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Buzzers, Bombs

GULF'S HELD  
PORTUGAL  
KILL ANGOLANS



FIGHT FOR  
PEOPLES CONTROL  
OF RESOURCES

# GULF OIL

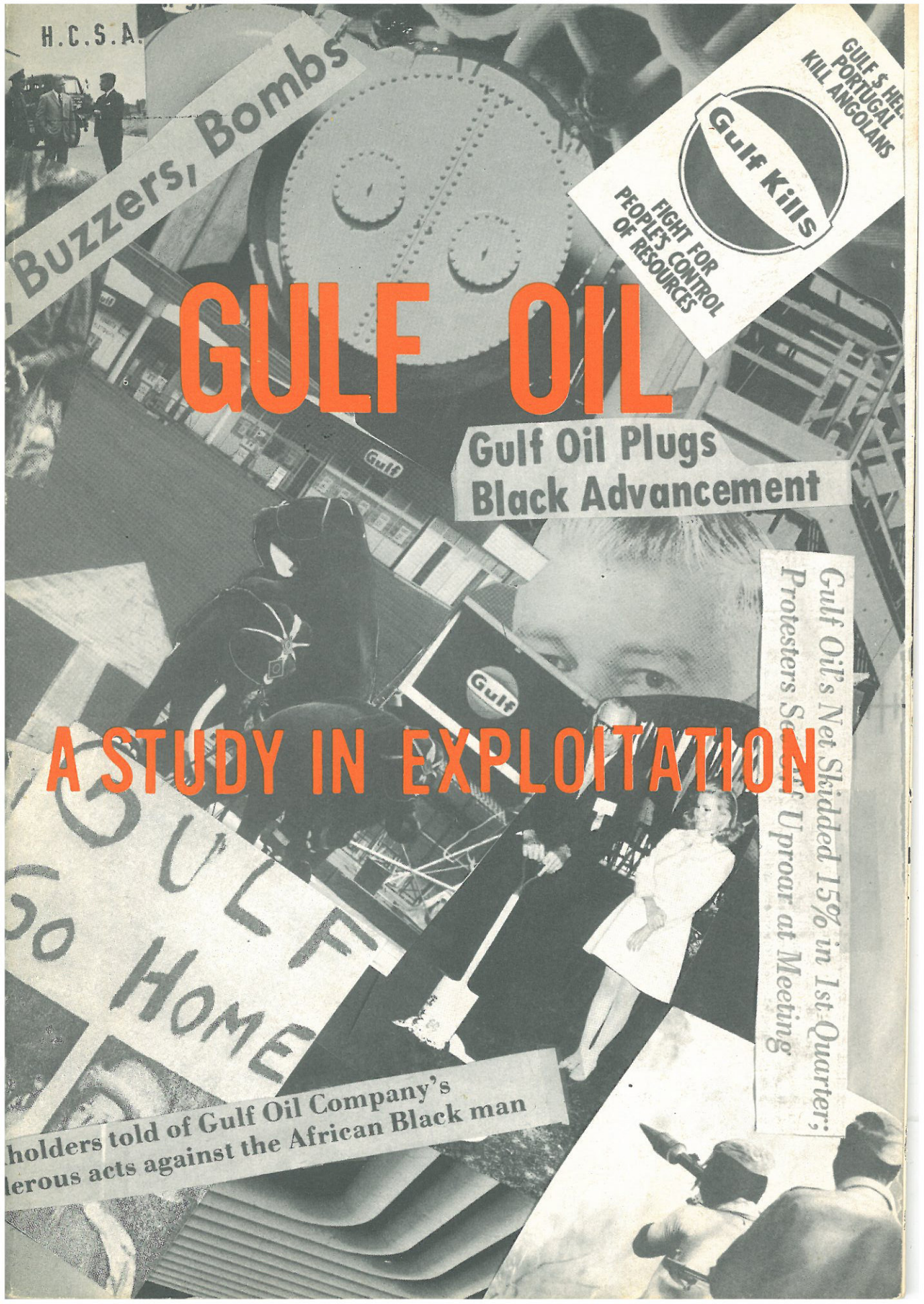
Gulf Oil Plugs  
Black Advancement

Gulf Oil's Net Skidded 15% in 1st Quarter;  
Protesters Set Off Uproar at Meeting

# A STUDY IN EXPLOITATION

GULF  
HOME

holders told of Gulf Oil Company's  
erous acts against the African Black man





This booklet was prepared by the members of the Africa Group of the Committee of Returned Volunteers (CRV), New York Chapter. CRV is made up of people who have served overseas, mainly in the Third World, and who have witnessed U.S. involvement in these areas. They have come to realize that this involvement works for forces that maintain the status quo of wealth and privilege for the few and poverty and ignorance for the many. U.S. policy, both corporate and governmental, must be radically changed, both at home and abroad. Our booklet is one of the many steps toward the building of a movement toward such change.

Committee of Returned Volunteers/New York  
Africa Group  
262 West 26th Street  
New York, New York 10001  
April, 1971

This booklet is a revised edition of GULF OIL CORPORATION: A REPORT, CRV, 1970.



**Go Gulf**



**Go Gulf**



**Go Gulf**

Dave Bragin



# GULF OIL corporation:



Nº 9063

## a study in exploitation

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# FOREWORD

Our concern with the liberation movements of the peoples of Southern Africa led us to an examination of the forces which have been inhibiting the success of these movements. In the words of Eduardo Mondlane, assassinated President of the Mozambique Liberation Front (FRELIMO):

We are aware that without the involvement of foreign companies and without the support of the other western governments, Portugal would not stand the pressure on her in Mozambique, Angola, and Guinea for even a week.

The Gulf Oil Corporation is the largest single private investor in the Portuguese colonies of Africa. Through its operations in Cabinda, Angola, Gulf has contributed a large portion of the revenues necessary to continue the war against the peoples of Angola, Mozambique, and Guinea-Bissau. Moreover, Gulf has provided the racist regimes of Southern Africa with a strategically located source of oil.

But Cabinda Gulf is only the beginning of our study. To determine whether Gulf's operations in Angola are the exception or the rule, we undertook an investigation of Gulf's activities elsewhere in the world and in the United States, the center of its control and management. From Cabinda to Canada, its operations follow the pattern of the "multinational corporation", that is, a corporation with many subsidiaries extracting the resources of foreign soils largely for the benefit of the all-controlling parent company in the United States.

Corporate imperialism could not continue at such an expanded rate were it not in the interest of the foreign and domestic policy of the home country. A brief analysis of oil's relationship to the U.S. Government, its built-in security through tax manipulation, and the nature of corporate control illustrates the very identification of private and government interests.

This booklet attempts to trace these relationships at home and abroad by: 1) presenting a definition of the multinational corporation and how it operates; 2) presenting three case studies of countries in which Gulf's activities are blatant examples of the effects of corporate imperialism; 3) providing an overview of Gulf's domestic activities.

In addition, the booklet describes the growing campaign against Gulf and its support of Portuguese colonialism, which is being waged by several groups here in the United States.

VENCEREMOS,  
Committee of Returned Volunteers, NY/Africa Group  
April, 1971



# GULF'S INTERNATIONAL EMPIRE

## THE MULTINATIONAL CORPORATION

American corporations pride themselves on their internationalist outlook. Since World War II, overseas expansion has become a major component of corporate growth. From 1946 to the present, the value of U.S. foreign investment has increased from \$7.2 billion to \$80 billion and the volume of foreign trade has tripled.<sup>1</sup> This tremendous expansion has given rise to the multinational corporation, the key institution in the creation of an international capitalist economy.

The most significant characteristic of the multinational corporation is its gigantic size. The long term investment program of a large corporation such as Gulf Oil, General Electric, or IBM may involve a cash flow of billions of dollars, and affect the economy, politics, and social development of several countries. Corporations are often larger and more politically influential than the governments of the countries with which they do business. The annual revenue of the Gulf Oil Corporation is approximately ten times the national budget of Nigeria, the largest and one of the most affluent of African countries - one in which Gulf has major operations.<sup>2</sup>

The multinational corporation has its headquarters in one country and a network of subsidiary companies in host countries, which direct local operations, but have little autonomy either in their ownership or control. Decisions of where and what to invest invariably extend back to the "parent" company, and these decisions are determined by the interests of the company, not the interests of the local people. The Gulf Oil Corporation, headquartered in Pittsburgh, has 219 subsidiaries throughout the world, 89% of which are wholly owned by the parent company.<sup>3</sup>

Multinational corporations use a variety of techniques to establish and maintain their position in host countries. The loyalty of the local elite is won by the offering of powerless but lucrative directorships in the subsidiary company. The hiring of local personnel to staff the subsidiaries protects them from the threat of nationalization. As potential opponents are hired for executive positions, they are "denationalized" in that their personal success is tied to faithful service to the company. A third often-used device for neutralizing local opposition is to offer stock in the subsidiary. Even if 51% or more of the shares are held by local capitalists (looking at the ownership of Gulf's subsidiaries, this is the exception), management control will still rest with the parent company.



To summarize, the multinational corporation gains control in the host country by winning the allegiance and cooperation of the local elite, and directing their investment capital towards the use of the company, without giving up the powers of management. Multinational corporations are multinational only in the extent of their operations, not in their control.

The process of buying off the local elite points to another aspect of the exploitative workings of the multinational corporations - that their presence in a country benefits only a privileged few; the great majority of the people enjoy no direct or indirect economic benefits and in actual fact suffer the costs of a distorted economy. Capitalist intervention in the Third World has almost invariably resulted in making the rich richer and the poor poorer.

Corporations usually justify their presence in the Third World by the argument that they bring in needed capital and promote economic development. Not true. Between 1950 and 1965, there was a net capital flow of \$16 billion to the United States as a result of foreign investment.<sup>4</sup> Corporations have specialized in the profitable extraction of raw materials, such as oil, and the sale of high-priced manufactured goods - luxury goods that only the rich can afford. The overall result is to drain away the profits needed for the reinvestment necessary for economic development.

Even more damaging is the distribution of wealth within the exploited country. The benefactors of oil are more often than not the military establishment (which usually functions to protect the corporations from the people), government officials, and local capitalists; very little filters down to the people in the form of development projects or direct benefits. The "crumbs" are usually in the form of highly visible and oftentimes useless public relations devices, such as company magazines, distributed free of charge, lapel pins, promotional contests, and of course, the corporate headquarters, prominently located on the biggest street in the capital city. The function of all this gimmickry is to further the corporate mythology, i.e., that the foreign firms operate in the interests of the people. In reality, capitalist investment creates two economies - one for the rich and one for the poor. Inflated prices, low wages, and unending poverty are the fate of the latter. Although the gross national product of the country may be increased by the penetration of the corporation - and in the long run this is usually not true - the people are worse off than before.

The multinational corporation also works through political control. International capitalism requires stability. Corporations must make sure that their investments will not be nationalized, and that domestic politics don't get in the way of production plans. Rapid or radical social change is ruled out. It is no accident that big U.S. investment flows in the direction of oppressive, reactionary,



and anti-democratic governments. The "healthy investment climate" that the corporations are seeking means essentially a situation in which a large supply of cheap, exploitable labor is present along with a government which functions to keep the people under control. For the international capitalist, socialism in any form is unwelcome, because the enormous profits exacted by the corporations and their control over the host country's affairs are directly counter to the goals of a socialist state. Reactionary or (as in the case of Angola) colonial governments are supported in preference to left-leaning or even "liberal" regimes, and the introduction of even minimal social reform is opposed.

#### GULF AS A MULTINATIONAL CORPORATION

Gulf Oil is the 10th largest U.S. corporation and the 4th largest oil company in the world. Gulf's total revenue in 1970 came to \$6.59 billion, which yielded a profit of \$550 million.<sup>5</sup> Two thirds of Gulf's profits are derived from outside the United States, which illustrates the central importance of foreign investment to U.S. capitalism.<sup>6</sup>

The largest importer of foreign oil in the United States, Gulf produces crude oil from vast reserves in Kuwait, Venezuela, Canada, Iran, Nigeria, Angola, Colombia, and Ecuador. Until 1969, when its properties were nationalized, Gulf was extracting crude oil from Bolivia (See Bolivia case study). Gulf is drilling for oil all over the world. Most of the subsidiary drilling companies coordinate oil explorations with production, refining, and marketing once commercial quantities of oil are found. The immense resources of a corporation the size of Gulf enable it to control all stages of oil production, thereby lessening its dependence on the host country.

Gulf's oil and natural gas marketing system is also worldwide, including North America, South America, Europe, the Caribbean, and Asia. Gulf owns or has part interest in refineries in Canada, Venezuela, Kuwait, Denmark, the Netherlands, the Philippines, Formosa, Korea, France, Iran, Puerto Rico, Ecuador, Spain, Switzerland, and Wales. Current projects include refineries in Italy, and the Ryukyus, near Okinawa, where a huge shipment terminal is being built and where the opposition to corporate exploitation has been growing rapidly.<sup>7</sup>

In 1970, Gulf's marine fleet comprised 48 wholly-owned and 29 chartered tankers. It has since received five giant 326,000 ton supertankers, four of which were constructed in Spain to supply Gulf's refineries there.

Through its General Atomic Division, Gulf engages in uranium mining and the production of reactors, nuclear fuels, and nuclear power systems, which recently have been sold to Japan and Great Britain. Other Gulf subsidiary operations include commercial pipelines, coal mining, tire manufacturing, fertilizer plants, and the new town of Reston, Virginia.<sup>8</sup>

Listing Gulf's worldwide activities gives some idea of the scope of the multinational corporation. Its size enables it to extract profits at all levels of operation, to finance its own expansion, and to minimize its dependence on any one country--thus the basis of the corporation's ability to control the resources and development of much of the Third World.

#### THE POLITICS OF BIG OIL

To understand its operations, Gulf must be seen in the larger context of the international petroleum cartel. Taken together, the seven companies that make up the cartel--Standard Oil of New Jersey, Royal Dutch/Shell, Texaco, Socony Mobil, Standard of California, British Petroleum, and Gulf--form the most powerful monopoly in the world. Like all monopolies, the cartel dictates prices independently of costs. The result is fantastic profits.

Big oil has long controlled the economies and politics of many Third World countries, and when it can not get what it wants by manipulation, it relies on sheer force. One powerful weapon of the cartel is the oil boycott, threatened or employed several times in this century, most recently in Cuba and Bolivia. Since the cartel controls most of the production, refining, and all but 12% of the world's tanker fleet, it can virtually cut off the energy supply of an oil-dependent country. It can prevent a small, producing country from selling its oil. When the boycott is not sufficiently effective, direct intervention becomes the method. The workings of U.S. imperialism--internal subversion, puppet governments, and direct invasion--can largely be understood from the interests of U.S. corporate business. Nowhere is this more apparent than in the case of oil.

And as columnist Jack Anderson notes,

The State Department has often taken its politics right out of the executive suites of the oil companies. When big oil can't get what it wants in foreign countries, the State Department tries to get it for them. In many countries the American Embassies function virtually as branch offices for the American oil combine.<sup>9</sup>

One of the aims of this booklet is to provide concrete examples of what corporate imperialism actually means to Third World peoples. The case studies of Bolivia and Venezuela describe how Gulf and other members of the oil cartel have continuously exploited the resources of these countries and prevented meaningful development and economic independence. The Angola study describes the role of the corporation in a colonial war--the most direct expression of imperialism. These examples are by no means unique. In the Middle East, with enough oil and other mineral resources to finance its own development, governments are forced to turn to the World Bank--



a financial arm of corporate interests--while cartel-supported sheiks and shahs invest huge sums in London, Geneva and Wall Street. In the Far East, the U.S. supported reactionary regimes of the Philippines, South Korea, Thailand, Taiwan, and Japan become more incorporated into the economic matrix of the corporations. In South Africa, big oil is a full partner in the suppression of the African peoples' revolution against racist white rule.

The so-called "Nixon Doctrine," which asserts the value of reducing U.S. economic and military commitments abroad, is as much a smokescreen as the "preventive" invasion of the countries of Indo-China. It is an attempt to deceive people into thinking that foreign policy can somehow transcend corporate interests and that the military in the involved countries can somehow do the dirty work of suppression without direct U.S. intervention. In truth, the conflict between expanding, corporate investment and the growing worldwide movement for political and economic liberation will invariably lead to more Vietnams, more Cubas, more people fighting for control over their own resources. The lesson to be drawn from the activities of international oil is that when indirect methods no longer work, "military solutions" become the means.

In the end, however, all the napalm, all the armies, all the manipulation of the U.S. Government are not going to be enough to protect corporations like Gulf from their victims.



*Something for Everyone ~Gulf*

Dave Bragin

# WHY WE SHOULD NOT END THE WAR

by Gulf Oil Corporation

Oil has been discovered off the shore of South Vietnam, and Gulf is now the American oil company most visibly interested in exploiting it. In February, 1971 Gulf joined with six Japanese firms to form a consortium, the Ocean Oil Company, which exists solely for the purpose of searching and drilling for oil off Vietnam. It will spend at least \$10 million over five years -- Gulf will pay 70 per cent of the costs and rake in 70 per cent of the profits.

Sources in the U.S. Government and in the U.S. oil industry agree that the oil companies must have obtained assurances of protection or help from the State Department and Defense Department before deciding that Vietnam was safe enough to work in. One oil company bureaucrat said that the assurances were military -- the drilling operations, which could cost \$hundreds of millions, would be protected from sabotage by military force. A Commerce Department official claimed that the assurances were political -- oil companies were told that the South Vietnamese Government was a legitimate partner in negotiations because the Thieu-Ky regime, or one very much like it, would remain in power for the five to ten years necessary to drill for the oil.

Recently there has been a great deal of publicity about the possible link between the off-shore oil and the war. The oil companies and the Government are saying as little as possible about the issue. Bids for the off-shore concessions, originally scheduled for late February, have been postponed indefinitely.

Still, it is certain that the Defense Department, which needs the support of a large domestic interest like the oil industry, with the oil companies, which want to sell their low-sulphur oil to Japan's starved market, are eager to exploit Vietnam's off-shore fields. And there is no way they can do so without prolonging the U.S. commitment in IndoChina.

"New York Post," March 22, 1971.



**"THE OIL COMPANY SAYS TO HURRY—  
THEY WANT TO START DRILLING"**



# PORTUGAL AND GULF: PARTNERS IN COLONIALISM

Gulf Oil Corporation discovered oil off the coast of Angola in 1966 and has been heavily involved in oil exploration and natural gas production in Mozambique. Gulf is by far the largest single investor in the African empire of Portugal. As such, Gulf is a very important part of the way Portugal views Africa. Portugal is the last European country to remain a major colonial power on the African continent, with the colonies of Angola and Mozambique plus the West African territory of Guinea (Bissau) and the Cape Verde Islands. Since 1961, this small European country has been waging a brutal war to maintain domination over the land, labor and resources of the thirteen million African inhabitants in these colonies.

It is an unquestionable fact that Gulf Oil Corporation is a vital supporter of Portuguese colonialism and militarism in Africa. In 1970, Gulf produced an average of 84,700 barrels per day (bbpd.) of oil in Angola while the year before, Gulf gave \$11 million in payments to the Portuguese rulers. United Nations reports have stated that companies such as Gulf provide direct aid to the colonial system "by giving financial, economic and military assistance to administering powers which are engaged in suppressing national liberation movements."<sup>10</sup>

Gulf's operations in the Portuguese colonies must be understood as an exaggerated form of the neo-colonial control exerted by Gulf in other parts of the Third World. Gulf defends its presence in colonial Africa in much the same terms used to explain its role in Kuwait, Venezuela, or Libya; that is, in terms of economic and social development. Thus the similarity between Gulf's support of colonialism and the military suppression of African freedom struggles, and the Corporation's economic and political strategies in Latin America, the Middle East, and other parts of "independent" Africa, must be recognized. The clarity of the colonial role may help us apprehend the less apparent nature of the latter situation.

In a classic pattern, Portuguese colonialism relegated the African territories to the position of supplier of labor and natural resources, and captive market for finished products. Historically part of a slave labor economy, Africans in the twentieth century became pawns of a forced labor system, and more modern economic needs have only slightly modified that status. Thus in Angola, for example, the European settler owns sixty times more land than the African, and both the cash crop production and expanding extractive wealth is controlled by white foreign or colonial interests. And in the colonies the system of "assimilation" discriminated against "the Africans much deeper than total race segregation. For only those who were ready... to renounce their own culture and to assimilate completely with the Portuguese were formally recognized as equal citizens."<sup>11</sup> With the



suppression of political and economic organizations in the 1950s and 1960s, all attempts by Africans to bring about changes in their position were met with force and resulted in literal massacres of the African people by the Portuguese. There are countless examples: the killing of African dockworkers in Guinea (Bissau) in 1959, the massacre of peasants and townspeople of Mueda in northern Mozambique in 1960, the more publicized slaughter of urban people in Luanda, the capitol of Angola, and the plantation workers in the northern part of the country in 1961, to name just the most widely known.

But beginning in 1961 in Angola, in 1963 in Guinea (Bissau), and in 1964 in Mozambique, the people led by African nationalist liberation parties committed themselves to a direct armed struggle against Portugal. As a result, the Portuguese regime now has more than 150,000 troops in the colonies, and spends more than 40 per cent of its budget on security and defense. Because Portugal as the poorest country in Europe could not finance the military effort alone, the government broke tradition and passed legislation allowing direct foreign investment in the mineral-rich colonies. Thus corporations such as Gulf were encouraged to provide revenue for the Portuguese war needs. The economic penetration of the colonies was similar to earlier western investments in Portugal, which is tied politically and militarily to the West under the rubric of N.A.T.O.

Portugal and its colonial administrators have responded to the liberation struggles by encouraging greater European immigration (which eases population pressures in the mother country), token education programs, and economic development schemes such as the Kunene Dam in Angola and the huge Cabora Bassa Project in Mozambique. Most recently, with the death of Salazar, the Gaetano regime has proposed an undefined decentralization of state power from Portugal to the "overseas provinces," as the colonies are called. In spite of these maneuvers by the ruling coalition, the African movements are committed to winning a prolonged struggle, evidenced by the fact that they have liberated vast areas of the colonies from Portuguese rule. In Angola, the Popular Movement for the Liberation of Angola (MPLA), functions in one third of the country (two other rival movements claim to be fighting in addition); in Mozambique, the Mozambique Liberation Front (FRELIMO), controls one fifth of the territory; and in Guinea (Bissau), the African Party for the Independence of Guinea and Cape Verde (PAIGC) has freed two thirds of the country. Control of these liberated zones assumes popular support; a popular control which provides educational, health, and welfare facilities through the new governmental structures of the liberation movements. The Portuguese are openly attacked in these regions by day, and must retreat to camps at night, depending almost entirely on air power.

Portugal can continue these wars on three fronts only with economic and military aid from the West. Thus Gulf's role in Angola and Mozambique coincides with a U.S. government program of military



assistance to Portugal through the training of Portuguese military personnel in the U.S. and Europe, the provision of military advice, and the supply of air and naval equipment. The result is evidenced in the parallel use of techniques such as "strategic hamlets" and "defoliation" by the Portuguese in Africa and the Americans in Indo-China.

This alliance is well understood by the African liberation movements, as expressed in an interview with MPLA militant, Daniel Chipenda:

We don't say Angola will become another Vietnam. We just say that whatever happens we are ready to continue fighting until we have fully liberated our country...Right now we are fighting against Portugal and we are sure that we will win...Sometimes I think the imperialists take a very short view...All intelligent people know the Portuguese have no chance of holding onto their colonies in Africa--they have no chance. So if the imperialist corporations keep investing their capital in Angola and Mozambique, they must have some other objective in mind. But if they think we are prepared to become neocolonies of the United States, West Germany and so on, they are very mistaken. MPLA and the people of Angola will continue fighting until we have achieved independence, political and economic. And in this struggle, Vietnam is a very good example for us.<sup>12</sup>

## operation cabinda

Cabinda, the Portuguese-ruled part of Angola wedged between Congo (Kinshasa) and Congo (Brazzaville), was the site in 1966 of an important oil strike by Cabinda Gulf Oil, a subsidiary of Gulf Oil Corporation. Although Gulf had been exploring a 10,000 square kilometer concession on and off the coast of Cabinda since 1954, production of this lucrative low sulphur petroleum did not begin until 1968. The area has vast reserves estimated at 300 million tons, and has proved to be the most profitable oil venture in Portuguese Africa.<sup>13</sup>

By 1969, Gulf had invested \$130 million with a planned \$76 million expansion program. With new discoveries in 1970, this investment will increase by \$30 million more.<sup>14</sup> Total production in 1970 averaged 84,700 bbpd.<sup>15</sup> Gulf aims to double this production. Thus Cabinda Gulf has the potential of being the fourth largest oil producer in Africa.<sup>16</sup> To Gulf, Cabinda is seen as a "major growth area" in which the company has invested huge amounts to construct a petroleum port, a storage park, and a telecommunications complex.<sup>17</sup> To the African people engaged in the struggle, Gulf is a conscious ally of Portugal and its war. A closer examination of Portugal's response to the liberation war in Angola reveals the crucial importance of Gulf's supporting role.

## GULF AND THE PORTUGUESE MILITARY

Interpreting the outcome of the wars in Angola and Mozambique as crucial to the Republic of South Africa and to the "survival of European civilization in Africa," a South African journalist who traveled to the battlefield in Angola wrote:

After the initial onslaught which followed close on the heels of the March 1961 attacks in northern Angola, the insurgents /of MPLA/ were successful in occupying more than 90% of the enclave /Cabinda/. . . . within weeks they brought industry and agriculture to a standstill . . . routing the ill-prepared Portuguese militia and police.<sup>18</sup>

Venter, the journalist, wrote of Gulf:

Although they were obliged to suspend operations during the worst of the terrorist /sic/ raids in 1961, machine muzzels were barely cold before they moved in again.<sup>19</sup>

Today, ten years later, Gulf has enormous installations in Cabinda, and the Portuguese again control a large part of the enclave.

What happened to allow Portugal to re-establish its badly shaken rule? Venter answers by revealing the extent of Western aid to Portugal:

As a journalist . . . I saw little of the struggle in Cabinda in December, 1964 . . . the airport was completely ringed by machine-gun turrets; American-built P-36 Harvard trainers with heavy loads of rockets, bombs and machine-guns were landing and taking off at regular intervals . . . .<sup>20</sup>

The military relationship between the corporation and the Portuguese becomes evident through an examination of Portuguese military history. Portugal increased its efforts to stabilize and pacify Cabinda after Gulf made its first strike in 1966. In 1967 it increased the number of troops stationed there, established a naval command, and allocated more money to aid rural regroupment projects. These projects include the forced resettlement of Africans into "aldeamentos" - known in Vietnam as "strategic hamlets."<sup>21</sup>





More directly, these military actions are a part of an agreement with Gulf Oil under which the Portuguese Government "agrees to take such measures as may be necessary to ensure that the company may carry out its operations freely and efficiently."<sup>22</sup> In the contract, the government authorities agree to provide military guards to protect the oil fields if special security measures prove necessary. In return, all foreign companies are bound to aid the Portuguese Government "in securing peace and order," including actions such as allocating monies to build military barracks and paying sums for the defense of so-called "national property." Gulf oil camps in Cabinda, surrounded by eight foot barbed-wire fences and spotlights, bear witness to the commitment of Gulf against the people of Cabinda. Under Portuguese law, industrial companies considered indispensable to the territory are required to also provide for their own defense under the control of the civil defense authorities (OPVDC).<sup>23</sup> Finally, Gulf, like other foreign investors, is required to pay a special defense tax initiated in Angola in 1963.<sup>24</sup> The tax rate is graduated and for companies with gross earnings equal to or higher than \$1.7 million the rate is 28 per cent.<sup>25</sup>

The importance of the corporate-military alliance is dramatized by the story that the Governor-General of Angola traveled around the districts of the colony talking to the white settler population, assuring them that although they had to pay heavy taxes to aid the war effort, the burden would eventually be lifted from them and absorbed by none other than the Gulf Oil Corporation.<sup>26</sup>

#### FINANCING THE COLONIAL WAR MACHINE

Gulf's collusion only begins with its incorporation into and aid to the colonial military structure. Gulf also helps to finance this system. Part of the bargain struck between Gulf and the Portuguese Government, which holds all the colonial mineral interests as "public domain," involved a series of payments contracted to be made by Gulf to the Angolan Provincial Government during the life of the agreement. The Portuguese share of the profits come from the surface rent, income tax (50 per cent on Gulf's net profit), payments to certain funds such as the Mining Development Fund, a "direito de concessao" (concession right to use 12.5 per cent of all the petroleum or to take the value of the oil at its posted price value), and finally the royalties, formerly 10 cents a barrel but now 12.5 per cent of the posted price less certain agreed allowances.<sup>27</sup>

When Gulf signed a new contract at the end of 1968, the Portuguese were faced with an escalation of the war on all three fronts; in Guinea, Mozambique, as well as Angola, where MPLA was advancing on the eastern front. Portugal's budget already allocated more than 40 per cent (figures vary between 42 per cent and 50 per cent) of its annual expenditure to defense and security; yet more funds were needed - and Gulf, as a greedy captive, proved one reliable source.



The terms of the 1968 agreement thus provided for several payments to be made in advance, such as income tax and surface rent. Thus, even in Gulf Corporation's own words, the company paid to the Angolan Government in 1969, \$11 million - an amount equal to almost half the size of what Gulf cites as the Angolan defense budget in 1970.<sup>28</sup> In the first six months of 1970 Gulf paid royalties of \$2.2 million.<sup>29</sup> And in Gulf's own words again, "we expect to be paying in about \$5 million this year 1970 and this will gradually increase as production reaches its peak and levels out."<sup>30</sup>

Gulf has vainly attempted to deny the significance of these and future payments, by underplaying the fact that Angola is a colony of Portugal fighting to liberate itself and by describing the Angolan Government as a beneficent ruler.<sup>31</sup> In reality, Gulf's monies aid Portugal and the colonial authorities in the following ways:

1. Gulf provides important foreign exchange to Portugal through the metropole's control over the monetary and trade systems of Angola.

2. Profits from foreign investment cited as going toward "economic development" are seen by the Portuguese Government as ". . . the best foundation for sustaining the defense effort."<sup>32</sup> The Angolan Government allocates 45 per cent of its budget to communications and transportation, two important elements of military strategy. For example, the Portuguese plan to pave the roads of northern Mozambique to prevent them from being mined by FRELIMO.<sup>33</sup>

3. Money is being provided at the precise time that the Portuguese are hard pressed, and will continue in this manner.

#### GULF AND THE DEVELOPMENT MYTH

Two final points need to be added to this analysis of Gulf's role in the Portuguese colonies. First, it is the favorite argument of apologists of foreign investment that corporate participation within a reactionary regime will lessen the "injustices," the poverty, and the lack of education. According to Gulf, ". . . more important to the Angolans than the company's annual payments to the government, is the direct payment in the form of wages and the purchase of local goods and services."<sup>34</sup> Thus Gulf lauds the creation of new jobs, new markets, new infrastructures as stimuli for a new prosperity in the "underdeveloped" areas. ("Invariably, because a foreign company is doing business in a developing nation, the citizens of that nation are better off than before."<sup>35</sup>) This assertion denies the reality that the corporation shares the spoils between itself and the Portuguese - but what about the crumbs?

In the period of heavy drilling and construction, Gulf claims that its contractors and itself employed 2,000 "nationals" of which 90 per cent were "black." The terminology is important, as "nationals", in the Portuguese sense, may of course be metropolitan Europeans, white settlers in Angola or people of mixed descent (metizos), as well as Africans. At the present time, the total Gulf work force is about

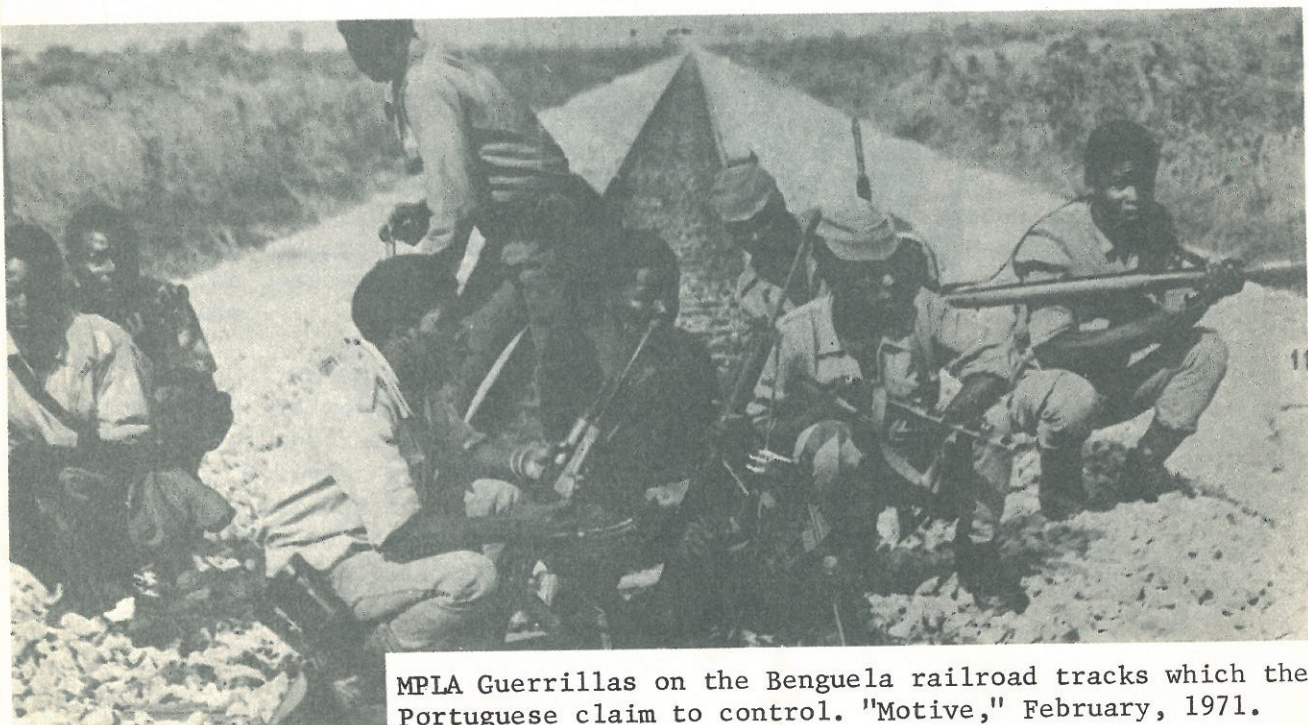


185 people of whom 30 hold "supervisory" positions and 10 per cent of whom have been sent to the United States for specialized training. Gulf also cites its annual payroll in 1970 as \$700,000; an average salary of \$3,762 per worker. But given that of the total work force more than 50 employees are expatriates whose wage scale is considerably higher than \$3,762 per year, one can see that the Angolan "national" gets far less. \$700,000 for 123 "national" employees - small money to a small elite - in a country with population of 5 million and an average wage of \$60 a month for an urban worker and \$20 a month for a rural worker.

The figures themselves are misleading as Angola, in spite of its vast mineral resources, is basically a subsistence rural economy where averages and standards are not measurable. Also, Gulf's claim that it pays \$20 million yearly for goods and services cannot be construed as money flowing into the Angolan economy because much of it is spent for foreign goods and equipment. Also, according to the terms of Gulf's contract, it is obliged to give preference to the purchase of goods from "Portuguêsê" (which can be non-Angolan) industries.<sup>36</sup>

Finally, Gulf prides itself on its aid to education, which includes \$70,000 to the Portuguese Government's Mining Development Fund, and 10 yearly scholarships to the Angolan Institute of Education. Gulf also claims to have built schools and houses for its employees. These "contributions" either fulfill stipulations in Gulf's contract or Portuguese law, or provide a means to aid a small number of people to<sup>37</sup> become technically proficient enough to become employees of Gulf Oil.

Thus the development myth, particularly in the capital intensive oil industry, is quickly elucidated by the facts shown in Angola. Roads have been built but they carry troops. Houses have been built, but even the Portuguese say that the standard of living is "for Americans only." Schools have been staffed and workers trained, but



MPLA Guerrillas on the Benguela railroad tracks which the Portuguese claim to control. "Motive," February, 1971.



all to develop an elite unrelated to the mass needs of the economy. If Cabinda is a boom town, it is essentially a boom for Europeans, and for a infinitely small number of undefined "nationals" of Angola. It is not a boom which truly filters to 5 million Angolans, but one which supports their continual colonial status.

Thus in sum, Gulf Oil, through direct financial contributions to the Portuguese, through military ties, and the provision of foreign exchange, is a handmaiden of colonial war. And with increased production, Gulf payments will mount so that more revenue will come at the time that the wars of liberation accelerate.

And the final point of special significance is the actual strategic nature of Gulf's product - oil. The Governor General of Angola Rebecho Vaz said, very candidly, "The machine is the infrastructure of modern war, and machines cannot move without fuel. Hence the valuable support of Angolan oils for our Armed Forces." Portugal consumed 78,000 bbpd. of oil in 1969, and with Cabinda's expanded output in 1970, at times nearly 100,000 bbpd., Portugal's needs can be fulfilled. The contract in fact stipulates that Portugal has the right to take all the crude that is produced or its equivalent in refined products should military dictate it. In 1970, for the first time, Gulf exported oil from Cabinda to Portugal, as well as to Japan, and several other northern European countries.<sup>38</sup> Not only can Gulf fill Portugal's needs, but there is enough left over for Portugal's oil hungry partner, the racist Republic of South Africa.

Collusion has no neat limits. By supporting the colonial regime in Angola, Gulf helps sustain the whole oppressive and exploitative complex in Southern Africa. A direct enemy of the movements of liberation, Gulf's foothold in Southern Africa is not dissimilar to its role in independent Africa - only clearer!



Dave Bragin



# BIG STICK IN BOLIVIA

In the fall of 1969, the Bolivian government attempted to take control of the holdings of the Bolivian Gulf Oil Corporation. The action was a classic case of a Third World country deciding it wanted to control its economic growth and be the primary beneficiary of its natural wealth.

## BACKGROUND TO NATIONALIZATION

The Bolivian Government had received only 33.5 per cent of the oil profits from Gulf -- unfavorable terms for Bolivia even compared with oil contracts in other countries. (In Venezuela and Columbia respectively, 70 per cent and 60 per cent of the profits go to the host country). Also decreases in foreign aid had made Bolivian officials increasingly aware of their dependence on foreign economic assistance. It had become clear that the nature of the aid itself was more beneficial to the U.S. corporations and Government than to the Bolivian people.<sup>38</sup> Since the 1950's there had been strong evidence of CIA penetration into the Bolivian Government, reaching its height with the setback of the guerrilla struggle and capture and death of Che Guevara in 1967.

In short, the Bolivian people were demanding an assertion of national independence against Yankee imperialist forces; and Gulf, the largest U.S. firm in the country and second largest earner of foreign currency, was the obvious target. But in this case, unfortunately, David was not yet a match for Goliath.

## BOLIVIAN TAKEOVER: GULF'S RESPONSE

Following Bolivian nationalization of the Gulf Oil holdings, E.D. Brockett, Chairman of Gulf Oil, immediately called for imposition of the Hickenlooper Amendment, requiring the suspension of U.S. aid within six months, should "just compensation" for the lost facilities, as determined by the U.S., not be made. (Bolivia was then receiving about \$15 million a year in U.S. aid.)

When General Ovando offered compensation in the form of oil, Brockett responded: "We are world-wide producers. We don't buy crude, we sell," and added, "To pay compensation to ourselves from our own crude didn't seem very reasonable."<sup>40</sup> To Bolivians Mr. Brockett's use of the possessive adjectives would hardly have been very reasonable either.

Brockett also said that any attempt by Bolivia to sell its nationalized oil would be met with an "embargo." To ensure the effectiveness of the threatened embargo, Gulf discontinued tanker operations for Bolivian oil. Because Gulf controlled not only the production of oil but its transport and marketing as well, the corporation was able to thwart the efforts of Bolivia to derive economic benefits from her oil.



Because her oil is "sweet," i.e. better suited for refining into gasoline, Bolivia could not even sell to its immediate neighbors, Chile and Argentina, who needed oil better suited for refining into fuel oil.

In addition, Gulf forced cessation of construction work on Bolivia's newly nationalized gas pipeline running from Bolivia to Argentina. Gulf was able to do this so quickly and easily because of its financial links with Williams Brothers, the U.S. firm building the pipeline.<sup>41</sup> Moreover, the World Bank, which was financing the construction, stopped releasing funds for the project after Gulf relinquished its guarantee of the \$23.5 million loan.



Associated Press  
BOLIVIA: Women demonstrating in La Paz in support of their Government's nationalization of a Gulf Oil Corporation subsidiary. Mr. Nixon comments on such signs of change.

Bolivian Minister of Mines and Petroleum, Marcelo Quiroga Santa Cruz called Gulf's actions "...a cheap policy of sabotaging the sales of our hydrocarbons in the belief that Bolivia is still a colony."<sup>42</sup> General Alfredo Ovando Candia, head of a military junta which had recently assumed power, described the controversy as a battle between the United States and Bolivia as a Third World country.

#### RESULTS OF NATIONALIZATION: BOLIVIA BACKS DOWN

With outlets for oil blocked and stage facilities full, Bolivia was soon forced to curtail production. This meant a serious loss in foreign exchange. It also increased unemploy-



ment and unrest. Workers in all phases of the oil industry, from extraction to pipeline construction to shipping, were faced with no source of subsistence. Naturally, Gulf encouraged this attitude and increased its efforts to build allies in opposition to the Ovando regime. Within right-wing circles talk of how foolish nationalization had been increased.

In fact, over the past few years, Gulf had been maneuvering to secure advantageous conditions for her operation in Bolivia. Quiroga announced that through investigation of Gulf's records in Bolivia, he had found confidential tapes and documents showing that the corporation had tapped Ministers' telephones. "(This) showed how Gulf Oil had been controlling Bolivia's internal politics...and constituted a scandalous case of interference in the country's internal affairs," he said.<sup>43</sup> Subsequently, President Ovando accused Gulf of forming "a superstate within Bolivia."

It seemed that Gulf wasn't primarily concerned with the money per se. "We don't buy crude - we sell" comes to the heart of the conflict; it is a simple matter of the control of crude production. The fulcrum of corporate power in the oil industry is control of all crude production from which all else flows. Bolivia would have been a slight loss, but it would have set a precedent which, if followed, could undermine the power that corporations like Gulf exercise over the world market.

#### POST-NATIONALIZATION AGREEMENTS: BOLIVIA CAPITULATES

With the market closed to its oil, and Gulf unwilling to accept the oil itself as compensation, Bolivia had few choices. Six months after nationalization the Bolivian Government capitulated. A Spanish Government-owned, holding company, the Instituto Nacional de Industrias (INI), and a group of private interests having large investments in Spain, including Gulf, engineered a deal through Hispaniol, a Spanish concern, to buy Bolivian crude oil in exchange for a Spanish-made pipeline, transportation, equipment, and Spanish technical assistance. The oil was given the same purchase value as under Gulf. Probably it would be exported through the port of Arica in Chile to Gulf's refinery<sup>44</sup> near Los Angeles just as it had been under Gulf's previous control.

A Spanish state enterprise, Camba, was set up to market the oil internationally and to manage the fields in Bolivia. A commission composed of two Bolivians, two representatives from Camba-INT, and a Bolivian chairman was established to run the operation. A four-fifths vote was needed for any decision, giving the Spanish concern veto power over oil activities in Bolivia. This negated the Bolivian people's and their government's demand for total control over their own resources.<sup>45</sup>

By September 1970, Ovando had gone full circle. Where a year ago the Bolivian people had wanted to make no compensation, the Ovando government now agreed to pay Gulf \$78.6 million over



20 years out of the oil profits. Although Gulf had originally wanted its full investment of \$150 million (much of it for exploration activities carried out over a number of years), plus an allowance for anticipated future profits, the corporation accepted \$78 million as "fair and equitable under the circumstances." 46

One of the first acts taken by President Jose Torres after the coup of October 1970, was to guarantee to Gulf that his government would honor the compensation agreement made by the previous regime.

The case of Bolivia vs. the Gulf Oil Corporation demonstrates the incredible difficulties which face a Third World government in challenging the world oil cartel. The power of multinational oil corporations is formidable indeed; they can close off world markets, prevent the use of tankers, cut off credit from financial institutions and instigate, through the American government, and/or CIA agents, forces of discontent which arise in the resultant economic distress. Invariably the host country finds itself, as Bolivia did, with little alternative but to capitulate before this array of economic and political power.

## VENEZUELA: 50 YEARS OF WASTE

What happens in the board rooms of Standard Oil or Gulf may be of more interest and of more permanent consequence to a country...than what happens on the seventh floor of the State Department. --WASHINGTON POST, October 4, 1969

Venezuela is the world's third largest producer of petroleum and the leading petroleum exporting country. In 1969 the three largest petroleum exporting companies in Venezuela produced a total of almost three million barrels per day.<sup>47</sup> According to one noted investor's guide, this exportation of vast quantities of oil has given Venezuela a favorable balance of trade, little public debt, and has in recent years financed government programs to diversify the economy.<sup>48</sup> But Venezuela's economy is a distorted one, and Venezuela is a distorted society. It is a prime example of the economic and social exploitation wrought by an industrial cartel upon those Third World countries rich in mineral resources. From the revenue flowing from its oil exports, Venezuela imports eggs, canned milk, TV sets, whiskey, and cigarettes--all this for an underdeveloped agricultural society.

The history of modern Venezuela is a case study of the easy symbiosis which develops between a dictator's police state and the private world government of oil. In the years following World War I,



the giant oil companies prowled the world for promising concessions. Venezuela, under the dictatorship of Juan Vincente Gomez, provided some of the best hunting. Harvey O'Conner in his **WORLD CRISIS IN OIL** (the source for most of the following information and an excellent treatment of the international operations of the oil cartel for those wishing a more complete account) describes the entry of the cartel into Venezuela. Gomez welcomed the companies. He was interested in playing the rival companies against each other with schemes designed to increase his and his family's fortune, not in formulating laws to protect the resources of the Venezuelan people. Fake leases, false rumors of what the companies were doing circulated among the companies, and general chicanery made Gomez a very rich man. But the three big American companies which were to become established in Venezuela during this period--Standard Oil of New Jersey, Standard of Indiana and Gulf--could not have been too unhappy, for despite the trickery, they obtained fabulous concessions. Under the 1922 statute governing the oil industry, which the companies helped to draw up, they were granted 40-year concessions of 10,000 hectares for a 10% royalty. The law also provided for low rentals, no regulations on offset drilling, exemptions from customs duties on imported equipment and a guarantee that there would never be additional taxes. Gomez never changed this law.<sup>49</sup>

Gulf was granted the area along the near off-shore of Lake Maracaibo, Standard of Indiana received deepwater rights, and Shell received shore rights. In their haste to maximize production, they re-enacted the old story of waste and despoliation. By 1927, when production was finally controlled, hundreds of thousands of barrels had been wasted.

By 1929 Gulf was producing 27% of Venezuela's oil, and Venezuela was then the world's second largest producer. Gulf obtained half of its total production from Venezuela. In 1933 it brought in the first well of the Oficina field--a fortuitous location because of its nearness to the Atlantic seaboard where oil produced at 87¢ a bbl. sold at \$1.90. Throughout the period between 1919 and 1936 (Gomez died in 1935), the Venezuelan Government received oil revenues of \$120,000,000. Given the scarcity of outlets available for such revenues, other than the personal fortunes of Gomez and a small group of cronies, it provided for a superb police organization, and the dictator died in bed.

By now an economic dictator, the oil cartel, had succeeded to power. The country had been left impoverished by the absolutism of the previous regime and was totally dependent upon oil revenues which made up 99% of its exports by volume and 89% by value. Lopez Contreras, the new head of state, tried to increase government revenues by reforming the system of awarding concessions. The need for reform was certainly obvious. Gulf, in one of the more flagrant examples of the general chicanery by which the cartel fattened already enormous profits, was caught in 1936 deducting a 15% a year depreciation on tankers in use since 1925 and still in good condition. They had paid for the tankers by 1932!



By 1937 Jersey Standard bought a half interest in Gulf's Mene Grande subsidiary and limited Gulf to a production quota of 100 bbls. to every 345 bbls. produced by Jersey. Gulf's share of Venezuelan production fell to only 7%, but the \$100 million they received helped to develop their new Kuwait concession--the richest of them all.

President Medina Angarita initiated the 50-50 profit split between Venezuela and the oil industry in 1942. Until that date, Gulf paid only a 7½% royalty on profits from its Lake Maracaibo concession. The companies accepted. The titles of the concessions were tainted by the corruption of the Gomez era and the Accion Democratica wanted them cancelled. The government was offering new leases running for 40 years, plus dropping previous tax evasion charges; all to sweeten the bitter 50-50 split. In addition, the companies could sidestep the arrangement through dishonest accounting procedures, such as the depreciation allowance Gulf awarded itself for its tankers.

The new deal, however, aroused little enthusiasm among Venezuelans and in 1942 they took to the streets in a successful coup, bringing Accion Democratica under Romulo Gallegos, to power. The new junta enforced the 50-50 split, and in 1946 the first collective bargaining contract was signed with the oil workers union. In 1948, a contract established a minimum daily wage of 14 bolivars (\$5.20) and provided for benefits in housing, medical care and vacations. The oil reserves paid to the Venezuelan government in 1948 totaled \$490 million, four times that earned during the Gomez period.

Things were bad for capitalism. In 1948 there was another coup, this one affording much evidence of collusion between the oil cartel and Venezuela's armed forces. (During the coup, the American military attache was present in the general staff headquarters.) The triumphant officers asserted that they had stopped an experiment in social revolution. Following the coup, Jimenez came to power as the head of the new junta. Accion Democratica was outlawed, the unions were abolished, and an efficient police organization enforced a political calm. With the increased oil revenues won by the previous government, militarism flourished and Caracas was given a glorious facade.

In 1958 a general strike brought in a new government. The last years of Jimenez were euphoric for the oil companies. On a net investment of \$2,578 million they had a 32.5% return, more than two and a half times the rate of return on U.S. investments elsewhere in Latin America. Washington and the cartel were no doubt embarrassed by the overthrow of a man recently decorated by President Eisenhower, but this is not to criticize their efforts for "stability." Venezuela was said to have more CIA agents than any other country in the hemisphere. Things had gotten so bad that the NEW YORK TIMES felt obligated to launch a crusade questioning the wisdom of American support of such an unpopular military dictatorship, one in which agriculture and education consumed 4.3% and 6.4% of the national budget, against exorbitant military spending.<sup>50</sup>

Following the coup, the illusions of prosperity disappeared. The country was in debt to the tune of \$1,375,000,000, and the means





for erasing the debt were not to come. The social scaffolding erected during the Jimenez regime--a huge military accustomed to the latest and most expensive playthings, a bloated bureaucracy, and the expensive facade of Caracas--created a distorted economy that required a more radical correction than the overthrow of a dictator. The reality behind the facade of "development" included an average income of \$240 for 80% of all rural families, 500,000 children unable to attend school, 160,000 to 300,000 abandoned children roaming the city and countryside, and the phenomenon of an agricultural country importing 400 million bolivars of food a year.

In a move to increase government revenues, the junta revised the oil laws to provide for a 60-40 split before ceding power to Accion Democratica and Romulo Betancourt. It did not help; there was an oversupply of oil on the world market, and the U.S. enacted import quotas limiting foreign crude (Canada excluded) to 12½% of U.S. production.

Meanwhile, Venezuela was trying to create its own national oil company, so that eventually it might take control of its oil resources. But the government was insolvent and the few wells the national company drilled were soon shut-in for lack of a market (the cartel controlled all the refining and marketing facilities). Then the World Bank, which influenced the money markets where Venezuela needed credits to refinance her debt, set forth its plan: increase production from shut-in wells; give a reinvestment allowance on the income tax thus allowing Shell, Jersey Standard and Gulf higher profits and greater incentive to open world markets to Venezuelan oil; base royalty payments on realized prices (in a depressed market favoring the consumer countries); and do not rush to develop a national company which would compete with the private concerns. In the private world government of the cartel, financial aid requires abandonment of any democratic development by a country of its resources.

Today Gulf, through its Mene Grande subsidiary, still holds large concessions in Eastern Venezuela, expiring in 1983, and Lake Maracaibo, expiring in 1996. In 1968 its share of Mene Grande's production averaged 160,111 bbpd. Venezuela Gulf Refining Co., which is two thirds owned through Mene, operates a refinery at Puerto la Cruz with a 155,000 bbpd capacity. Gulf feeds its South American markets from this strategically located refinery.

So Gulf and the cartel remain constants in a country inured to political turmoil. The systematic exploitation they represent have become natural law in a world where governments are merely temporal phenomena. Democratic reform came to Venezuela. Percentages changed. But has there been structural change, a qualitative change in Venezuela's relation to the oil cartel? The NEW YORK TIMES reports:

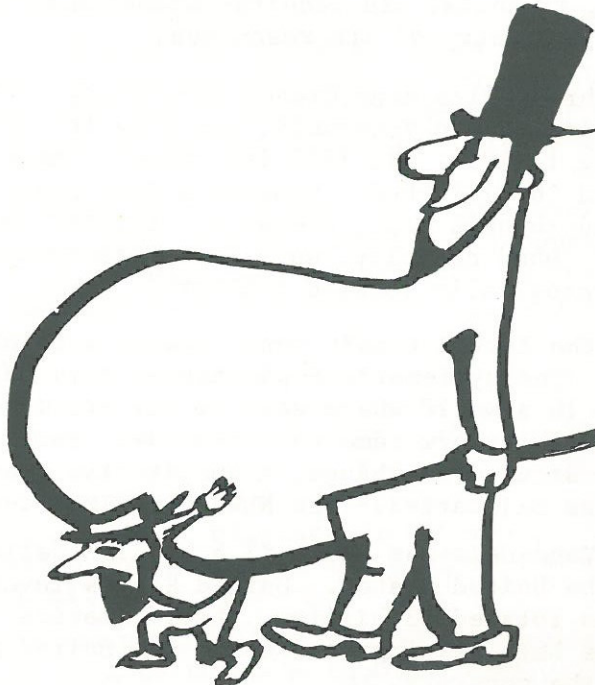
Since 1959, Venezuela has had a \$2.5 billion deficit in her trade with the United States. United States investment in Venezuela has totaled \$3 billion. Latin America in the last few years has been helping to finance the United States, rather than the contrary. 51



Venezuela is thus a prime example of the failure of reformism to free an underdeveloped country from control by the cartel. The desire of Gulf and other members of the cartel for "stability" led to fifty years of tyrannic rule. When a representative democracy tried to effect change, it was faced with a distorted economic and social structure and the elitism that makes "social revolution" and the economic reconstruction of the country all but impossible. Driven to Wall Street and the International Monetary Fund for the credit to finance reform programs, the government was unable to carry out meaningful change. The military, as the only force capable of keeping control, gained power and further consolidated its elite status. As O'Connor quotes from Paul Johnson in the NEW STATESMAN:

No attempt to solve its (Latin America's) basic problems can be made without fundamental changes in the social structure. At present these cannot be brought about through mere electoral victories since effective legislation requires the assent of the armed forces. Until these vested interests are destroyed--as they were in Cuba--the democratic process remains a farce. Latin America, therefore, does not really possess the alternative of reformism; its only way to progress is through a general revolution, involving the dispossession by confiscation of the propertied class and their ally, foreign capital.... 52

The Venezuelan people remain captives of a social order where the possibility of self determination lies with the control of the great wealth of the subsoil.



Africa Research Group, "The Extended Family," November, 1970.



# GULF IN THE HEART OF THE EMPIRE RIGGING THE GOVERNMENT

The spotlight here belongs more on lawmakers and respectable men with bulging brown briefcases entering the portals of government, than on lawbreakers and furtive men with little black bags using side entrances of hotels. Government policy on oil has increasingly become indistinguishable from the private policies of oil....<sup>53</sup>

--Robert Engler

Robert Engler has referred to the oil industry as "the first world government." The preceding examples illustrate how domination of resources and markets by Gulf and the corporate economy degrade governments and societies throughout the world. Now, we must bring the analysis home and examine the basis of this corporate power and the consequences it holds for U.S. society.

If oil is the first world government abroad, it is also, as some critics state, "the fourth branch of the government" in the United States.<sup>54</sup> Through control of the executive and legislative branches of our government, and through manipulation of public opinion, oil has rooted its power in the most favorable system of tax exemptions accorded to any industry. In 1969 Gulf Oil paid \$4,264,000 in Federal taxes (only .43% of its income, less than the taxpayers in the lowest income bracket!), while it spent over four times that--\$17,250,000--on advertising alone.<sup>55</sup> To assure the continued flow of these advantages, oil executives contribute generously to the campaign funds of those who can be depended upon for an "enlightened" vote. Thus, in the 1968 Presidential election the G.O.P. received \$200,000 from the National Petroleum Council. Gulf Oil contributed \$173,462 to the G.O.P. campaign<sup>56</sup>, and among the leading fifteen Republican donors were the late Richard K. Mellon, head of Gulf's parent family, who contributed \$69,000 and Richard M. Scaife, also of the Mellon family, who contributed \$55,462.<sup>57</sup> Such contributions are not limited to conservatives. Eugene McCarthy raised \$40,000 for his presidential campaign by lunching with oil magnates at the Petroleum Club in Houston.<sup>57</sup>

Among the most visible of the tax avoidances permitted the oil industry is the oil depletion allowance. Originally, this



allowance was limited to covering the cost of the drilling investment, and allowed industries to deduct up to 5% of their gross income when computing taxable income. It was to cease once the total amount allowed was equal to investment. By 1926 the depletion allowance was modified to cover the value of the oil and gas being exploited on the assumption that oil and gas discovered beneath privately owned ground constitutes a capital asset which should not be taxed as income. The figure of 27½% was arbitrarily set to be deducted from gross income before computing taxes (provided that the deduction did not exceed 50% of the taxable income).

In 1969 the oil lobby allowed Congress to reduce the oil depletion allowance to 22% of gross income in hopes that this would pacify the public outcry against exorbitant profits. The change in percentage, however, was one of degree, not of kind; it avoids the question of privilege which such subsidizing of private industry by the public represents (the oil depletion allowance, together with lesser depletion provided for other mineral products, costs the treasury \$1.3 billion a year<sup>59</sup>). Not surprisingly, Gulf Oil recently raised its prices on crude oil by 25 cents a barrel, and "some industry observers contended that the move was an attempt by Gulf to recoup the earnings it lost when the oil depletion allowance was cut...."<sup>60</sup> Thus, Gulf effectively transferred the loss from the cut in subsidy from itself onto the consumer.

The oil depletion allowance has gone far beyond compensating for investment costs; in fact, recent analyses of oil and gas industries have shown the allowable deduction to be as much as nineteen times greater than real depletion costs!<sup>61</sup> The United Nations' proposed Covenant of Human Rights has asserted the right of people to "permanent sovereignty over their natural wealth and resources"<sup>62</sup>; yet the oil industry treats oil and gas as their own capital assets, making a profit from depletion itself.

In addition to the depletion allowance, there are numerous other mechanisms for tax avoidance. All costs in drilling a dry hole, for example, can be deducted from a producer's gross income. All the equipment used in bringing in a well is capitalized, and then, through depreciation, costs can be recovered throughout the life of the equipment. There are also a good many intangible exploration and development costs involved in geological work, fuel, labor, construction, repairs, and tools, which can be deducted from profits for tax computation. These drilling and development deductions together with the depletion allowance result in a "double deduction with respect to the same capital investment. The combined effect... is to wipe out the tax liability on income running into millions of dollars."<sup>63</sup>

Another mechanism for tax avoidance is the foreign tax credit, which allows reduction of U.S. corporate income tax in the amount of de facto royalties paid to foreign governments. Under a 1918 tax law meant to encourage foreign investment of United States capital by eliminating any threat of double taxation, foreign taxes can



be written off dollar for dollar against the U.S. corporate tax. <sup>64</sup> U.S. oil companies operating abroad have been largely successful in having the charges of foreign governments for the privilege of extracting other peoples' oil imposed in the form of income taxes, rather than royalties. Under the foreign tax credit provisions the so-called foreign income taxes are charged against U.S. corporate tax.

In addition, overseas and domestic facilities which are being built, but have not yielded profits, can be written off as losses. The companies are also granted a depletion allowance on foreign oil. One fine day all the world's oil and all the world's men will be counted capital assets of Gulf and its friends so that they might better evade the I.R.S.

Tax avoidance is only part of corporate privilege; the industry also fixes the prices of oil and its many derivatives. The rationale behind this monopolistic action is that production and consumption must be balanced while assuring continuous profits to the industry. The cartel sets the prices; the smaller independents follow, and any attempt to undersell the big companies would get them driven out of business. Avoiding such conflicts is in the interest of the whole industry. As an Esso vice-president said, such competition creates a situation where "the consumer has...an undeserved break in his price."<sup>65</sup>

If the power of the private government of oil is founded upon a system of privilege embodied in artificial high prices and a perverted tax structure, the exercise of that power pervades our society and its institutions. The federal government is treated as a useful appendage for obtaining control over foreign resources while assuring the continuance of the privileged status of the industry at home. Any government official who tries to tamper with tax privileges or price structure is removed through the influence of the oil lobby. He is branded an incompetent whose lack of understanding endangers the public good. It is often enough to drop a few well-placed hints about his socialist sympathies. Acceptable candidates are backed by huge contributions and key congressional committees are stacked. Head of the Senate Finance Committee, Russell Long, who has made about \$1.2 million on oil leases since 1964, has stated,

Most of my income is from oil and gas. I don't regard it as any conflict of interest....If I didn't represent the oil and gas industry, I wouldn't represent the state of Louisiana.<sup>66</sup>

Another prominent supporter of oil interests, Wilbur Mills, chairman of the House Ways and Means Committee, recently assured the American Petroleum Institute that his committee would "not look with favor" on a proposed tax on lead in gasoline.<sup>67</sup>

Richard Nixon himself is an old friend of leading oil producers. California oil men were prominent contributors to the Nixon personal expense fund which erupted into headlines during the 1952 campaign. Two recent and controversial appointees of Nixon, John



Connolly, Secretary of the U.S. Treasury Department, and George W. Bush, the U.S. Ambassador to the United Nations, are both prominent oil men from Texas. In Congress Nixon has consistently supported measures favorable to the oil industry, such as the Tidelands Bill which divested the Federal Government of the off-shore petroleum reserves. As Vice President, Nixon worked closely with Lyndon B. Johnson in 1956 to stop an inquiry into disclosures by the late Senator Francis Case of South Dakota, that he had been offered \$2,500 for his vote in support of a bill to exempt natural gas producers from federal regulations. And the law firm with which Nixon was associated before his 1968 candidacy had its share of oil clients.<sup>68</sup>

The potent oil lobby is kept busy determining the course of congressional legislation. One aide to a Senator active in matters affecting oil reported receiving about twenty calls and several visits each day from industry spokesmen!<sup>69</sup> Gulf maintains a Washington office which was once headed by Kermit Roosevelt, formerly of the C.I.A. who was responsible in the 1950's for engineering a right-wing coup in Iran in order to insure American imperialist control of Iranian oil.

While its Washington lobby manipulates the Congress, the industry manipulates public opinion through a contrived mythology of free enterprise. Public relations literature published by the companies and organizations like the American Petroleum Institute perpetuate a myth of individual competition with companies vying with each other to "serve" the public. This myth is further embroidered by claims that the industry is progressive, ever concerned with new developments. No mention is made of the patents applied for and left unused, killing competition before it is born, or the discoveries abandoned because they seemed unlikely to yield profit.

Gulf Oil tries to convince the public of its "desire to be a responsible and progressive citizen wherever it operates," claiming to be greatly concerned with the environment, with the welfare of its workers, and with fairness in its hiring practices.<sup>70</sup> We have seen the extent of Gulf's "responsibility" abroad; at home, Gulf has recently been sued on safety charges by the Justice Department,<sup>71</sup> accused of sexist and racial discrimination by the Equal Opportunity Commission,<sup>72</sup> and charged with pollution of the environment.<sup>73</sup>

In transmitting the corporate mythology to the public, the companies do not limit themselves to the public media. They also seek to indoctrinate the young through their influence over the nation's educational institutions. As the man in charge of the American Petroleum Institute's school program has explained, "We work through grass roots. We want to reach high school kids; that's the way to get the whole country thinking our way eventually."<sup>74</sup> (See the FOUNDATION FACADE section of this booklet for more on how the corporate mythology is sunk into the educational system). These large companies furnish films (e.g. Gulf's "Power for People") to



schools, geology kits to Boy Scouts, and speakers to civic groups, farmers' and women's organizations, and church groups. In attempting to lend local character to corporate behavior,

...even the Cub Scouts, ages eight to eleven, have been recruited, with oil perhaps expected to join God and country as objects of duty of the nation's youth.<sup>75</sup>

## GULF KILLS

### gulf: "a desire for fresh air"

-from a Gulf ad

#### ECOLOGY AND GULF OIL

Like the other oil giants, Gulf Oil is carefully building a public image of corporate concern for the environment. Gulf President B.R. Dorsey is on a speaking tour for the corporation with a speech entitled "Toward a Responsive Society." The goal is to lull the people's outcry against pollution so that control over all aspects of his multinational corporation is sure to remain within the corporate body.

Dorsey's speech and other efforts, such as the company's subsidiary, Gulf Energy and Environmental Systems, which deals with pollution, are Gulf's attempts to tell how it is combating pollution.

With a responsive posture toward the one issue which people are politically conscious of, Gulf plans to sacrifice only a small amount of its profits to buy internal control of its activities. Moreover, the corporation can also underplay problems which most Americans are not politically aware of, such as its direct aid to the continuance of Portuguese colonial wars in Africa, among other things.

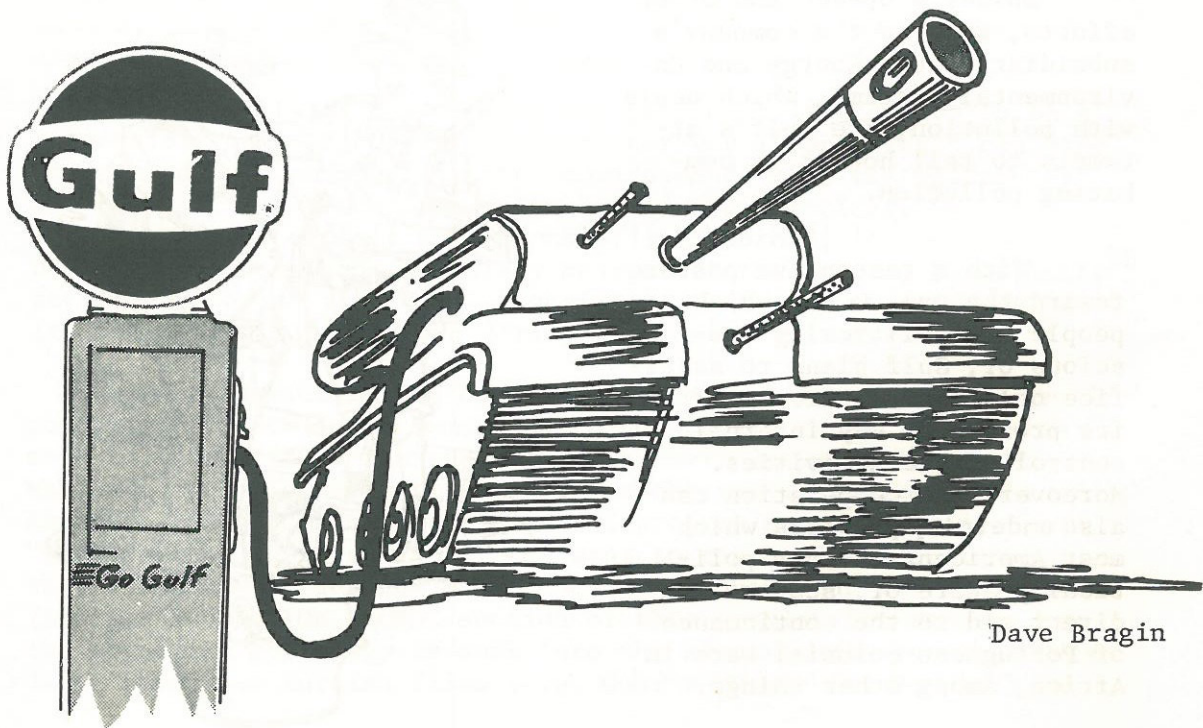




Gulf would like to project the image that it has always been concerned about pollution. But, in fact, it has only been the threat of public control over its activities which has induced it to spend a said \$30 million a year on pollution control, most of which is put into advertising such concern. (\$30 million is less than one half of one per cent of Gulf's operating revenues in 1970.)<sup>76</sup>

Nevertheless, Gulf is busy polluting at the same time as it is talking about its concern for pollution. What is the evidence? In response to Canadian criticism, Gulf Oil Canada, Ltd. has been pressured into committing more than \$1 million over the next four years in an "accelerated" program to combat air pollution at its Toronto refinery. In addition, Gulf is one of three oil firms named in the 343 criminal charge complaint resulting from the 1968 beach pollution of California's Santa Barbara Channel. Gulf was also one of four oil corporations sued by the Justice Department for violating safety regulations on pollution prevention procedures in 26 of its off-shore wells in the Gulf of Mexico. This suit resulted in a \$250,000 fine in a New Orleans court which Gulf did not contest.<sup>77</sup>

If what we see is the "concerned" ecological posture of Gulf within the United States, what are we to imagine Gulf's attitude to be where public outcry is not permitted and where "making money" is the *raison d'etre*? What are the off-shore safety procedures in Cabinda, Angola, if Gulf is guilty of obvious and chronic failures on the U.S. coast?





# oiling the u.s. war machine

Gulf is one of the top 100 Defense contractors, having ranked #78 in 1968, #68 in 1969, and #88 in 1970. In 1969 Gulf received \$95,942,000 in military contracts, and in 1970 it received \$46,000,000. The contracts are primarily for jet and aviation fuel, fuel oil, gasoline and other petroleum products.

Gulf Oil's Vice President, Russell G. Connelly, stated,

Defense Department contracts for the purchase of oil and fuel are awarded as a result of competitive bids. For this reason, it is our opinion that they are spread fairly evenly throughout the oil industry, and Gulf does not receive a disproportionate number.

Quite true, given the fact that listed among the top 100 Defense contractors are Atlantic Richfield, Standard Oil of California, Standard Oil Company (New Jersey), and Texaco. But VP Connelly went on to say that "Gulf has no DoD contracts other than for the sale of fuel and oil." Not true. In 1970 at least five major Gulf subsidiaries had Defense contracts including: Gulf General Atomic (\$4,840,000), Gulf Oil Trading Company (\$3,036,000), Mene Grande Oil Company (\$6,105,000), and Pittsburgh Midway Coal Mining Company (\$312,000).

One of the most interesting is Gulf General Atomic, Inc. which Gulf acquired from General Dynamics (the third largest DoD contractor) in October, 1967. Gulf General Atomic is described as "active in many nuclear-oriented activities, including...research and development programs for industry and the U.S. Government." For example, Gulf General Atomic has two contracts for testing the vulnerability to nuclear attack of the ABM system and the Air Force instant communication system (Survivable Low Frequency Communications Systems). Both these systems are of very dubious value, even within the Government's definition of "national security needs." Gulf General Atomic also has contracts with the Army and Air Force for research on fallout formation, electronic components and ionized particles. With Gulf General Atomic on the list of Gulf's subsidiaries Gulf jumped right into providing more technical aid for the U.S. military machine.

Gulf Reston is currently building the Defense Communications Agency Systems Engineering Facility and the Defense Engineering Office in Reston, Virginia.

For more information on Gulf's defense relationships, contact the National Action Research on the Military-Industrial Complex (NARMIC), at the American Friends Service Committee, 160 N. 15th St. Philadelphia, Pennsylvania 19102.



# THE FAMILY OF GULF

## foundation facade

Gulf Oil Corporation and the Mellons have established eight major U.S. foundations, into which millions of their assets are poured every year. These foundations serve the family and their corporations in two very important ways: first, they provide a means to avoid taxation, and second, they are a channel through which they can influence and control American education and culture.

That the Mellon family and others like them in big business have been able to avoid being taxed on their assets is well known and documented. In spite of this knowledge and criticism from both the right and the left, this practice continues. Congressman Wright Patman said in July, 1962: "the late Secretary of the Treasury (Andrew) Mellon used a charitable fund to avoid estate taxes on a multi-million dollar estate."

Their influence in the educational and cultural life of the United States is profound and wide-spread. Over \$600 million of Mellon assets have been transferred to family foundations,<sup>82</sup> allowing the family to keep control of the capital, tax-free, and to use the interest from that capital on 'public-spirited' causes they wish to support. It has been estimated that Mellon foundations have given more than \$700 million since 1945<sup>83</sup> - a sum which represents only the interest on Mellon capital.

A look at Gulf Oil Corporation Foundation's annual return list (Form 990 to the Internal Revenue Service) reveals that this foundation, based in Pittsburgh, has alone given to more than half the colleges and universities in the U.S.<sup>84</sup> (This is a good indication of the extent to which only one of the eight foundations can control and influence our whole higher educational system!)

The infusion of Mellon-Gulf ideology into the educational system is evident when looking at the nature of the foundation grants. One prominent recipient has been Stanford University's Hoover Institute of War, Revolution and Peace, whose board of advisers has included top executives of Gulf Oil, Standard Oil, US Steel, and Lockheed, as well as Undersecretary of Defense David Packard. Currently on the board of advisers is Richard Mellon Scaife, Vice-President and Governor of T. Mellon and Sons, a director of Mellon National Bank, and a trustee of Carnegie Institute. A \$100,000 grant from the A.W. Mellon Educational and Charitable Trust to the Hoover Institute currently funds research on Communist



penetration in Africa and preparation of teaching materials on Communism for high school and adult education courses.<sup>85</sup> The perspective of these courses is clear in view of the stated purpose of the Institute:

....to demonstrate the evils of the doctrines of Karl Marx - whether Communism, Socialism, economic materialism, or atheism - thus to protect the American way of life from such ideologies, their conspiracies, and to reaffirm the validity of the American system.

And finally, the family control of Carnegie-Mellon University in Pittsburgh is evident when one counts the representatives of the Mellon family and their interests among the trustees of CMU. David Greenberg, in his analysis of Carnegie-Mellon University's ownership and control, says aptly: "CMU's Board is as much a Corporation Cabinet as Nixon's is."<sup>86</sup>

The foundations also subsidize many non-educational community organizations, such as churches, community development councils, foreign policy and international institutes, and media groups, in particular the National Association of Educational Broadcasters. In this way, corporate influence penetrates all sectors of society.



Africa Research Group.



## mellonoil

Even in this day of anonymous corporate control, there are super-rich families alive and living well off the profits of their multinational corporations. The Mellon family of Pittsburgh is a prime example.<sup>78</sup> Possibly the richest family in the United States, their disclosed wealth in 1967 was \$2.8 billion. But it is well known that this figure represents only the "tip of the iceberg;" other estimates have more realistically set the figure at somewhere between \$4 and \$8 billion.<sup>79</sup>

With ownership of at least 25% of Gulf Oil Corporation's common stock, the Mellons are able to control the fourth largest oil company in the world. Until his death in June, 1970, Richard King Mellon, head of the family, sat on Gulf's Board of Directors and had an important voice in the corporate policy-making.

### A FINANCIAL EMPIRE

In addition to Gulf, the Mellons own controlling shares in ALCOA (Aluminum Corporation of America) amounting to over 30 per cent, in Koppers Company amounting to 20 per cent, in the First Boston Corporation (20 per cent), and in Mellon National Bank and Trust Company (40-42 per cent), the fifteenth largest commercial bank in the U.S. with assets of \$3.5 billion in 1967.<sup>80</sup> The Mellons also have controlling interests in the General Reinsurance Company and large interests in General Motors (an individual Mellon holding of \$20 million alone), US Steel, Bethlehem Steel, Consolidated Coal, Westinghouse Electric, Westinghouse Air Brake Company, General American Transportation, Penn Central Railroad, Pittsburgh Plate Glass Industries, and others. Before World War II the Mellons owned 30 per cent of Sumitomo Aluminum, a company which made contributions to and profits from the building of the Japanese military machine.

The Mellon share of ownership of the First Boston Corporation, the company through which Mellon investments are held, is an indication of the larger financial empire created and controlled by super-rich American capitalists. The First Boston Corporation is jointly controlled by the Mellons and the Rockefellers. This partnership is an alliance designed to protect the super-rich from competing against each other in the oil industry. This coordination at the top makes sure that the rich don't fight each other in their exploitation of the people's resources at home and in the Third World.

**gulfkillsgulfkillsgulfkillsgulfkills**

## EFFECTS OF MELLON CORPORATE CONTROL

The power of the Mellon empire reaches far beyond the corporate world--into the civic, political, social and economic lives of millions of people. A good illustration of this fact is an analysis of who controls Pittsburgh, the seat of the Mellon dynasty. Urban Renewal in this city is conducted under the direction of the Allegheny Conference, a group of 25 executives from corporations and foundations controlled by the Mellon family or connected with them. Sixteen of these executives are also trustees of local universities and colleges, twelve sit on the boards of hospitals, and twelve are board members of the United Fund. Urban Renewal has redeveloped Pittsburgh's business district and effectively destroyed or disrupted four racially mixed and black neighborhoods. The hospital boards, heavily influenced by the Mellons and their associates, have refused to allow a bargaining election which would result in recognition and power for a union that is largely black and Puerto Rican. These workers are paid less than \$100 a week.

Racism is not new to Mellon enterprises but an active tradition. One of the earliest examples occurred during a strike against ALCOA in East St. Louis in 1917. The company brought in strikebreakers, precipitating race riots in which at least 25 blacks and two whites were killed and 310 black homes were burned to the ground.<sup>81</sup>

The corporate ideology and exploitative practices of the Mellons have spread around the world, encompassing bauxite processing plants in Illinois, oil wells in Angola, and a host of other sources of wealth. In the Third World, the Mellons lend direct support to colonial regimes. At home, their influence reaches into the community through a network of corporations and foundations. Such is the substance of a family fortune of \$2.8 billion.

Even when the U.S. Government stepped in to break up monopolistic control of resources, such as it did with ALCOA's aluminum monopoly, the Mellon financial empire was too big to be affected. In this case the Mellons financed the Kaiser acquisitions so that they could keep their control of the aluminum industry, as well as make profitable and expedient political contacts in the Democratic Party.



WHAT DO THEY MEAN...EXCESS PROFITS?  
PROFITS ARE NEVER EXCESSIVE!"



## MEET THE MANAGEMENT

With few exceptions, Gulf's management is uniform in class, background, politics, and religion: they are mostly white, Anglo-Saxon Protestant Republicans from the south. Their profiles in Who's Who show how wealth and power in our society are concentrated in the hands of a very few. The names of Pittsburgh's football and baseball teams could well be applied to Gulf's team: the Pittsburgh Steelers (Stealers) and the Pittsburgh Pirates. These few, working to expand Gulf's profits and control of markets and resources, affect the lives of millions of people in the U.S. and in the Third World.

Richard King Mellon. Before he died last year, Dick was the overseer of the family fortune, which is estimated at \$4 to \$8 billion. He was former Chairman of the Mellon Bank, Governor of T. Mellon & Sons, and was on the boards of ACTION housing, General Motors, the Pennsylvania Railroad, Koppers Co., Pittsburgh Plate Glass, Westinghouse Air Brake Co., and of course Gulf. He was also the former State Director of the Selective Service in Pennsylvania.

E.D. Brockett, Chairman of the Board and Chief Executive Officer at Gulf, E.D. is from Texas and has worked for Gulf since he was 21. He has chaired several of Gulf's overseas subsidiaries, been assistant to the President of Mene Grande Oil in Venezuela, as well as President of what is now the Gulf Oil Company, Ltd. in Britain. E.D. is also on the board of the Mellon Bank and of the Adela Investment Co. in South America.

B.R. Dorsey is the President of Gulf and is on the board of Goodrich-Gulf Chemicals. Bob is a trustee of the University of Pittsburgh, a member of the Allegheny Conference of Community Development and is a director of the American Petroleum Institute, the National Petroleum Refiners Association, and the National Industrial Conference Board. He has headed the board of Pittsburgh's United Fund and belongs to at least six private clubs, including the infamous Duquesne Club, where Pittsburgh's elite meet.

Charles M. Beeghly is Chairman of the Board of Jones & Laughlin (Margaret Mellon married into the Laughlin family) and is on the boards of Gulf, the Mellon Bank, Pittsburgh Plate Glass, and the Dollar Savings Bank. Charles is a trustee of the Carnegie-Mellon University and Ohio Wesleyan University and is also a director of the American Iron & Steel Institute.

# ACTIONS

## AGAINST THE EMPIRE

### THE GULF CAMPAIGN: A SHORT HISTORY

The campaign against Gulf Oil Corporation surfaced in the fall of 1969. Spurred on by concern voiced by a number of church groups, especially the Task Force on Southern Africa of the United Presbyterian Church, the American Committee on Africa prepared a detailed research paper on the question of Gulf Oil Corporation's role in Angola. The research indicated that Gulf was a significant contributor to the maintenance of Portuguese colonialism. Gulf taxes, bonuses and royalties fed into the Portuguese government coffers, thus strengthening her war effort. The Angolan find provided Portugal and possibly South Africa with a strategically important vital commodity. Anticipation of future taxes strengthened Portugal's will to hang on. Finally, the presence of a major U.S. corporation in Angola increased the vested interest of the U.S. government in the continuation of Portuguese colonialism.

The question of course, was how to try to remove this important form of assistance to the Portuguese. It was blatantly obvious that Gulf Oil Corporation was not going to withdraw from Angola without tremendous pressure. However, a campaign around Gulf's investment in Angola could serve to; 1) educate people about the roles that U.S. companies play in supporting colonial and white minority rule in Southern Africa 2) inform people of the struggle for independence presently going on in Angola 3) put other companies on notice that investment in the Portuguese colonies would create serious public relations problems for them.



Protesters in line to speak against Gulf's Board of Directors. from Gulf Oil's Orange Disc, June, 1970.



Initially, several Protestant denominations, the American Committee on Africa, the Southern Africa Committee, and the Committee of Returned Volunteers became interested in ways of pressuring Gulf to disengage from Angola until it was freed from colonial rule. Representatives from the United Presbyterian Church first met with Gulf executives to discuss the political implications of investment in Angola. Gulf was completely unprepared for any arguments of this kind and responded with such naive comments as "isn't Angola a province of Portugal as Hawaii is an American state."

These discussions led to a meeting several weeks later of 25 church representatives and 3 Gulf officials including Chairman Brockett. During that meeting, Gulf stated that they had always enjoyed a friendly relationship with the Portuguese and were going to do nothing which might jeopardize that relationship. Gulf also claimed that they had no responsibility for how Portugal utilized Gulf's payments.

During this time the New Mobilization to End the War had become interested in choosing Gulf as one of its corporate targets. Locally, the Gulf Action Project in Pittsburgh, a movement group, had become involved in campaigning against Gulf, specifically highlighting Gulf's manipulative role in the Pittsburgh area, and the Mellon family's control of Gulf. People from the Committee of Returned Volunteers worked in close cooperation with the Gulf Action Project.

It was obvious even to the churches that "dialogue" was not going to sway Gulf and that Gulf had to be hit in "it's self-interest."

During the spring, people organized toward the Gulf stockholders meeting, hoping to use it to press home their political points. The Gulf Action Project was actively gaining publicity in Pittsburgh, while a Philadelphia-New York based group loosely called the Church-Citizen Coalition, spread the word among churches holding Gulf stock, advocating that they attend the Gulf stockholders meeting. Prior to the stockholders meeting, the Church-Citizen group held a press conference in Pittsburgh to try to maximize publicity. There, a statement to the 1970 meeting was released, signed by a number of churchmen.

#### STOCKHOLDERS MEETING

Stockholders were greeted by Gulf Action Project pickets outside the hall. Inside the meeting, Gulf opponents questioned the legitimacy of the meeting by challenges right from the opening gavel. As the meeting progressed, nominations were made for an alternate slate of candidates for the Corporation Board. Among those nominated were 2 leaders of liberation movements in the Portuguese colonies, Amilcar Cabral of PAIGC, the liberation movement of Guinea Bissau, and Dr. Neto of MPLA, the main liberation movement in Angola. Finally, large numbers of people went to the microphones to question Gulf's involvement in Angola and her position in the U.S. military-industrial complex. The Chairman tried to cut off the discussion again and again. Following the meeting, the Gulf Action Project led "tours through the Mellon patch," circuiting downtown Pittsburgh and exposing Mellon control and influence.

The next step in the Gulf campaign began a few months later, during the summer of 1970. The Ohio Conference of the United Church



of Christ, a large regional church body, passed a resolution opposing Gulf's support of Portuguese colonialism, and advocated that all its members turn in their Gulf credit cards as an act of protest. Gulf's response was angry and unique. In a letter to the Church's executive officer, Gulf threatened a court suit. National press coverage of the issue invariably was sympathetic to the Church and Gulf's over-reaction played right into its critics' hands. In the end, the Ohio Conference stood by its statement.

Later in the fall, the Council for Christian Social Action of the United Church of Christ also passed a condemnatory resolution asking for the return of credit cards.

Meanwhile the Southern Africa Task Force of the United Presbyterian Church, one of the groups which had opposed Gulf previously, decided to try to put a number of pertinent resolutions on the Gulf proxy statement sent to stockholders. This would obviously increase public discussion of the issue. Four resolutions were submitted by members of this Task Force to Gulf, which promptly denied them on technicalities. However, the Securities and Exchange Commission ruled that Gulf's reasons were invalid, and Gulf later agreed to include a shortened version of the resolutions.

These resolutions try to raise the issue of Gulf in Angola from



*While the meeting went on inside, the demonstration went on outside.*



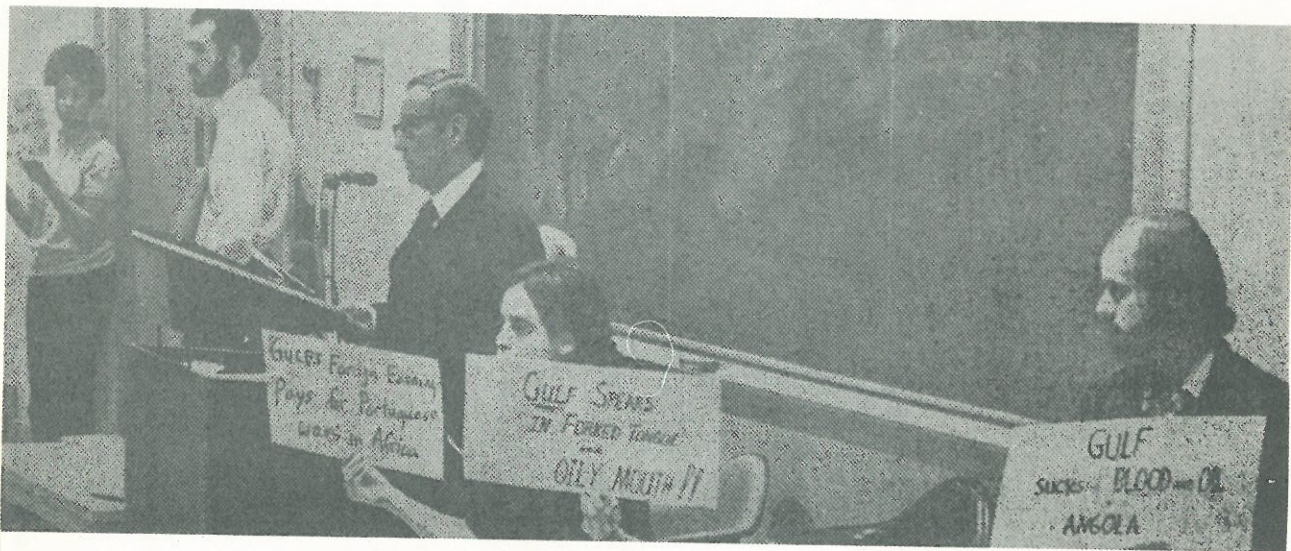
a number of angles. They include an amendment to the corporation charter forbidding operation in the colonies of Angola and Mozambique, and the establishment of a committee to fully evaluate the implications of Gulf's involvement in Angola, including its military cooperation with the Portuguese. The committee would include representatives from MPLA, and FRELIMO, the liberation movement of Mozambique.

The United Presbyterian Church now plans to actively solicit proxies from institutional and individual stockholders around the country. As a result, the whole issue of Gulf's complicity in Portuguese colonialism will be widely aired. This year's stockholders meeting will allow a more substantial debate than Chairman Brockett's iron gavel permitted in 1970.

\* \* \* \* \*

Protest against Gulf Oil is not limited to United States groups. In Vancouver, Canada, the Liberation Support Movement opened a campaign against Gulf in early February, 1971. Leaflets have been distributed at Simon Fraser University and the University of British Columbia; stickers reading "Gulf Kills - Are You an Accomplice?" have been put up throughout the downtown Vancouver area; and Gulf credit card applications have been distributed with the aim of obtaining cards for a public burning. The campaign has been publicized through soap box oratory, guerilla theatre, and role playing in University classrooms. Liberation Support Movement hopes to constructively channel revulsion to corporate capitalism into avenues of concrete actions. Hence, Liberation Support Movement supporters are being asked to leaflet a local Gulf operation and to help make plastic tents for guerilla forces in areas of Gulf involvement.

During the first week of the campaign, Gulf Oil threatened to launch a libel and slander suit against Liberation Support Movement. However, Gulf has taken no formal action so far and the Canadian campaign against Gulf's policies continues to grow.



Bob R. Dorsey, president of Gulf Oil Corporation, speaking at Columbia. Protesters held signs critical of company. The New York Times (by Patrick A. Burris)



# POSSIBLE ACTIONS

Although the campaign against Gulf has focused primarily on forcing the oil corporation out of Angola, we realize that real change in the structures which form and perpetuate the multinational corporation will occur only through radical actions of both workers on the home front and the exploited peoples of the Third World. Thus we do not presume that any of the suggested actions cited below are in any way a substitute for the potential power of the workers and the oppressed forces. Rather we offer these ideas as vehicles for politicization and education to be performed in solidarity with the agents of basic change.

The general aim of Gulf campaigns could include: exposing and understanding Gulf's role; investigating one's own institutional (i.e. university, church) complicity in Gulf; educating the community about the role of the multinational corporation; and calling for specific actions (i.e. Gulf should get out of Angola).

Actions could include:

1. Pressure on Gulf: return or burn Gulf credit cards; protest campus recruitment by Gulf; boycott Gulf products; send delegations to Gulf stations and offices; publicize the cause through written/visual/press materials; send aid to the enemies of Gulf such as the African liberation forces.

2. Pressure on institutions: check involvement via stock portfolios and interlocking directorates, and organize through specific demands, petitions, demonstrations, press/publicity, teach-ins.

3. Focus on stockholders' meetings: demonstrate inside and outside; draw up resolutions; organize proxy campaigns.

The following section on organizing a proxy campaign is included because the stockholders' meeting can be an important forum for action, and because the enclosed information is seldom available to the public trying to organize specific actions. The inclusion of this section does not mean we see the stockholders' meeting by itself as fundamental to real change. Contact groups cited below for more action suggestions and strategies.

\* \* \* \* \*

Under the by-laws of Gulf Oil Corporation, the Annual Meeting of Shareholders is to be held on the fourth Tuesday of April every year. Each individual and institution holding stock of Gulf on the "record date" for the Meeting is entitled to attend the Meeting in person or by proxy.

The agenda at a Gulf Annual Meeting usually contains only two principal items, the election of directors and the appointment of independent public accountants. Other matters are considered out of order. However, nominations from the floor of candidates



for the Board of Directors should be allowed. One can try to make nominating and seconding speeches on behalf of such candidates. Secondly, after the formal business of the stockholders meeting is finished, the usual practice is for management to entertain questions from the floor. Both the election of Directors and the question period thus provide opportunities for raising political issues. In addition, at Gulf's 1971 Annual Meeting, four resolutions proposed by the Southern Africa Task Force of the United Presbyterian Church will be on the agenda. (See "THE GULF CAMPAIGN: A SHORT HISTORY" in this booklet.)

In order to attend the Annual Shareholders' Meeting, there are certain steps which must be taken beforehand. Following is an explanation of necessary things to know and do.

#### "RECORD DATE" AND "SHAREHOLDERS OF RECORD"

Because shares of Gulf stock are bought and sold almost every business day, and because it takes several weeks for such transactions to be recorded on Gulf's shareholder records, it is necessary, for the purpose of determining who may attend and vote at the Annual Meeting, to set a date in advance of the Meeting. This is the "record date." Only "shareholders of record," i.e. shareholders listed in the records of the corporation at the close of business on the record date (and their proxies), are entitled to attend the Meeting. (For the 1970 Annual Meeting, held on April 28, 1970, the record date was February 27.) Owing to the bureaucratic nature of Wall Street, it is necessary to buy shares several weeks before the record date in order to become a shareholder of record. Moreover, you should have the shares registered in your own name, and have the shares with your share certificate sent to you. If you leave the shares with your broker, they will be registered in the broker's name, not in yours.

#### OBTAINING AND USING "PROXIES"

The word "proxy" has two meanings: it can refer either to an individual designated by a shareholder to attend and vote at a shareholders' meeting on the shareholder's behalf, or to the instrument, the piece of paper, in which the shareholder designates one or more such individuals. In most cases, only an individual can serve as a proxy. Do not give proxy powers to an organization.

A shareholder may send more than one proxy into the meeting. Collectively, however, this group of proxies will have only as many votes as the shareholder would have if personally present. Moreover, a shareholder holding only one share can send in several proxies. The best practice seems to be for each shareholder to send in a relatively small number of proxies, say three to five, regardless of how many shares are held. Proxies sent in by one shareholder should all be appointed in the same proxy form.



In addition, any proxy form specially prepared in order to get persons of the shareholder's choice into the meeting should contain a power of substitution, so that in case any of the originally appointed proxies is unable to attend, the proxy, by signing a substitution form, prepared by a lawyer and acknowledged before a notary public, may appoint a substitute proxy to attend the meeting.

Signed proxy and substitution forms must be submitted to Gulf's Secretary prior to the Meeting. You should enquire of the Secretary's office as to how, when and where this should be done.

#### SOLICITATION OF PROXIES

In order to gain admission of a number of dissenters to the Annual Meeting, or to gather votes for casting at the Meeting, it may be necessary to solicit proxies from Gulf shareholders. Proxy solicitation is strictly regulated by the Securities and Exchange Commission (S.E.C.), the Federal agency responsible for supervision of securities markets. Anyone soliciting proxies from ten or more persons in connection with the Annual Meeting must file copies of proposed proxy solicitation material with the S.E.C. for approval prior to solicitation. This material, which must be sent to each solicitee, must include a proxy statement (like the proxy statement sent out by Gulf, only drafted from a different point of view), which, along with other proxy solicitation materials, is quite technical and should be prepared under the supervision of a lawyer.

Solicitation of proxies from more than ten persons without using S.E.C. approved proxy materials is a criminal offense punishable by fine and imprisonment. Nonetheless, movement groups have solicited proxies from shareholders of various corporations in the past with no resulting prosecution, as far as we know.

About a month before the Annual Meeting, Gulf will send notice of the Meeting to all shareholders listed on the record date, together with materials in which management will solicit a proxy from the shareholder, consisting of (1) a proxy statement describing the business to be transacted at the Meeting and giving certain information about the candidates for Directors proposed by management, and (2) a proxy form, an IBM card with boxes for voting to be checked and spaces for the date and the shareholder's signature. If you sign this form and send it back to Gulf, you are appointing the individuals designated by management to attend the Meeting and vote, on your behalf, for the slate of candidates proposed by management for the Board of Directors, and as management wishes on any other matters before the Meeting.

If, on the other hand, you want to try to have issues like those set forth in this booklet raised at the Meeting, your alternatives are, if you are a record shareholder, to attend the Meeting in person or to appoint one or more individuals to attend as proxies on your behalf, or, if you are not a record shareholder, to attend the Meeting as a proxy for someone else.



If you are not a Gulf shareholder, or if you bought your shares too late to be listed on Gulf's books on the record date, or if you own Gulf stock but it was held on the record date by your broker, you must be appointed as a proxy in order to attend the Meeting. If you are not a Gulf shareholder, you will have to find someone who is a record shareholder who will appoint you as his proxy. If you buy stock before the record date, but are not registered on Gulf's books on the record date, you should be able to find out (through your broker) who was the record owner on the record date, and obtain a proxy from that person, allowing you or someone of your choice to attend the Meeting. If you own stock on the record date which is held for you by your broker and is thus not registered in your name, you can get a proxy from your broker.

If you are a record shareholder and you want to appoint your own proxy or proxies to attend the Meeting, or if you want to attend as a proxy for a record shareholder, the IBM proxy form sent out by Gulf should not be used. Another form should be specially prepared (by a sympathetic lawyer) in which the shareholder will appoint one or more individuals of his choice to attend the meeting on his behalf.

If a shareholder has already sent the IBM proxy card to Gulf, and then changes his mind and decides to appoint his own proxies, he can do this by signing a specially prepared proxy form as set forth above, and having it filed with Gulf's Secretary. Bearing a later date, it will automatically revoke the earlier proxy.

#### ALTERNATIVES TO MERELY ATTENDING THE SHAREHOLDERS' MEETING

(1) The Stockholder Proposal Rule. The S.E.C. proxy rules provide that any shareholder may submit a proposal to Gulf for action to be taken at the Annual Meeting, and that Gulf management must print this proposal, and usually a short statement supporting it, in its own proxy statement. This provides a means of communicating, in a limited way, with the hundreds of thousands of Gulf shareholders at Gulf's expense. However, the rule does not apply to a proposal submitted primarily to promote a political cause. To be included, a proposal will have to be couched in terms of Gulf's corporate interests. While it is now too late to submit proposals for the 1971 Annual Meeting, four proposals have already been submitted by a Presbyterian group and will be on the agenda at the 1971 Meeting. (See "THE GULF CAMPAIGN: A SHORT HISTORY" in this booklet.)

(2) Issuing a dissenters' proxy statement. A second tactic would be for dissenting shareholders to issue their own S.E.C. approved proxy statement. This could be done, as is being done by the Presbyterian group just mentioned, to solicit proxies in favor of a stockholder proposal submitted as described above. Alternatively, an opposition slate of candidates for the Board of Directors might be nominated, and the proxy statement used to solicit votes for them and to raise certain issues in this connection. Chances are minimal that the candidates could be elected, but this tactic could be used to gain publicity and press treatment of the issues raised. Any dissenters' proxy statement could be sent only to a relatively small number of Gulf shareholders, as the cost of distribution to all would be prohibitive.



# FOOTNOTES

1. David Horowitz, ed. CORPORATIONS AND THE COLD WAR, (Monthly Review Press, New York, 1969), p. 17.
2. See Moody's MUNICIPAL AND GOVERNMENT MANUAL FOR 1970, p.3258.
3. See Standard & Poor's CORPORATE RECORDS, 1970, pp.9696-7.
4. Horowitz, OP.CIT., p.19.
5. Gulf Oil Corporation, 1970 ANNUAL REPORT, p. 30.
6. Robert Engler, THE POLITICS OF OIL,(University of Chicago Press, Chicago, 1961), p.67.
7. Standard & Poor's, OP.CIT., p.9696.
8. IBID.,p. 9697.
9. Quoted in Michael Tanzer, THE POLITICAL ECONOMY OF INTERNATIONAL OIL AND THE UNDERDEVELOPED COUNTRIES, (Beacon Press, Boston,1969),p.53.
10. United Nations, FOREIGN ECONOMIC INTERESTS AND DECOLONIZATION, (Office of Public Information, 1969), p.8.
11. DER SPIEGEL, February 8, 1971.
12. Interview, August 28, 1969.
13. In Angola, Texaco also has an offshore concession, and there are a half dozen U.S. oil companies exploring in Mozambique as well. Gulf has been involved in Mozambique since 1958 in partnership with an 80 per cent owned subsidiary of Standard Oil of Indiana called Mozambique Pan American Oil Company. Although Gulf and its partner had invested \$30 million by 1970, and discovered considerable natural gas deposits offshore near Beira, Gulf announced in November, 1970, that it had transferred its exploration interests to American International Oil Company, another Indiana subsidiary. (THE STAR, Johannesburg, November 21, 1970.) Gulf has a chemical sales operation in Mozambique also. Corporate spokesmen in Pittsburgh claim that Gulf has totally pulled out of Mozambique, but details are cloudy.
14. "The U.S. and Portugal: Allies in Empire,"AFRICA TODAY, July-August 1970. ACTUALIDADE ECONOMICA, April 14, 1970. The total Gulf investment in Cabinda including recent expansion plans is somewhat unclear, but hits at least \$200 million.
15. Gulf Oil Corporation, ANNUAL REPORT, 1970.
16. CHRISTIAN SCIENCE MONITOR, April 24, 1970; FINANCIAL TIMES, April 6, 1970.
17. NEW YORK TIMES, January 12, 1969; see Gulf Oil Corporation, ANNUAL REPORT, 1968, 1969.
18. Al J. Venter, THE TERROR FIGHTERS, (Purnell and Sons, Cape Town, 1969), p.84.
19. IBID.
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21. United Nations, A/7200/Add.3, 17 October, 1968, p.79.
22. IBID.
23. United Nations, A/7623/Add.3, 25 September, 1969, p.53.
24. Decree Law 48,273, 11 March, 1969.
25. IBID.
26. A Reply to the Gulf Statement of September 10, 1970 to the Trustees of the Ohio Conference of the United Church of Christ, p.26. This booklet containing Gulf's explanation of its role in Angola, and a point by point refutation of the corporate arguments is very helpful.



27. Gulf Oil Corporation, PROSPECTUS, November 15, 1970; United Nations, A/7752, Add.1, 28 November, 1969.
28. Gulf Statement to the Trustees, Ohio Conference, The United Church of Christ, Columbus Ohio, September 10, 1970, pp.9-10.
29. PROVINCIA, Angola, September 2, 1970.
30. Gulf Statement to Trustees, pp.9-10.
31. IBID.
32. Government of Portugal, III PLANO DE FOMENTO, Vol. I, p.39.
33. RAND DAILY MAIL, October 17, 1970.
34. Gulf Statement to Trustees, p. 10.
35. IBID., p.7.
36. A Reply to the Gulf Statement, pp. 25-26.
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38. DIARIO DE NOTICIAS, January 14, 1971.
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74. Robert Engler, OP.CIT., p. 439.
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78. Much of the information in this section is taken from Harvey O'Connor, MELLON'S MILLIONS, (John Day, New York, 1933).
79. Charles J.V. Murphy, "The Mellons of Pittsburgh," FORTUNE, (Fall, 1967).
80. IBID.
81. O'Connor, OP. CIT., p. 211.
82. See F. Lundberg, THE RICH AND THE SUPER-RICH, (Bantam Books, New York, 1968).
83. Murphy, OP. CIT.
84. See Gulf Annual Returns (Form 990) to Internal Revenue Service.
85. WALL STREET JOURNAL, July 7, 1962.
86. From David F. Greenberg, CARNEGIE-MELLON UNIVERSITY: AN ANALYSIS OF OWNERSHIP AND CONTROL (Unpublished paper, Pittsburgh, 1970), p. 9.



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# GROUPS

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Committee for Freedom in Mozambique, Angola, & Guinea-Bissau, 531  
Caledonian, London n7, England  
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Avenue, Chicago, Illinois 60657  
Council on Corporate Responsibility, 1609 Court Ave., NW, Washington D.C.  
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Popular Movement for the Liberation of Angola, Box 20793, Dar es Salaam,  
Tanzania  
North American Congress on Latin America, P.O. Box 57, Cathedral station,  
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Southern Africa Committee, 637 W. 125th St., New York, N.Y. 10027  
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Ohio, 43214  
United Presbyterian Southern Africa Task Force, 475 Riverside Drive,  
New York, N.Y. 10027  
United Nations, Section on Decolonization, 33rd Floor, New York,  
N.Y. 10017



For a full report on methods of organizing for Gulf's Annual  
Shareholder's Meeting, send 20 cents (to cover mailing cost) to:

Committee of Returned Volunteers/Africa Group  
262 West 26th Street  
New York, N.Y. 10001

"Gulf Kills" buttons are also available at 25¢ each.

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For a comprehensive listing of possible actions against Gulf, and  
a list of colleges and universities holding Gulf stock, see "A  
Campaign Against the Gulf Oil Company to Stop its Aid to Portuguese  
Colonialism," obtainable from:

American Committee on Africa  
164 Madison Avenue  
New York, N.Y. 10016





FROM M. R. J. Wyllie AT Harmarville DATE March 25, 1970  
TO All Employees AT Harmarville REFERENCE 2150AF90  
SUBJECT PLANT SECURITY

In view of the recent disturbances and the so-called "Gulf Action Project" it is advisable for us to take every reasonable precaution we can to safeguard our employees and our property. To accomplish this we are taking immediate steps which we believe will improve our internal security. These include the following:

1. Lights have been installed in strategic locations to eliminate dark areas.
2. Repairs to our perimeter fence are under way.
3. Access to the Research Center property for all persons not employed at GR&DC is being tightened. Visitor control procedures will be enforced.
4. Guard procedures and duties are being modified slightly; i.e., their primary concern in the morning and the afternoon will be surveillance of people going in and out of the Research Center grounds rather than concern for monitoring parking of employees' cars.

All persons not employed at GR&DC will be identified with the special badges issued; contractors' employees having their own identification badges may be seen wearing two badges. Therefore, any person not wearing a Gulf badge may be presumed to be a GR&DC employee. However, to accept this at face value is entirely fallacious; therefore, if any employee has reason to believe there is an unauthorized visitor in his area, he should immediately bring this to his supervisor's attention or call the East Gate House, extension 2235.

I realize that the above measures are not all that could be done but they are immediate and reasonable precautions we can take to prevent unauthorized persons from entering the Research Center. I wish to emphasize that we have not received any threats of any kind. To assume we will not be confronted with emergencies in this day and age is to invite trouble.

MSS:bal

  
M. R. J. Wyllie

From a Gulf Research and Development Center Memo

ORDER FORM

Return to: Africa Group, Committee of Returned Volunteers/N.Y.  
262 West 26th Street, New York, N.Y. 10001.

Send me \_\_\_\_\_ copies of GULF OIL CORPORATION: A STUDY IN EXPLOITATION.

(Prices: 50 cents each; 40 cents for more than 100 copies; 30 cents for more than 500 copies)

NAME: \_\_\_\_\_  
ADDRESS: \_\_\_\_\_  
CITY: \_\_\_\_\_ STATE: \_\_\_\_\_ ZIP: \_\_\_\_\_  
ORGANIZATION: \_\_\_\_\_ TELEPHONE NO: \_\_\_\_\_



Gulf Foes' Cong Flag Is Torn

Protesters Hit Meeting Of Gulf Oil

Gulf, Activists Exchange Views Amid Boos

GULF \$ HELP PORTUGAL KILL ANGOLANS



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