in Guinea-Bissau, but the Exxon Corporation is involved in exploration there, through Esso Exploration Guinea. In 1973 it was awarded an exclusive prospecting and production contract by the occupying Portuguese, which Exxon called a "Conventional concession", it covers some 3,700 square miles along the coast, including off-shore areas of the continental shelf. Exxon has in fact been exploring for oil in this area since 1958, and the Portuguese Government in Lisbon observed that it has already spent nearly \$ 30 million in operation.
48. SAO TOME AND PRINCIPE: Ball and Collins, a US company, has been prospecting in Sao Tome and Principe since 1970, so far no oil has been discovered.



PROSPECTING AND INVESTMENTS IN MINERALS IN SOUTHERN AFRICA

South Africa in 1972/73

Gold

49. Since the end of the 19th century gold has been the major earner of foreign currency for South Africa. A large amount of the £1,500m British investments in South Africa are in the gold mining industry. Famous South African corporations such as the Anglo-American Corporation, Consolidated Gold Mines, Gold Fields (UK), Union Corporation (SA) etc. are engaged in gold production. In 1972 gold production in South Africa increased by 29%. The value rose by R265m to its highest level of R1,163 as the result of the high price on the world markets whose average rose from R28.6m to R42.4m per oz.

50. The influence of gold in international politics is obvious and South Africa has never suffered any serious political challenge in the fora of the International Monetary Fund. In October, 1968, a meeting was held between the European Central bankers, the US Federal Reserve Board and the International Monetary Fund on the South African gold issue. It was agreed that South African gold should go to the free markets as well as to the International Monetary Fund. South Africa, however, insisted that it should be bought only by IMF. The countries which agreed on this South African gold sales policy are most of the Western States who have investments in and trade relations with South Africa. They were Belgium, Canada, West Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the UK and the US. They were also representatives of the International Monetary Fund and the Bank for International Settlements. For as long as gold remains the acceptable means for international payments South Africa's influence with industrial powers will continue to be effective.

51. Soon after the meeting (which was not to the taste of South Africa) the South African Finance Minister Dr. Nicholas Diederichs went to raise loans in European cities. He got a quick response from a consortium of Swiss Banks which control the free gold market in Zurich. They negotiated a loan of 100m Swiss Francs. The consortium was made up of the Swiss Bank Corporation, The Union Bank of Switzerland and the Swiss Credit Bank. It is through these banks that South Africa sells billion on the free market several times a year. In West Germany the South African Minister raised a loan of 111m with the help of the Deutsche Bank.

Platinum

52. The latest upsurge in foreign investments in South Africa has been in platinum and uranium. Lonrho was one of the companies that invested in platinum, operating under Western Platinum Holdings Ltd and Western Platinum Ltd which are based at Rustenburg in the Transvaal. Lonrho's competitor is Impala Platinum which has recently signed an agreement with General Motors (USA) for the supply of 300,000 oz of platinum at R400 per annum between 1974 and 1983. The same company will supply 120,000 oz of palladium in the same period. The huge order from this American car producing corporation has necessitated Impala Platinum to double its production capacity. As an industry platinum in South Africa will be able to produce 2m oz p.a. bringing a national income to South Africa of R260m and R100m in profits.

Diamonds

53. The leading diamond producer in South Africa is the De Beers Consolidated Diamond Company. Diamonds from this company find their way into New York, Antwerp, London, Tel Aviv and Bombay. In 1972 De Beers made a profit of £97m. Much of this money was ploughed back into investments, especially in new mines in Namibia and Botswana. De Beers' subsidiary in Namibia contributes 30% of the profit. At least 46% of De Beers shareholders are in Western countries especially the UK. South Africa produces the greatest percentage of diamonds, followed by the Soviet Union which takes 30% of the world market. Angola has also a substantial share of the market for diamonds. Apart from the large number of shareholders who live outside South Africa most of the corporations engaged in diamond mining are of South African origin and are mainly affiliated with the Anglo-American Corporations.

Investments in Iron Ore and Steel

54. In 1972 exports of iron ore were R11.8m higher than the R1.2m of 1971. Most of the ore exports are taken by Japan. In 1972 a major Japanese Steel Mill signed a two year contract with the South Africa Iron and Steel Corporation (ISOR) to import 400,000 tons of ore per annum from the Sishen mines which were started in 1969. The contract became operative from 1973. On long-term basis Japan has indicated a willingness to purchase 11m tons p.a. via Saldanha Bay after 1979 beginning with 3m tons. In response to Japanese interest in iron ore, ISCOR has decided to expand the present production at Vanderbijl-park in the Transvaal and at Newcastle in Natal. The scheme will cost R257m to produce hot-rolled and cold-rolled sheets. Exporting iron ore from the Sishen mines has not been easy because of the lack of railway facilities. The South African regime started a scheme designed to extend the railway line to the St. Croix terminal.

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This would make it possible for the ore to be exported via Port Elizabeth.

55. The Consolidated African Mine has invested a total of R50m from private enterprise since 1969. The company exports 1.25m tons of ore p.a. It could be raised to 3 - 5m tons p.a. and outstrip the demand of the Japanese and European steel mills. The scheme is being financed by a big Merchant Bank Union acceptance which will raise funds from Europe on behalf of South African Railways.

Investments in Uranium

56. South African mineral exports were R422m or 16% higher than in 1971. Uranium and platinum contributed R47m. In 1948 the Nationalist regime in South Africa passed a law prohibiting the publication of any information on uranium because it is a strategic material. Since then knowledge of what is happening in the production of uranium is sparse and depends entirely on what South Africa would like people to know. It is known that South Africa produces between 3,000 and 4,000 tons of uranium a year and that the UK, France and West Germany are among the investors in the production of this commodity, especially in Namibia. It is also known that South African scientists, working in conjunction with the Germans, discovered a process of enriching uranium. South Africa has built a prototype plant for the economic enrichment of uranium designed to process 12,000 tons of uranium p.a. The prototype plant cost R550m. The plant is planned to bring an annual income of R175m with R13m profit. It is difficult to separate the contribution of Germany and South Africa in the R550m invested in the prototype project. Information available shows that a West German company known as Steag negotiated for co-operation between South Africa and Germany on the uranium enrichment process. Also involved from West Germany is the GESELLSCHAFT FUER KERNFORSCHUNG MBH (Society for Nuclear Research) KARLSRUHE, a company owned 90% by the Bonn Government and 10% by the state government of Baden-Wurttemberg. The company has developed a method of uranium enrichment which is code-named 'Jet Nozzle', which is in a way similar to that in South Africa.

57. German, British, French and South African companies have also invested heavily in uranium in an open cast at Rossing, Namibia. The investment which is hoped to produce up to 1,000,000 tons of uranium a year from 1976 is a joint venture of Rio Tinto (UK), the Industrial Development Corporation (S. Africa) the General Mining Federale Mynbou Groups (S.Africa), Urangegesellschaft (West Germany) and the Total Oil Company (French).

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58. The British Labour Party's policy is to terminate the UK contract for the supply of uranium to the Atomic Energy Authority of £ 25m. This would mean the end of the work of British firms such as Power-Gas Ltd, a subsidiary of the Davy Ashmore Group which has been engaged on designing and construction work at Rossing under contract to Rio Tinto.

59. In readiness for the expansion of the production of uranium, the South African regime awarded a contract of R2.5m to an American firm Interspace Inc to manufacture pipes and supply of water to Rossing in order to enable it to begin in 1977 the production of uranium.

60. Two American companies the O'Okiep Copper Company and the Newmont Mining Corporation of New York discovered zinc sulphide at Gamsberg, Namaqualand in South Africa.

INVESTMENT IN THE SOUTH AFRICAN MANUFACTURING INDUSTRY

61. As in the mining industry, British firms lead most countries with significant names in this industry, among them are car manufacturing firms, such as the British Leyland Motor Corporation, Connaughts Ltd, General Electric, the Matthews Wrightson Group Ltd, etc. They are long established in South Africa. Their investments would be confined to expansion from year to year. This report is confined to recent investments. The established investments have been discussed in the past.

62. In January, 1973, a South African Company, Tiger Oats, and a United States firm, Miles Laboratories Inc., formed a joint venture to manufacture vegetable protein food products in South Africa.

63. A Japanese company, Suitomo Shoji Kaisha of Tokyo, signed an agreement with the South African company, Central Timber Co-operative, at Pietermaritzburg for the export of about 250,000 tons of wattle chipboard a year. This will give South Africa R40m p.a. for 10 years beginning in 1973.

64. The French Company which produces Citroen cars expanded its motor assembly plant near Port Elizabeth by an investment of R22m in 1973.

EXPANSION OF SOUTH AFRICAN CAPITAL IN SOUTHERN AFRICA 1972 - 73

65. South Africa is one of the formidable competitors of the UK, USA, France, West Germany, Japan, etc. in investing in Southern Africa. Both state and private capital from South Africa have found their way into Southern Rhodesia, Angola and Mozambique. Even in South Africa itself both local private and state capital have been responsible for undertaking schemes which did not attract external investments.

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66. In August, 1973, South African capital set up a R2m concrete rail sleeper factory. The scheme which is the biggest of its kind in the world is being built by Grinaker Precast Pty (S. Africa) at Saldanha on contract of R13m for the Iron and Steel Industrial Corporation, a government corporation. Grinaker was joined by another South African manufacturing company, Duraban Concrete Pty. For the purpose of this project the two companies operate under the name of Saldanha Precast Pty.

Comoro Island

67. South Africa is interested in developing lobster and shrimp fishing industry. South African financial groups which were turned away out of Madagascar are now building hotels on the Comoro Island. It is believed that hotel industry will flourish in the Comoro Island because so far there is only one hotel - Hotel de la Marine which can accommodate only 20 tourists.

South African Investment in Namibia

68. Mining, agriculture and fishing are the major industries in Namibia. All these are in the hands of foreign enterprise mainly from South Africa, UK, US, France and West Germany. Of all the three industries mining is the main source of wealth and more than half of the government revenue comes from mining. All prospecting and major mining activities are owned by South Africa. All other countries interested in investing in Namibia get concessions from the South African regime.

69. The Diamond industry in Namibia, except in a few cases, is all in the hands of South African investors. The ORANJEMUND MINE, which produces one of the best gems in the world, is owned by Consolidated Diamond Mines of South Africa, which produces 1.6m carats p.a. valued at 57m in 1971. De Beers, the Anglo-American Corporation and Johannesburg consolidated investments are also involved in the diamond mining in South Africa.

70. Johannesburg Consolidated Investment started copper mining at OTSIHASE MINE near Windhoek. Production will start in earnest in 1975 at 100,000 tons per month. The deposits are believed to contain zinc, gold and silver. J.C.I. invested an initial outlay of £23m and has controlling shares of 52.5% of the equity and remainder is held by MINERTS which is jointly owned by South Africa's Federal Group and America's Continental Ore Corporation. Two other deposits with similar mineral contents were discovered at ONJEAMA and ONGOMBO.

71. Another South African firm, General Mining (Federal Volksbeleggings Venture) started copper mining at KLEIN AUB in the Rehoboth Baster Gebied in 1973. The mine is believed to have 6 million tons of copper reserves grading at 3%. It is also claimed that other South African companies Anglo-Vaal, Federale Mynbou and Anglo-American Corporation and Witvlei, for instance, have discovered bigger deposits than those at Klein Aub not far away.

72. More mineral discoveries have been made by South West Africa Company (SWACO), controlled by Anglo-American Corporation and Consolidated Gold Fields at the Berg Aukas and Brandberg West Mines. The Berg Aukas mines produce lead, zinc and vanadium petroxide. Brandberg West Mines produce tin and wolfram in an open cast operations.

73. South Africa has also invested in iron and steel mining in Namibia. A subsidiary of the South African state owned ISCOR known as IMCOR Zinc Pty invested funds at Rosh Pinah and producing 23,201 tons of zinc concentrates and 9,556 tons of lead concentrates in 1972. ISCOR itself runs a tin mine at Uis mouth of SWAKOMUND. J.C.I. has started a promising copper mine at OTJIHASI North East of Widhoek.

Fishing Industry

74. Fishing industry is the second most important industry after mining in Namibia. In 1972/73 it earned the country between R55m and R65m p.a. Almost all the fishing industry is in South African hands.

Agriculture

75. Animal husbandry accounted for 98.1% of the total gross value of the farming output estimated at R60m. Cattle ranching contributed about 60% to the total while the rest went to sheep-raising. In 1971, 502,000 heads of cattle were exported from Namibia at an average of R82.22 per head. All those were exported to South Africa by mainly South African farmers who dominate the farming industry. In 1972, 1m sheep were exported at an average of R10 per felt.

SOUTH AFRICAN INVESTMENTS IN THE PORTUGUESE DOMINATED TERRITORIES IN

ANGOLA

76. Johannesburg Consolidated Investments formed a joint company with Companhia Mineraria do Cunene which was granted prospecting rights for all minerals in Angola. The joint venture is designed to prospect South Angola along the banks of the Cunene River. The J.C.I has 51% the Companhia Mineira do Cunene 39% and the Province of Angola 10%.

81. South African capital of £640,000 has been invested in the Mozambique cement company owned by Champalimaud Group. The loan was made by the Industrial Development Corporation. The company will enable its Matola Factory to raise its output to 2,000 tons per day. As a result of the cement demand at Cabora Bassa in Mozambique three large factories capable of producing 1.3m p.a tons by 1975 were built. This exceeds the internal consumption of 600,000 tons. The other two factories are located at Novo Maceira in central Mozambique and at Nacala in the North. The cement will be exported to countries in South Africa after the completion of Cabora Bassa.

82. South Africa has also financed the construction of an aircraft assembly in Mozambique. The assembly which cost £1.6m and will produce 40 aircraft p.a.

83. The following table shows Foreign Investments in Portugal and its colonies (1969 - 1971).

Year	Portugal		Colonies		Total	
	Units	Capital	Units	Capital	Units	Capital
1969	222	580	48	1128	270	1708
1970	260	1771	89	208	349	1978
1971	280	1621	112	645	392	2267

Capital is in million escudos.

Origin of the Investments

<u>Countries</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
USA	268	301	415
Multinational Secrots	-	-	375
W. Germany	158	215	274
France	54	38	246
Denmark	-	0.3	241
UK	137	306	136
Italy	24	29	93
S. Africa	106	687	85
Belgium	798	108	78
Switzerland	30	62	61
Spain	69	118	56
Brazil	-	-	38
Netherlands	20	67	31
Rhodesia	-	8	16
Japan	-	-	5
Sweden	9	11	89
Others	37	28.7	28
Total	1708	1979	2267

USA capital represents 18.3% and the EEC countries represents 55.2% of the total

84. Further details of the Western Powers investments in Portugal and the colonies are found on the paper on Germany and Portugal. For the purpose of this study information on investments is restricted to the territories of Angola and Mozambique despite the fact that it is wise to view activities of investors in the entire totality of Portugal domain because they have an impact on each other.

Canada

85. In Angola the Canadian Betchtel Ltd Company is exploring manganese in the mountains of Cassala and Quitungo. In Mozambique, Canadian know-how is building a 48m cellulose industrial complex in the Chimie plateau, Villa Pery district. Swedish and British capital is believed to be interested in the project which is likely to produce 700 tons a day.

In Namibia the Canadian firm The Damites Mining Co. controlled by Falconbridge is developing a copper mine which hopes to bring revenue of R1.1m a quarter in the next five years.

United States

86. The American NAVARRO Exploration Company wholly owned subsidiary of ZAPATA NORVES INC. of Houston, Texas operates Onganja Copper mine with ore reserves of 320,000 tons. American firms Amax, associated with the South African firm Union Corporation run the Tsumeb Corporation which operates the Copper Mine at OTAVI. Together with Consolidated Diamond Mines, the Tsumeb Corporation is responsible for 90% of the value of mineral production in Namibia. Tsumeb produces 50,000 tons of copper a month grading at 25% lead, copper, zinc and other minerals. In 1972 sales at Tsumeb fell down to R29m lower than R38.6m of 1971 and 45% down on R53.6m of 1969-70. This resulted in the closure of the Matchless Mine in January, 1972.

87. Gulf oil investment of \$150m in its Cabinda oil has given encouragement to Portugal to hold on the colonial wars. Gulf oil pumps \$33m a year into the Portuguese economy. USA capital has gone into the exploitation of diamonds, sulphur and phosphates which help in the internal colonial war. America buys 50% of Angolan coffee at \$60m p.a. In Mozambique the US buys cashew for up to \$10m p.a. Total American imports bill from Portugal, Angola and Mozambique in 1969 was \$178m. In addition America gives Portugal money through the Azores agreement which amounts to \$15m p.a. and American tourists bring into Portugal and the colonies \$80m p.a. The total input of US money for Portugal is in excess of \$275m per year.

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88. In October 1973, the US gave Portugal a credit from the US banks for a fourth Boeing 737 bought by DEFA in Mozambique. The US General Tyre Co. started, in October, 1973, to invest £6m in a new tyre factory in Lourenco Marques. The loan was supported by \$1.8m from the US Export-Import bank.
89. The US made a loan to Mozambique to buy 27 diesel locomotives from General Electric. The engines were due for delivery between September and December, 1973. A sum of \$4.3m was given by the US Export-Import Bank, and the rest came from private banks.
90. Portugal gave a contract to an American firm ITT space Communication Inc. to build three satellite communication stations in Portugal, Angola and Mozambique at £9m. The stations at Luanda and Lourenco Marques are due to start operation in 1974 and will be connected with world-wide Intel sat. system.
91. A consortium of United States, France, and Japan companies is investing £ 18m in modernising 26 ports in Mozambique. Over £960,000 is being invested in the improvement of equipment at Beira Harbour. One of these ports will be built at Cuoma on the Zambazi River Delta to enable bulk carriers of up to 4,000 tons to carry cargo. The port is expected to handle about 5m tons of cargo per year when the Cabora Bassa project is completed.

PORTUGUESE INVESTMENTS IN ANGOLA AND MOZAMBIQUE

92. Although the Portuguese colonies are the most under developed territories in Africa, of late Portugal has decided to compete with Western Nations in investing in Angola and Mozambique.
93. In February, 1973 a new bank was launched in Luanda by a joint enterprise of the Portuguese Banco Espírito Santo and Commercical de Lisboa and the First National City Bank of New York. The bank will operate under the name of the Banco Inter-UNIDO. The charter of bank was signed on 6th February, 1973. Meanwhile in Mozambique a Portuguese business man Carlo Brito started a bank known as the Casa Bancamua de Mozambique. The bank which started with a capital of £806,000 is designed to attract African customers. Brito hopes to make money within a short space of time.
94. Portugal has invested in the Mozambique sugar industrial complex capable of processing some 200,000 tons per season will be completed in 1976. The 1,700 million escudo project is located in Dondo district near Beira. A Swiss financial group provided 1,400 million escudo loan which has been guaranteed by the Lisbon regime. A least 100m escudos of the remaining 300m escudos was raised from private sources. 14 international companies from France, W.Germany, Britain, Japan and South Africa competed for the tenders.

95. One of the Portuguese Steel companies Companhia Industrial de Fudieao Lamiragem SAREL - with a huge base in Mozambique has built a steel mill near Lorenzo Marques at R20m for engineering and industrial combine. Production will be over 250,000 tons of bullets per year. The money came from unnamed countries abroad.
96. Like Angola, Mozambique hopes to have enough cotton of its own to meet internal textiles requirements by 1975. A textile factory is under construction in Namapula costing 150m escudos. Another one is being built at Vila Pery at the cost of 250m escudos and is due for completion in 1974. Cotton production in Mozambique is now sufficient to meet the needs of the two factories without ordering from Angola.
97. In August, 1973 the Mozambique regime approved a scheme which set up two new industries, a torch dry battery cells factory with capacity of producing 40m units per annum and another factory costing 2m escudos will produce ceramics with capacity of 3,500 tiles a day in Vila Cabral capital of Niassa Province.
98. The Angola government approved investments from private sector totalling 116 new industries in 1973. The industries should be able to employ additional 6,000 people with a capital investments of 4,000m escudos. Five of the new industries are for manufacturing pharmaceuticals representing investments of some 200m escudos. The largest of the new projects is the 1,500m escudos cellulose factory designed to produce 200,000 tons cellulose paste p.a. from eucalyptus employing 1,000 people.
99. Portugal has invested in sixteen types of rare marble at quarry near the coastal town of Porto Amelia. The marble are being exported to Italy, South Africa, UK, USA, France and Japan. The Portuguese company Moc Mine is building a marble processing plant near the quarry.
100. The Portuguese Companhia Carbonifera de Mozambique in Tete Province has increased its investments in the Moatize coal mines in order to raise production from 300,000 tons per annum to 1 million tons. The same company started coal production at CHUPUNGA in the same province. Other companies including non-Portuguese have applied for concession for prospecting coal in the 150 km tract land along the basin of the Zambezi River near Cabora Bassa. Portugal hopes to export coal overseas from this area.

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101. Coal produced at Moatize mines in Tete Province amounted to 336,241 tons valued at escudos in 1972. Portugal hopes to export 8m tons p.a. when mineral exploitation in Tete Province has reached its peak.
102. Portugal has also invested heavily in the infrastructure industry such as the construction of airports, roads and railways in Mozambique. Airports were built at Boane Military Citadel South West of Lourenco Marques costing 35m escudos, at Songo near Cabora Bassa Dam and at Melimane capable of taking international jets. Smaller air strips were built in Cabo Delgado near the Tanzanian border, in Niassa and Mozambique Provinces which are being used as bases for attacking guerrillas. Runways which are 750 meters long were opened in 1973 at Anto Dora, Nhica do Ruvuma and Pundanhar. Improvements were made to the air strips at the Vila Coutinho near Malawi border, Lumbo, Milanje and Mecula to take planes as large as Fokker Friendship before the end of 1974.
103. Portuguese engineers are studying methods of building a pipeline which will transport coal and iron ore from Tete Province to Chinde in the Zambezi River estuary. The minerals would be pushed down by water to the sea making the transportation cheap and competitive on world market. There will be 6km platform at Chinde capable of handling ore carriers of up to 150,000 tons.
104. Portuguese national banks provided the Road Authority of Mozambique with loans totalling 550m escudos for the construction of 1,000km highway from Beira to the Provinces of Zambezia, Mozambique, Nampula and Cabo Delegado. The project includes 2,390 meters of a bridge over the Zambezi River and 13 other bridges.
105. A railway project linking Beira and Malawi - Nacala line across several hundred km is being built along with the great North Road. Mozambique also is spending up to £4.7m on the improvement of railway line between Umtali and Beira. Guerrilla operations are actively frustrating some of these projects.

MISCELLANEOUS INVESTMENTS

Switzerland

106. A Swiss company Societe de Productos Lacteos, SARL in Lourenco Marques invested 50m Swiss Francs the production of instant coffee and Milo and also in the construction of a sugar factory in September 1973. Swiss engineers supplies machines for the sugar factory.

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107. A leading Swiss company Du Chrome based in Geneva together with Portugal's biggest consortium Companhia Unica discovered that the Zambian and Zairean copperbelt extended into Eastern Angola. The two firms started mining at Tetelo mines after prospecting had indicated that Eastern Angola was part of the famous copperbelt.

Japan

109. Companhia do Manganese de Angola agreed with Japan's C. Itoh & Co. for the development of the Cassala-Quitugo iron ore project. Itoh will plan and manage the project which will export 2m tons of iron ore bullets in mid 1976.

110. Companhia Manganese de Angola is planning a method of pelletising a project for reserves of about 90m tons at Cassala - Quitun - 90. The output is about 1.8m tons p.a. In 1972 exported 2.7 tons of iron ore to :

Japan	1.5m tons
W. Germany	588,000 "
France	299,000 "
Britain	161,000 "

France

111. The French firm Total - Compagnie Miniere et Nucleaire signed an agreement with the Portuguese Energy Authority on the search and exploitation of radio-active ore in Angola. The French company Francaise de Petroles would be responsible for the work. The same is already searching in Namibia. A West German firm STABAG BAU and the French firm Societe Francaise de Enterprises de Dragages et de Travaux competed with Portuguese firms in bidding for the construction of a port at Cabinda.

Holland and Sweden

112. A Portuguese company Lisnave specializing in ship repair and owned by a group with Swedish and Dutch interests which operate the biggest ship repair yard in Europe at Margiera near Lisbon decided to build a new shipyard in the Northern Mozambican port of Nacala. The new yard is intended to service the large oil and ore carrying tankers using the Cape States. It is reported that Mozambique was chosen for its excellent geographical situation, natural conditions, cheap manpower, etc. The scheme will cost 6m contos and is the biggest project after the Cabora Bassa Dam.

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Britain

113. Tate and Lyle (UK) - owned Sena Sugar Estates is going to invest £ 10.5m in enlarging its plantations and its two refineries.

Investments in South Rhodesia

114. Lonrho has invested a lot of money in Southern Rhodesia since money UDI. The company bought How Gold Mine which is near Bulawayo and Athens Copper - gold mine at Umvuma. It was also attempting to buy the large Redwing Mine at Pennaloga. The Shamva gold mine, one of the longest disused mines in the country, is being revived by Lonrho. If the scheme succeeds it will be one of the biggest producer of gold in the country.
115. Lonrho has also invested in the Shamrock copper mine near Karoi and the Ceylon mine at Arcturus. Lonrho's South African registered Coronation Syndicate owns the Inyati copper mine, All gold mine and gold mines at Muriel, Mazoe and Arcturus.
116. The Coronation Syndicate mines have helped Lonrho from depending on small gold mines in Southern Rhodesia. The new mine boosted Lonrho's mineral production from R\$1.3m in 1969 to R2.4m in 1972. Copper from the syndicate's Inyathi mine was R\$1.1m.
117. After tobacco had been hit by sanction several farmers turned to cotton farming. Lonrho expanded David Whitehead and Sons textile company to meet the challenge. Lonrho's other interests are in the Beira - Umtali oil pipeline which is in state of disuse because of sanctions; 400,000 ha of ranching land with 6,000 heads of cattle, wattle plantations extending over 72,000 ha and motor car interests.
118. Rio Tinto Zinc is interested in the Empress Nickel Mine at Gatooma while the Anglo-American Corporation subsidiary Rhodesia Nickel corporation has developed two nickel mines at Trajon and Madziwa. Rio Tinto Zinc profit from minerals in Southern Rhodesia has trebled from R\$549,000 in 1968 to R\$1.5m in 1969. By 1970 it had doubled to R\$3m. The Empress Mine earned the most profit. The Anglo-American Corporation's Rhodesia Nickel Corporation made profits of R\$562,000 in 1969 and 1971 it had risen to R\$5m.
119. Shangani Mining Corporation of Rhodesia which is mining Nickel is expanding at a cost of R\$17m. The stating capital will be R\$4,891,304 shared by the following companies:
- (a) Johannesburg Consolidated Investments 55.2%
 - (b) Rhodesia Nickel 36.8%
 - (c) Major A.J. Hilton and Associates 8%

120. Messina Group (M.T.D. Mangula) experienced a profit slide from R\$12.4m in 1970 to R\$4.4m in 1972. This loss was compensated by the Messina Group's decision to establish an investment company in Southern Rhodesian assets. Mangula has 25% shares in MERITS. Messina Group plans to expand the output on Silver-side, the Norah and Gwai mines production from 14,000 tons to 18,000 tons p.a within five years.
121. Demand for coal and coke has impelled the Anglo-American corporation to replace the No.2 colliery destroyed by disaster in June, 1972 Wankie when 427 people died. A new mine has been sunk at No.4 with an initial capital of R\$13m.
- Wankie coal sold in 1973, 3,064,000 tons of coal which was 11% higher than the 2,762,000 of 1972. In 1970-71 Wankie sold 3,092,000 tons.
122. An unnamed foreign company has been awarded a contract for the construction of a Thermal Power Station at R\$252m, the largest scheme since the Kariba Dam project. The first phase of the project up to 1980 will cost R\$11m and R\$47m will be awarded to Rhodesian companies. The second phase will be 1982 at R\$96m. The second phase will be awarded Rhodesian companies.
123. The Rhodesian regime is planning a tourist complex at Kariba for R\$1m. The project is designed for low cost accommodation as well as sports, and recreational facilities and casino. The scheme is being built by Breweries Freecor (Frechelds Corporation of Rhodesia Ltd) and the Southern Sun Hotel Corporation of Rhodesia.
- INVESTMENTS MANUFACTURING INDUSTRY IN SOUTHERN RHODESIA
124. It has not been easy, due to economic sanctions, for foreign investors to plough their money into Southern Rhodesia. Most investments have been done surreptitiously after heavy guarantees that the investments will not be exposed to the outside world. Investors had to obtain financial guarantees that in case of exposure they should get their funds quickly out of the country.
125. Investing in Southern Rhodesia has been mainly to South African State and private corporations and also by funds that were generated from within Southern Rhodesia.

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126. One of the ways of investing in Southern Rhodesia by international corporation was exposed by the Kenneth McIntosh case. McIntosh a British citizen resident in Southern Rhodesia was manager of Nefierho acceptances Ltd, a Rhodesian Merchant Bank which accepted the responsibility of guaranteeing the loan to Rhodesia Iron and Steel together with Barclays Bank International, the Standard Bank and the Rhodesian Acceptances.

127. The loan of £24m for the expansion of the Rhodesian iron and steel industry was made to the state corporation Rhodesian Iron and Steel (Risco). The loan was intended to make more than double its production from 400,000 tons to 1 million tons p.a. At a meeting attended by 13 sanctions-breaking organizations in Paris on 18 August, 1972, it was agreed that the Swiss company HANDELSGESELLSCHAFT would buy 100,000 tons of steel from Risco in 1973/74 and 400,000 tons a year after that for 5 years. The Swiss firm would resell the steel to two German firms NEUNKIRCHER and KLOCKNER both steel manufactureres. A loan of £ 12m was obtained from the European-American Finance (Bermuda) Ltd - subsidiary of European-American Banking based in New York.

128. Another loan of £8m was made to Risco by VOEST an Austrian State Steel Corporation and £2m was made by the Austrian bank Girozentrale. Several other banks in Germany, Switzerland, Belgium and Britain got entangled in the deal.

129. The story was revealed by Kenneth McIntosh who was later arrested and sentenced to five years by the Smith regime. For the Salisbury regime, this was an unfortunate experience because the agreement had political risk clause whereby the money lenders were to withdraw their funds immediately if the story leaked to the press. This was done and they withdrew before the expansion of Risco had been completed. It also meant the withdrawal of £24m pounds in foreign currency at a short notice.

Protecting the Investments by Arms

130. In protection of the investments in Southern Africa, the Western States are using South Africa as their police force. They put weapons at her disposal to be able to contain all forces that desire to end the status quo. Today South Africa has the largest military force in Africa south of the Sahara. The force in Africa has been built by armaments from the countries with investments in Southern Africa such as Britain, France, West Germany, the US, Italy, Belgium, Switzerland and etc. This was done in violation of the Security Council resolutions of 1963 and 1964 which called for the ban of selling of armaments to South Africa.

131. In order to strength South Africanairforce comes second after Egypt and followed by Algeria in the whole of Africa.

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France has been the main supplier of armaments between 1964 and 1970 that gave South Africa all military aircraft, small weapons and supplies. France is helping South Africa to build an anti-aircraft missile systems.

132. The missile base is located at St. Lucia Lake near Kwazulu Homeland. It is used for experimental rockets and launchings. The missile station services both the Council for Scientific and Industrial Research and armament production organisations, the army and the navy. The Rocket Research Institute near Pretoria is run with the help of the West Germans and is developing groupd to-air guided missiles.

133. South Africa produces French Panhard armed cars under licence. Also with French help South Africa built in the 1960's, the Atlas Aircraft Corporation factory in the Transvaal has been put under government control to manufacture aircraft for air force depending on the exegincies of the situation.

134. In 1971 a licence agreement to build French Mirage III and F1 Fighters was negotiated and was given a go-ahead by March 1, 1972 beginning with Mirage III. A combination of French and South African experts developed the Cactus Crotale ground-to-air missiles system.

135. The second best supplier of weapons to South Africa is Britain. Up until 1964 she had topped the list but she was overtaken by France following the Labour Government's (1964 - 69) decision to respect the United Nations arms embargo on the regime in 1964. Britain supplied South Africa with naval destroyers, fighter bombers, helicopeters, etc. The British Simon's Town Base is one of the largest military installations in South Africa. Reacting to the anti-apartheid lobby which protested against the sales of arms to South Africa, the Conservative Government 1970 - 74 decided to build arms for South Africa in Portugal instead of the UK. Six Corvettes warship of the 1,250 tons Joao Coutinho class are being built since 1972 with parts worth £15m from the UK and were assembled in the Portuguese shipyard. Arrangements for the construction of the ships were made in Lisbon by J.P.J. de Jaeger assistant general manager of the South African Armaments Board. UK companies such as Rolls-Royce supply gas turbine engines while Plessey supplied sophisticated weapons guidance equipment. Several other British companies are subcontracted to the project.

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136. Italy started supplying South Africa in earnest 1967 on a programme designed to produce 300 Italian ground attack aircraft, MB3265 powered by Rolls-Royce engines. Although it started with 70% Italian components, most of the parts are now made in South Africa.
137. South Africa herself is now the main source of her own armaments. She is producing rifles, revolvers, grenades, motors, most type of ammunition, tear gas, and aircraft rockets, anti-tank and anti-personnel mines etc. She is in the process of designing a mine sweeper vehicle to deal with land mine menace in Southern Rhodesia and Mozambique. She makes a range of aerial bombs which are filled with Naplam.
138. With these weapons South Africa makes the African States feel very insecure. From her air bases in the Transvaal near Southern Rhodesia and facilities given to her by Portugal in Mozambique she can attack any African country in central and East Africa. From the Caprivi strip she can reach Zambia, Angola, Zaire and several other African States. Zambia has been subjected to territorial violation from the South African bases inside Southern Rhodesia and Namibia.
139. According to a South African writer Robert Moltano in Africa and South Africa, page 25, he asserts that "South Africa has repeatedly shown herself ready to violate the sovereignty of African States. South African military planes have over-flown Zambia and Tanzania. A South African helicopter has landed in Zambia near Sesheke. South African police have crossed into Zambia and in 1969, they violated Lesotho's border in pursuit of suspected stock thief whom they shot dead". The Minister of Defence P.W. Botha stated that South African troops would disregard the sovereignty of black states if it was in military interests to do so.

Strengthening Portugal

140. During the early 1960 the United State policy seemed to be anti-colonialism. After that it became obstructionist without admitting its basic intentions. In 1970 under Nixon the policy has clearly become one of complicity with Portuguese colonialism and apologetic on Southern Rhodesia and South Africa hence the withdrawal from the Committee of 24 in 1971.

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141. In the 1960s Lisbon only got aid for the construction of a bridge at TAGUS River worth £ 30m. After the visit to Washington in November 1970 by the Portuguese Foreign Minister Rui Patricio, the US provided Portugal with financial assistance for goods and services in economic development schemes in the field of health, agricultural machinery, irrigation and hydroelectric power plants, audio-visual aids for schools, modernisation of ports, air ports, and railway facilities. It was agreed to exchange experts in the fields of health, education and services. Soon after this arrangement Portugal was visited by a mission from the World Bank. Loans were soon made available - in the field of education, agriculture and communication which helped Portugal to use her resources to fight the wars in Angola, Guinea Bissau and Mozambique. Economic support for Portugal also came from Dutch firm building harbours in Portugal, French firms building a petrol refinery in Lisbon and money worth £76m was raised from the US Export-Import Bank and French banks. Italy invested (in 1973) £85m to produce 60,000 Alfa Romeo motor cars a year. The Japanese are interested in the new steel plant project near Sines where the new harbour is being built by a Dutch Company.
142. The Alemtejo Irrigation Plan in the Southern Province of Portugal costing £63m was financed by Kreditanstalt für Wiederaufbau of West Germany. The scheme is intended to solve the Portuguese wheat problem and create general improvement in agriculture. British and American small farming interests have moved into the scheme. Another big project is the construction of a 217 mile motor way in Portugal. The project which cost £ 135m was started in 1972 by a consortium composed of British firms of Sir Alfred McAlpine and Son, the London Samuel Hill, Banks: the US Chase Manhattan Bank, the French Credit Lyonnais, and West German, Italian, Luxembourg, Belgian, Swiss and Spanish interests.
143. Portugal also gets military support which makes it possible to maintain her hold on the colonies. Since 1961 the USA pretended to maintain military embargo on Portugal on all arms "for use in Africa". Nixon claimed the same policy. Speaking on behalf of the US Department of Defence, Mr. James Noyes agreed that American supplies Portugal with arms related to NATO. He claimed that these were not used in African colonies because US officials check to see if the weapons are used against African Liberation Movements. The check was done by US diplomats in African countries. Few people in Africa believe this claim as there is abundant evidence of these NATO weapons being used in Africa.

Appendix I

Note verbale concerning Dutch Investments in Mozambique.

The Administrative Secretary-General of the Organization of African Unity presents his compliments to The Royal Netherlands Embassy and has the honour to inform The Royal Netherlands Embassy that following an article in African Development of January 1974, page 6, the attention of the Administrative Secretary-General has been drawn to the fact that "a top Portuguese ship repair company owned by the group with Swedish and Dutch interests" has decided to build a shipyard in the Northern Mozambique port of Nacala. The shipyard is intended to service large oil and ore carrying tankers travelling to Europe and the United States via the Cape of Good Hope. The project is believed to be the second biggest in Mozambique after the Cabora Bassa Scheme. As The Royal Netherlands Government must be aware, the African States initiated a resolution in the General Assembly of the United Nations which was passed by 106-6-15 calling for necessary measures to block further work on Cabora Bassa in Mozambique and Cunene River Projects in Angola. The African States argued that the projects were designed to further entrench colonialist and racialist domination over those territories. The resolution condemned in strongest words the powers which continue to support these regimes for economic and other interest engaged in the exploitation of the natural and human resources of the dependent territories.

The Administrative Secretary-General would like to express his profound concern that the involvement of your country in the Nacala shipyard project is in breach of the spirit of the resolution and believes that the scheme is not in the interest of the African inhabitants of Mozambique. Indeed, it is most likely to be used by interests which are inimical to the struggle for freedom currently going in that country. Comments for The Royal Netherlands Government would be useful on this matter.

The Administrative Secretary-General avails himself of this opportunity to renew to The Royal Netherlands Embassy the assurances of his highest consideration.

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Appendix II

Note verbale to the Royal Swedish Government about investments in Mozambique.

The Administrative Secretary-General of the Organization of African Unity presents his compliments to The Royal Swedish Embassy and has the honour to inform The Royal Swedish Embassy that following an article in African Development of January 1973, page 6, the attention of the Administrative Secretary-General has been drawn to the fact that "a top Portuguese ship repair company owned by the group with Swedish and Dutch interests" has decided to build a shipyard in the Northern Mozambique port of Nacala. The shipyard is intended to service large oil and ore carrying tankers travelling to Europe and the United States via the Cape of Good Hope. The project is believed to be the second biggest in Mozambique after the Cabora Bassa Scheme. As The Royal Swedish Government must be aware the African States initiated a resolution in the General Assembly of the United Nations which was passed by 106-6-15 calling for necessary measures to block further work on Cabora Bassa in Mozambique and Cunene River Projects in Angola. The African States argued that the projects were designed to further entrench colonialist and racialist domination over these territories. The resolution condemned in strongest words the powers which continue to support these regimes for economic and other interest engaged in the exploitation of the natural and human resources of the dependent territories.

The Administrative Secretary-General would like to express his profound concern that the involvement of your country in the Nacala shipyard project is in breach of the spirit of that resolution and believes that the scheme is not in the interest of the African inhabitants of Mozambique. Indeed, it is most likely to be used by interest which are inimical to the struggle for freedom currently going in that country. Comments from the Royal Swedish Government would be useful on this matter.

The Administrative Secretary-General avails himself of this opportunity to renew to The Royal Swedish Embassy the assurances of his highest consideration.

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Appendix III

Note verbale concerning the Austrian illegal investments in Southern Rhodesia.

The Administrative Secretary-General of the Organization of African Unity presents his compliments to the Embassy of Austria and would like to inform the Austrian Government through the Embassy that it has been brought to his notice that the Steel Corporation, VOEST of Linz has been named in the Sunday Times of London on the 14th April 1974 as one of those Companies which have invested in the Southern Rhodesian Steel Corporation (RISCO) in violation of the United Nations Economic Sanctions imposed by the Security Council Resolution 253 of 1968.

The Administrative Secretary-General understands that VOEST invested 8 million pounds sterling for financing the construction and expansion of the Southern Rhodesia Steel Corporation (RISCO) plant near Que Que in Southern Rhodesia.

Another Austrian firm involved in the breach is the GIROZENTRALE Bank in Vienna which supplied the sum of 2 million pounds sterling towards the total sum of 24 million sterling required for the construction.

The Administrative Secretary-General is convinced that these two Austrian firms were violating International Law and also should have been aware of how gravely concerned the African States are about the continuing existence of the illegal regime in Southern Rhodesia which these two firms are supporting.

Since the Administrative-Secretary-General will have to report this matter to the Council of Foreign Ministers in June 1974 he should be grateful if you could let him know the action the Austrian Government has taken in curbing the complete disregard of UN Sanction Resolution by firms of Member States.

The Administrative Secretary-General of the Organization of African Unity avails himself of this opportunity to renew to the Austrian Embassy the assurances of his highest consideration.

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Appendix IV

A note verbale concerning the Swiss illegal investments in Southern Rhodesia.

The Administrative Secretary-General of the Organization of African Unity presents his compliments to the Swiss Embassy and would like to inform the Swiss Government through the Embassy that it has brought to his attention that the following Swiss Firms among those that are deliverately breaking U.N. Economic Sanctions on Southern Rhodesia imposed by the Security Council Resolution 253 of 1968.

(1) A Zurich trading firm, HANDELSGESELLSCHAFT, received a loan of 12 million pounds sterling from the European-American Bank based in New York knowing that it would eventually reach Southern Rhodesia;

(2) Another Swiss Company, FIMETCO, registered in Zug near Zurich exchanged the loan from the European-American Bank with HANDELSGESELLSCHAFT for forwarding to Southern Rhodesia Iron and Steel Corporation, (RISCO);

(3) It is also stated that a Swiss Bank (not named) provided 8 million pounds sterling loan to this project.

The Administrative Secretary-General is presently concerned about this disregard for the Economic Sanctions imposed by the U.N. Security Council on Southern Rhodesia. He should be delighted if the Swiss Government would let him know what actions hve been taken to deal with the firms involved in the breaking of International Law.

The Administrative Secretary-General of the Organization of African Unity avails himself of this opportunity to renew to the Swiss Government the assurances of his highest consideration.

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Appendix V

Note verbale to the British Government concerning the role of British Banks in the illegal investments in Southern Rhodesia.

The Administrative Secretary-General of the Organization of African Unity presents his compliments to the Embassy of Her Britannic Majesty and would like to inform Her Britannic Majesty's Government through the Embassy that it has been brought to his attention that the following British firms were reported in The Sunday Times, London of 14th April 1974 as having participated in breaching the UN Security Council Resolution 253 which imposed sanctions on Southern Rhodesia.

(1) The Midlands Bank which jointly own the European-American Bank with six other European Banks made a loan to Southern Rhodesia for investment with the Southern Rhodesia Iron and Steel Corporation (RISCO)

(2) Two other leading British Banks - Barclays Bank International and the Standard Bank had four subsidiaries in Southern Rhodesia which joined Rhodesian Banks in guaranteeing the loan from the European-American Bank.

The Administrative Secretary-General would like to know the action that the British Government has taken or hopes to take against their firms which continue to support the illegal regime in Salisbury.

The Administrative Secretary-General of the Organization of African Unity avails himself of this opportunity to renew to the Embassy of Her Britannic Majesty the assurances of his highest consideration.

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Appendix VI

Note verbale to the German Government concerning the role of German firms in the illegal investments in Southern Rhodesia.

The Administrative Secretary-General of the Organization of African Unity presents his compliments to the German Embassy and would like to inform the German Government through the Embassy that it has been brought to his attention that some German firms have been reported by the Sunday Times, London on 14th April 1974 as having breached the UN Security Council Resolution 253 of 1968, which imposed sanctions on Southern Rhodesia. The following firms were named:

(1) NEUKIRCHER-EISENWERK, one of the biggest steel companies in the Saar guaranteed a 3 $\frac{1}{2}$ million pounds sterling loan made to Southern Rhodesia Iron and Steel Corporation by the European-American Bank;

(2) Another German steel manufacturing company, KLOCKNER of Duisberg also guaranteed a loan at a meeting attended by 13 sanctions breaking organizations in Paris in August 1972. One of the major German banks which also attended the Paris meeting made a promise to handle the loan given to Southern Rhodesia on behalf of the illegal regime.

The Administrative Secretary-General has to report the activities of the sanctions breaking companies to the Council of Ministers of June 1974. He should be grateful if he would receive information with respect to the action that the Government of Germany has taken to deal with the firms that are involved in the breach of International Law.



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