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CONGO OIL REFINERY PROBLEM

At the time of the Congo's independence and ever since there have been four petroleum companies operating in the Congo: Mobil (US), Petrofina (Belgian), Shell (UK), and Texaco (US/Canadian). They have been exclusively engaged in the distribution of refined products; there are neither wells nor refineries in the Congo.

A year or so ago, these four companies began serious consideration of a proposal to build a refinery in the Congo which would be jointly owned by the four companies (with possible provision for the Congo Government sharing in the ownership) to refine products for consumption in the Congo with, because of product mix, surplus for reexport. The crude would be brought in from Gabon. For this purpose the four companies would form a consortium in the form of a wholly (or jointly with the GOC) owned subsidiary.

The consortium delayed taking any definitive steps toward implementation of this proposal until the fate of the Katanga secession became clear. Shortly after the events of last December-January the consortium told us that they were preparing a formal approach to the Congolese Government for permission to build the refinery and to purchase land on which to build it. The formal approach was not in fact made until February 18, 1963, although in December Adoula had given the project his informal blessing. Meantime, the Italian company, ENI, sent representatives to Leo and quickly negotiated a contract to build a refinery. The news of that negotiation became public before the consortium made its approach to the GOC. The consortium, speaking to us through Mobil, indicated great concern that the provisions of the ENI contract were monopolistic and would exclude the consortium refinery altogether. The consortium also feared that the ENI contract would ultimately put them out of business as distributors. Mobil asked us to use our influence with the GOC to see that it had a chance to have its proposal fairly presented and considered by the GOC. Particularly because Mobil (to a greater extent than the three other members of the consortium) had cooperated with the USG in every way with regard to its activities in Katanga and had seen some risks in doing so, the Department instructed Ambassador Gullion to make a very firm approach to Adoula requesting an opportunity for the consortium to present its proposal and to have it fairly considered by the GOC. Ambassador Gullion made this approach to Adoula and got his concurrence with our request.

The consortium did not ask for an exclusive right to build a refinery and has specified its willingness to refine crude for other distributors including ENI, but is convinced that if it gets permission to build ENI will not go ahead with its project. The consortium presented its proposal to the GOC on February 18, 1963, but the latter has not yet acted upon it. On instructions, the Ambassador and Embassy officers have from time to time urged officials of the GOC to approve the consortium's proposal and our reports have indicated that virtually all of the Council of Ministers, which must approve it, are in favor of it. There

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has, nevertheless, been considerable delay on this matter, perhaps indicating a serious lack of agreement among the Council of Ministers. Mobil and other members of the consortium have indicated that they believe the Council's failure to act favorably is a result of bribery by ENI. Our Embassy has stated that there is evidence that some GOC officials "may have received favors from ENI" and this is perhaps borne out by the fact that Tona-Masea, Deputy Director, Bureau of Economic Coordination, is to be President of the ENI-sponsored Congo refinery company.

Our most recent report from the Embassy (Leo's 2891, May 25) indicates that an Embassy officer raised the matter with Acting Prime Minister Kasongo on May 22. Although Kasongo stated that he was concerned about possible production in excess of the Congo's requirements and of the ability to re-export, he nevertheless assured the Embassy officer that the consortium's proposal would be approved. (On the other hand, Mobil states that it recently refused a request from Kasongo for a \$2.5 million bribe.)

The same message reported that Mobil's representative in Leopoldville stated that Mobil and possibly other members of the consortium would undertake a high pressure publicity campaign to suggest that the ENI contract (and by implication GOC's failure to approve the consortium's contract) was the result of corruption in the Adoula Government. The Department is currently making inquiries about this suggested publicity campaign by Mobil.

Group 4

Downgraded at 3 year intervals; declassified after 12 years.

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