

● PSF

Saudi Arabian Pipeline

PSF. Saudi Arabia Petroleum folder
1-4-44

THE WHITE HOUSE

WASHINGTON

February 4, 1944

MEMORANDUM FOR AUDREY TURNER:

The President saw Mr. Hull and Mr. Ickes on the world oil situation Friday, February 4, 1944, and I am returning these papers to you as I imagine you will want them for your files.

RB

Mr. Latta

Please give this
Correspondence to General
Watson to hold until
Secretaries Hull & Johns
come in to see the President
on this subject. GST

GENERAL WATSON:

I have held these two files since early January, waiting for the Hull-Ickes appointment - does the President still want these papers, do you think?

RB

Acheson Fein

**THE WHITE HOUSE
WASHINGTON**

January 10, 1944.

MEMORANDUM FOR

GENERAL WATSON

Will you hold up on making
an appointment for me with the
Secretary of State and the Secretary
of the Interior until I have had a
reply to the attached memorandum?

F. D. R.

hint

THE WHITE HOUSE
WASHINGTON

January 10, 1944

MEMORANDUM FOR

C. H.

I will not do or say anything about the enclosed until you and Ickes have a chance to talk things over.

Offhand, I cannot approve holding this thing in reserve. Action is really necessary -- and I think we should negotiate with our own people who have oil before we negotiate with the British. In other words, we ought to know just what our own assets are before we try to make out a case with the British.

F. D. R.

Enclosure

Transmitting carbon of memorandum which the President received from the Secretary of State under date of 1/9/44, the original of which is attached.



DEPARTMENT OF STATE
WASHINGTON

January 8, 1944

FOR THE PRESIDENT FROM SECRETARY HULL

As you know, the Petroleum Reserves Corporation has negotiated for governmental participation in companies holding oil reserves in the Middle East. As you also know, this Government is going to conduct conversations with the British on Middle Eastern oil.

The broad objectives of these conversations, which look to the assurance of supplies for peace time and security needs as well as benefits to the countries owning the resources, encompass the purpose for which the Petroleum Reserves Corporation's negotiations were undertaken. However, it is not now possible to determine whether the Petroleum Reserves Corporation's negotiations would be consistent with the course we may decide to follow as a result of the conversations with the British.

Therefore, I believe that negotiations of the Petroleum Reserves Corporation looking to governmental participation in companies having foreign reserves should be held in abeyance, and I have advised Secretary Ickes accordingly. The question of further negotiations of this nature can be reexamined, of course, at a later period in the light of the developments connected with the conversations with the British.

CH



January 10, 1944.

MEMORANDUM FOR

THE SECRETARY OF STATE
THE SECRETARY OF THE INTERIOR

I do hope that you can get together and straighten out this problem of the Petroleum Reserves Corporation. It is, of course, true that the State Department should handle, in general, matters relating to foreign affairs -- but at the present time I think it vital that we should go ahead with some speed in negotiating with the American companies, in order to find out just where the United States stands before we take the matter up with the British. I thought that this policy had been settled at one of our earlier meetings in the White House.

I feel that time is important -- because after the war the American position will be greatly weaker than it is today. Can't we agree on a policy and on the method of putting it into effect?

THE WHITE HOUSE
WASHINGTON

-2-

I am referring especially to the letter of the Secretary of State of January fifth, and the reply thereto by the Secretary of the Interior on January seventh.

"F. D. R."

F. D. R.

No papers accompanied the original of this memorandum to the Secretary of State. Copy of the memorandum sent to the Secretary of the Interior.



THE WHITE HOUSE
JAN 7 2 37 PM '44
RECEIVED
THE SECRETARY OF THE INTERIOR
WASHINGTON

January 7, 1944.

My dear Mr. President:

Yesterday there came to me a letter from the Secretary of State that more than took me by surprise. I am enclosing a copy, together with a copy of my reply.

If Secretary Hull's ideas are to prevail, none of us may even hold a conversation with a representative of an American company holding oil possessions in the Middle East. Will you please let me know whether you will wish me to bring in the Presidents of Standard of California and of the Texas Company.

Sincerely yours,

Harold L. Ickes

Secretary of the Interior.

The President,
The White House.

2 Enclosures.

COPY

DEPARTMENT OF STATE,
Washington, January 5, 1944.

My dear Mr. Secretary:

I refer to the negotiations which the Petroleum Reserves Corporation recently undertook with the California Arabian Standard Oil Company, for direct governmental participation in, or control of, that company's oil holdings in Saudi Arabia, and to similar negotiations which were initiated with the Gulf Oil Company relative to the latter's holdings in Kuwait.

It is understood that the above-mentioned negotiations have been based on the view that this Government should participate in companies holding foreign oil resources in order to protect the American interest in those resources and assure this country supplies in emergencies.

As you know, we are planning to undertake exploratory conversations with the British Government on questions of mutual interest regarding Middle Eastern oil. Our intention is to determine the possibility of achieving close cooperation between the United States and British Governments in developing oil in the Middle Eastern area, and the manner in which such cooperation would be effectuated. Hence, the purpose of the conversations is to ensure that this country will have access to supplies of Middle Eastern oil to meet peace-time as well as security needs. At the same time, of course, the conversations will seek to assure that supplies of Middle Eastern oil will also be available, in accordance with the principles of the Atlantic Charter, to meet the similar needs of other friendly countries. Thus the broad objectives of the proposed conversations with the British Government include the purpose intended to be accomplished by the Petroleum Reserves Corporation negotiating with the California Arabian Standard Oil Company and the Gulf Oil Company.

However, the Department believes that, until the outlines of our conversations with the British Government take shape, it is not possible to determine whether direct participation of this Government in petroleum companies holding foreign oil reserves will prove consistent with the steps we may wish to take to attain our objective. In fact, there is a danger that such an arrangement made now between this Government and the oil companies holding reserves in the Middle Eastern area might even adversely affect the course we may decide upon as a result of the conversations. Moreover, the question of the needs for assuring foreign oil reserves for security reasons must take into account the larger question of the character of the post-war security system growing out of the Moscow agreements.

Accordingly, the Department is of the firm opinion, with which I believe you will agree in view of the above-mentioned considerations, that

negotiations of the Petroleum Reserves Corporation with the California Arabian Standard Oil Company and with the Gulf Oil Company, for the purpose of arranging participation by this Government in those companies or their foreign reserves, should be held in abeyance, and that no similar negotiations should be undertaken with any other company at this time. If developments growing out of the forthcoming conversations with the British Government should indicate that negotiations of the aforementioned nature should be again considered or that some alternative course might be advantageously examined as being within the scope of operations of the Petroleum Reserves Corporation, the Department, of course, will be glad to discuss the subject through its representative on the Board of Directors of the Corporation.

Sincerely yours,

(Sgd. Cordell Hull)
Secretary of State.

The Honorable
Harold L. Ickes,
President,
Petroleum Reserves Corporation.

COPY



THE SECRETARY OF THE INTERIOR
WASHINGTON

January 7, 1944.

My dear Mr. Secretary:

Your letter of January 5 takes the position that the negotiations of the Petroleum Reserves Corporation with the California Arabian Standard Oil Company and with the Gulf Exploration Company, for the purpose of arranging participation by this Government in those companies or their foreign reserves, should be held in abeyance, pending conversations with the British Government. Your letter further states your view that it may be necessary to defer a decision as to the program of the Petroleum Reserves Corporation until the question of the character of post-war security is settled or more clearly defined.

This statement of the policy of your Department is directly opposed to the program to which you agreed some months ago and which was approved by the President. As a matter of fact, the State Department was one of the agencies which initiated the interest of this Government in the acquisition of a share in the two companies referred to above, or in their oil reserves in the Persian Gulf area. I think that it is fair to say that the State Department was primarily responsible for the initiation of the conferences among the departments concerned which eventually resulted in the program of the Petroleum Reserves Corporation which you approved and in the carrying out of which your Department has been represented by ranking officials.

It is inconceivable to me that at the time that the program was originated, and during the time that negotiations and discussions were proceeding, the State Department was unaware that discussions and negotiations would be had with the British which would involve world oil problems or that arrangements with respect to Persian Gulf oil supplies would have an important bearing upon post-war security. In addition, I know of no new facts which have occurred upon which a change of position might be based, and your letter refers to none.

Since the program of the Petroleum Reserves Corporation which you now ask be suspended has been approved by the President, I cannot, of course, agree that it be abandoned—which is what your letter really suggests—unless I receive a direction to that effect from the President. Nor can I join with you in a recommendation that the program be abandoned. In fact, I think that it would be a grave error which would prejudice this Nation's position for generations if this program to strengthen our position with respect to the Persian Gulf oil reserves were not vigorously and promptly prosecuted at this time. I cannot appreciate how the effectuation of the program could adversely affect negotiations with the British or have a bearing upon other international problems. Indeed, it seems to me that the only foreign nations which could assert a legitimate interest in the program are the Kingdom of Saudi Arabia and the Shaikhdom of Kuwait.

The principal reason for participation by this Government in the ownership of the two named companies or of their oil reserves in the Persian Gulf area is to strengthen the position of the companies and of this Government in those oil fields. It was the unanimous judgment of the departments which participated in the formulation of the program that American control of these oil reserves is vital to the

security of this Nation, and that this control was imperiled so long as the companies did not have the participation, in an ownership capacity, of the United States Government. This view has been asserted by representatives of the companies themselves, particularly by the Standard Oil Company of California and the Gulf Oil Company. It was most ardently championed by representatives of the State Department. It is my considered judgment that unless steps are taken now--during the war--to achieve this objective, it will not be attained for many years to come; perhaps never. Consideration of the domestic political situation, as well as of our bargaining position internationally, supports this conclusion.

If this Government should acquire an interest in the companies or in the reserves, it would merely be placing itself upon a par with the British. As a matter of fact, it is doubtful whether this Government, as a result of the negotiations, would acquire as full a degree of ownership and control as the British Government has in its companies operating in the Persian Gulf area. In view of the participation of the British Government in the Persian Gulf area, I cannot see that they would have any basis whatever for objecting to American participation in the ownership of American companies or of reserves controlled by them. Certainly, we should give no weight to such an objection by the British Government. In fact, it seems to me that, unless this Government places itself upon a basis in the Persian Gulf area which approximates the position of the British Government, our position in the negotiations will not be as good as it should be.

It seems to me that the only relevant question of international policy is whether prosecution of the program would prejudice the relations of this Government with the Kingdom of Saudi Arabia and the Shaikhdom of Kuwait. The State Department has on several occasions, as well as by your own approval of the program, indicated that such prejudice need not result. I do not understand that you have changed your position in this respect and I do not know of any facts which might justify a change of position. Furthermore, I am advised that King Ibn-Saud has indicated to representatives of the Standard Oil Company of California that he would welcome participation by this Government in the California Arabian Company.

Accordingly, I propose to call a meeting of the Board of Directors of the Petroleum Reserves Corporation to consider your suggestion that negotiations be suspended. I hope that you will find it possible to attend this meeting, and I should be glad to arrange it to suit your convenience. It is my thought that the Board should consider the points which you make in your letter and should advise the President of its conclusions and recommendations.

Sincerely yours,

(Sgd.) Harold L. Ickes.

Secretary of the Interior.

Hon. Cordell Hull,

Secretary of State.

May 30, 1944.

Dear Harold:-

Don't hit me like that! When I got back this afternoon from Shangri-La yours of May 29th came -- and in regard to something which honestly I am not up on at the moment. I cannot let you out until I know something of what it is all about.

Aw, please give me a chance!

This, as you know, was in its inception almost as much my baby as yours.

Can't you put off that meeting tomorrow and let me talk with Stettinius and Maloney myself -- preferably with you present?

I had no idea of the situation you state and, of course, it goes without saying that I had not any idea that I had overruled you.

Always sincerely,

Honorable Harold L. Ickes,
The Secretary of the Interior,
Washington, D. C.

PETROLEUM RESERVES CORPORATION

WASHINGTON 25, D. C.

May 29, 1944.

*File
personal*

My dear Mr. President:

Your letter of May 24 has come, in which you say that you have authorized Justice Byrnes to tell Senator Maloney that "we did not intend to proceed in the construction of the pipeline" (in Saudi Arabia) and that if subsequently we should determine to proceed we would have no objection to giving to the committee thirty days' notice "while the Congress is in session so that if they wish to do so they could recommend legislation on the subject." You add a suggestion that I might "write a note to the Senator to the same effect".

This procedure has embarrassed me no end and has left me in a position where I feel that I can no longer deal effectively with the Maloney Committee or with any phase of the negotiations, either as to the pipeline or with the British. There could hardly be any use in my taking a position with the Maloney Committee when all that the committee has to do is to go to someone else and get a reversal of a position already taken by me even without consultation with me or without knowing the background.

For some time Senator Maloney has been pressuring me to secure a commitment that PRC would in effect sit on its hands for at least thirty days while the committee might determine whether or not we should take action which, in certain circumstances, might be very important indeed. I had refused to make such a commitment as Senator Maloney well knew when he talked with Justice Byrnes. I had two reasons for this refusal.

In the first place, I regard it as a bad precedent and one that may come home to plague us in the future to yield to any suggestion that the executive branch of the Government should abstain from acting within powers that it has from the Congress in order to seek for a reaffirmation of those powers. No government can operate on any such basis as this. This would constitute an abdication by the executive branch to the legislature. Moreover, the Maloney Committee is not the Congress, it is not even the Senate. It could not bind the Senate which would undoubtedly insist upon a review of any decision of the committee and neither could the Senate bind the House. The result would be not thirty days' delay but an indefinite period, with resultant confusion and inability to act.

My second reason for refusing to accede to Senator Maloney's request was that in our negotiations with the British we might need to exercise quickly the powers that we have in order to persuade the British to move forward with their negotiations. There can be no hope that the British will not learn -- they probably have already -- of our vow of inactivity for a thirty days' period, and they will be governed accordingly. It was the threat of the pipeline itself that persuaded the British to come across the Atlantic and discuss oil with us. With the knowledge that we have voluntarily decided to abdicate any power of quick action that this

obligation implies, there can hardly be any incentive to them to move with the celerity necessary if our objective is to be attained within the time within which it will be effective.

Maloney has, in effect, been threatening us with an open hearing. I have nothing to fear from an open hearing. As a matter of fact, it was I who first proposed it. He keeps talking about "pressure" for an open hearing but I have not seen evidence of any such pressure except from Maloney himself and I have reason to believe that he himself does not want an open hearing. Certainly no newspaper that I have read has called for one. At the last meeting of the Board of Directors I brought this matter up. I made the point that if we should give Maloney the power that he was pressing for we might lose our bargaining power vis a vis the British and the Board agreed with me. It was decided that a ten days' unofficial notice was all that the situation called for.

Perhaps I exaggerate the importance of this oil situation but I really believe that the election might very well turn upon how and when we come to terms with the British. Time is of the essence, as I have insisted all along. We have been losing valuable time. The so-called technical committee, while it did a good job, meant, from my point of view, a waste of time. If the senior committees had been called together instead of the technical committees, this whole matter would have been settled long ago. Now we are waiting for the British war cabinet to say "yes" or "no" to the agreement on principle at which we arrived through the technical committee, and then the senior committee will have to come over to talk the proposal all over again. You will recall that many months have now passed since I began to press for conversations between the British and ourselves. To date, we have accomplished, within a matter of months what could have been agreed upon within two or three weeks. If we had proceeded reasonably and in due course we would have avoided any pressure from the Maloney Committee.

I am only one member of the Board of Directors. No action has so far been taken without full consultation and there has always been unanimous action. I have called a meeting of the Board for Wednesday, which is the first day that all of the members will be in Washington, and I shall make your wishes known to it. Doubtless they will be followed.

I have already suggested that my position as President of PRC has been made untenable. I can be of no further use in carrying on negotiations that the whole world must know cannot mean anything because they are subject to being overruled without notice to me. I consider this oil matter to be of paramount importance and nothing ought to be allowed to stand in the way of a successful consummation of our conversations with the British. Therefore on Wednesday, I shall present to the Board of Directors of the Petroleum Reserves Corporation my resignation, both as President and as a member of the Board so that someone can be chosen in my stead in whom the Administration has at least enough confidence that it will not negative his efforts without at least consulting him. Please understand that if I had been told that you believed that I ought to adopt the course that has been indicated directly to Senator Maloney, I would have yielded to your judgment

as I always have. But it is one thing for me to go to Maloney and pretend that I have had a change of heart while it is quite another thing for Maloney to be told before I have that I have been overruled without benefit of clergy.

Sincerely yours,

Harold L. Elias

President, Petroleum Reserves Corporation.

The President,
The White House.

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1944

May 24, 1944

Dear Harold:

Last Thursday morning Jimmy Byrnes told me that the Senate Committee of which Senator Maloney is Chairman would at a meeting that morning determine whether they would have open hearings as to the construction of the pipe line in Saudi-Arabia.

After hearing the Senator's request and the reasons for the request, I authorized Justice Byrnes to tell Maloney that while our conferences with the English were underway we did not intend to proceed with the construction of the pipe line; that if, subsequently, we should determine to proceed we would have no objection to giving to the Committee 30 days' notice while the Congress is in session so that if they wish to do so they could recommend legislation on the subject.

Inasmuch as the Committee shows a willingness to cooperate with you, I thought you could write the Senator a note to this effect. It seems to me it would be wiser to do this than to have them legislating in the next few weeks to prevent action which you might never wish to take. The Senator wants a letter that will enable him to explain his inaction to his colleagues. I am sure you can draft one that will help him and at the same time protect your position.

Sincerely yours,

FRANKLIN D. ROOSEVELT

Hon. Harold L. Iken
Secretary of Interior
Washington, D. C.

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

May 22, 1944

James F. Byrnes
Director

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES F. BYRNES

SUBJECT: Arabian Pipe Line

I advised Senator Maloney that you agreed if his Committee did not have open hearings and did not recommend legislation that if the Administration hereafter determined to proceed with this project you would have the Committee give 30 days' notice while the Congress was in session. He appreciated it because he really wants to cooperate.

While he advised his Committee of my statement, he is anxious for a letter in order to protect himself against criticism. I therefore attach a letter which I hope you can get Ickes to send.

The attached file is evidently the information Vandenberg has about the Administration helping Iben Saud by purchasing petroleum products.

J.F.B.
J.F.B.

*Cores. betw. Navy + WPA re cores. from Joe Moffett
re financial aid to Saudi Arabia for petroleum - filed
Hull folder, 1-41*



May 31, 1944.

MEMO FOR THE PRESIDENT

I read this letter to the Secretary last evening. Should we let it go at that or would you prefer to send the letter and have it for the record?

G. G. T.

OFFICE OF WAR MOBILIZATION
WASHINGTON, D. C.



JFB
file

JAMES F. BYRNES
DIRECTOR

June 7, 1944

MEMORANDUM FOR THE PRESIDENT:

The attached letter explains itself.

I talked with Maloney on the telephone and told him that if you could not get Harold to write the letter I certainly could not do so.

The only suggestion I can make is, if you agree the letter should be written, that you write Maloney and send a copy to the Secretary with instructions to follow the policy set forth in your letter.

JFB
J. F. B.

FRANCIS MALONEY, CONN., CHAIRMAN
TOM CONNALLY, TEX.
EDWIN C. JOHNSON, COLO.
JOSEPH C. O'MAHONEY, WYO.
SCOTT W. LUCAS, ILL.
BURNET R. MAYS BANK, S. C.
ARTHUR H. VANDENBERG, MICH.
E. H. MOORE, OKLA.
OWEN BREWSTER, MAINE
CHAS GURNEY, S. DAK.
ROBERT M. LAFOLLETTE, JR., WIS.
RICHARD JOYCE SMITH, CHIEF COUNSEL

United States Senate

SPECIAL COMMITTEE INVESTIGATING
PETROLEUM RESOURCES

June 7, 1944

Honorable James F. Byrnes
The White House
Washington, D. C.

Dear Mr. Justice:

Because I had earlier discussed the matter with you in detail, and because you seemed to be completely in accord with my views, and the views of the "petroleum resources" committee, I feel that I should let you know what has transpired since my last conversation with you.

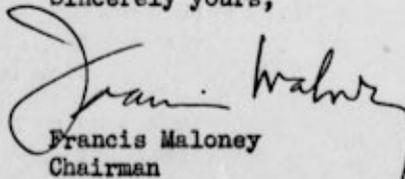
You are informed of my visit to the White House, with Secretary Ickes and Under Secretary Stettinius. I had believed that soon after that meeting with the President, our committee would receive "the letter" which we had sought from Mr. Ickes.

I have not heard from Secretary Ickes, nor anyone else, since we visited the White House on June first.

Members of the committee are "pressing" me for another meeting of the committee - and at once. Although very reluctant to call such a meeting at this time I feel, in the absence of the letter, that I must do so. I regard this situation as most unfortunate and I thought that before taking a further step I would acquaint you with the facts. It seems to me a shame that this matter should be so long dragged out - and I hesitate to "let go" while there is a further chance to do the thing which I feel might be so easily done - and which I further feel is of such tremendous importance.

Have you any further word or suggestion before we go ahead?

Sincerely yours,


Francis Maloney
Chairman

FM:AMG

Saudi Arabia Pipeline folder
file
1-44



THE SECRETARY OF THE INTERIOR
WASHINGTON

February 8, 1944.

My dear Grace:

When I came away from the President's Office after meeting with Secretary Hull, I apparently brought this file away with me by mistake.

Sincerely yours,

Harold L. Pehos

Secretary of the Interior.

Miss Grace Tully,
The White House,
Washington, D. C.

Enc.



**THE WHITE HOUSE
WASHINGTON**

January 6, 1944.

MEMORANDUM FOR

GENERAL WATSON

I want to see Secretary Hull and Secretary Ickes fairly soon. Will you give the attached memoranda to me when they come in?

F. D. R.



DEPARTMENT OF STATE
WASHINGTON

January 5, 1944

FOR THE PRESIDENT FROM SECRETARY HULL

You will recall that you approved my memorandum of December 8, 1943, stating that, because of the close connection between foreign oil questions and the general conduct of our foreign relations, the forthcoming conversations with the British on oil in the Middle East should be under the clear supervision and guidance of the Department of State.

That memorandum outlined my proposal concerning a group of three staff officers to conduct these conversations. In line with your approval, in my letter of January 1 to you I designated the Department's Petroleum Adviser as chairman of this group and the Chief of the Near Eastern Division of the Department as the Department's other member, and stated that I was requesting Secretary Ickes to designate an appropriate officer of his staff as the third member of the group. Again you gave your approval.

It is strongly felt that these conversations with the British should be conducted at the staff level as is done in the case of all similar international discussions of a technical nature. This is necessary, of course, in the case of Middle Eastern oil because of the obvious need for both technical knowledge and political experience with that difficult area. Moreover, I am certain that the British will not appoint anyone of cabinet rank for these conversations but will follow the usual procedure by also designating technical and political experts.

Accordingly, it is believed that the initiation of the conversations at the cabinet level, as apparently proposed by Secretary Ickes, would be neither appropriate nor practical. It is deemed highly advisable that they be conducted by the group as approved by you. The course of the conversations would be under my guidance and our representatives would act under my instructions. Secretary Ickes would be kept fully advised of the progress of the discussions by his representative who in turn would make Secretary Ickes' views known to the Department. I would, of course, make appropriate reports to you.



C. H.



THE SECRETARY OF THE INTERIOR
WASHINGTON

January 4, 1944.

Memorandum for the President:

On January 3, the Secretary of State requested that I designate an appropriate member of my staff to serve as a member of a group to conduct conversations with representatives of the British Government concerning petroleum problems of mutual interest in the Middle East. He advised me that he is designating the Petroleum Adviser of the Department of State and the Chief of the Near Eastern Division as the State Department's representatives on the group.

I am sure that nothing will come of discussions concerning this critical problem which are initiated at the staff level. In fact, I believe that they may serve to create confusion and uncertainty which will be positively harmful to the interests of this Government and its nationals.

The oil problems in the Middle East require bold and vigorous action by the Governments concerned. They cannot be dealt with on a diplomatic, staff basis. The time to obtain a resolution of the problems is at hand; and the delay in formulating and concluding a definitive program which will inevitably result if discussions are initiated as Secretary Hull suggests will result in our losing the right moment for action.

As I have told you, it is my opinion that the oil situation in the Middle East presents an important key to postwar economic problems and to basic international political arrangements. Unless the problem is dealt with firmly, energetically, and on a comprehensive scale, vital interests of this country, which are important to the entire world will be adversely affected.

The British are overlooking no opportunity to increase their advantage in the Middle East, as I will illustrate by an incident related to me only yesterday by Commodore Carter who, as you know, was in Cairo and Teheran when you were there and who undertook to find out all that he could about the oil situation:

It appears that a man by the name of Olinger, a Pennsylvania Dutchman, is the principal representative in Saudi Arabia of the California-Arabian Oil Company. He has been there for a good many years and is on close personal terms with King Ibn Saud. He told Commodore Carter that, a short time ago, King Ibn Saud applied for certain important machinery under Lend-Lease. He was turned down. Thereupon he turned to the British and in due course the British supplied him with American manufactured machinery which they had secured under Lend-Lease. According to Olinger this weakened the American position appreciably. When he tried to impress King Ibn Saud with the fact that, although he had secured this machinery through the British, it was, in fact, American machinery and had originated in the United States, King Ibn Saud replied: "The United States is a great country but I have discovered that it cannot send me machinery without the consent of the King of England."

Mr. Olinger also expressed to Commodore Carter his firm conviction that the company that he represents cannot deal on equal terms with the British unless the United States has an ownership interest in the American companies doing business in that area. On the other hand, our Minister to Egypt, Mr. Kirk, told Commodore Carter that he was opposed to any such policy because it would mean the entering of the Government into business. And yet it is upon Minister Kirk that we have to depend, in large measure, for oil representation in the Middle East.

I urge that you arrange promptly for a committee of your own Cabinet to represent the interests of the United States in these negotiations. This committee should, of course, be under the chairmanship of Secretary Hull. It should meet with a committee of comparable rank to be selected by the British. The detailed work can be handled through alternates; but the problems are of such magnitude and the only constructive answers are of such a scale as to require the prestige and direction of top-ranking officials.

I suggest that you arrange for Secretary Hull and me to meet with you to discuss this matter.

Harold L. Ickes

Secretary of the Interior.

John H. Harved

THE WHITE HOUSE
WASHINGTON

August 30, 1943.

MEMORANDUM FOR THE
SECRETARY OF THE INTERIOR:

If you and Secretary Hull and any others on the Committee, whom you might wish to bring with you, would like to see me any time within the next ten days, get in touch with Pa and arrange an appointment.

F.D.R.

No papers accompanied the original of this memorandum to the Secretary of the Interior.



THE SECRETARY OF THE INTERIOR

WASHINGTON

August 18, 1943.

My dear Mr. President:

The enclosed photostatic copies of memoranda on the oil situation in Saudi Arabia, Persia and the Persian Gulf are of great interest and importance and you may want to look at them. The longer one contains a report to me by James Terry Duce, who is head of our Foreign Division, PAW, of a conversation with Mr. B. H. Jackson of the Anglo-Iranian Oil Company, Ltd., The shorter one is a followup. I have sent copies of these documents to Secretary Hull.

I said to you once that, next to winning the war, the most important matter before us as a Nation was the world oil situation. I feel this more strongly than I did when I made this statement. Except in the limited field of West Texas, we are now producing all of the crude that we can if we are to avoid injury to our properties that we will have to pay for in the future. We are preparing to increase the production in West Texas to its conservation capacity. And despite everything, our supplies are falling below demand. Therefore, it behooves us to find supplies of crude oil elsewhere. Of course, we can turn to the making of synthetic gasoline out of coal and coal shale, but that is an expensive process. Moreover, this war has already demonstrated that, in the future, we cannot snuggle up to ourselves on the American Continent. We have assumed obligations in the world upon which we must make good. This means that we should have available oil in different parts of the world. I believe that the time to get going is now. I see no reason why we could not come to an understanding with the British with respect to oil and, if possible, that probably could be done better now than after peace has been declared.

I wrote to Mr. Stettinius the other day suggesting the desirability of considering whether, in view of the approaching depletion of our own supplies, we might not properly ask our Allies to return in kind the petroleum products that we are now supplying, either completely or partially, in the event that it seems wiser to build up dollar balances in this country.

We are going ahead with Petroleum Reserves Inc., although at last accounts we hadn't been able to get any money out of Jesse Jones. As soon as possible after you return to Washington I hope that some of us representing this corporation may have an opportunity to confer with you.

Sincerely yours,

Harold L. Pehas

Secretary of the Interior

The President,
The White House,
Washington, D.C.

RETROLEUM ADMINISTRATION FOR WAR

WASHINGTON

August 13, 1943.

MEMORANDUM for Mr. Ickes.

I would like to add the following personal impression to my Aide Memoire on the talk with Mr. B. R. Jackson:

I believe that the geologists could make an estimate (if they had full data from each of the producing companies in the Persian Gulf) for a proved reserve in that area in excess of the present proved reserve in the United States (that is in excess of 20 billion barrels). I am not sure that a careful study of the detailed results up to the present would not show that that reserve might reach 30 billion, or 10 billion more than the present U. S. reserve. These, of course, are fantastic figures. In addition to this, I know from the results obtained by the California Arabian Standard Oil Company, the Iraq Petroleum Company and the Anglo-Iranian that there are numerous prospects of a very high grade which are practically certain to produce oil in each one of the areas.

The obvious conclusion is that the Near Eastern area, including Iran, Iraq, Kuwait, Saudi Arabia, Qatar and the region controlled by the Trucial Shaks and possibly portions of Syria will produce an overwhelmingly large proportion of the world's oil over the next twenty years. The wise use of that oil, the wise application of the revenues which come from that oil to the governments of the Near East, the wise treatment of labor in that area will have a tremendous influence on the commerce and well being of the world. It is also to be remembered that this area was the center of world prosperity and civilization up to about the time of the Tartars, who under Genghis Khan's generals destroyed the irrigation systems of Mesopotamia. Wise use of the funds acquired by the governments through the oil development may well lead to the revival of these areas.

I have not mentioned the importance of the oil from a military standpoint which is self-evident. I believe Mr. Jackson is right in his thesis that the Near Eastern Petroleum situation should be examined by and considered by the governments of the U. S. and Great Britain jointly, and that some steps should be taken by these governments to guide the development of the future, not only in their own interests but in the general interest of the world and also of the native populations which have suffered from 1,000 years of mis-government.



James Terry Duce
James Terry Duce.

J. S. [unclear] M

AIDE MEMOIRE

Meeting with Mr. B. H. Jackson, Anglo-Iranian Oil Company, Ltd., August 9, 1943, New York City.

Mr. Jackson began by explaining the very difficult situation in which the Anglo-Iranian Company found itself during the present time on account of the collapse of the Shahr government and the very tenuous political hold the present government had on southern Persia. While there were abundant funds in the country, the local officials had not been paid for considerable time and there was no firm hold on the tribes in the south. He is inclined to credit this to the Russians who are doing all they can in southern Iran to discredit the British and have spies and officials throughout Iran. He said that Miles Paugh had recommended a U. S. loan to Iran which he believed desirable.

The situation at Abadan has been serious at several times during this last year. There are about 120,000 people in Abadan which formerly had facilities for only 40,000. All government sanitary services have disappeared and the Anglo-Iranian is struggling with this matter itself. They have had two epidemics of typhus, probably imported by Polish refugees. They have appropriated \$20,000,000 for housing, but this will only be a palliative and will not solve the situation as it is extremely difficult to get materials for the construction of adequate housing facilities. The situation was not unlike that at Basra described by Sir Arnold Wilson in the early days of the Mesopotamian campaign, as far as political and social affairs were concerned.

He looked, however, for the Anglo-Iranian Company to be able to continue to operate their fields and refineries. They have concluded a renewal of the agreement with the Iranian government for a minimum royalty

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of 4,000,000 pounds per year. He said the biggest post-war problem was currency stabilization.

Mr. Jackson then discussed the situation in the Near East. He said their explorations in Iran have uncovered huge quantities of oil and it is quite probable in the fields now discovered in Iran that reserves might equal those credited to the United States. He added that in Kuwait they, with the Gulf, had discovered the field at Burgan which they credited with 540,000,000 tons of reserves on the basis of their present explorations and that this might be quite largely extended. (This would be approximately five billion barrels of oil, which checks with our advises from the Gulf.) There are possibilities of large extensions of this field to the south. He went on to say that there were known to be large prospects in Basra and that Qatar looked like a major oil field. To add to the tremendous possibilities in this area, there were also the discoveries made by the California Arabian Standard Oil Company about which I must know more than he did. It is the first time in history that there have been such enormous quantities of oil overhanging the markets of the world, quantities far beyond that which the contiguous markets to the Persian Gulf could possibly absorb.

He stated that this matter had been a subject of considerable discussion in Great Britain during his stay there. The Anglo-Iranian on its part did not see how it would be possible for it to continue to occupy a minor position in the export market. As a matter of policy, the Anglo-Iranian was prepared to sell any amount of crude oil or product at a price of five percent less than the Gulf export price currently quoted in Pratt's Oilgram. He further stated that he and the British authorities connected with the Anglo-Iranian Company believed some arrangements would have to be made between the U. S. government and the British government with respect to offtake in this area; that the royalties accruing to the

Iraki, Persians, Arabs, and the Sheiks of Kuwait and Bahrein would become within the next few years the most vital source of their revenue and it was essential that these be distributed properly and that the funds originating in these revenues be carefully husbanded and spent to improve the condition of the countries to which they accrued.

He said that the situation in Iraq as it affected the Iraq Petroleum Company was in his mind fraught with certain dangers. In the first place, he thought that the Red Line agreement entered into between the British and the Americans might be illegal from an American viewpoint on account of the Sherman Anti-Trust Act. This point had not been raised yet because the agreement had been made under the auspices of the State Department. However, it had been raised by the Gulf in connection with the Kuwait agreement, the Gulf having an agreement with the Anglo-Iranian Company that neither company would market the Kuwait oil in the sales territory of the other. Besides the possibility of its being illegal from an American viewpoint, there have been discussions recently, some of which have appeared in the London Times by Mr. Morrison, who he (Mr. Jackson) considered as a possible future labor premier.

As to the legality of the cartel agreements arising under the Anglo-Iranian and other agreements, he added that he did not think that it was possible for the companies themselves to arrive at any agreement regarding the future of the Near Eastern oil. In the first place the American companies were constrained by the recent interpretation of the Sherman Anti-Trust Act from having any discussions with one another. Further, it was his opinion that such discussions would be sterile as there were too many conflicting personalities involved.

He had thought that it might be an advantageous time for the British and American governments to get together to discuss the entire problem of

petroleum in the Near East now because he doubted if after the war a suitable arrangement could be consummated. He informed me at the same time that the Anglo-Iranian Company and the Gulf are now competing for the half-interest in the neutral zone in Kuwait. This lies within the Red Line area.

I informed Mr. Jackson I should call the Secretary's attention to our discussion and also the State Department and stated that personally I felt that some agreement would have to be entered into on account of the vast quantities of oil which are being discovered in this area. Mr. Jackson stated that if a fierce competitive battle developed and low prices were obtained for the crude oil and by low prices he meant under \$1.00 per barrel, there would be unfortunate repercussions on the social programs of the companies in the area, particularly the wages paid the natives, measures of sanitation and education and trade training facilities necessary if these countries are to live under normal conditions. He also stated that he thought that it might well be that the products advanced under Lend-Lease to the British might be repaid out of Near Eastern oil in kind at some future date. He thought that negotiations to this end would be fruitful.

James Terry Duce.

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Justice *Saudi Arabian Pipeline Project*
Jimmy Byrnes *SR* *File* 1-44

THE WHITE HOUSE
WASHINGTON

March 7, 1944

MR. EARLY:

Telephone message

2:00 - Mrs. Page, Speech Clearance Desk, O.W.I., called in re a statement which Secretary Ickes is making in a speech which he is delivering at 7:30 this evening over the Mutual Network. Mr. Ickes is speaking as President of the Petroleum Reserve Corporation, on the subject of the Saudi-Arabian Pipeline Project.

The statement is:

"Every act proposed or undertaken on the part of this Corporation has been discussed freely with the President and has had his consent. It is well to note, too, that the Joint Chiefs of Staff and the Army-Navy Petroleum Board have urged the completion of this project as quickly as possible."

Mrs. Page says Walter Brown, Justice Byrnes' office, has a copy of the speech. It seems the State Department is objecting to certain phases of it -- that Secretary Ickes' hasn't accepted their objections -- and that Justice Byrnes is ironing it out. Mrs. Page thinks that the statement with regard to the President should be cleared by you.

O.W.I., Ext. 71842

June 12, 1944.

My dear Senator Maloney:-

I can well understand that your Committee understood that the Congress would be given thirty days' notice on the proposed pipeline in Arabia, but that the Secretary of the Interior put ten days into his letter to you as Chairman. Frankly, I cannot get very excited over this question because, strictly speaking, I am convinced that under the present law I could put through a contract tomorrow without giving any notice at all!

However, I have no intention of doing this, and the whole matter is, I think, working out fairly well for our national future in our conversations with the British who have access to the oil north of the Arabian field.

Frankly also, I am sure we are all working toward the same ultimate national objective.

Therefore, as a matter of what might be called comity, I am asking the Secretary of the Interior to enter into no contract without giving you and your Committee thirty days' notice.

Very sincerely yours,

FRANKLIN D. ROOSEVELT

Hon. Francis Maloney,
United States Senate,
Washington, D. C.

June 12, 1944.

Dear Harold:-

I have just sent a letter, copy of which I enclose, to Senator Maloney. Frankly, I think it is the best thing to do, for I have stated the right of the Administration to make a contract under the present law, but this is a case which I do not think is big enough to make a great issue out of. Therefore, when we get to that stage, give them thirty days' notice and I am reasonably certain that it will work out all right.

Always sincerely,

FRANKLIN D. ROOSEVELT

The Honorable
The Secretary of the Interior,
Washington, D. C.

(Enclosure)

OFFICE OF WAR MOBILIZATION
WASHINGTON, D. C.



JAMES F. BYRNES
DIRECTOR

June 9, 1944

MEMORANDUM FOR THE PRESIDENT:

Referring to our telephone conversation of yesterday, Senator Maloney telephoned me stating that he did so because of your suggestion that we again discuss the Arabian Oil matter. However, I had to tell him that I could not think of anything further I could do. Harold having declined to write that he would give the Congress thirty days' notice and having written that he would give them only ten days' notice, I can see that he will now find it difficult to do what you told him to do.

I see no way in which you can straighten this matter out unless you write a letter to Maloney referring to your conversation with him on the telephone and stating that you see no good reason why the Congress should not be given thirty days' notice and that you will advise the Secretary to this effect. I admit that is not so good.

The only other alternative is for you to ask Harold to write Maloney that since sending his other communication he is advised that ten days' notice would not be of value to the Congress and that he understands that the Committee would like to have thirty days' notice and that he sees no good reason why it should not be given thirty days instead of ten.

J. F. B.
J. F. B.

THE WHITE HOUSE
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FRANCIS MALONEY, CONN., CHAIRMAN
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RICHARD JOYCE SMITH, CHIEF COUNSEL

United States Senate

SPECIAL COMMITTEE INVESTIGATING
PETROLEUM RESOURCES

June 14, 1944

file

Honorable Franklin D. Roosevelt
The President of the United States
Washington, D. C.

My dear Mr. President:

Please let me acknowledge your letter of June 12, 1944, in which you state that you are asking the Secretary of the Interior to enter into no contract on the proposed pipeline in Arabia without giving the Senate Petroleum Resources Committee thirty days' notice.

This matter was taken up at an executive meeting of the Committee on June 13, 1944, at which Secretary Ikes was present.

The question was fully discussed, and it was the unanimous view of the Committee that the assurance contained in your letter of June twelfth has resolved the matter satisfactorily.

We appreciate your attention to the problem. However, the Committee members desire me to respectfully state that they are not in agreement with the views expressed in the last sentence of the first paragraph of your letter.

Respectfully yours,

Francis Maloney
Chairman

LSH

PETROLEUM RESERVES CORPORATION

WASHINGTON 25, D. C.

June 12, 1944.

THE WHITE HOUSE
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My dear Mr. President:

I gather from the copy of your letter of June 12 to Senator Maloney, that he continues to try to make it appear that, on some unknown occasion, at some unspecified date, I represented that I would give his committee "thirty days' notice on the proposed pipeline in Arabia." This is not his first effort in that behalf, but all that I can say is that any such allegation or intimation could not be wider of the truth. As the record will verify, and as I can establish by other members of the committee, from the very beginning I took the position that I could not, and therefore would not, give to Senator Maloney the assurance sought to be obtained by him.

I may go further and say, as I have suggested in the past, that, so far as I have been able to ascertain, Senator Maloney is the only member of the committee who is losing sleep over the question of a public hearing. Just what his motive is, I do not know, but what I have stated I believe to be the fact. He seems to have some objective in mind which apparently is important to him, even if it seems obscure to me. As the Chairman of an investigating committee, Senator Maloney has never impressed me.

Lord Halifax called me today to say that he had just heard from London to the effect that definite news about further negotiations ought to be forthcoming in a couple of days. I hope so because I do not know how much longer we can hold this matter. I had thought that before this you would have had an answer from the Prime Minister to your cablegram.

In conclusion, may I respectfully suggest that I continue to think that it would be both bad policy and bad tactics to give Senator Maloney the assurance that he alone of the committee seems to be pressing for.

Sincerely yours,

Harold L. Johns

President, Petroleum Reserves Corporation.

The President,
The White House.