CHAPTER I

Establishing the American Presence in the Middle East

The oil industry was born in the United States around the time of the Civil War. As the world's largest oil producer and exporter, the US supplied the oil on which the Allied Forces floated to victory in World War I. In 1920, sixty-four percent of the world's oil was produced in the United States. The growing uses of petroleum in modern American industrial society led several domestic companies to secure oil concessions in Mexico but foreign production was not actively sought after the First World War. In the early 1920's, however, two fears seized the American oil industry. First, it was feared that the United States would deplete its own petroleum resources in the not too distant future. "The position of the United States in regard to oil," wrote the Director of the US Geological Survey, "can best be characterized as precarious."[1] Second, while a domestic oil shortage seemed imminent, so did the possibility that the major sources of petroleum outside North America would soon be locked up by foreign interests - primarily by British Petroleum and Royal Dutch Shell. This fear was mixed with indignation over the fact the British appeared to be ungrateful for America's wartime effort and seemed to be doing everything in their power to consolidate their foreign petroleum supply positions at the expense of US nationals. "The British position is impregnable," wrote Sir Edward Mackay Edgar, a British oilman. "All the known oil fields, all the likely or probable fields outside of the United States itself, are in British hands or under British management or control, or financed by British capital."[2]

The Principle of Reciprocity

In March 1920, the Senate requested that the President report to it on the restrictions being imposed on American citizens wishing to explore for petroleum in foreign countries.[3] The State Department responded with a series of reports drawing a startling picture of measures being taken to exclude American interests from foreign oil fields, especially from fields under the control of Britain and the Netherlands.[4] Senator Phelan of California proposed that a government corporation be established to develop oil resources abroad.[5] But this proposal met with no success. Instead, Congress passed the Mineral Leasing Act of 1920, which provided that oil and other minerals in US public lands could be available for exploitation by domestic

foreign-owned corporations but that if similar privileges were denied US nationals they could not "by stock ownership, stock holding, or stock control own any interest in any lease acquired under the provision of this act."[6] The Congressional act thus established in limited form the principle of reciprocity.

That same year the United States also learned of the Dutch Government's intention to grant the oil concession in the Djambi residency (Southeastern Sumatra) of the Netherlands East Indies to a new Dutch company half owned by the Royal Dutch-Shell. The prospect of "the most valuable mineral oil fields in the whole Colony" being granted exclusively to a Dutch firm led the State Department to make a strong protest to the Netherlands.[7] When the Dutch were unwilling to reconsider their position, the United States Government informed the Netherlands that:

No foreign capital may operate in American public lands unless its Government accords similar or like privileges to American citizens, and, further more . . . in the light of the future needs of the United States such very limited and purely defensive provisions . . . might become inadequate should the principle of equality of opportunity not be recognized in foreign countries.[8]

Shortly thereafter the Department of the Interior refused to grant Shell a permit to explore for oil on certain public lands in Utah on the grounds that the Netherlands discriminated against American business. Since the United States was the world's greatest petroleum producer and consumer, the threat of denial of investment privileges proved to be a powerful wedge in forcing open the door abroad. Finally, in 1927, the Dutch requested the United States to consider the Netherlands a "reciprocating" country under the Mineral Leasing Act. An agreement was worked out which allowed American companies to explore in the Netherlands Indies in return for the Netherlands being declared a reciprocating country.

Opening the Door in Iraq

The same pattern of State Department support for American corporate entry into the colonial territories of the major European countries was followed in Iraq. With the consent of the Turkish Government a concession had been granted to a consortium of European interests - British Petroleum, Shell, C. S. Gulbenkian and the Deutsche Bank. But Turkey's alliance with Germany during World War I cost both countries dearly. The German shares of the consortium in Iraq were taken by the British. In April 1920 the Allied Supreme Council allotted the mandate over Iraq and Palestine to Britain and the mandate over Syria and Lebanon to France. The San Remo Agreement was then signed between France and Britain in which the latter exchanged the German interest in Iraq in return for the right to construct pipelines across France's sphere of influence. News of the new European arrangement brought strong protests from the

State Department. "It is not clear," the Department wrote, "how such an agreement can be consistent with the principles of equality understood and accepted during the peace negotiations at Paris."[9] The State Department's position was based on its fear that the British were using their political supremacy in the Middle East to establish economic supremacy in the world oil trade. Britain had already secured an agreement with the Sheikdom of Kuwait that its oil development would be entrusted only to British subjects; a similar agreement had also been signed with Bahrein. The San Remo Agreement therefore seemed final proof that this important area would be closed to American enterprise.

The State Department decided against arguing for an American interest in Iraq in pure national self-interest terms. It could not argue that only American companies should be allowed to explore in the area without appearing to take unfair advantage of its victory in World War I. Such a position would have contravened Wilsonian principles. The State Department therefore adopted an "open door," policy knowing that the only companies then capable of taking advantage of an open door would be American. Under this policy the Department urged that all areas of the world should be open to development by the nationals of all countries, unencumbered by nationalistic regulations or restrictive agreements.

The State Department's diplomatic initiatives found their impetus in the American oil industry. When Exxon first expressed an interest in Iraq in 1919, the Department said that it could not support one company alone but would help a group of American companies. The American Petroleum Institute thereafter adopted a resolution which expressed its fear that US companies might be excluded from the Middle East and asked that the State Department take steps to correct the situation. "If, under a protectorate or any other form of control" the resolution declared . . . . "British and French interests . . . should be permitted to gain and maintain in exclusive right of development in Persia and in Turkey, to say nothing of the other oil-bearing lands embraced within the peace settlements . . . we do not hesitate to say that the results to the American petroleum industry might eventually prove to be disastrous."[10] In August 1921, the API was informed by Secretary of State Hughes and Secretary of Commerce Hoover that preliminary geological surveys in Iraq should be undertaken by the API on behalf of all interested members. In addition to Exxon, the other companies that decided to participate were Texaco, Gulf, Atlantic Refining, Sinclair, and the Standard Oil Company of Indiana. In November 1921, Secretary Hughes told the companies that he would inform them as soon as he had learned "that permission for prospecting in Mesopotamia is being or may be granted by the authorities in that territory . . ."[11] The companies, however, went ahead and designated Exxon as their representative in negotiations with British Petroleum over an American interest in Iraq. BP was apparently persuaded by Gulbenkian that it would be better to join with

the Americans rather than fight them and suffer the ensuing commercial and diplomatic repercussions.

When Exxon informed the State Department of its private negotiations, the response was quite pragmatic: "It is not the desire of the Department ... to make difficulties or to prolong needlessly a diplomatic dispute or so to disregard the practical aspects of the situation as to prevent American enterprise from availing itself of the very opportunities which our diplomatic representations have striven to obtain."[12]Although the State Department urged the American companies to avoid any restrictive agreement, this became impossible as the negotiations with the European interests proceeded. The price of establishing the first American presence in the Middle East was the 1928 Red Line Agreement which obligated the consortium members not to compete against each other within the area of the old Ottoman Empire. "All members of American Group have accepted Agreement . . ." the American companies cabled their London attorneys on April 17, 1928, "and State Department has approved respecting its open door policy and you are authorized to close."[13] "Never," Gulbenkian later wrote, "was the open door so hermetically sealed."[14] The ownership shares in the new Iraq Petroleum Company dPC) were as follows:

	Percent
Royal Dutch-Shell	23. 75
British Petroleum	23. 75
Near East Development Corp.	23. 75
Compagnie Francaise des Petroles	23. 75
Gulbenkian	5. 00

The Compagnie Francaise des Petroles (CFP) was formed to hold the French interest in IPC; the Near East Development Corporation (NEDC) was formed to hold the American interest. By the early 1930's, Sinclair, Texaco, Gulf, Indiana, and Atlantic had sold out their shares in NEDC to Exxon and Mobil, leaving those companies with 50% each of the American interest in IPC.

Aramco Gets Lend Lease for Saudi Arabia

One consequence of the Red Line Agreement had been that a new American entrant was able to purchase the Persian Gulf concession on the island of Bahrein. Only direct State Department intervention, however, convinced the British Foreign Office that Standard Oil of California (Socal) should be allowed to operate the Bahrein concession without political interference.[15] In one of the oil industry's more daring capital ventures, Socal then obtained in 1933 an exclusive sixty-year concession in the

new desert Kingdom of Saudi Arabia - the only principality in the area not under British control. Three years later, need for additional capital and market outlets persuaded Socal to take in Texaco as a partner in its new venture. The first Arabian oil exports in 1939 so impressed King Ibn Saud that he increased the acreage of the American concession to 444,000 square miles, giving the California-Arabian Standard Oil Company a monopoly over a piece of real estate the size of Texas, Louisiana, Oklahoma and New Mexico combined.[16] Nevertheless, throughout the 1930's the Aramco parents were unable to convince the Roosevelt Administration of the potential strategic importance of their Saudi Arabian concession to the United States. Not until February 1940, did the US representative in Egypt present his credentials as Envoy Extraordinary and Minister Plenipotentiary to King Ibn Saud.

Germany's submarine warfare and Afrika Korps curtailed Aramco's operations and convinced the parent companies that the mere establishment of formal American-Saudi relations were not enough to guarantee Aramco's continued presence in the area. The diverse tribes inhabiting the Arabian peninsula had only been welded together by the forceful sword of the great twentieth century warrior Ibn Saud, and now the King's fledgling economy began to falter with the loss of oil royalties and revenue from annual pilgrimages to Mecca. When the King turned to Aramco for aid in 1940, the American company advanced him $2,980,988 against future oil royalties. In January 1941, however King Saud demanded an additional $6 million and Aramco, which had very little to show its shareholders for their heavy Arabian investment, turned to Washington. On April 9, 1941, Socal Vice Preside James A. Moffet went to the White House and asked President Roosevelt to extend Ibn Saud a $6 million US Government loan. In a memorandum Moffet gave the President, he strongly advocated that Aramco be subsidized as an instrument of US foreign policy in Saudi Arabia:

The King has privately expressed himself . . . as strongly pro-Ally. No other man in the Arab countries nor among Moslems the world over, commands prestige equal to his . . . It has now come to a point where it is impossible for the company to continue the growing burden and responsibility of financing an independent country, particularly under present abnormal conditions. However, the King is desperate. He has told us that unless necessary financial assistance is immediately forthcoming, he has grave fears for the financial stability of his country.[17]

President Roosevelt told the Aramco representative that direct subsidization was impossible under existing American laws but suggested that Aramco might generate the $6 million by selling its petroleum products to the United States Navy. Navy Secretary Frank Knox, however, rejected the plan on the grounds that the amounts involved went far beyond the requirements of the American fleet in the Persian Gulf and Indian Ocean. When Ibn Saud directly approached Washington for a $10 million

loan in June 1941, moreover, President Roosevelt took the position that primary responsibility for Saudi Arabia rested with Great Britain in view of its extensive Middle East commitments.

Under the pressure of mounting American participation in World War II, the Roosevelt Administration viewed the British as a convenient ally in bailing out the government of King Ibn Saud. Aramco's continuous appeals for direct US aid raised serious problems since Congress had only authorized Lend Lease assistance for "democratic allies." The solution President Roosevelt finally arrived at was to have the British divert a portion of their $400 million US Lend Lease loan to help King Saud stabilize his country. During 1941, 1942, and 1943, as Aramco reduced its Saudi payments the British Government advanced $5,285,000, $12,090,000, and $16,618,280, respectively."[18]

Fears of US Petroleum Shortage and British Encroachment in Saudi Arabia

At the height of World War II, fear of an energy crisis swept the Roosevelt Administration. Beginning in the winter of 1942-43, acute shortages of 100 octane gasoline forced significant reductions in the number of US fighter planes and strategic bombers earmarked for combat theater duty. Reminiscent of the post-World War I scare, numerous articles began to appear in both technical and popular journals announcing that the United States was running out of oil. American oil fields were producing more than the rest of the world combined, and as a result domestic reserves were being drawn down faster than new reserves were being discovered.

In the shortage atmosphere of early 1943, the Roosevelt Administration grew even more receptive to Aramco's problems. The British Government moved to consolidate its position in Saudi Arabia. While acting as the conduit of US Government assistance, the British portrayed themselves as King Sand's real benefactor and soon convinced Aramco that the future of its concession was at stake. The Aramco parents therefore stepped up their lobbying campaign with the Roosevelt Administration. As Navy Under Secretary William Bullitt wrote:

The officials of both the Standard Oil of California and the Texas Company are much disturbed about the future security of their concession not only because of the normal insecurity in Arabia but also because they feel that the British may be able to lead either Ibn Saud or his successors to diddle them out of the concession and the British into it. American experts on Saudi Arabia are inclined to agree with this estimate of the situation. They point out that the Anglo-Iranian Oil Company had every opportunity to get this concession and, after examination, rejected it on the ground that there was no oil in Saudi Arabia - and have been regarding the concession with covetous eyes ever since the Americans struck oil. The recent British move to set up a

bank of issue for Ibn Sand, and the more recent act of the British Charge d'Affaires in Jeddah - who just after our Minister, Mr. Kirk, had visited Ibn Saud, and promised him Lend Lease aid, informed Ibn Saud that he could get further American Lend-Lease *only* by applying to the British authorities either in Jeddah or London - seem to indicate a desire to strengthen British influence over Ibn Saud at the expense of American influence, in a manner not quite healthy for the oil concession."[19]

Socal President Collier and Texaco Chairman Rodgers told the Roosevelt Administration that direct US Lend Lease assistance for King Saud was the only way to keep their Arabian concession from falling into British hands. President Roosevelt's attention was called to the fact that Saudi Arabia was the only large neutral country in the Middle East not yet included in the Lend Lease Program. In early February 1943, the Texaco Chairman circulated a memorandum to the Secretaries of Navy, Interior and War as well as to Under Secretary of State Sumner Welles. The Rodgers memorandum emphasized the importance of the Aramco concession to America's long-range energy needs and offered to set aside a separate petroleum reserve - from which the US Government could be supplied at preferentially low prices - in return for direct US Lend Lease Assistance to King Ibn Saud. On February 18, 1943, President Roosevelt gave the go-ahead to the Lend Lease Administrator: "in order to enable you to arrange Lend Lease aid to the Government of Saudi Arabia, I hereby find that the defense of Saudi Arabia is vital to the defense of the United States."

The Petroleum Reserves Corporation

President Roosevelt's decision to aid Saudi Arabia precipitated a major policy debate within his Administration. While the American concession in Arabia had originally been granted without Washington's help, it had become abundantly clear by 1941 that Aramco's existence depended upon the diplomatic and financial assistance of the United States Government. With the advent of direct US Lend Lease aid to Saudi Arabia in 1943, the US Government was faced with the question of how much control it should exercise over a private company whose operations it considered vital to the American national defense. The State Department wanted to limit the government's involvement to the quid pro quo offered in the Rodgers memorandum. But another group headed by Harold Ickes, the Secretary of Interior and Petroleum Administrator for War, argued that the US Government should buy out Aramco. On June 8, l943, the Joint Chiefs of Staff requested President Roosevelt to authorize the Reconstruction Finance Corporation to create a new government corporation to acquire overseas oil reserves as a matter of the greatest national security urgency. The Joint Chiefs recommended that the corporation's first project be the immediate acquisition of controlling interest in Saudi Arabia's oil concessions.

On June 26, 1943, after considerable interdepartmental debate, Secretary of Interior Harold Ickes, Secretary of War Henry Stimson, Secretary of State Cordell Hull and Acting Secretary of Navy James Forrestal formally requested President Roosevelt to authorize the creation of the Petroleum Reserves Corporation. In their memorandum to the President, the four Secretaries recommended that the Corporation commence negotiations with Socal and Texaco at once with the aim of purchasing "100% of the stock of the corporation now owning the (Arabian) oil concessions." The Corporation, however was not to confine itself to Saudi Arabia but was to explore all other possibilities:

To buy or otherwise acquire reserves of crude petroleum from sources outside the United States including the purchase or acquisition of stock in corporations owning such reserves . . . and to construct and operate outside the United States such refineries, pipelines, storage tanks, and other facilities as are necessary in connection with carrying out the objectives and purposes of the corporations.

President Roosevelt fully endorsed these recommendations and, on June 30, 1943, the Petroleum Reserves Corporation was born. President Roosevelt instructed Interior Secretary Ickes and Herbert Feis, the State Department's Adviser on International Economic Affairs to begin negotiations with the American concessionaires in Saudi Arabia. To assist in this major undertaking Secretary Ickes hired Alvin Wirtz, a former Under Secretary of Interior, as the Government's special negotiator. On August 2 and 3, Mr. Ickes, Mr. Wirtz and Mr. Feis commenced negotiations with Mr. Collier (Socal) and Mr. Rodgers (Texaco). When Mr. Ickes proposed a complete government ownership, however, the oil executives flatly refused. "They had gone fishing for a cod and had caught a whale." Herbert Feis later said of the companie.[20]Instead of giving the government a separate Petroleum reserve, the Aramco representatives were asked to sell their rich Arabian concession to the US Government at cost. Government ownership, they feared, would place them "at war" with the rest of the industry. Nevertheless, the fact that the US Government had come to their rescue apparently persuaded the Aramco parents to carry on negotiations with the Petroleum Reserves Corporation.

The Aramco stock purchase negotiations foundered over the companies' unwillingness to accept a US Government ownership interest in the concession. The Government's original request for a 100% ownership interest was gradually whittled down to a one-third interest but even this minority position was rejected. On November 3, 1943, the Directors of the Corporation convened their sixth meeting to discuss the outcome of their negotiations. Mr. Ickes announced that the negotiations for the acquisition of a minority stock ownership in Aramco had been suspended as a result of the companies' intransigence. The Directors then resolved that negotiations with Aramco should be terminated. "The Board was unanimously of the opinion that the interests of the

people of the United States and its foreign oil industry required the participation of the United States Government . . . in the protection of American oil reserves," the official Minutes of the meeting read. "The Directors expressed deep regret that the (Aramco) representatives had been unable or unwilling to appreciate the urgency of and need for the assistance of this Government."[21]

The Petroleum Industry Opposes PRC

When word of the secret stock purchase negotiations leaked into the press, the American oil industry denounced the Petroleum Reserves Corporation and accused the Roosevelt Administration of using the wartime emergency as an (excuse to nationalize the oil business. Harold Ickes was suspected of being the successor to Josephus Daniels, President Wilson's Navy Secretary who had urged the nationalization of the oil industry after World War I in the name of national security. The most systematic analysis of the major oil companies position was a November 1943 Publication entitled "A Foreign Oil Policy for the United States."[22] It recommended that the US Government not enter into competition with its own companies but instead provide strong home government support aimed at securing advantages for American nationals overseas in competition with British and other foreign nationals. Such a foreign oil policy could only be effective, it argued, if American nationals were not subject to the risk of violating US antitrust laws where their competitive position vis-à-vis foreign nationals was at stake. While US nationals should be afforded all possible diplomatic and antitrust protection in foreign lands, the report recommended that the cardinal principle of US foreign oil policy should be that the Government not participate either directly or indirectly in the ownership or operation of overseas oil operations.[23]

The State Department shared the industry's view that foreign oil in the hands of US nationals was as available for national security purposes as foreign oil owned or financially shared in by the US Government. Nevertheless, when the Petroleum Reserves Corporation's Aramco stock-purchase plan failed, Secretary Ickes turned his energies in early 1944 to a new plan whereby the US Government would build a major pipeline from the Persian Gulf to the East Mediterranean. In March 1944, the Petroleum Industry War Council publicly called for the dissolution of the Corporation and denounced the government corporation's pipeline plan as being unnecessary for the war effort.

The most bitter attack came from the Independent Petroleum Association of America which labeled the Corporation's pipeline plan a "fascist approach": "It represents a new philosophy that we, a democratic people, having girded our sinews of war successfully on the basis of private enterprise and the American way of life, must needs revert to the hated procedure of the Nazi and Fascists in our Post-War World

and commit the government (in fascist fashion) to direct engagement in the conduct of private enterprise, in surrender of the freedom and the American system of free private enterprise that we are now fighting to preserve."[24] With the domestic oil industry up in arms, President Roosevelt shelved the Corporation's pipeline plan in the Spring of 1944. Thereafter, the Petroleum Reserves Corporation lapsed into nonexistence.

Anglo American Oil Agreement

The US Government's new concern about American access to Persian Gulf oil did not end with the Petroleum Reserves Corporation. The Roosevelt Administration's battle over Aramco ownership served to sharpen its awareness of British dominance in the Middle East. The experts that had been sent by the Petroleum Reserves Corporation to the area had returned with the conclusion that: "The center of gravity of world oil production is shifting from the Gulf-Caribbean areas to the Middle East, to the Persian Gulf area, and is likely to continue to shift until it is firmly established in that area."[25] The following chart shows the sharp contrast during the Second World War between the British presence and the American presence in the region:[26]

MIDDLE EAST CRUDE PETROLEUM - 1943 PRODUCTION AND OWNERSHIP
[Barrels]

	Ownership			
Country and company	Production	American	British	Other
Iraq: Iraq Petroleum	25,270,000	6, 002, 000	13, 267, 000	6, 001, 000
Bahrein: Bahrein Petroleum	6, 561, 000	6, 561, 000	- - -	- - -
Arabia: California Arabian Standard	4, 866, 000	4, 866, 000	- - -	- - -
Egypt: Anglo-Egyptian	8, 953, 000	- - -	8, 953, 000	- - -
Iran: Anglo-Iranian	75,323,000	- - -	75,323,000	- - -
Total (barrels)	120,973,000	17, 429, 000	97,543,000	6, 001, 000
Percent	100	14. 41	80.63	4.96

In 1943, the British controlled 81% of Middle East oil production as compared with 14% under American control. Roughly the same disparity existed in Middle East refinery capacity, where the giant Abadan refinery in Iran helped to give the United

Kingdom 85% of the region's refinery capacity as compared with 8% under American control. The fact that the Axis powers - Germany, Japan, and Italy - had no oil interests in the Middle East did not deter the two major Allied Powers from engaging in commercial rivalry in the midst of World War II. When Congress complained of the British letting America "oil" the war, the War Department studied the problem and concluded:

A successful attempt to arrange for maximum possible withdrawals of petroleum for use from British-owned reserves would probably be quite adverse to American interests, because it would entail building up British controlled refining facilities beyond the present proportions. These are already much greater than the American-controlled refining facilities in the Middle East, with the result that American-held concessions are jeopardized by the dissatisfaction of the proprietary governments with the relatively small amount of oil production (and resulting revenue realized by these governments) from American-operated concessions, as compared to British-operated concessions.[27]

Looking to the post-war period, the Roosevelt Administration not only avoided wartime projects that would build up the British position in the Middle East but pushed to increase production in Saudi Arabia by supplying American companies with scarce construction materials. In all, Saudi Arabia received $99 million of direct and indirect Lend Lease assistance during World War II. This US government intervention in Saudi Arabia shored up Aramco's position but it did not solve the still larger problem of US access to the Persian Gulf region as a whole. That problem called for direct US government intervention with the British Government. In the Spring of 1944, at the invitation of the Roosevelt Administration, representatives of the British Government and its oil industry came to Washington to negotiate an agreement pledging cooperation between the two allies on international oil questions. In effect, the US asked the British to forego the exercise of those colonial prerogatives which prevented US nationals from competing on an equal footing with British companies. On August 8, 1944, after strenuous Cabinet-level negotiations, a vaguely-worded Anglo-American oil agreement was signed. By a statement of general principles, the Administration hoped to eliminate the restrictive practices imposed by the British on American companies operating in the Middle East. In explaining the language of the agreement, Secretary Ickes observed:

We go on record against the tying of hands and the closing of doors which have cramped the normal operation of trade in the past . . . To me this paragraph means . . . that there will be no more hobbling of American nationals with such devices as the Red Line Agreement. This Red Line Agreement . . . was the price that American companies had to pay in order to participate in the development of the Iraq fields. It provided . . . that no participating company would go after oil within a territory

roughly comprising the Old Ottoman Empire. Or, if any such company did go in there and find oil, then it had to share the concession with the certain favored others. Now, whatever else this Red Line Agreement may be, it certainly is not competitive. I say, therefore, that there is no place for it in the new scheme of things which our Anglo-American oil treaty contemplates. Neither is there a place for a certain type of marketing restriction . . . in which a company promises - as the price of a concession - that it will not market in places which another company has staked out as its own. I mention the se as just a couple of cartel practices which we hope, and expect, to consign to oblivion through the operation of the Anglo-American Agreement.[28]

The Anglo-American Oil Agreement, however was not well received in all quarters. The domestic oil industry feared that the agreement was but another attempt by the Roosevelt Administration to extend its control over the industry. The Agreement was submitted to the Senate as a treaty, but was never acted on. One of the most controversial parts of the text was that which established an International Petroleum Commission[29] whose function was "to analyze such short term problems of joint interest as may arise in connection with production, processing transportation, and disposition of petroleum on a world-wide basis, wherever the nationals of either country have a significant interest, and to recommend to both governments such action as may appear appropriate." The Commission was to prepare periodic estimates of world supply and demand and to recommend how supply could be correlated with demand "so as to further the efficient and orderly conduct of the international petroleum trade." The International Petroleum Commission was an abortive attempt to approach at the US government level the problem of the enormous disparity between international petroleum supply and demand. In early 1944, the Petroleum Reserves Corporation's mission Summed up the potential over-supply problem:

Given reasonable time and a very moderate amount of oil field material, any single one of these four groups (companies operating in Saudi Arabia, Iran, Kuwait in Iraq) can develop and maintain within its own properties sufficient production to supply world requirements from the Middle East area for many years to come. For the next 10 to 15 years at least, the Middle East area is likely to develop and maintain productive capacity of as much as four times its probable market oulet.[30]

Given the fact that there was more Middle East oil than there were markets for it, it was obvious that production allocations were going to be made and that, in view of the past history of the industry, those decisions were not likely to be made by the untrammeled operations of a free market. The problem, therefore, was not whether but who would control that international allocation mechanism. As it turned out, the failure of the Anglo-American Oil Agreement delegated this global function to the international oil companies.

CHAPTER II

The 1947 Aramco Merger

The Standard Oil Company of California (Socal) had managed to resist IPC (Iraq Petroleum Company), attempts during the 1930's to reduce its competitive position in Bahrein. While the 1936 merger between Socal and Texaco establishing the Caltex joint venture was subsequently attacked by the Justice Department's Antitrust Division, Caltex's exclusive ownership of the enormous oil reserves in Saudi Arabia in fact made the industry more competitive by threatening the market power of the established international majors: Exxon, Mobil, Shell and British Petroleum (BP). By 1947, Caltex had tripled its market share both East and West of Suez. With 33¢ [31] a barrel production costs, Caltex could market Arabian crude for as little as 90¢ a barrel while the older international majors were selling for $1.30 and up. Aramco, under Caltex's control, promised to alter fundamentally the market positions of the established international companies.

The special place of Exxon, the largest American oil company in the world, was vulnerable. While Exxon's domestic and Venezuelan (Creole) affiliates had previously been sufficient to supply most of its market outlets in both the Eastern and Western Hemisphere, Exxon's long-range supply and demand forecasts at the end of the Second World War indicated that Western Hemisphere demand would eventually absorb its U.S. and South American production and that the company therefore needed to acquire a larger stake in Middle Eastern production to keep its European markets. In 1946, for example, Creole, as the world's largest producing company, produced an average of 450,000 barrels per day while Exxon as subsidiary in the Iraq Petroleum Company - then its only Middle East interest - averaged only 9,300 b/d. Jersey's minor position in Middle East," according to Exxon's official biography, "stemmed primarily from the Red Line Agreement of 1928 in which all the owners of Iraq Petroleum Company had bound themselves not to acquire concessions independently of the others within the boundaries of the old Turkish Empire."[32] As Exxon's partner in IPC, Mobil also shared the constraints of "Red Linery" and needed another Middle East supply source to maintain its postwar position in overseas markets. Gulf shared Kuwait's output with BP which also controlled all of Iran's production. Since the Caltex Group was not a Red Line partner, Exxon and Mobil rightly concluded that their long-term market prospects in Europe were unfavorable if they failed to get a share of the vast low-cost reserves of the Arabian American Oil Company.

Saudi Arabia's petroleum could be produced so cheaply that if Caltex could not be persuaded to use Exxon's and Mobil's outlets it would be able to use Aramco to build

up a marketing organization no other firm could compete against. Exxon and Mobil therefore decided to offer their markets and their capital to Caltex in return for a piece of Aramco. "A deal through which (Exxon) would obtain a substantial interest in Saudi Arabia," a March 1946 Exxon strategy document concluded, "would not only have the advantage of providing additional supplies to (Exxon) which would probably be converted into cash and profits more rapidly than I.P.C. oil but would have the further advantage of easing the pressure that would otherwise come from Caltex in their efforts to expand their outlets."[33] Exxon's planners estimated that the ideal solution for their company would be participation in Saudi Arabia at roughly the same ratio as the business that might be supplied from this source with existing market outlets, 75:25 Exxon to Caltex.

Buying into Aramco, however, was only the first step in the, Exxon/Mobil strategy. Once inside Aramco, they still would not be able to compete on an equal footing with Caltex in world markets if the financial structure of Aramco went unchanged. Under Caltex's control, Aramco was a cost operation like the other major Middle East producing ventures in Iraq, Iran and Kuwait. After royalty payments to the local government and capital expenditures for production programs, the companies made their profits on their individual sales outside the host country. An Aramco merger in itself then would not prevent the Caltex companies getting "cost oil" from Saudi Arabia and using it to take away their new Aramco partners markets. "As we would not link the purchase of oil with a restrictive agreement that would prevent our partners from raiding our markets," an Exxon strategy document observed, "it would seem highly desirable to consider some such alternative as the sharing on a percentage basis of the difference between cost of producing crude oil and the market value."[34] After securing a position in this Middle East supply source, the next step in the Exxon/Mobil strategy was to use the merger to retain profits on all Arabian sales inside Aramco where they could be shared by all the partners. The profit-making entity into which Exxon and Mobil wanted to turn Aramco required a higher rather than a low price it which it would sell oil to its owners. This, a Mobil executive wrote, would "lead to the stabilization of the world price of oil by preventing oil from being offered on the market."[35] But this feature was left unstated before the Aramco merger.

When Exxon opened negotiations with Caltex in May 1946, it found a receptive ear. Access to additional market outlets would guarantee a more rapid expansion of Aramco's production. Being able to meet King Ibn Saud's constant demands for increased revenues was an important consideration just as it had been in Caltex's negotiations with the U.S. Government's Petroleum Reserves Corporation three years earlier. One of the major limiting factors in European recovery was the shortage of oil and the proposed merger promised to increase Aramco's contribution to that effort. Socal and Texaco, moreover, had not received any substantial return on the heavy

foreign investments they had already made in the Persian Gulf. Fears of Russian expansion also argued for spreading the risk of developing the world's greatest oil concession among more than two American corporations. "I have always felt that it was in the vital interest of the United States Government that four substantial American oil producing companies held 100 percent of the principal producing concession in Saudi Arabia," Otto Miller, the recently retired chief executive officer of Socal, told the, Subcommittee. "Aramco is, by far, the most important and valuable foreign economic interest ever developed by U.S. citizens. When company officials first recognized the significance of the Aramco oil finds, it was immediately appreciated that its significance went beyond mere commercial implications. The finds were recognized as being of tremendous national importance to our country."[36]

Exxon remained in command throughout the merger negotiations. An initial obstacle was Texaco's insistence on $650 million as the price for a one-third interest in Aramco. But Exxon argued successfully that it should be permitted to participate in Aramco for a nominal sum because its markets would so raise the volume of sales from Saudi Arabia that Caltex participation in Aramco' profits would be adequate compensation. A major Socal study concluded that under Caltex ownership Aramco's market outlets for crude would be 9.2 billion barrels over the 53-year life of the concession; if Exxon merged with Caltex in Saudi Arabia, on the other hand, it was estimated that Aramco could double its market outlets to 18.8 billion barrels and thereby double Aramco's net worth from $1.1 billion to $2.2 billion.[37]

The Socal study found the economics of the merger attractive since their company could make more profits with a one-third interest in the expanded Aramco venture with Exxon than with their then 50/50 partnership with Texaco. Texaco also concluded that it was better to have a smaller piece of a larger business.[38]

The Stoner Memorandum

Although Caltex was in need of additional capital and market outlets for Aramco oil, sharing its Arabian business with Exxon was not the only alternative. The fact that Aramco was free to force entry into the markets of the established international majors was not overlooked by Socal, whose studies indicated that Arabian crude oil could compete very effectively in the European and U.S. East Coast markets once the Trans-Arabian pipeline was built. In fact, Socal documents reveal that its top management was divided over whether the company's long-term interests were best served by taking Exxon into Aramco. The most outspoken advocate of the "go it alone" approach was Socal Director Ronald C. Stoner.

In a June 10, 1946 memorandum detailing his arguments against the Aramco merger, Mr. Stoner recalled that Socal had brought Texaco into Aramco a decade earlier in

order to acquire larger market outlets East of Suez and that plans were presently underway to extend the Caltex marketing organization into Europe. If Caltex was to secure its rightful share of the U.S. domestic market and these foreign markets, Stoner argued, Socal must insist that the capital necessary for upstream and downstream expansion be generated independently of Caltex's major international competitors. Stoner observed that Exxon, unlike Socal, had bought rather than explored its way into the foreign oil business and, as a result, was tied together with Shell in joint ventures in all of its overseas production. Exxon, therefore, could never get ahead of Shell because the more Venezuelan, Iraqi and Indonesian crude oil available to Exxon the more became available to Shell. In his memorandum, Stoner concluded that Aramco was competitively strong against Shell and very strong against Exxon as the only completely American overseas producing area with no foreign affiliations to temper production decisions:

The more they (Exxon) develop and produce in these areas, the greater they allow the Shell position to build up. Once they equalize their position with us, then they can go ahead with the Shell as they have been doing, competing very effectively against us. They are dominated by foreign groups in the area. We, the California-Texas, the only solely American group in the area, therefore, are in a position to expand rapidly, not because we already have the markets, but because we have a cheap oil available right now; i.e., with relatively little investment we can put more oil into the Blue Line Area (East of Suez) and other areas, and by obtaining tankers we can put oil any place in the world until it seems advisable to lay the Trans Arabian pipeline. Our earnings in Arabia are tremendous and are going to be greater, deal or no deal with Standard-Vacuum for the simple reason that it win take such a small investment to put our crude from the oil fields of Arabia to the port of Ras Tanura and then to the world.[39]

Stoner's analysis rested on three arguments: (1) with the world's lowest cost and largest reserves, Arabia was the key to the postwar structure of the international oil industry; (2) as a relative newcomer to the foreign oil business, Caltex could use its exclusive control over Aramco to extend its markets at the expense of Exxon whose foreign production was limited by restrictive agreements with the established European majors; and (3) given the importance of Aramco, it was imperative that Caltex not allow Exxon to lock it into the existing pattern of supply arrangements in the Middle East.

The Stoner memorandum recommended that Caltex tie Aramco's growth to the independent sector of the U.S. market instead of taking Exxon's money in return for the right to share its foreign outlets:

It is common knowledge that all large companies in the United States are seeking foreign oil, such as Phillips, Barnsdall, Atlantic Refining, Standard of Indiana, and

Sinclair, and hundreds of millions of dollars are being spent to augment the decline in domestic production. It is barely possible that any and all of these companies could afford to buy Arabian oil at a profit to us rather than seek foreign oil by drilling. Should we desire capital, it would seem this avenue should he investigated with the view to making sales or exchange contracts with those companies, which might help us in our expansion on the Atlantic seaboard. They could advance us on the contracts and it would give a number of American companies an interest in Arabian oil, which would be political protection for us in the future. This, I believe, is no small thing to consider since there has been criticism in the United States that this concession is too big for one company and also there has been strong thought in the world of petroleum that all countries and more companies should have access to foreign petroleum.[40]

In short, the competitive trade pattern recommended in the Stoner memorandum represented a distinct alternative to the Aramco merger. Such a recommendation, if followed, would have radically changed the international oil industry by giving the U.S. domestic oil industry a large - if not deciding - say in how the majors set production levels in the Middle East. Sinclair, Phillips, Atlantic Refining, Standard Oil of Indiana and other American independents would leave in time put far greater demands on Aramco than Exxon and Mobil which were forced to balance Arabian purchases against other competing crude streams both inside and outside the Middle East.

Touching Base With the Attorney General

On October 28, 1946, at the time the Aramco merger plans were taking shape, George V. Holton, Vice President and General Counsel of Mobil, provided the Mobil Executive Committee with a penetrating analysis of the antitrust risks involved in the proposed merger:

The arrangement would place practical control of crude reserves in the Eastern hemisphere in the hands of seven companies. Five of them would be American owned and all of the latter have substantial reserves in the Western Hemisphere also. Obviously this concentrated control would lend itself to arrangements which could affect the import and export trade of the United States . . . there is, of course, possibility that the mere existence of the potential control might under the American Tobacco Company decision be construed as an antitrust violation.

I cannot believe that a comparatively few companies for any great length of time are going to be permitted to control world oil resources without some sort of regulation. This is a political question. What restraints will be imposed and by what authority falls within the realm of conjecture. Our job seems to be to play the game as best we can under the rules now in force.[41]

On December 4, 1946, Holton along with Texaco General Counsel Harry T. Klein and Exxon General Counsel Edward T. Johnson, came to Washington to discuss their Aramco negotiations with Attorney General Tom Clark. The Attorney General expressed no objection to the continuation of the negotiations but requested that drafts of the contracts be sent to him when they were ready. On January 16, 1947, after an agreement in principle had been reached, the Mobil, Exxon and Texaco legal team hand-delivered the draft contracts to the Attorney General, at which time the merger was further discussed. The Attorney General again raised no objections but it was understood that if the Department had any comments to make on the draft contracts. Holton and his associates would be informed. In the next two months the drafts were put in final form, and, when no further word was heard from the, Attorney General, the merger contracts were signed on March 12, 1947, and delivered to the Attorney General that same day.

While Attorney General Clark was well informed about the Aramco merger, the Antitrust Division's records indicate that the staff did not begin to analyze the merger documents until the following year when the Senate Special Committee Investigating the National Defense Program issued a report requesting that the Attorney General do so:

International oil is a matter of grave concern to many branches of the Government. The State Department interest in the problem is both historic and current . . . since 1944 the State Department has been seeking to have the Anglo-American oil agreement ratified by the Senate. This agreement calls for orderly development of international petroleum. Although the treaty was not ratified by the Senate of the 80th Congress, it nevertheless shows a predilection on the part of the State Department to consider international oil as a part of foreign policy.

The Department of the Interior, Department of National Defense and National Security Resources Board are also concerned with the shortage of oil reserves in this country. It is doubtful that they would look with favor upon any antitrust case which might affect American positions in foreign oil. . . .

An investigation in the international oil field would probably impinge upon the activities of these governmental agencies. Obviously, antitrust policy must be consistent with overall Government policy and with foreign policy and the promotion of national security. For these reasons, it is recommended that no action be taken at this time.[42]

The Justice Department knew as well as Holton that the Aramco merger placed practical control of Middle East crude reserves in the hands of seven companies. But this was, as Holton said, "a political question."

Breaking the Red Line

The postwar Aramco merger plan in Saudi Arabia represented a distinct shift in the balance of power in the Middle East oil to the American majors and promised to increase the American presence in the European and Japanese markets as well. This, of course, pitted Exxon and Mobil against their traditional European commercial allies. European control over Middle Eastern oil before the Second World War was exercised through the vehicle of the Red Line Agreement; that agreement obligated all of the Iraq Petroleum Company partners to participate jointly in the petroleum development of the Middle East. Although Exxon and Mobil wanted to merge with the Caltex in Saudi Arabia to maintain world oil prices, the European interests in IPC were nonetheless faced with a prospective loss in their market position vis-à-vis the American majors. The Europeans therefore, were unwilling to stand by while the American majors extended their control over Middle East oil and the lucrative markets of the Eastern Hemisphere.

Getting the State Department on Board

To bring the new American quadrumvirate into being, Exxon and Mobil first had to find a way to avoid the restrictions of the Red Line Agreement which was part of the 1928 IPC Group Agreement. The legal grounds for a change came from three eminent English barristers who advised that the Red Line Agreement was terminated on the technicality with two of the IPC partners - Compagnie Francaise des Petroles (CFP) and Calouste Gulbenkian - had become "enemies" as a consequence of being in France at the time of Hitler's occupation. With this expert legal advice in band, the two American majors enlisted the support of the State Department in getting the British Government to agree to end the Red Line Agreement. Mobil Vice President Harold Sheets first raised the subject informally with the Department's Petroleum Adviser:

I took Charlie Rayner into my confidence Thursday P.M., June 27th. C. R. came to my apartment in New York, spent the evening with me, and I disclosed to him the nature, extent and present status of our negotiations with ARAMCO, with particular emphasis on the Red Line problem. . . . I urged Rayner to get Byrne's and Acheson's support for asking British Government to join with USA in bringing about the elimination of the Red Line restrictions and Kuwait restrictions as soon as possible. The British and Americans should be mutually interested in cleaning up, as between themselves, any unpleasant situations such as those resulting from the restraint of international trade resulting from Red Line and Kuwait agreements.[43]

On August 27, 1946, Mr. Sheets and Exxon Vice President Orville Harden came to Washington to discuss their Red Line problem with senior State Department officials.

They reviewed the history of how the Department had actively intervened in their behalf with the British Government and approved American participation in the 1928 IPC Group Agreements. (See Chapter I) They observed that the restrictive features of that agreement now stood in the way of a strengthened American interest in Saudi Arabia; that their British counsel was of the opinion that the 1928 Group Agreement had been dissolved; and that they were proceeding to England in September to invite their European partners to negotiate a new agreement which would keep their existing arrangements in Iraq intact while eliminating the provisions obligating them to share their new participation in Aramco. While urging an amicable solution with their European partners, the State Department offered to support the Exxon and Mobil position on the Red Line Agreement.[44]

Getting the British Group on Board

With State Department blessing Harden and Sheets went to London to win BP and Shell support for the new American plan. The record kept by Sheets' assistant of the first meeting held in September 1946 between the American Group and British Group reveals the uneasiness with which the latter viewed any change in the structure of its close working relationship with Exxon and Mobil:

Sir William (BP's chief executive officer) . . . considered the maintenance of the Agreement was important under today's political conditions when the dangers of Government intervention were so great - so much so that if he couldn't *secure* a revised Group Agreement with his partners, he personally would be prepared to carry on with the old one rather than rock the boat, as he felt that the undisturbed continuity of the partnership was infinitely more important as a defense against the governmental and other international dangers which might otherwise threaten us than anything else.[45]

Like BP, Shell feared that the American Group's new disdain for "Red Linery" might cause the French and Gulbenkian to "drag the ugly question into the public arena."[46]

As the London negotiations progressed, the British Group gradually came around to the American position. Both Shell and BP received similar legal counsel as to the technical validity of the1928 IPC Group Agreement. For the more reluctant BP, however, the change in viewpoint was hastened by the fact that Exxon and Mobil each agreed to purchase large volumes of crude oil from either Iran or Kuwait, at BP's option, for a twenty year period. Although the American companies repeatedly argued that U.S. antitrust laws strictly forbade them from signing a new IPC agreement containing the old restrictions, their long-term supply contracts with BP contained restrictions on the markets to which the newly purchased oil could be shipped.[47] The

Department of State announced that it had been informed in advance of and welcomed the long-term supply arrangements between the British and American companies.[48]

The French Demand Participation in Aramco

The French were unhappy about the American Group's new position on the 1928 IPC Agreement, although at first they were not informed by their partners as to its real meaning. When news of the Aramco negotiations appeared in the London press, however, the French reacted strongly. On December 19, 1946, at the next IPC meeting, CFPs Guillaume deMetz and Gulbenkian's representative recommended that IPC quickly move to secure an interest in the Saudi Arabian concession.[49] On January 7, 1947, the American Group's counsel received formal notice that CFP and Gulbenkian had "no course left but to seek the protection of the Courts" if the Aramco merger proceeded without French participation.[50] The French flatly charged Exxon and Mobil with bad faith:

It would appear that the Sherman Act no longer is the real cause of concern but was merely an excuse upon which to hang a contemplated and now effected breach of the Group Agreement, namely the negotiations leading up to your clients' proposed acquisition of a large interest in Caltex.[51]

CFP, as the trustee for France's Middle East oil interests, took a particularly strong national stance and launched a major campaign to win an interest in the American concession in Saudi Arabia. "The French have disturbed our people in France," a Mobil official wrote, "to the point that Crampton (Mobil's French representative) fears our business will be adversely affected if the French are not placated. Apparently the French are using political tactics and commercial pressure in addition to the suit to bring us to terms."[52] While CFP and Gulbenkian threatened to turn the IPC dispute into an international "cause celebre," the French Government put the State Department on formal notice that it regarded the 1928 Group Agreement as an arrangement between the two governments and that it expected the American Government to make Exxon and Mobil live up to the terms of the agreement. It became increasingly clear that the French felt "frozen out" of Saudi Arabia and that their national objective was not so much the negative one of blocking further American participation in Aramco as an aspiration to be included in the greatest oil deal in the history of the industry.

The American Group feared that French insistence upon participation in Aramco as a prerequisite for settlement of the IPC dispute jeopardized continued American control of the Saudi Arabian concession itself. As one Mobil executive explained the sensitivities involved:

It is well known that Ibn Saud desires Aramco to remain wholly American owned. He has asked whether or not Jersey and Socony are solely American. He wants to know whether British interests are getting into Aramco through this deal . . . whatever the reason for the questions, the result is that Aramco naturally must see to it that there is no possibility of any interest other than American acquiring any right, actual or contingent, in Aramco. It is realized by Aramco that if the French, contrary to all our views, should win the case, the Aramco situation in Saudi Arabia would be a difficult one, to put it mildly.[53]

In the event the two American partners in IPC merged with Aramco, the Mobil executive suggested that a provision be included in the contract stating that if any national other than an American, through operation of law or otherwise, became entitled to an interest in Aramco, those shares would be automatically canceled and surrendered to Aramco. The suggestion was also made that Aramco's certificate of incorporation and by-laws could be amended to prohibit any non-American national from owning or voting shares in Aramco or receiving dividends from Aramco.[54]

The IPC/Aramco Swap

The American Group privately regarded the French legal threat seriously enough to plan an alternative strategy: if either Exxon or Mobil opted to "get out" of IPC, the country that did so might go ahead with the Aramco merger while minimizing its chances of an adverse ruling. On January 14, 1947, representatives of Exxon, Mobil, Texaco and Socal met at Aramco's New York headquarters to discuss their alternative strategy for dealing with the restrictive covenants of the Iraq agreement and the pending litigation in London. Minutes of Texaco's Executive Committee meeting of January 22, 1947 indicate that the four American companies agreed to close the Aramco deal in either one of two ways:

(1) By either (Exxon) or (Mobil) selling to the other its interest in the Iraq properties, the purchasing company thereby withdrawing from the Iraq agreement and the selling company acquiring one-third stock interest in the Arabian American Oil Company at the proportionate part of the purchase price authorized for sale of the 40% interest;

(2) To proceed with the sale of the 30% stock interest to Jersey and the 10% stock interest to Socony on the basis authorized by this Company's Board of Directors. . . . , with an agreement that should the English court of last resort finally decide that the Iraq agreement was valid and binding on the (Exxon) and (Mobil) companies, then the purchase price for said stock would be repaid by Arabian American to the purchasers in annual installments over a ten-year period . . .[55]

At another conference held by the four American companies on January 30, 1947, serious consideration was given to the alternative of Exxon selling Mobil its interest in IPC in exchange for a greater share in Aramco. It was agreed that Exxon would proceed to acquire 33 $^{1}/_{3}$ % of Aramco on March 10th if it had agreed by that date to transfer its IPC interest to Mobil.[56] As the deadline drew near, however, the two American majors decided to risk an unfavorable ruling and go ahead together with the Aramco merger.

Like the Stoner alternative, the IPC/Aramco swap arrangement represented another crossroads in the history of Middle East oil. Had crude-short Mobil ended up holding the entire American interest in IPC, it would have had a far greater incentive for the rapid development of Iraq's petroleum reserves. As it was, the uneven production performance of IPC contributed to Iraq's nationalization legislation (Law 80) in 1960. Without an interest in Iraq, Exxon would undoubtedly have increased Aramco's production much faster. By staying together, however, Exxon and Mobil increased their flexibility of crude supply. Exxon's and Mobil's ability to straddle IPC and Aramco, as explained in Chapter 5, is an important part of the allocational system run by the American multinational petroleum corporations during the 1950's and 1960's.

Keeping the French out of Aramco

The intense strain that the Aramco merger negotiations created in Franco-American political relations was of great concern to the State Department. In late February 1947, Paul Nitze, Deputy Director of the Office of International Trade Policy, concluded that the IPC/Aramco swap alternative had political advantages which the Department should raise with Exxon and Mobil: 1) it would afford a simple, clear-cut solution to the immediate problem with the French since their rights under the Red Line Agreement would not be involved, and 2) it would go some way toward meeting Congressional and domestic oil industry criticism of the multiplication of interlocking arrangements among the small group of large American and British oil comparties.[57]

On March 7, 1947, following a second note of protest from the French Government, Harden and his Mobil associates were called to Washington to meet with Paul Nitze, George McGhee, Special Assistant to the Under Secretary for Economic Affairs, John A. Loftus, Petroleum Division Chief, and other State Department officials. The company representatives said that their respective management had already rejected the IPC/Aramco swap alternative but that the French would be taken care of under the new IPC system they were now offering. (Exxon and Mobil had been supplying the State Department with copies of their on-going cable traffic between New York and London.) The Departments attention was called to a February 15th cable in which the American IPC partners agreed for the first time to give CFP and Gulbenkian more oil than the IPC Group Agreement allowed. The State Department's representatives

sought assurances that the new arrangements being negotiated would not increase future friction with the French. The Exxon and Mobil representatives insisted that once implemented their strategy could be harmoniously administered. U.S. domestic oil companies, the Department officials noted, were putting increasing pressure on the State Department to help them secure concessions in the Middle East. The Exxon and Mobil representatives assured the Department that they had not taken any action to cause other American companies to be excluded from the Middle East. Mobil's understanding of the conference was as follows:

It was apparent that the Department's concern was two-fold: that present arrangements should be such as to minimize chances of future friction between American and French interests; and that grounds should not be given for the possible charge that the Government had supported Jersey and Socony in obtaining positions in the Middle East which might be considered exclusive.[58]

While the State Department answered the French Government's protests, Exxon and Mobil went ahead and made a "standstill" agreement with Caltex in Saudi Arabia. The ultimate acquisition by Exxon and Mobil of a stock interest in Aramco and the Trans-Arabian Pipe-Line Company (Tapline) was held in abeyance until they settled with CFP and Gulbenkian so as to avoid forfeiture of their Aramco stock to the French in the event the latter went ahead with their legal threat and won in the British courts. In their "standstill" agreement, Exxon and Mobil guaranteed a bank loan of $102,000,000 for their 30% and 10% respective Aramco interests as well as their equity share of a $125,000,000 capital investment loan for the construction of Tapline. Although Exxon and Mobil eventually reached an IPC settlement the French never forgave the Americans for keeping them out of Saudi Arabia.

CHAPTER III

Foreign Policy and Antitrust: The Cartel Case and the Iranian Consortium

Prior to the outbreak of the Second World War, the Department of Justice had initiated an investigation of alleged worldwide oil cartel activities. Information concerning these activities had been obtained through file searches conducted under grand jury subpoenas in 1940 and 1941 but this investigation was suspended during the Second World War. The investigation was given a new impetus after the war by the public hearings of the Special Committee of the Senate Investigating the National Defense Program. In late 1949, the Federal Trade Commission passed a resolution to investigate "agreements entered into by American petroleum companies among

themselves and with petroleum companies of other nations in connection with foreign operations and with international trade in petroleum and petroleum products"[59] and the Antitrust Division suspended its inquiry pending completion of this report.

The Federal Trade Commission staff filed its report in October 1951. However, the report was not published by the Commission because of national security objections. After repeated demands for its release by Senator John Sparkman, Chairman of the Select Committee on Small Business, it was furnished to and published by that Committee (minus certain sections which were excised for national security reasons). In the Committee's preface to the Report, Senator Sparkman stated: "Today the power of the international oil companies is so vast as to invite its abuse . . . The Senate Small Business Committee believes that it is the basic philosophy of the United States to oppose monopolistic concentrations of economic power. Practically alone among the great nations of the world the United States - through fact finding and through enforcement of its antitrust laws - endeavors to hold in check the powers of giant orgamzations."[60]

On the basis of this report, Attorney General McGranery determined that further investigation by Grand Jury process was necessary and recommended such action to President Truman. On June 23, 1952, the President instructed the Department of Justice to initiate the Grand Jury Investigation, and the Attorney General convened a special grand jury in the district of Columbia and appointed Leonard Emerglick, Chief of the Foreign Commerce Section of the Antitrust Division of the Department of Justice to investigate and prosecute the case. Subpoenas to produce documents were served upon 21 oil companies including the seven major ones: Exxon, Socal, Mobil, Texaco, British Petroleum Company, Royal Dutch-Shell and Gulf.[61] But at the same time as the grand jury investigation was proceeding, an international political crisis was developing in Iran which had a direct bearing on the prosecution of the case.

Trouble in Iran

Outside of the Arab oil producing states, Iran was the major source of Middle East oil. The Iranian concession had been held by British Petroleum (BP), since that company's formation in 1909. In addition to selling its oil in Great Britain and to the Royal Navy, BP had developed important European markets. Hence, Iranian oil was considered vital to the economic well-being of Western Europe.

Dispute Between Iran and BP

In the aftermath of the Second World War, Iran had become progressively dissatisfied with the amount of revenues derived from BP. In October of 1947, the Iranian parliament enacted an oil law which, among other things, required the government to

renegotiate the terms of the 1933 concession. This was done, and on July 17, 1949, a Supplemental Oil Agreement was initiated providing Iran with a more favorable financial arrangement than any other oil producing country in the area. A year later, the Oil Commission of the Iranian Parliament (Majlis), under the Chairmanship of Dr. Muhammed Mossadeq, recommended its rejection.

Despite American efforts at compromise, BP, supported by the British Government, refused to budge an inch further, and the Majlis refused to accept the agreement. In March 1951, the Majlis unanimously passed a nationalization bill. By May, Mossadeq was Prime Minister and the British were out of Iran.

Soon after the nationalization, Iran organized a corporation, the National Iranian Oil Company (NIOC), for the purpose of exploiting the BP concession and selling the oil. But the major oil companies refused to market its oil, supplying the European markets instead with oil from Saudi Arabia and Kuwait. In Iran, oil production came to a standstill and the country was thrown into political and economic turmoil. This turmoil led to an apparent increase in the political strength of the Tudeh party in Iran which had close ties with the Soviet Union. Increasingly, it appeared that as a consequence of the nationalization of BP and the inability to arrive at a settlement with the company, Iran, which in 1946 had been kept out of the Soviet orbit, might now fall under Soviet influence. This fear led the Truman Administration to attempt to bring about a settlement of the dispute between BP and the Government of Iran.

Early American Attempts at Settlement

On June 27, 1951, just a month after the nationalization, President Truman approved NSC 107/2, which made the following statement of U.S. Policy:

Bring (U.S.) influence to bear in an effort to effect an early settlement of the oil controversy between Iran and the United Kingdom, making clear both our recognition of the rights of sovereign states to control their natural resources and the importance we attach to international contractual relationships.[62]

As early as May 1951 the United States had warned Britain against the use of force in Iran, but the fact of nationalization and subsequent hostile acts on both sides compelled the State Department to take further action.

On July 4, 1952 Secretary of State Acheson, British Ambassador Oliver Franks, George McGhee, Paul Nitze and Averell Harriman met at Harriman's Washington home to discuss the Iranian question. According to Acheson: "Sir Oliver left no doubt how seriously and angrily both the British Government and public viewed what they regarded as the insolent defiance of decency, legality and reason by a wild group of

men in Iran who, proposed to despoil Britain."[63] As a consequence of this meeting, Harriman was dispatched to Tehran to attempt to construct a formula within which a settlement could be worked out. But the negotiations which he helped begin were doomed when the British publicly revealed their negotiating position, and had it publicly rejected by Mossadeq. Meanwhile, American neutrality in the affair was compromised by the attitude of the American companies toward lifting Iranian oil.

Refusal of Major U.S. Companies to Deal in Iranian Oil

A May 15, 195l Department of State press release stated that "U.S. oil companies . . . have indicated . . . that they would not, in the face of unilateral action by Iran against the British company, be willing to undertake operations in that country."[64] In his testimony before the Subcommittee, Howard Page, then Middle East coordinator for Exxon, described the role of the major oil companies in refusing to purchase and market Iranian oil:

Senator CHURCH: Mossadeq nationalized the oil.
Mr. PAGE: He had nationalized the oil.
Senator CHURCH: And the reason Iran was in such trouble was, as you say, it couldn't sell the oil.
Mr. PAGE: Yes.
Senator CHURCH: Because the companies had boycotted Iranian oil, isn't that true?
Mr. PAGE: We didn't boycott it.
Senator CHURCH: You didn't boycott it?
Mr. PAGE: Of course not. Why should we buy it? . . . We weren't buying it before, and we weren't buying it afterwards.
Senator CHURCH: And since you had such a very large measure of control over the market, this meant that Iran wasn't able to sell its oil or enough of it to prevent economic chaos in Iran, isn't that correct?
Mr. PAGE: Well, that is not only that. Remember that they could bring lawsuits ,and did bring successful lawsuits against buyers for purchasing stolen property. . . . Because it was their property and it had been stolen from them. They had a right of action, no question about that. We don't deal with stolen property and people who do sometimes get lawsuits and sometimes they win them, too.[65]

In this colloquy with Senator Church, Mr. Page makes two points. First, he claims that Exxon did not purchase Iranian oil before the nationalization, and therefore, had no reason to purchase it afterwards. Second, he asserts that an additional factor constraining Exxon not to buy "hot" Iranian oil was its fear of legal action which might be taken against it by BP.

Both of these assertions are substantially correct. As explained in Chapter II, Exxon had in 1947 entered into a long-term supply contract with BP under which Exxon agreed to purchase large volumes of crude oil from either Iran or Kuwait, as BP might from time to time determine, for a period of twenty years. But this contract, although signed in 1947, was not schedule to go into effect until 1952. In fact, therefore, although Exxon was preparing in 1951 to begin purchasing Iranian crude, it had not yet begun to purchase it.

Mr. Page was also correct in his description of BP's threat to sue any company which lifted what it considered to be "hot" Iranian oil. The company placed notices to this effect in the world's major newspapers, and in at least one case made good on its threat. In that case, The Rose Mary,[66] a British court sitting in Aden held that oil from the BP concession which had been purchased from the National Iranian Oil Company, and which had come within the court's jurisdiction, remained the property of British Petroleum.

Beyond these reasons, however, a corporation with its own concessions in countries around the world is very unlikely to purchase oil from the nationalized concession of another company for fear of setting a precedent which might redound against itself. Exxon's refusal to purchase Iranian oil may be explained therefore on a number of grounds.

Development of an American Alternative

Throughout early 1951, American attempts at settling the Iranian controversy were based on the concept of restoring BP as sole concessionaire. As it became apparent that this would not be possible, the Administration began to explore the possibility of enlisting the major American oil companies in a joint venture arrangement with BP.

On October 8, 1952, Secretary Acheson outlined a plan to the Secretaries of Defense and Treasury, the Attorney General and the Chairman of the Joint Chiefs of Staff. Acheson said that "no one other than the majors and . . . (BP) had sufficient tankers to move large volumes of Iranian oil."[67] He raised the question whether the majors should be asked to move Iranian oil. Attorney General McGranery's reaction was that Acheson had "presented a most formidable legal meal. It would be most difficult to work out a program involving the majors and at the same time maintain the present antitrust action."[68] He concluded, however, that the basic problem was whether the national interest in finding a solution to the Iranian crisis was more important than the principles involved in the suit.

Despite the Attorney General's qualms, Secretary of Defense Robert Lovett also argued that the possibility of using the five major companies to move Iran's oil should

be explored. "This would involve some action to get around the present obstacle of the government suit against those companies. However, there is no doubt in my mind that the interests of the U.S. in connection with the present Iranian crisis requires (sic) some such action."[69]

In his reply, Secretary Acheson agreed that:

One of the concrete problems in securing a resumption of the flow of Iranian oil is to determine whom it is we can call on, and who is able in fact, to move Iranian oil in the volume which is required to save Iran. The independents are not in a position to give us any real help.[70]

On November 26, 1952, President Truman requested the Secretary of State to:

. . . engage urgently in exploratory discussion with representatives of United States oil companies and with the Anglo-Iranian Oil Company . . . in order that I may determine what type of agreement and program would be most likely to contribute to the national defense by leading to a solution of this (Iranian oil) situation.[71]

The Departments representative, Paul Nitze, talked to representatives of Standard Oil of California, Standard Oil of New Jersey, Texas, Socony Vacuum, and Gulf. He described political developments in Iran and stated that the cooperation of the major companies operating in the Eastern Hemisphere might soon be needed. But the companies that the Department of State hoped to induce to participate in such an Iranian Consortium were precisely the same companies that were being investigated by the Grand Jury for possible criminal violation of the antitrust laws of the United States. The incongruity of the situation was apparent: one part of the Administration - the Justice Department - had convened a grand jury to investigate alleged criminal antitrust violations arising out of the major's Middle East operations. Another part of the same Government - the State Department - sought to enlist the cooperation of the very same companies, by reason of their Middle East operations, in solving the Iranian problem. The issue came to a head in the closing days of the Truman Administration in the National Security Council on January 9, 1953.

Debate Within the National Security Council

In a position paper presented to the National Security Council, the Departments of State, Defense, and Interior recommended that the grand jury investigation be terminated.[72]

Their argument began by noting the critical importance of petroleum in the modern world. "With the increase in demand that will occur under war conditions, the

successful conduct of a major war by the United States and its allies will be dependent upon continuing availability of foreign petroleum supplies." Even in peacetime, "major sources of foreign oil are, now indispensable to the economy of Europe and in the future may become indispensable even to the peacetime economy of the United States." Yet, there were only two known areas which could supply the necessary quantities of this petroleum, Venezuela and the Middle East. While Venezuela was important for our domestic supply in time of war, the Middle East was important for the supply of Europe in time of peace. "Since Venezuela and the Middle East are the only sources from which the free world's import requirements for petroleum can be supplied . . . nothing can be allowed to interfere substantially with the availability of oil from these sources to the free world." It was vitally important that these two remaining areas of available free world imports not fall under Communist control. Yet, turning to the Middle East, this danger seemed real and present.

Because, the paper continued, the oil producing states of the Middle East "are on or near the borders of the Soviet Union," and because of certain local conditions, "the Middle East comprises one of the most explosive areas of the world." Since oil is "the principal source of wealth and income in the Middle Eastern countries in which the deposits exist," the "economic and political existence" of these countries "depends upon the rate and terms on which oil is produced." Since the rate and terms in question are to a large extent under the control of the oil companies operating in the area, the "American oil operations are, for all practical purposes, instruments of our foreign policy toward these countries."

Just as important is their role in dealing with the, Arabs, however, is the companies' role in dealing with the Europeans. The terms on which they supply western Europe with oil "are critical to the strength and balance-of-payments position of this area which is vital to our security."

Because of their role as an instrument of our foreign policy both in Europe and the Middle East, any attack on our oil companies would be viewed in those areas as a fundamental attack on the whole American system.

"We cannot afford to leave unchallenged the assertions that these companies are engaged in a criminal conspiracy for the purposes of predatory exploration." To do so, would leave the companies at the mercy of their critics in the producing countries, the report stated. Hence, the "entire situation," i.e., criminal prosecution, is "fraught with great potential danger to the U.S. . . . in both Venezuela and the Middle East a wave of economic nationalism which might endanger American interests is entirely possible."

Moreover, the report went on, the pursuit of the criminal investigation by the grand jury could jeopardize the cooperative relationship which existed between the Department of State and the petroleum companies:

In many fields no legal or formal control over the action of American private interests abroad is exercised by this Government. This is in accord with the view that a minimum of regulation and control is an accepted American principle. On the other hand, this means that if Government and industry are to act together to promote foreign policy and security objectives in petroleum there must be a basis of mutual confidence between them. Criminal proceedings are not likely to produce such confidence between the two parties in this dispute.

The report thus recommended that, regardless of what might eventually be worked out with regard to Iran, the criminal investigation be dropped an a civil suit initiated. In this way, said the report, "a trial might well be avoided and hence the great reduction in the number of possible sensational disclosures brought about." The report further recommended the formation of a Presidential Commission composed of the Secretaries of State, Defense, Interior and Commerce, to "give careful attention to the interrelationships of antitrust, security and foreign policies in petroleum." The Attorney General was to be invited to attend the sessions of the Commission "to the extent considered appropriate by him and the Commission."

The Department of Justice opposed the recommendation to abandon the criminal investigation. The Department noted that its earlier investigative efforts had revealed the outline of a world oil cartel formed as early as 1928 by one American and two foreign oil companies which over the succeeding years had been joined by other American oil companies:

The cartel arrangements are in effect private treaties negotiated by private companies to whom the profit incentive is paramount. The national security should rest instead upon decisions made by the Government with primary concern for the national interest.

A civil antitrust suit in the opinion of the Department, was inadequate if the cartel was to be attacked effectively: "The discovery process in a civil suit is a great deal more cumbersome and could be drawn out over an extended period of time by an infinite variety of legal motions designed to delay and wear down the Department. The grand jury investigation, on the other hand, would permit the Department to uncover all of the relevant facts in a substantially shorter time."

Finally, the Justice Department argued: "The facts presently available strongly suggest that the high policy represented by the Sherman Act has been consciously and

persistently violated by activities long since determined by the Supreme Court to be illegal. The cartel should be prosecuted criminally if there is to be equal justice under the law and if respect for the law and its even-handed administration is to be maintained."

This debate thus laid bare the differing assumptions which have continued to this day with respect to the operations of the major oil companies in the Middle East. For the Department of State, U.S. national and company interests were coincidental, not divergent; the companies were effective instruments of U.S. policy by reason of their American nationality; Hence, control of the Middle Eastern concessions by the American concerns was equivalent to U.S. national control. Finally, as they were instruments of our foreign policy, the companies could not be subject to criminal prosecution without undermining the basis of that policy.

For the Justice Department, on the other hand, enforcement of a national competition policy was primary and to the extent that the companies contravened that policy in a manner which directly and substantially impacted upon the domestic economy, the companies were acting in a manner contrary to the U.S. national interest, and contrary to the laws which the Department was sworn to enforce.

The issue had to be resolved by President Truman.

The Decision

The National Security Council meeting to discuss whether the criminal investigation should be terminated took place on January 9, 1953, a Friday. On Sunday evening, January 11, President Truman sent for Mr. Ernmerglick of the Justice Department and Charles Bohlen of the State Department and met with them in his private quarters. As Emmerglick described it, President Truman informed them that he wished the grand jury investigation terminated, that he had reached his decision "with great reluctance and that he was constrained to take that decision not on the advice of those Cabinet members who attended the Security Council meetings, but solely oil the assurance of General Omar Bradley that national Security called for that action."[73] He emphasized, however, that he wished the case to be pursued vigorously in the civil courts.

By letter dated January 12, 1953, President Truman formally advised Attorney General McGranery of his decision. The Department of Justice terminated the grand jury investigation and filed a civil complaint on the 21st of April, 1953 in the U.S. District Court of the District of Columbia.

The Civil Complaint

The essence of the government's case was that the "as is" agreement formed in 1928 continued at least up to the date of the civil. Complaint without modification of its essential terms in direct restraint of the foreign commerce of the U.S. in petroleum and its products:

The objective of the conspiracy was market stabilization; its essential terms were market division and price fixing, both *per se* unreasonable restraints under the Sherman Act. Other terms, such as those dealing with the elimination of outside competition, sales and exchanges for mutual convenience and controlling expenses by avoiding the duplication of facilities, had the effect of implementing the agreed upon objective of market stabilization."[74]

The Government's statement of claims, in sum, said:

It appears that the uninterrupted extension and continuance of the basic cartel agreements has resulted in a world-wide pattern in which seven of the major oil companies - (1) control all major oil producing areas outside the states; (2) control all foreign refining operations; (3) control patents, know-how and technology covering the refining processes; (4) effectively divide world markets; (5) maintain noncompetitive world prices for oil and its products; and (6) control foreign pipeline and world tanker transportation facilities.[75]

August 1953-The Fall of Mossadeq

In August, 1953, however, barely a few months after the filing of the civil complaint, the, Iranian situation boiled to a climax. Mossadeq was intransigent on the principle of Iran's right to reclaim control over its main source of wealth. Unable or unwilling to effect a settlement with BP, unable to market its oil, the Mossadeq Government found itself in perpetual financial crisis. When the Parliament refused to grant Mossadeq's demands that it extend for one year his right to govern by decree, a wave of demonstrations swept the country. Mossadeq directly challenged the Shah, ordered a plebiscite to dissolve Parliament and won more than 99 percent of the votes cast and counted. In a swiftly moving series of events, the Shah attempted to oust Mossadeq by decree, failed, and fled the country as Mossadeq's supporters demonstrated in the streets, smashing the statues of the Shah and his father. The military moved in, and in bloody street fighting desposed Mossadeq and restored the Shah to Ins throne, a move which was assisted clandestinely by the U.S. Central Intelligence Ageney.[76]

The Foreign Office Gropes for a Strategy

After Mossadeq was disposed, in August, 1954, a series of high level talks oil Middle East oil were initiated at the request of the British Government between the State

Department and the British Foreign Office. What concerned the British and led them to request those meetings was the increasing dependence of Western Europe on Middle Eastern oil: "These problems are, therefore, highly strategic and political, not just economic in nature and scope," urged the British representatives.[77] The problem the British wished to discuss with the American representatives was the coordination of American and British companies' and governments' efforts to avoid sawing by the various producing countries, who the British noted, increasingly were acting with a high degree of cohesion.

The British representatives suggested various alternative methods of coordination between companies and consuming governments. They specifically noted that "the UK was not primarily concerned in protecting the profit position of the British companies." The UK Government was more interested in improving its relations with and stabilizing conditions in the countries concerned in order to insure the smooth flow of oil.

The British suggestions ranged from consultations among companies to arrive at joint negotiating positions, formation of all international oil Petroleum Council consisting of consuming and producing countries, and biannual coordination meetings between the U.S. and British Governments.

Each of these suggested modes of coordination, however, was flawed in some way: consultations among the companies involved antitrust problems in the U.S.; an International Petroleum Council risked encouraging producer/consumer country confrontation and accelerated coordination among the Arab countries; the U.S. Government was cool to direct U.S. Government involvement with the producing country governments on oil matters: "Aramco's position had in the past been fairly strong with the Saudi Arabian Government because it had stood on its own feet and maintained its position separate and apart from the U.S. Government."[78]

In effect, the Administration made two decisions. First, it had decided that the role of the Government was to put the companies in a position where they could decide international oil matters: price, supply, allocation, planning. Second, it had concluded that British fears as to the eventual dangers of competition among producer nations for higher government takes were unjustified.

Herbert Hoover, Jr. Seeks a Solution

On August 6, 1953, President Eisenhower requested that the Attorney General "seek to develop a solution which would protect the interests of the free world in the Near East as a vital source of petroleum supplies." The terms of reference under which the Attorney General was to seek this solution were explicitly stated in an NSC directive:

It will be assumed that the enforcement of the antitrust laws of the United States against the Western oil companies operating in the Near East may be deemed secondary to the national security interest to be served by:

1. Assuring the continued availability to the free world of the sources of petroleum in the near East and
2. Assuring continued friendly relations between the oil producing nations of the Near East and the nations of the free world.[79]

Thus, the attitude of the Truman Administration as to the secondary importance of the antitrust laws governed the actions of the Eisenhower Administration from the outset.

However, it soon became apparent that the solution to the Iranian problem had been taken out of the hands of the Attorney General. By letter dated October 9, 1953, Robert Cutler, Special Assistant to the President, informed Secretary of State Dulles that: ". . . Mr. Herbert Hoover, Jr., is acting as a Special Representative of the United States Government, within the Department of State, to deal with problems related to an Anglo-Truman oil settlement."[80]

On October, 27, 1953, the National Security Council formally revoked the August 6 instruction to the Attorney General to seek a solution to the oil problem in the Middle East and directed that this responsibility be transferred to the Department of State."[81]

Definition of the Problem

Seen from Hoover's vantage point, the problem now was to provide the Shah with the oil revenues that hid been denied to Mossadeq and to provide them in sufficient quantities to generate the resources the Shah would need to develop a stable political base, while avoiding a price war in Europe that would lead to declining revenues in the Persian Gulf sheikdoms which could potentially destabilize those countries. Hoover's solution, as Acheson's before him, was to enlist the assistance of the five major American companies already operating in the Middle East to participate in an international consortium with BP and Royal Dutch Shell.

These were the companies which could provide the assured outlet for the Iranian crude in the necessary quantities:

Senator CHURCH: In other words only if the majors were to really control the consortium would it be possible to market the oil.
Mr. PAGE: In the quantities desired.
Senator CHURCH: in the quantities necessary.
Mr. PAGE: That's right.

Senator CHURCH: To restore the Iranian economy.
Mr. PAGE. That's right.[82]

But reliance on the five major oil companies already operating in the Middle East, and which were the subject of the cartel suit, posed serious problems for their prosecution. Mr. Emmerglick in an October 15, 1953 meeting with the Defense and State Department officials noted:

I pointed out that Mr. Hoover is going forward with new discussions which would require the grant of antitrust immunities for a proposed solution of the Iranian problem. I emphasized that we could not do effective work in the formulation of a proposal if market arrangements should be worked out to meet the agreed upon cutbacks of artificial controls, likewise agreed upon, in the countries of the Middle East where petroleum production activities are or may be carried on. This would establish legal relationships at the time when the Attorney General is charged with the task of proposing new legal relationships.[83]

But Hoover was fixed on his course of solving the Iranian problem with the major companies. In November 1953, Hoover visited Tehran and London where he met with William Fraser, Chairman of the Board of BP. At Hoover's suggestion, Fraser by letter dated December 3, 1953 invited the heads of the five major American oil companies to London to discuss the possible formation of a consortium of companies (the Iranian Consortium as it became known) to enter into an agreement with the Government of Iran for the production and marketing of Iranian oil. As the Fraser letter expressed it, "Mr. Hoover has informed me that the ideal solution, in his opinion, would be for the Anglo Iranian Company, to return to Persia alone, a view which is, of course, held by me and is, I think, shared by you. He has, however, said that he doubts whether it is possible to achieve this and his conversations in Tehran led him to the view that a solution might be found through the medium of a group of companies rather than through a single company.[84] The letter went on:

He has suggested to me that valuable time could well be saved if discussions could be opened with representatives of companies able to make some contribution to a solution of the problem who might, in the interests of progress and stability in the countries of the Middle East, be ready to participate in such a group.

I have felt that the companies which could make a constructive contribution to a solution are those who are now engaged in the production of oil in the Middle East and in the marketing of it on a large scale internationally.[85]

Orville Harden, Vice President of Exxon, then addressed a letter to Secretary of State Dulles referring to the Fraser invitation requesting the State Department's view as to

the advisability of accepting the invitation and noting that, from the strictly commercial viewpoint, our company has no particular interest in entering such a group but we are very conscious of the large national security interests involved.[86]

Exxon's conception of the "large national security interests involved" seems, however, to have been somewhat at variance with that of the State Department. While, the Department was concerned that Iranian oil might be I lost to the West, Exxon was apparently concerned that it might be "dumped" on the world market below prevailing prices. "We recognized the dangers if Russia got in, we had a real interest in seeing to it that the problem was solved. We didn't balk at participation. Had the Russians gotten Iranian oil, and dumped it on world markets, that would have been serious."[87]

Without exploring these unspoken differences, the State Department evidenced its approval for the meeting suggested by Fraser. However, Stanley Barnes, Chief of the Antitrust Division of the Justice Department feared that a request for Justice Department approval of the London meeting by Texaco was "a possible attempt by the cartel companies to secure that kind of approval from the Attorney General which, would ultimately make it impossible to go on with the cartel case."[88]

The meeting among the companies was held in London on January 8, 1954. Progress was rapid. The American companies recognized that their bargaining position was strong. They thus informed Hoover that "further progress in the London discussions would be prejudiced if while the antitrust phases were being explored the pending suit against them was actively pressed."[89]

Hoover pressed for a swift resolution of the antitrust issues. A letter from Herman Phleger, legal advisor to the State Department, summarized a cable from Hoover reporting rapid progress in his London talks:

He points out that our Government has been putting pressure on the United Kingdom and its highest officials over a long period to solve the Iranian problem in aid of our highest security interests in that in this connection our Government has undertaken obligations to the new government of Iran for the same purposes; that if our Government was now to determine that it could not proceed at this time because of antitrust considerations and as a result negotiations were suspended, the consequences might well be of the gravest kind.[90]

If the Iranian Consortium fell through, and Iran went Communist because of the failure of the Attorney General to expeditiously approve the consortium, the onus would then be on the Attorney General. Under such pressure, it was not surprising that the Attorney General found a way to approve in principle the Iranian Consortium. Following a meeting of the National. Security Council on January 9, 1954, the

Secretaries of Treasury, Defense, and State and the Attorney General met to talk about "the importance of quickly getting sufficient legal clearance for the American companies" so that they might participate in "this important matter." According to Dulles' memorandum of the meeting, "The Attorney General felt that he could give some sort of agreement not to sue on account of the prospective new arrangement if this were requested in the national interest by the National Security Council.[91]

On January 21, 1954, the Attorney General, in a letter to the President, advised that the "proposed Iranian Consortium Plan" in view of the:

Facts and circumstances which now characterize the production and refining of Iranian oil and the determination by the National Security Council that the security interests of the United States require that United States oil companies be invited to participate in an international consortium to contract with the Government of Iran, for the production, refining and acquisition of petroleum and petroleum Product, from within the area of the former AIOC concession would not in itself constitute a violation of the antitrust laws, nor create a violation of antitrust laws not already existing.[92]

On the same day the National Security Council:

Noted that the President, upon the advice of the National Security Council contained in NSC Action No. 1015, authorizes and directs the Secretary of State, at an appropriate time, to inform: (1) The appropriate American petroleum companies (a) of the advice of the National Security Council contained in NSC Action No. 1015; (b) of the contents of the proposed Iranian Consortium Plan; and (c) of the opinion of the Attorney General regarding this Plan.

Noted that the pending civil action in the so-called oil cartel case instituted pursuant to NSC Action No. 766-a is an entirely separate matter from the proposed Iranian Consortium Plan, and will continue to be presented by the Department of Justice.[93]

In letters dated January 28, 1954 sent to the heads of each of the five major oil companies, Under Secretary of State Walter Bedell Smith, pursuant to the NSC directive, informed them that: "…the National Security Council has determined that it is in the security interests of the United States that United States petroleum companies participate in an international consortium to contract with the Government of Iran, within the area of the former concession of the Anglo-Iranian Oil Company, Ltd., for the production, refining and acquisition of petroleum and petroleum products, in order to permit the reactivation of the petroleum industry in Iran and to provide to the friendly government of Iran substantial revenues on terms which will protect the interests of the Western World in the petroleum resources of the Middle East."[94]

Nine months later, in a September 15, 1954 memorandum of conversation with Attorney General Brownell, Kenneth Harkins, an attorney in the antitrust division, pointed out that there were no "national security" exceptions in the antitrust laws. He noted:

If these arrangements are in fact but an extension of the cartel, it seems to me that the expressions of the Attorney General in January, the findings of the National Security Council as to the security interest of the United States and the desires of the State Department, are irrelevant to any consideration of the narrow legal issue of whether these arrangement disclose a violation of the antitrust laws which after all is what is now requested in an opinion from the Attorney General.[95]

But this challenge to the "legality of the approval of the consortium plan" came too late. The Attorney General felt that he "had already crossed this bridge," when he gave his January 20 opinion to the President with respect to the consortium. He agreed with Harkins, however, that "approval of the consortium was inconsistent with the cartel case is the complaint is drawn and that necessarily the case must proceed with emphasis on the marketing aspects and not oil the production control aspects."[96]

The Alternative of the Defense Production Act

Throughout the Truman administration's consideration of the Iranian Problem the continuing assumption was that, should it be thought desirable to rise the combined resources of the, five American majors to restore oil production in Iran, the Defense Production Act (DPA) would be used to accomplish that end .[97] Thus in his November 26, 1952 memorandum to the Secretary of State, President Truman said:

As you are aware, I am considering a new approach to the Iranian oil dispute, which seriously threatens to deprive the free world of the oil resources of Iran on which depends the integrity and political independence of Iran itself. The approach would include the utilization of the authority granted me by the Congress In section 708(a) and (b) of the Defense Production Act of 1950 as amended. Under these sections I am authorized to approve a voluntary agreement or program under which one or more United States companies, acting in cooperation with the Anglo-Iranian Oil Company, would purchase and market Iranian oil and oil products.[98]

Specifically, under section 708 (e) of the DPA, the Attorney General is required to submit to the Congress at least once every three months, reports on the anti-competitive aspects of any voluntary agreement initiated under the Act. Invocation of the Defense Production Act would therefore have required the Attorney General to publicly report the degree to which the Consortium contravened our official policy of competition at a time when it was considered necessary to suspend that policy in the

pursuit of national security. As Emmerglick stated in a September 15, 1954 memorandum to Assistant Attorney General Barnes:

It seems to me that the Attorney General would have to stultify himself to give an opinion that these agreements would be lawful. Congress anticipated that needs of the national security might create just such a situation, and it undertook to relieve the Attorney General of the necessity of doing this kind of thing. In Section 708 of the Defense Production Act provision is made for a method by which this kind of arrangement can be approved and given immunity from prosecution under the antitrust laws. I think that resort should be had to the legislation created for occasions like this.

But the Eisenhower administration never considered use of the DPA to be a viable solution to the Iranian problem.

Mr. EMMERGLICK. One may legitimately infer that the purpose was to keep Congress from having any control or contact even with this matter.[99]

Five Percent for the Independents

It was the position of the Antitrust Division that Iranian oil production should be restored by American companies which had no other significant Middle Eastern production.

Mr. EMMERGLICK. We were speaking of billions of barrels of oil and if we could introduce new independent companies into international marketing we would then have a price competition which would be beneficial domestically and would stimulate our own domestic resources. This was our principal objective at the staff level.
Senator CHURCH. But you were overruled?
Mr. EMMERGLICK. I was overruled.[100]

As Barnes noted in his December 10, 1953 memorandum to the Attorney General:

It seems unfortunate that Mr. Hoover is looking only to the cartel companies to solve present problems, and is not bringing about any invitation to other American companies. But I suppose that we have done everything we can to secure State Department agreement that such an approach be employed.[101]

Initially, ownership shares in the Consortium proposed to be divided along the following lines: 40% to be divided equally (8% each) among the five major American companies; British Petroleum to have a 40% share; Shell to have 14%; and CFP, the French Company, to receive 6%. But American independent oil companies had been

interested in beginning operations in Iran for some time and had only doing so while the Iranian/AIOC dispute continued. The State Department was aware of this interest and of the manner in which these companies had refrained from taking a short run advantage of the situation by buying Iranian oil from the AIOC. Thus, when it became known that independent companies were to be excluded from the consortium, these companies manifested their anger. In an October 15, 1954 letter to Secretary of State Dulles, Ralph Davies, President of the American Independent Oil Company wrote:

Suffice it to say that we cannot accept the proposition that the benefits to be derived from a proposed consortium be limited to the five major companies that are parties to it. Our government has no less an obligation to independent enterprise than to the integrated giants of the industry whose practices, both at home and abroad, have made them a target for widespread criticism and, indeed, investigation.[102]

In response to these complaints, Hoover persuaded the majors to relinquish 5% (or 1% each) of their shares in the consortium to be made available to American independent companies.

Mr. PAGE. Now they, - I don't know their reasons for it - but they had a feeling, well "Because people were always yacking about it we had better put some independents in there."
Senator CHURCH. Put a few independents in ?
Mr. PAGE. Yes.
Senator CHURCH. Window dressing?
Mr. PAGE. That's right.[103]

The financial capacity of the Independent Companies was to be certified to by the public accounting firm of Price Waterhouse and Company, which was at the time under retainer to three of the five majors. As of March 4, 1955 Price Waterhouse certified 11 oil comes as reliable applicants - rejecting Aminoil because of an alleged lack of financial capacity.[104] The applicants were to set up a single corporation to represent all new participants and divide the total 5% participation among themselves.[105]

The 11 companies, however, requested altogether t 36% share interest. Page was asked whether this request did not contradict his statement that the independents lacked the "outlets" to manage the Iranian crude, but responded that it did not. Since each company knew in advance that the-total share percentage which all of the independents together would receive was 5 percent, they were each, Page asserted, merely trying to maximize their proportionate share of that 5 percent:

Senator CHURCH: Why couldn't they handle up to 36%, because they didn't have the outlets?
Mr. PAGE: Of course, these were American independents who didn't have any outlets abroad, they only had outlets here and you had the problem of disposing (of all kinds of products and it was almost an impossible task unless you had certain outlets for it.
Senator CHURCH: And the majors had those outlets but the independents did not have access to them?
Mr. PAGE: That's right.[106]

Another reason for not using the independents was that they could not cut back other Middle East production to make room for the resumption of Iranian production. The American majors could do this, but only with the consent of the sovereigns involved. Thus Aramco partners sought the approval of King Ibn Saud of Saudi Arabia for temporary production cutbacks:

This is verbal and I have to give it to you hearsay but it is, I think, on good hearsay ... this was discussed with the King in Saudi Arabia, the old King, Ibn Saud, and he was told that the Aramco partners were being asked to go into this and that we would have to tell him that as a result we would not be able to increase our liftings appreciably for a while in Aramco and we were going in solely oil the basis that there might be chaos out in the area if we didn't, and would he agree with this and recognize that we weren't doing this because we wanted more oil anywhere, because we had adequate oil in the Aramco concession but we were doing it as a political matter at the request of our government, and he said, "Yes, but," he said, "In no case should you lift more than you are obligated to lift to satisfy the requirements of doing that job."[107]

The contingency thus occurred that Emmerglick had foreseen in his October 15, 1953 memorandum -- that market arrangements would be worked out to meet the Truman problem which would establish for a period of years a regime of agreed upon cutbacks or artificial controls.

The Role of Congress

Consideration of the fundamental issues - the U.S. national security interest in Iran and its relationship to the American antitrust laws - took place largely within the Executive Branch. The issues were debated in the Congress.

The Administration did, however, inform the relevant leaders of Congress of its decision. On January 22, 1954, one day after the crucial NSC decision, Vice President Nixon, Secretary of Defense Wilson, Secretary of the Navy Anderson, Admiral Radford, Chairman of the Joint Chiefs of Staff, Actmg Secretary of State Bedell Smith, and Herbert Hoover, Jr. met with a group of congressional leaders to discuss

the new Iranian initiative. Nine members of Congress attended the meeting - among them the majority and minority leaders of the House and Senate, the Chairman and ranking minority member of the Senate Foreign Relations Committee, and others.

"Recent National Security Council decisions in connection with the proposed oil consortium were frankly discussed according to the State Department's record. The Attorney General's opinion was made dear. No objection was raised by any Member of Congress concerning the decision and the course of action contemplated. Substantial interest was expressed in the matter of possible imports to the Western Hemisphere from Iranian resources. Secretary Anderson pointed out emphatically that the production developed in Iran would replace other Eastern Hemisphere production and the sale of oil and petroleum products from Iran would be in the Eastern Hemisphere."[108]

The Oil Import Quota

Control of the Consortium by the major companies raised fears among the American independent oil producers that their competitive position would be undermined by the majors' importation of cheap Iranian oil into the United States. (Iran before the nationalization in 1951 had been the largest oil exporter in the Middle East.) In response to this concern, Senator Lyndon Johnson, who bad attended the January, 1954 meeting, addressed a letter to Secretary of State John Foster Dulles:

Oil producers in Texas are raising the question as to whether there has been any violation of agreements -- written, spoken or implied -- by the companies authorized to engage in the consortium. It has been their understanding, and mine, that care was to be taken to see that this oil did not serve to jeopardize the position of American independents in supplying domestic requirements. Are assurances to this effect still to be considered valid?

It is reported that several independent members of the Iranian consortium have exchanged their shares of Abadan refined products for Persian Gulf crude, the explanation for the trade being that the crude can be imported into the United States at tariff considerably below the tariff for refined products."[109]

In reply, then Under Secretary of State Herbert Hoover, Jr., [110] stated:

So far as I know, there were no agreements in connection with arrangements for the resumption of production of oil in Iran on the importation of oil into the United States. It is my understanding that the original selection of participants in these arrangements was made on the basis that they were engaged in the production and marketing of

Near East oil throughout the world, and could and would absorb the Iranian production without unsettling world markets."[111]

Two years later, in order to protect the domestic industry, first voluntary and then mandatory crude oil import quotas were imposed by the Eisenhower Administration. The higher cost of domestic oil was justified on the grounds that the import quota system ensured that the domestic industry would continue to develop domestic sources of supply so that the United States would never become unduly dependent upon unstable foreign sources of crude oil. In the actuality, the U.S. forewent the advantage of cheap imported oil but, as the 1971 Tehran negotiations showed,[112] it did not derive the benefit of spare capacity which could be rapidly brought on stream.

The Fate of the Cartel Case

The Justice Department attack on the majors' control of international oil through the joint production ventures in the Middle East, one of the critical points in the Justice Department's cartel case, became a casualty of the successful resolution of the foreign policy problem of stabilizing the political situation in Iran. As Attorney General Brownell had predicted, the case proceeded with emphasis on the marketing aspects and not on the production control aspects. The result can be seen in a comparison of the complaint in the Cartel case with the Statement of Claims. The latter was prepared by the Antitrust Division in 1961 in preparation for trial. Unlike the complaint, this document focuses entirely on the market control aspect of the cartel with only slight and sparing mention of joint producing and refining arrangements. Yet this occurred at the very time when the primary focus of the majors market Control efforts had shifted - as explained in the next part of this report - into control of production.

The cartel case dragged on in this vitiated form for another ten years and was finally settled by consent decrees but these decrees did not impair the major companies' ability jointly to control production and through production, the world market.

Mr. EMMERGLICK: I believe that the consent decrees accomplished very little, if anything. They were cosmetic, and nothing more than that, in my opinion. So that the same power structure and the same joint arrangements between companies which should be competing exist today as existed then.[113]

Footnotes

1. *New York Times*, January 1, 1920
2. *Sperling's Journal,* August 1919.
3. S. Res. 331, 66th Congress 2d Session.
4. *See e.g.,* S. Doc., No. 272, 66th Congress 2d Session; S. Doc. No. 39, 67th Congress, 1st Session.

5. S. 4396 66th Congress, 2d Session.
6. 41 Stat. 437
7. So describe by the American Consul in Jakarta, see *For. Rel of the US.,* 1920, Vol. III, p. 262
8. S. Doc. No. 39, 67th Congress, 1st Session, p. 3
9. Ibid.
10. Hearing before the Subcommittee on Multinational Corporations of the Senate Foreign Relations Committee. "Multinational Petroleum Companies and United States Foreign Policy," Part 8.
11. Ibid.
12. For. Rel. of the US, 1922, Vol. II, p. 337
13. MNC Hearings, Part 8
14. MNC Hearings, Part 7, p. 135
15. When Socal first raised the problem, the State Department instructed the chargé d'affaires in London to make the following representation to the British Government: You are desired by the department to discuss this case informally at an early date with the appropriate authorities of the British Government. You should point out in your conversation that existing legislation is extremely liberal in the US; and you should add that the Department of State would be glad to obtain a statement of the British Government's policy respecting the holding and operating by foreigners of petroleum concessions in territories such as Bahrein. MNC Hearings, Part 8.
16. In January 1944 the CA Arabian Standard Oil Company (Casoc) became the Arabian American Oil Company (Aramco). Hereafter Casoc will be referred to as Aramco.
17. MNC Hearings, Part 8.
18. MNC Hearings, Part 7, p 81
19. MNC Subcommittee Print, *A Documentary History of the Petroleum Reserves Corporation, 1943-44*, pp. 4-5
20. Herbert Feis. *Three International Episodes* (Alfred Knopf, NY 1947), p 129 The minutes of the Board of Directors meetings of the Petroleum Reserve Corporation reveal intense preoccupation with 3 major projects during the fall of 1943: (1) negotiations with Socal and Texaco over a stock ownership in their Arabian concession; (2) negotiations with the same American companies over the construction of a major refinery in Saudi Arabia; (3) negotiations with the Gulf oil corporations over stock ownership in and refinery construction of their Kuwait concession.
21. MNC Subcommittee Print, *A Documentary History of the Petroleum Reserves Corporation, 1943-44*
22. Ibid. p 60
23. Ibid.
24. Ibid.
25. Ibid.
26. Ibid.
27. Ibid.
28. Ibid.
29. Ibid.
30. Ibid.
31. Aramco Productions costs fell during the 1950s and 1960s. In 1973, production costs were 13¢
32. Larson, H. M. *New Horizons, 1927-1950, History of Standard Oil Company (NJ)*, Harper & Row, 1971, pp. 734-5
33. MNC Hearings, Part 7, p 82
34. MNC Hearings, Part 8
35. MNC Hearings, Part 7, p 82
36. MNC Hearings, Part 7, p 568
37. MNC Hearings, Part 8
38. But Caltex made some serious miscalculations. One of Exxon's bargaining points was that it could get cheap Middle East crude oil from other international majors if the Caltex terms for concluding the Aramco merger did not come down. Once Caltex had lowered its terms and agreed to the merger, it would be surprised by the reduction in sales of Aramco crude by Exxon and Mobil when those 2 companies entered into major long-term supply contracts with British Petroleum. In addition, Caltex did not discover until it was too late that Exxon and Mobil planned to use the merger to control the marketing of Caltex's Arabian crude. Socal mistakenly assumed that it would continue to sell its Arabian crude for 90¢
39. MNC Hearings, Part 8
40. Ibid.
41. Ibid.
42. Ibid.
43. Ibid.
44. Ibid.
45. Ibid.
46. Ibid.
47. Ibid.
48. Ibid.
49. The Minutes of the IPC meeting read: "Saudi Arabian concession. Monsieur deMetz referred to press reports current in Paris that that the Standard Oil Company of California and the Texas Oil Company were considering the possibility of disposing a very large interest in the Arabian-American Oil Company which holds the concessions for Saudi Arabia. His Group recommended very strongly that the Managing Director be instructed to enter into negotiations with these two companies for the acquisition of the shares they were minded to sell," MNC Hearings, Part 8.
50. MNC Hearings, Part 8
51. Ibid.
52. Ibid.
53. Ibid.
54. Ibid. As it turned out, the Mobil executive's suggestions were not followed.
55. MNC Hearings, Part 8
56. Ibid.
57. Ibid.
58. Ibid.
59. Federal Trade Commission, *The International Petroleum Cartel,* (1952), pp. 1-2
60. Ibid., p 6
61. British Petroleum and Shell were quickly dropped from the case for jurisdictional reasons

62. MNC Hearings, Part 8
63. Dean Acheson, *Present at the Creation*, p 507
64. Quoted in State Department: Summary of US Government Actions to secure the cooperation of American oil companies in a settlement of the Iranian Oil dispute. MNC Hearings, Part 8
65. MNC Hearings, Part 7, p 298
66. W. L. R. 246 (1953)
67. Quoted in State Department: Summary of US Government Actions to secure the cooperation of American oil companies in a settlement of the Iranian Oil dispute. MNC Hearings, Part 8
68. Ibid.
69. Ibid.
70. Ibid.
71. MNC Subcommittee Print. *International Petroleum Cartel Case*, Feb. 21, 1974, p 26
72. MNC Hearings, Part 8. The following discussion is based upon this report.
73. MNC Hearings, Part 7, p 103
74. MNC Subcommittee Print. *International Petroleum Cartel Case*, Feb. 21, 1974, p 125
75. Ibid.
76. Fitzgerald, Frances; Giving the Shah Everything He Wants, *Harper's*, Nov. 1974 p 62
77. MNC Hearings, Part 8
78. MNC Hearings, Part 8
79. MNC Subcommittee Print. *International Petroleum Cartel Case*, Feb. 21, 1974, p 52
80. Ibid. p 55
81. Ibid. p 55
82. MNC Hearings, Part 7, p 299
83. MNC Subcommittee Print. *International Petroleum Cartel Case*, Feb. 21, 1974, p 54
84. Ibid. p 57
85. Ibid.
86. Ibid. p 58
87. Statement of "a Standard Oil of NJ Director at a later date." Quoted in Wilkins, *The Making of a Multinational Enterprise*, p 322
88. MNC Subcommittee Print. *International Petroleum Cartel Case*, Feb. 21, 1974, p 60
89. Ibid., p 61
90. Ibid. pp. 60-1
91. Ibid. p 61
92. Ibid. p 75
93. NSC Action 1021. MNC Subcommittee Print. *International Petroleum Cartel Case*, Feb. 21, 1974.
94. MNC Subcommittee Print. *International Petroleum Cartel Case*, Feb. 21, 1974, p 76
95. Ibid. p 93
96. Ibid.
97. The Defense Production Act of 1950, 64 Stat. 798, declared it to be the sense of Congress that, "in view of the present international situation," it might be necessary to expand the production of certain industries and to disperse it geographically outside the main producing areas. Section 708(a) of that act provided that the President could approve voluntary programs to accomplish these objectives and Section 708(b) provided that such agreements would be immune from prosecution under the antitrust laws.
98. MNC Subcommittee Print. *International Petroleum Cartel Case*, Feb. 21, 1974, p 26
99. MNC Hearings, Part 7, p 110
100. Ibid., p 114
101. MNC Subcommittee Print. *International Petroleum Cartel Case*, Feb. 21, 1974, p 60
102. MNC Hearings, Part 8
103. MNC Hearings, Part 7, p 297
104. Aminoil was later reinstated as an Iricon member by the State Department.
105. Memo W. B. Watson-Snyder to Messrs. Walter Ronley and Wilbur Fugate March 10 1955. MNC Hearings, Part 8
106. MNC Hearings, Part 7, p 298
107. Ibid., p 304
108. MNC Hearings, Part 8
109. MNC Hearings, Part 7, p 110
110. Hoover was confirmed as Under Secretary of State on August 18, 1954
111. MNC Hearings, Part 8
112. These negotiations are discussed in Chapter 6 of this report.
113. MNC Hearings, Part 7, p 116

Source: *Multinational Oil Corporations and U.S. Foreign Policy - REPORT together with individual views, to the Committee on Foreign Relations, United States Senate, by the Subcommittee on Multinational Corporations*; (Washington, Janusry 2, 1975, US Government Printing Office).