SHELL AND THE SALEM – THE LARGEST MARINE FRAUD IN HISTORY

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ABSTRACT: In 1980 the supertanker Salem was reported lost off the coast of Senegal, but subsequently it was discovered that though the ship was lost, not all the cargo went down with it. Most of the oil had been unloaded in South Africa, in possible violation of the embargo against the South African Government at that time. This is the story of my involvement with the investigation of the saga of the Salem and her cargo.

INTRODUCTION

In January 1980 my wife, family, and I were holidaying at my parents-in-law’s place at Newport, New South Wales, Australia. Lying on the beach one day, I read an item that a supertanker, the Salem, had foundered off the coast of Senegal. As, at the time, the Area Coordinator for Southern Africa and South Asia for Shell International, I had more than a passing interest in this story. Aiding the supply of oil to Shell South Africa without breaching any embargo was one of my tasks: the fact that this vessel was not a Shell tanker and unknown to me as a chartered vessel enabled me to enjoy the last week of my holiday.

My insouciance was short-lived: on return to London I found myself at the centre of a major international crisis. The story of the Salem, in addition to innumerable press articles, has been documented in book form as a chapter in The Piracy Business by Barbara Conway (1981), and more extensively by Arthur Jay Klinghoffer in The Salem: the Fraud of the Century (1988). In the prologue he wrote:

An oil embargo was applied against South Africa as a means of deflecting the apartheid state from what many considered an abhorrent racist course. This rather noble cause then engendered its own contradiction as numerous traders sought to undermine the embargo for their own pecuniary, non-political ends. Some shady operators went so far as to victimize South Africa, as they took advantage of the secrecy which Pretoria had itself imposed on its counter-sanctions operations. Concealing the means of obtaining oil provided a cover for illegality, and it was with this anticipation of South Africa’s discretionary silence that the Salem plot was developed.

Shell believed in staying in South Africa and working from the inside (frequently incurring the displeasure of the Government) to improve the lot of all South Africans, a stance vindicated when Nelson Mandela on his release from prison said to the then Chairman of Shell South Africa, “We’re glad you stayed.” Part of staying was to be able to supply crude oil to the Durban refinery to maintain Shell’s market share of about a quarter. That had to come from legitimate sources not embargoed by OPEC or North Sea producers and this supply was going well. The South African Government agency, the Strategic Fuel Fund Association (SFF), also acquired crude oil for its Government run outlets (Sasol), which under “borrow and loan” arrangements was often processed through the refineries in the private sector.

The books and articles mentioned above have written the saga of the Salem with a great deal of accuracy: what has never been told is the story within Shell and this is the purport of this monograph.

THE EVENTS UNFOLD

It was on 18th of January that Lloyds List reported that the Salem had exploded and sunk off Senegal and that 24 crew members had been rescued by the BP Tanker British Trident. Shell Marine and Shell International Trading (SITCO) immediately made inquiries and learnt that the vessel had recently changed hands and from South Sun had been renamed Salem. Then it was ascertained that the cargo had been purchased by SITCO from Pontoil (an Italian broker) CIF as part of a multi-cargo deal and was allocated to a European destination. Although the cargo had been loaded on the 10th of December in Kuwait, all the paperwork had not been completed until the 16th of January. This was a time of frenetic activity in the crude oil market after the Iranian Revolution with the consequent huge increase in oil prices and the paperwork often lagged behind the action. The cargo valued at some $56 million for 196,000 tonnes was at the top end of transactions at that time.

Initially a routine process was initiated inside Shell. Once it had been established that Shell had bought the cargo and that appropriate insurance was in place, Shell paid Pontoil for the cargo on the 23rd of January and began claims procedure against loss at sea. On the 25th of January the insurance underwriters’ solicitors announced that their investigations had unearthed that the vessel had been purchased by funds in South Africa and that the oil had been discharged into Durban on 27th and 28th of December 1979.

Suddenly routine was replaced by crisis management. Information was flowing in at a rate faster that it could be

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