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AMEMBASSY, BEIRUT

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January 13, 1953

Depeirc Control 3144 of August 28, 1952; Depcirtels 444 of October 17 and 526 of November 7, 1952.

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Middle East Reaction to Federal Trade Commission "Report on the International Petroleum Cartel" and the U. S. Department of Justice Suit Against Designated International Petroleum Companies.

Reference is made to the Department's Circular instructions (Depeirc Control 3144 of August 28, 1952, Depcirtels 444 of October 17 and 526 of November 7, 1952) requesting press, official, and private reaction in the Middle East to the publication of the Federal Trade Commission's "Report on the International Petroleum Cartel" and the U. S. Department of Justice suit against designated international petroleum companies. The Department's instructions requested reports on unsolicited reaction, and for the Lebanon this was submitted in Despatch No. 177 of September 29, 1952 and in a telegram No. 1092 of December 3, 1952.

In pursuance of the Department's instructions, there is attached a report prepared by TAPLINE dated December 9, 1952 addressed to Mr. George W. RAY of the New York office by Mr. Franklin W. BATES, Counsel for the TAPLINE Beirut office. The report presents an excellent analysis of the unfavorable impact the FTC Report and the Justice Department suit have had on attitudes generally in the Middle East towards the foreign oil companies and their operations, and particularly on the influence they have had on official action in the pipeline transit countries, Syria and Lebanon, which have adopted a conscious policy of seeking to increase the revenues derived from their pipeline agreements.

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Ambassy, Beirut~~RESTRICTED~~  
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The TAPLINE report under reference was transmitted to this Embassy for its information by Mr. Clyde SWIGART, President of TAPLINE. Since it represents a comprehensive review, including reports available only within that company, of reaction concerning which the Department requested to be kept informed, permission has been obtained from TAPLINE to transmit it, as classified, for whatever intra-Government distribution the Department may deem appropriate.

For the Ambassador,

Hector C. Ortiz,  
Petroleum Attaché

Enclosures:

TAPLINE Report of Mr. Franklin  
W. Bates, dated December 9, 1952  
and Exhibits "A" through "N".

Department please transmit to all Middle East  
capitals as well as Ambassies London, Paris,  
and Consul General Dhahran.

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C O P Y

TRANS-ARABIAN PIPELINE COMPANY

P.O.Box 1348  
Beirut, Lebanon

December 9, 1952

Mr. George W. Ray, Jr.,  
Trans-Arabian Pipeline Company  
New York

When I returned to the Middle East this October after an absence of four months I was impressed by a marked change of attitude toward our and other American companies.

American interests, and particularly the oil companies, had always been a target for attack by the leftist and nationalist elements; and had always been under pressure to increase in one form or another their contributions to the local Governments. These are two of the constant factors we have had to contend with to stay in business in the Middle East.

The difference now, however, is that both of these groups-- those who are out to discredit American business generally, and those who are urging the local Governments to demand more revenue from concessionary companies despite existing Conventions--are more aggressive and finding a more receptive audience than ever before.

It is quite apparent that this new, heavily charged atmosphere is directly related to the reports and charges that have been disseminated by our own Government--supplying fuel for propaganda that is being used with telling effect not only against the oil companies in the Middle East, but against American foreign commerce generally. The situation is an explosive one, and little seems necessary to touch it off at any time.

Publication of the F.T.C. report on the alleged "crimes" committed by the petroleum companies, followed by the announcement of the U. S. Government's action to recover \$67 million for illegal over-charges, and finally the information that the Government is contemplating prosecution of the oil companies as international criminals, have had the effect in the Middle East of completely undermining the prestige of the oil companies, and of providing a bonanza of ammunition to their detractors and aggressors. A great issue has been made of the fact that the oil companies have been discredited by their own Government, and the press, the public and local factions have been quick to take up the hue and cry.

Heretofore the U.S. Concessionary companies, while attacked and preyed upon, have nevertheless been respected as law-abiding representatives of the American nation, and although they might be accused of exploitation, colonization or westernization, it had never occurred to anyone to accuse them of evil-doing or transgression of laws. It had also never occurred to anyone to suggest that they did not enjoy the complete backing and support of the American Government.

For the most part, the Arab people do not understand the nature of the present charges. It is foreign to their imagination how or why a Government should prosecute its own corporate citizens, whose initiative, capital and enterprise have secured to their country its commercial strength throughout the world.

The Arab people do not understand "cartels"; nor why a country which stands for freedom of private initiative should suddenly (as they conceive of it) cast out the oil companies which in the Middle East have stood as the most manifest symbol of American private enterprise. They can arrive at only one conclusion: that even the American Government has been forced to concede that the oil companies are evil; that it is no longer standing behind them but is accusing them before the world of their misdeeds. The exact nature of these misdeeds is not quite known, but most consider that the oil companies have been found guilty of some sort of exploitation of the rest of the world which proves conclusively that they have been exploiting in like manner the Governments and peoples of the Middle East.

This feeling has pervaded the public, the press, and even the highest circles in Lebanon. Many are genuinely disillusioned and indignant. Others use the situation as propaganda for their own ends, and as justification for whatever accusatory or predatory position they wish to take. Little distinction is made between the "cartel" charges and the suit to recover \$67 million. No-one knows for sure what this sum is for. But everyone is in agreement on one thing: that if there is money to be got the Arabs should be in on the act. If the U.S. Government is out for 67 million the Arab countries would be neglecting their own interests if they did not go after something on the same scale themselves. And since the oil companies have been pronounced criminals, any measures against them are now justified!

I am attaching to this report, as Exhibits "A" to "D", copies of letters recently received from our representatives in Syria and Lebanon commenting on and warning us of the situation developing in these countries. Included are copies of two warning letters from our local counsel in Lebanon, dated November 3, 1952 (addressed to Mr. Campbell) and December 2, 1952 (addressed to Mr. Swigart);

a letter addressed to me by our local counsel in Syria dated November 25, 1952; and a report by our Syrian representative newly received by Mr. Campbell dated December 5, 1952, to which are attached translations of several articles from the local press. You will notice that both Mr. Abi-Chahla and Mr. Cattar are alarmed that the situation may get out of hand, and it is felt that the local Governments may not be able to resist the popular clamor for aggressive measures against American companies. Certain factions in the Governments will be all too ready to seize the occasion to repudiate existing agreements and demand new payments in line with the new economic concepts (See attachments to Mr. El-Yusuf's letter, Exhibit "p"; U.S. Embassy Local Press Reviews, November 4, 5, and 7, 1952).

I am also attaching, as Exhibits "B" to "M", extracts from Tapline's and the United States Embassies' Local Press Reviews, translations of several extracts from local newspaper editorials, and an extract from a local newspaper "Extra" distributed to U.S. Sixth Fleet personnel ashore in Beirut on November 29, 1952. These items indicate the tenor of the press comment inspired by the U.S. Government proceedings, and the generally damnatory reaction--both as regards the oil companies and as regards the U.S. Government as author of the charges (viz. "The Daily Star" articles, Exhibits "P", "Q" and "I").

It seems to me that it would be very desirable, not only in the interests of the American oil companies operating in the Middle East, but also in the interests of the U.S. Government itself, which has a stake in this area that is now well recognized, to bring some of the attachments to the present report to the confidential attention of responsible persons in the Government. The situation developing here should, at the very least, be appraised carefully against the anticipated benefits to be derived from the continued publication of charges and prosecutions which discredit the oil companies and American interests generally in the eyes of the Arab world.

A study of the attachments will show:

1. The wide-spread attention given in the Arab countries to the F.T.C. report and federal charges.
2. The bewilderment and disillusionment of the Arab world upon dissemination of the U.S. reports.
3. The loss of confidence and standing in the Middle East suffered by the oil companies as a result of the reports.

4. How the Arabs have been avid listeners to reports of the charges and have been quick to turn these charges against the oil companies.
  5. How publication of the charges by the U.S. Government has intensified the demands of the public and press for the negotiation of new Concession terms with the American oil companies.
  6. How the local Governments, stimulated by reports of the U.S. proceedings as well as by the popular outcry resulting therefrom, have been encouraged to press more aggressively their demands for revision of Oil Concession Agreements.
  7. Another type of press reaction (to the U.S. Government's suit for refunds) expressed in resentment against the U.S. for attempting to "confiscate" oil revenues which are shared by the Arab countries.
  8. The fear and suspicion that, if the oil companies are as powerful and dominating as the F.T.C. report would indicate, and so despotic as to warrant prosecution by the United States Government, these companies and other American companies may constitute a real threat to the national interests of the Arab countries themselves.
1. The wide-spread attention given in the Arab countries to the F.T.C. report and federal charges.

In this connection, Mr. W. A. Eddy, our Middle East Consultant, in a memorandum to me dated 19 November 1952, commented:

"Apparently, news of the F.T.C. report has been noticed rather widely. It was mentioned to me, not only by a score of persons in and near Beirut, but by the Assistant Director of Finance of the Municipality of Latakia, and by the Executive Secretary of the Chamber of Commerce of Aleppo".

Almost all newspapers in Lebanon, Syria and Egypt have borne reports of the report and charges, including the "Daily Star", "Telegraph", "An Nahar", "Al Hayat", "Al Tayar", "Ad Dustour", and "Le Commerce du Levant" (Lebanon), "Al Youm" and "Al Inba" (Syria), and the "Egyptian Mail" and "Al Ahras" (Egypt). In addition, when news of the U.S. Treasury suit was announced, the Beirut "Daily Star" (Exhibit "PK") reported:

"The news that the U.S. Treasury is suing half a dozen American oil companies for 'illegal' excess in the sale of Middle East oil to Europe has aroused great interest in Iraq, Saudi Arabia and Kuwait".

2. The bewilderment and disillusionment of the Arab World upon dissemination of the U.S. reports.

The "Telegraph", a Lebanese paper, printed an editorial on August 20, 1952 (Exhibit "E") reading:

"We listened yesterday with great astonishment to Broadcasting Stations reporting the news of the 'Oil Cartel Secret Report' which President Truman had lately authorized to be published, after much reluctance, so as to maintain the friendly relations with the Arab countries".

The Lebanese "Daily Star", on September 5, 1952 (Exhibit "G") inquired:

"The attitude of the United States Government toward the American oil companies operating in the Middle East will puzzle a great many people who know these companies at first hand and realize the good which has resulted from their activities.

"Why should the United States at this critical time attempt to injure a segment of American industry which is supplying a vitally needed commodity and which has contributed a great many benefits to the Arab world?"

Mr. Wilton Byns, Associated Press correspondent, reports the following statement made in the course of an address by Mr. Georges Haccache, editor of the Lebanese newspaper "L'Orient", at a press dinner in Beirut on October 3, 1952:

"The American Government destroyed our belief in its integrity by its support of the so-called State of Israel. We continued to believe that in spite of their government American businessmen were honest and trustworthy. Now we can no longer believe that".

Similar views of disillusionment and change of feeling with regard to the oil companies as a result of the Federal charges have been expressed on all sides. Mr. Metz, our Public Relations Manager, was personally present at the Bristol Hotel on October 20, 1952, when Mr. Hafif Tibi, Editor of the Lebanese paper "Al Youm", remarked before a group of journalists:

"I used to think the oil people were doing a great deal to advance the welfare of the Arabs. Now I realize they weren't doing nearly enough and were cheating the Arabs besides".

Mr. Habib Abi-Chahla, our local counsel in Lebanon, reported to the President of the Company on December 2, 1952 (Exhibit "C"):

"You know that I am well acquainted with the general situation, here and in the Arab world. I cannot but repeat to you what I have already said and written on this matter.

"The recent attitude of the U.S. Government and the suits introduced against the Oil Companies have done to the American Oil enterprises in the Near East much more harm than the Iranian crisis and the Communist propaganda.

"It was easy for all reasonable persons to notice that the attitude of Iran itself, and that (of) the communist propaganda is always biased, reckless and dishonest.

"But how can the same persons explain the attitude of the U.S. Government towards the American Oil Companies which have invested in the Near East the greatest amount of capital ever entrusted by American citizens and corporations? They are unable to explain it and we, also, are unable to give these persons adequate answers and clear justifications".

Mr. Henry Cattan's letter to me from Damascus on November 25, 1952 (Exhibit "B") states:

"I would add that the exact nature and purport of the anti-trust proceedings now pending in the U.S.A will never be fully understood or realized here. A prosecution against a cartel combination is foreign to people's thinking in the Middle East. On the contrary, people here are more accustomed to the idea of a Government protecting its companies, not prosecuting them. Therefore the impression that will be left in the minds of people here as a result of such proceedings is that American Oil Companies are breaking the law, conspiring with other companies and generally acting against public interest".

3. The loss of confidence and standing in the Middle East suffered by the oil companies as a result of the reports.

Mr. Cattan's letter above-mentioned (Exhibit "B") points out "The diminution in the standing of oil companies in these countries by reason of the fact that such companies are being subjected by their own government to repressive proceedings for allegedly committing illegal acts and generally acting against public interest".

Mr. Abi-Chahla, who is a member of the Lebanese Parliament and most intimately acquainted with inner-circle thinking, reports the

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loss of confidence evident on the part of high Government officials in Lebanon as a direct result of the U.S. proceedings, and in his letter of December 2, 1952 (Exhibit "C") cites the following instance:

"Mr. Hakim, Minister of Finance, who is a graduate of the American University of Beirut and who was the Counselor of the Lebanese Legation in Washington for several years and one of the Lebanese Delegates at the United Nations Organization, has always declared that his attitude towards the Oil Conventions is not less friendly than that of the U.S. Government itself. He, once, went further and said that after reading the report of the U.S. Government on the oil business he has lost confidence in the Oil Companies. He contends that the Anti-Trust and over-charge suits are sufficient evidence that the Oil Companies are not sincere in their relations, not only with foreign Governments, but also with their own Government".

Mr. Mahmud El-Yusuf, our representative in Damascus, reports in his letter to Mr. Campbell of December 5, 1952 (Exhibit "D"):

"The public, reading the Syrian newspapers' accounts of the United States Government case against the oil companies, is convinced that the oil companies are robbing everyone".

4. How the Arabs have been avid listeners to reports of the charges and have been quick to turn these charges against the oil companies.

Mr. El-Yusuf writes from Damascus (Exhibit "D"):

"To the man on the street the word 'Cartel', trust and the other legal terms used to describe the alleged oil combine as used by the United States Government in its charges are new words, which he now uses in his attacks on the oil transporting companies as well as the oil marketing companies that operate in Syria. Now he is able to point out to the United States Government's charges as a confirmation of the despotism which the oil companies exercise throughout the world".

The English-language "Extra" of the Beirut paper "Sadd Loubnan", distributed to personnel of the Sixth Fleet while in Beirut (Exhibit "M"), did not fail to plug the U.S. Government's claim against the oil companies, albeit inaccurately:

"And the U.S. attitude towards Palestine is not the only cause of breeding Communism. The Oil Interests share in the crimes. Their high-powered publicity machine tells you thru pamphlets, pictures, and articles, and tells us thru little silly ads, what kind of God-fearing, well-meaning citizens they are. You, of course, remember that your Treasury is prosecuting them for doing the American people out of \$60,000,000 in income tax evasions".

The Lebanese paper "Ad Dastour" on November 21, 1952, (Exhibit "L") cited the U.S. Government prosecutions to support its attack on the oil companies, saying:

"If the managers of oil companies were politicians, they would have been victorious in every negotiation. If they were army leaders, they would have never lost a battle because they are the most able negotiators and the cleverest in manoeuvres. However, they preferred to be merchants, who make use of politics, war and peace at the same time...

\* \* \* \* \*

"Here is an important note which, we hope, the Government will take into consideration. Oil Companies are not France, England or the U.S.A. They are a group of greedy merchants whose first target of exploitation was the U.S. market. The U.S. 'declared war' against them many times. They use several means, legal or illegal, to evade the law".

Mr. Abi-Chahla has pointed out to us how officials of the Lebanese Government have recently invoked the "attitude of the U.S. Government" to justify their own new hostility to the American oil companies. In his letter to Mr. Campbell of November 3, 1952 (Exhibit "A") relating a conversation with Mr. George Hakim, Lebanese Minister of Finance, he quotes Mr. Hakim as saying:

"Moreover you consider that my attitude is-hostile. Well look at the attitude of the U.S. Government towards the same Oil Companies. There is an anti-trust suit against them and the U.S. Government is claiming a refund of Seventy Million Dollars representing overcharges on petroleum products sold to it".

Again, in his letter to Mr. Swigart of December 2, 1952 (Exhibit "C") Mr. Abi-Chahla reports:

"Several members of the Finance Committee and of our parliament, who are known to be very friendly invoke the attitude of the U.S. Government in order to justify their present hostility to the Oil Companies".

5. How publication of the charges by the U.S. Government has intensified the demands of the public and press for the negotiation of new Concession terms with the American oil Companies.

Mr. Henry Cattani, former counsel to the Arab League and recognized as one of the foremost authorities on public opinion in the Middle East, writing from Damascus, points out, among the damaging effects attributed to the proceedings instituted in the U.S., "The intensification of popular demands against the oil companies" (Exhibit "B"). He goes on to say:

"It can easily be seen that charges of forming cartels and controlling markets and similar allegations stir up public opinion against the oil companies in a manner that could be most detrimental not only to the companies themselves, but to oil transit agreements generally".

Mr. Mahmoud El-Yusuf, Company representative, also writing from Damascus, says (Exhibit "D"):

"The Syrian newspapers have taken up the proceedings brought by the United States Government against the oil companies and are making a great issue of the Cartel charges which the proceedings involve. They play the charge up in their demand that the Syrian Government enter into new negotiations for higher fees from the transporting companies and lower petroleum prices from the oil marketing companies.

"The public, reading the Syrian newspapers' accounts of the United States Government case against the oil companies, is convinced that the oil companies are robbing everyone. They cheat the Arabs of their national wealth, and then cheat their own government by overcharging it. Therefore, the Syrian newspapers, flaming public opinion and being inflamed by the public, are demanding that the Syrian Government press for greater revenues from the oil transporting companies as evidence in the attached articles".

The Lebanese papers likewise, when reports of the U.S. proceedings were received, rose to demand renegotiation of Concessionary agreements. Thus the "Telegraph", of Beirut, in its editorial on the F.T.C. report on August 20, 1952 (Exhibit "E") concluded:

"We believe that it is high time for the Arab countries to wake up from their slumber and to expedite an early settlement with those companies in order to safeguard their interests and natural resources as well as their independence and sovereignty".

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6. How the Local Governments, stimulated by reports of the U.S. proceedings as well as by the popular outcry resulting therefrom, have been encouraged to press more aggressively their demands for revision of Oil Concession Agreements.

In Syria, Mr. Cotton reports "The encouragement of demands for revision of oil transit agreements" as one of the principal damaging effects of the U.S. proceedings (Exhibit "B"). And Mr. El-Yusuf writes (Exhibit "B"):

"The Syrian Government, as well as all the Arab Governments, is influenced by this public and press demand. Fawzi Sale, Chief of State of the Republic of Syria, speaking at the inauguration of the new I.P.C. Baniyas line, thanked the I.P.C. for its contributions to the Syrian Republic and the benefits it was giving to the Syrian people and stated that the Syrian Government expected to share with the oil companies on the savings derived from the pipeline".

In Lebanon, Mr. Abi-Chahla advised Mr. Campbell on November 3, 1952 (Exhibit "A"):

"For the third time during these last ten days Mr. Hakim invokes the attitude of the U.S. Government against the Oil Companies. Many other prominent leaders do the same thing. It has become normal and natural to cite the present suit in the States as a sound and just basis for more claims and additional payments".

Only last spring Tapline and I.P.C. concluded with the Arab Governments agreements which substantially supplemented the payments to the Governments, accruing under the Conventions. The Lebanese Government was highly satisfied with these agreements until news came out of the proceedings taken by the U.S. Government against the oil companies. The atmosphere created by these proceedings, and the popular feeling against the oil companies resulting therefrom, led many elements of the Government to advocate reneging on the recently concluding agreements and wheeling for a new assault on the companies.

There is in Lebanon no more reliable authority on the causes and effects of Government attitudes than Habib Abi-Chahla, who serves as personal counselor to everyone from the President on down. Mr. Abi-Chahla, in a report to Mr. Swigart on the situation that is now developing, stated (Exhibit "C"):

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"In this connection it is necessary to draw your attention on one of the major reasons of the present situation. This reason is the attitude of the U.S. Government towards the American Oil Companies. The report on the Oil business which has been recently released by the U.S. Government and the Anti-Trust suit and the over charge suit initiated by the U.S. Government against the American Oil Companies, have been and continue to be invoked by all those who are demanding the revision of the present oil agreements, and consequently, the adoption of new basis and conditions for the transportation of crude oil through Lebanon".

The wide publicity given not only to the anti-trust proceedings, but also to the figures of the U.S. Government's refund claim, has had a devastating effect. It is argued that any amounts claimed by the Arab Governments are insignificant beside the amounts being claimed by the United States.

7. Another type of press reaction (to the U.S. Government's suit for refunds) expressed in resentment against the U.S. for attempting to "confiscate" oil revenues which are shared by the Arab countries.

This type of reaction does not hurt the oil companies, but is most injurious to the U.S. Government, and in a way is destroying much of good will the U.S. is trying to build up in this area with its huge Point IV expenditures. This is effectively illustrated in a series of editorials appearing in the Lebanese newspaper "The Daily Star" on September 4, 5 and 6, 1952, (Exhibits "P", "Q" and "I", respectively). The relevant portions of the "Star" editorials are quoted below:

September 4:

"The news that the US Treasury is suing half a dozen American oil companies for 'illegal' excesses in the sale of Middle East Oil to Europe has aroused great interest in Iraq, Saudi Arabia and Kuwait.

"The indifference shown at the first instance has given place now to indignation. Arab governments have realized a little belatedly, the meaning and the sequels of the suit for them.

"According to the new oil agreements concluded during the past three years, the Arab oil-producing countries share the profits of oil sales with the oil companies. Whatever these companies gain half of it goes back to the Arabs. Arab governments are therefore interested in supporting the oil companies to sell their oil at as high a price as possible.

"By trying now to limit the profits of these companies, the US Treasury is menacing directly the revenues of some Arab Governments. That is why the dispute can not be limited to a simple judicial issue, between the US Treasury and US tax-payers. It will have political implication in the Middle East that might exceed in consequences the 67 million dollars which the treasury is claiming.

"Commenting on this subject, the President of the Iraqi Chamber, Abdul Wahhab Marjan, declared last week in Beirut: 'After so many efforts, the US has at last decided to help the Arab Middle East this year with 23 million dollars. This help becomes senseless if the treasury that gives 23 millions on one side, claims such more out of oil revenues on the other'.

"Political circles in Baghdad and Hlad are inclined: to believe that Zionist influence lies behind the suit, aiming primarily at diminishing Arab oil-revenues. They refute the treasury, and insist on giving absolute freedom to oil companies in selling Arab oil. The US, it is said, is the champion of free enterprise. Its principles should be applied to oil as it is applied to other commodities".

September 5:

"Seven large oil companies have been accused of attempting to stifle competition by cartel agreements. Four of these companies, all of them American and all of them with large interests in the Middle East, have been accused of charging excessively high prices for their oil.

"The oil companies concerned have denied the accusation and have charged the government with using them as 'whipping boys' in an election year. Be that as it may, it is apparent from here that the Arab states have nothing to gain and perhaps a lot to lose by these attacks upon American oil firms. Prosperous oil companies mean profitable returns to the countries which produce and transport the oil of the Middle East.

"Any politically inspired attempt to injure the oil companies may have the effect of slowing down the companies' oil production and reducing the revenues for the Arab states. That would play directly into the hands of the Communists, for a healthy economy in the Middle East is the best defense against Communist inroads.

"Surely the United States Government does not wish to assist the spread of Communism. But it will be difficult

to persuade the Arab countries that the United States is sincere in a desire to improve conditions in this area if the US government persists in these attempts to undermine one of the most important elements in the economic structure of the Middle East".

September 6:

"The attempt of the United States government to interfere with oil operations, related indirectly to some Arab states, which we talked about yesterday, merits further consideration.

"Why were the suits filed at this particular time? Is it a coincidence that the action was taken just as the American presidential campaign got under way? Could there be a connection between these suits and other efforts, inspired by element opposed to the Arab states, to harass and hamper the economic development of Arab countries?

"During the last few years there has been a political minority in the United States which has insisted that Israel should get preference in any consideration of the Middle East. This minority is not large in number, but it is strong in political affairs. By its selfishness it has endangered American relations with the Arab countries and the Moslem world.

"It has been blind in its fanaticism and seems ready to pull down the whole anti-Communist front rather than permit the Arab states to go along with their economic growth and development.

"The American oil companies which have been producing oil in Arab countries, have recognized their responsibilities and the income from these operations is having a beneficial effect in many ways. We are sharing these benefits on a footing of absolute equality. If the oil companies, by this new campaign, would be put in a position that forces them to curtail their production our profits will fall down automatically.

"That would give great satisfaction to the groups which are favouring Israel at the expense of the Arab states.

"What good is aid extended under Point IV with one hand, if another hand is reaching into Arab pockets and plucking out the revenues from the oil that lies beneath their lands?"

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In the same tenor is an editorial that appeared in the September 6, 1952 edition of the Lebanese paper "Al Hayat" (Exhibit "H"):

"Dispatches stated few days ago that the U.S. Treasury has decided to take legal proceedings against certain oil companies for selling Middle East oil at a price, estimated by the Treasury, to exceed world price, and for forming a cartel which imposed high prices on Europe. Therefore, the treasury demands from these companies to return the excess, which is 67,000,000 dollars to the U.S. Treasury.

"Arab quarters did not at first attach any importance to this report. However, it soon revealed a dangerous precedent in relation to the Middle East, since every piaster gained by oil companies from oil selling, is shared with Saudi Arabia, Iraq, Kuwait and Bahrein. If the U.S. Treasury asks now the oil companies to return these profits, it will be thus reducing the income of Arab countries by a large sum which greatly exceeds the grant given to us by that treasury through Point IV.

"For this we are right in inquiring about the fingers hidden behind this move: Are they Zionist fingers as Baghdad and Riyadh believe? Is it an election manoeuvre?

"The U.S. cannot treat the oil companies as it treats an American ordinary tax-payer, as long as the Arab states are direct partners with them in the profits. It is, therefore, in our interest that this question be cleared soon.

"The Western world does not ration the prices of its products in the Middle East. We often pay in this country 5 times the original price of the American commodity owing to free 'interaction' in supply and demand. We insist that this interaction be applied to our products - mainly oil - when sold in their markets".

8. The fear and suspicion that, if the oil companies are as powerful and dominating as the F.T.C. report would indicate, and so despotic as to warrant prosecution by the United States Government, these companies and other American companies may constitute a real threat to the national interests of the Arab countries themselves.

In Lebanon on August 20, 1952, the newspaper "Telegraph" editorialized as follows on the recently released F.T.C. report, which it referred to by the headline "A Strange Secret Report About the Domination of Oil Companies Over the Arab Countries and America" (Exhibit "G"):

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"... The report discloses the despotism of oil companies and their arbitrary control of oil prices in the whole world generally and the Arab countries in particular. This despotic attitude has extended to the American Government which has become dominated by oil companies.

"We thank God that the warning has this time come from the Government of Washington to draw our attention and vigilance to our vital interests and natural resources as well as to the harm caused to Arab countries by the Imperialist exploiting oil companies.

"This paper has been the first to issue thousands of such warnings to the Arab Governments and peoples against foreign exploiting companies which are 'a state within a state'. If America, the very powerful country, complains of the domination of oil companies, what shall we say about the Arab States, whose Governments are still affected by foreign policies and continue to be directed by foreign ministers and directors of companies?

"We have continuously urged the nationalization of foreign exploiting companies, which usually are transformed into foreign authorities that saddle in our internal affairs as in Iran and every country. Furthermore, these constitute a great danger on the Arab countries by assisting the continuation of foreign occupation in some of them and threatening the others with reoccupation....

"We are glad to meet, this time with Mr. Truman in fighting international exploitation and monopoly which are the source of colonization and starvation as well as the cause of international tension and war".

In Syria, our Damascus representative reports a similar reaction (Exhibit "D"):

"The Syrians say that if the United States the most powerful country in the world complains of the domination of the oil companies, what about the Arab States who are still weak and whose officials are more subject to persuasion by the representatives of the oil companies".

The fear and suspicion generated by "President Truman's" proceedings against the "cartels" find expression even in Egypt, as evidenced by the following from the Egyptian paper "Al Ahran"

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of October 3, 1952 (Exhibit "J"), purporting to quote from an article by Swiss journalists who had visited the Suez Canal:

"There is to the South of the Suez Canal some very sensitive bases such as a small oil refinery which links the country from the West and the South. Any foreign Power can easily cut off 'this artery of black life' or, in other words, the flow of fuel oil to Egypt.

"Egypt's wealth is no more the 'white gold or the cotton' but the 'black gold or the oil'. There are, however, some despotic international powers, the Anglo-American oil cartels, which lie in wait to lay hands upon it and President Truman's legal action against these cartels for profiteering on the Middle East oil is an example of their disregard of the interests of the oil owners".

It will be seen from the above what incalculable damage has been done thus far to the oil companies' position in the Middle East by publication of the F.T.C. report, the threatened prosecution of the oil companies, and the suit for \$67 million alleged overcharges. Our local counsel and representatives in the Middle East are seriously disturbed and alarmed. Mr. Abi-Chahla said, over a month ago, in his letter to Mr. Campbell (Exhibit "A"):

"May I repeat what I have already stated to you in this connection. The attitude of the U.S. Government towards the Oil Companies has done and will continue to do more harm to the American Oil Enterprises in the Arab world than the Communist propaganda and the Iranian Crisis".

All of us here feel that as a result of the U.S. proceedings, and the fear and suspicion generated by them in Arab minds, our position and security--and, in fact the position and security of all representatives of American business in the Middle East--have greatly deteriorated.

Mr. Abi-Chahla in his letter of December 2, 1952, to Mr. Swigart (Exhibit "C"), speaks of the actual jeopardization of our country:

"I am now strongly convinced that the recent attitude of the U.S. Government has seriously jeopardized the security of the American Oil business and investments in the Near East, including Lebanon".

The U.S. charges have even been cited as furnishing an additional argument for nationalization. Thus, the Lebanese newspaper "Telegraph", on August 20, 1952 (Exhibit "E"), stated in its editorial on the F.T.C. report:

"We have continuously urged the nationalization of foreign exploiting companies, which usually are transformed into foreign authorities that meddle in our internal affairs as in Iran and every country...

"We are glad to meet, this time, with Mr. Truman in fighting international exploitation and monopoly...."

In an address delivered to the Lebanese Press Syndicate on October 15, 1952, at the Syndicate's Beirut office, Mr. Camille Chamoun, President of the Press Syndicate, declared (as reported by Henri Koukheiber of "Le Matin"):

"If these things (the cartel charges) are true, we should close our doors to American business".

The most disturbing aspect of the present situation is that the damage done is not stabilized. It continues in measure with the proceedings against us at home. If and when the oil companies should be actually indicted in the United States, I anticipate that their position in the Middle East will be extremely difficult. Any measures whatever against the companies will be considered justified by reason of the measures taken against them by their own Government.

The publicity given to the U.S. proceedings will furthermore continue to incite the public and the press, so that any action taken by the Governments against the oil companies will be highly popular. Leftists and nationalists will make the utmost use of charges of our evil-doing to clamor for expulsion, nationalization or repressive legislation.

The question in our minds here is whether we can effectively hold out against all this for the duration of the problematic period during which the proceedings will be conducted and publicized.

Mr. Cattan, our local counsel in Syria, has given his opinion on our prospects as follows (Exhibit "g"):

"As Tapline's attorney in Syria, I feel impelled to direct the Company's attention to the injurious effects that the proceedings recently instituted in the U.S.A. under the anti-trust laws against some of the oil companies may have on the position of Tapline in Syria.

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Beirut

2. "The damaging effects are considerable but it may be possible to summarize them as follows:

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"(b) - The encouragement of demands by Governments for revision of oil transit agreements. Notwithstanding the fact that the oil companies have agreements and conventions with the Governments concerned, yet such companies have to go through a continuous struggle discussing and disputing, conceding and resisting claims for increased dues and demands for revision. I believe that Tapline will presently have to face requests in Syria and Lebanon for revision of its convention. The Lebanese Government has during the last month officially requested an overall revision. In Syria, the movement for such revision has begun with statements made by high officials. On October 8, 1952, the Syrian Finance Minister in his address to the Economic Congress at Damascus stated that the 'Government is seriously intending to revise the oil agreements'. On November 24, 1952, the Chief of State declared in his speech at Baalbek on the occasion of the inauguration of the I.P.C. new line that Syria expected within a short time that its share from the income of the project shall be commensurate with its contribution in the economic field. In this situation, where revision of terms and dues comes periodically to the fore, the position of the oil companies is weakened if such companies are looked upon by their own Government as conspirators against public interest and possibly as law-breakers".

Mr. El-Yusuf, our Damascus representative says (Exhibit "D");

"The oil companies can well expect that the United States Government charges against the oil companies will continue to be used as an argument against them in demanding new terms".

And Mr. Abi-Chahla, our local counsel in Lebanon, tells us emphatically (Exhibit "C"):

"The harm done is not over, and will continue to be felt unless something is done immediately. From my long experience in this field I consider that it is indispensable for the future security of the oil business and its investments that the local Authorities and the public be convinced that the American Oil Companies in the Near East have the confidence, the backing and the support of the U.S. Government".

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It should be borne in mind that we cannot properly appraise the effect, past or future, of the U.S. charges on our Middle East relations without taking into consideration the situation and atmosphere into which these charges are introduced. If everything were at peace in the Arab world, if there were no pre-existing surge of nationalism, no antagonism to foreigners or bitterness toward America, if the countries were not already seething with resentment against so-called "economic imperialism", and if conflagrations were not on the verge of spreading from Iran, Iraq, Palestine, Egypt and Tunisia, then we could no doubt isolate the question of the effects of the U. S. proceedings and conclude that we could probably ride them out.

But we must remember that the situation here to begin with is anything but normal. It is already highly explosive, and may need very little outside encouragement to touch it off. The communists have built up a bitter resentment against American interests, and particularly in rich oil companies. The nationalists have been calling loudly for nationalization or subjugation. The Lebanese Government is fairly reeling from attacks from within and without its own membership. The most popular subject for attack, and the one on which all opposition elements can unite, is that of the existing Convention Agreements with oil transit companies. The burning issue today, in which the American Embassy in Lebanon has also expressed great concern, is whether the Government should not compel our Company and I.P.C. to revise their agreements or close down operations, despite their Conventions and the fact that new agreements were negotiated only last May. The Governments, the press and the public are all highly excited by talk on the one hand of action against the oil companies that will establish the national dignity, and by dreams on the other of national riches at the expense of companies who, if attacked at home by their own Government, should obviously not be immune from attack here.

It is against this setting that the effects thus far experienced from reports of the U.S. charges, as outlined herein, and the effects to be anticipated in the future, must be evaluated. I fear, in the light of the reactions we have already witnessed, that a little more fuel from home may be all that is needed to turn the fires that are now smoldering into a real holocaust.

Sgd/ FRANKLIN W. BATES )

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- A. Confidential Letter dated November 3, 1952, from Habib Abi-Chahla to W. A. Campbell
- B. Confidential Letter dated November 25, 1952, from Henry Cattau to Franklin W. Bates
- C. Confidential Letter dated December 2, 1952, from Habib Abi-Chahla to C. A. Swigart
- D. Confidential Letter dated December 5, 1952, from Mahmoud El-Yusuf to W. A. Campbell (with 3 attachments)
- |    |   |                |                             |
|----|---|----------------|-----------------------------|
| E. | ) | Aug. 20, 1952. | "Telegraph" (Lebanese)      |
| F. | ) | Sept. 4, 1952. | "The Daily Star" (Lebanese) |
| G. | ) | Sept. 5, 1952. | "The Daily Star" (Lebanese) |
| H. | ) | Sept. 6, 1952. | "Al Hayat" (Lebanese)       |
| I. | ) | Sept. 6, 1952. | "The Daily Star" (Lebanese) |
| J. | ) | Oct. 3, 1952.  | "Al Ahram" (Egyptian)       |
- K. Extract from U. S. Legation's Press Review of "News in Headlines" (Syria), September 6, 1952.
- L. Translation of Extracts from editorial by Khalil Abu Jawdeh in Lebanese newspaper "Ad Dustour", Nov. 21, 1952
- M. Extract from "This is Your Souvenir from Beirut", an Extra published in English by the Lebanese newspaper "Bada Loubnan" and distributed to men of the U. S. Sixth Fleet ashore in Beirut, Nov. 29, 1952.
- N. Memorandum to the File by F. W. Bates, Nov. 21, 1952.

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LAW OFFICES  
OF  
HABIB ABI-CHAHLA  
BEIRUT - LEBANON

November 3, 1952

CONFIDENTIAL

Mr. W. A. CAMPBELL,

On Sunday Nov. 2, 1952, Mr. Camille Chamoun, President of the Republic asked me to meet him at Baiteddine his summer residence. He requested me to see again Mr. Georges Hakim, Minister of Finance and to try to convince him to change his attitude concerning the ratification of the amended I.P.C. Convention.

I had a long meeting with Mr. Hakim on Monday Nov. 3, 1952. We reviewed together all the problems of the Oil Conventions.

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(Here follows text of a discussion between Mr. Abi-Chahla and Mr. Hakim on the adequacy of the Loading Fee paid by Tapline to the Lebanese and Syrian Governments, with the following concluding remark by Mr. Abi-Chahla:)

"You and I and all responsible Lebanese should examine these problems from a purely Lebanese standpoint and should consider the financial future and especially the moral and political interest of our country. As a Minister you have to bear all this in mind and your President has a sounder view of these problems."

Mr. Hakim said: "I agree with you and in asking for more money I am thinking of the interests of my country. I am planning to form a Board of Reconstruction and Development and I want all the revenues of the Oil Conventions to go to this Board."

"Moreover you consider that my attitude is hostile. Well look at the attitude of the U.S. Government towards the same Oil Companies. There is an anti-trust suit against them and the U.S. Government is claiming a refund of Seventy Million

Dollars representing overcharges on petroleum products sold to it."

For the third time during these last ten days Mr. Hakim invokes the attitude of the U.S. Government against the Oil Companies. Many other prominent leaders do the same thing. It has become normal and natural to cite the present suit in the States as a sound and just basis for more claims and additional payments.

May I repeat what I have already stated to you in this connection. The attitude of the U.S. Government towards the Oil Companies has done and will continue to do more harm to the American Oil Enterprises in the Arab world than the Communist propaganda and the Iranian Crisis.

Everybody admits that the Communist propaganda is prejudiced and that the Iranian policy has ruined Iran, but what can be said in reply to a suit of overcharge in the amount of tens of millions of Dollars initiated against the Oil Companies by their own Government?

You will certainly notice that this fact will be always invoked not only by the insincere but also by the sincere.

Original Signed  
HABIB ABI-CHAWLA

HABIB ABI CHAWLA

cc: Mr. F. Bates

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S. ADALI, H. CATTAN, Z. KASSIMY  
ADVOCATES

Damascus (Syria)

November 25, 1952

CONFIDENTIAL

Mr. Franklin W. Bates  
Trans-Arabian Pipe Line Company  
Beirut - Lebanon

As Tapline's attorney in Syria, I feel impelled to direct the Company's attention to the injurious effects that the proceedings recently instituted in the U.S.A. under the anti-trust laws against some of the oil companies may have on the position of Tapline in Syria.

2. The damaging effects are considerable but it may be possible to summarize them as follows:

- (a) - The diminution in the standing of oil companies in these countries by reason of the fact that such companies are being subjected by their own government to repressive proceedings for allegedly committing illegal acts and generally acting against public interest.
- (b) - The encouragement of demands by Governments for revision of oil transit agreements. Notwithstanding the fact that the oil companies have agreements and conventions with the Governments concerned, yet such companies have to go through a continuous struggle discussing and disputing, conceding and resisting claims for increased dues and demands for revision. I believe that Tapline will presently have to face requests in Syria and Lebanon for revision of its convention. The Lebanese Government has during the last month officially requested an overall revision. In Syria, the movement for such revision has begun with statements made by high officials. On October 8, 1952, the Syrian Finance Minister in his address to the Economic Congress at Damascus stated that the "Government is seriously intending to revise the oil agreements". On November 24, 1952, the Chief of the State declared

in his speech at Banias on the occasion of the inauguration of the I.P.C. new line that Syria expected within a short time that its share from the income of the project shall be commensurate with its contribution in the economic field. In this situation, where revision of terms and dues comes periodically to the fore, the position of the oil companies is weakened if such companies are looked upon by their own Government as conspirators against public interest and possibly as law-breakers.

- (c) - The intensification of popular demands against the oil companies. Public opinion here is very sensitive on the subject of oil companies and this is particularly so in transit countries generally which do not derive any benefits in the form of oil royalties. It can easily be seen that charges of forming cartels and controlling markets and similar allegations stir up public opinion against the oil companies in a manner that could be most detrimental not only to the companies themselves, but to oil transit agreements generally.

3. I would add that the exact nature and purport of the anti-trust proceedings now pending in the U.S.A. will never be fully understood or realized here. A prosecution against a cartel combination is foreign to people's thinking in the Middle East. On the contrary, people here are more accustomed to the idea of a Government protecting its companies, not prosecuting them. Therefore the impression that will be left in the minds of people here as a result of such proceedings is that American Oil Companies are breaking the law, conspiring with other companies and generally acting against public interest.

s/ Henry Cattan

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HENRY CATTAN

cc: Mr. J. A. Campbell

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LAW OFFICES

OF

HABIB ARI-CHANIA

BEIRUT - LEBANON

December 2, 1952.

CONFIDENTIAL

Oil Problems - Lebanon

MR. C. A. SWIGART, President  
Trans-Arabian Pipe Line Company,  
Beirut.

Dear Mr. Swigart,

The Government prepared a comparative report of the advantages accruing from the original Conventions and those accruing from the last agreements (I.P.C. Amended Convention and Tapline May 17 Agreements). This report was submitted to the Finance Committee at its meeting of Monday, December 1, 1952. The Committee adjourned to Wednesday December 3, 1952, for action on the I.P.C. Convention.

In this connection it is necessary to draw your attention on one of the major reasons of the present situation. This reason is the attitude of the U.S. Government towards the American Oil Companies. The report on the Oil business which has been recently released by the U.S. Government and the Anti-Trust suit and the over charge suit initiated by the U.S. Government against the American Oil Companies, have been and continue to be invoked by all those who are demanding the revision of the present oil agreements, and consequently the adoption of new basis and conditions for the transportation of crude oil through Lebanon.

Mr. Bakia, Minister of Finance, who is a graduate of the American University of Beirut and who was the Counselor of the Lebanese Legation in Washington for several years and one of the Lebanese Delegates at the United Nations Organisation, has always declared that his attitude towards the Oil Conventions is not less friendly than that of the U.S. Government itself. He, once, went further and said that after reading the report of the U.S. Government on the oil business he has lost confidence in the Oil Companies. He contends that the Anti-Trust and over-charge suits are sufficient evidence that the Oil Companies are not sincere in their relations, not only with foreign Governments but also with their own Government.

Several Members of the Finance Committee and of our Parliament, who are known to be very friendly invoke the attitude of the U.S. Government in order to justify their present hostility to the Oil Companies.

You know that I am well acquainted with the general situation, here and in the Arab world. I cannot but repeat to you what I have already said and written on this matter.

The recent attitude of the U.S. Government and the suits introduced against the Oil Companies have done to the American Oil enterprises in the Near East much more harm than the Iranian crisis and the Communist propaganda.

It was easy for all reasonable persons to notice that the attitude of Iran itself, and that the communist propaganda is always biased, reckless and dishonest.

But how can the same persons explain the attitude of the U.S. Government towards the American Oil Companies which have invested in the Near East the greatest amount of capital ever entrusted by American citizens and corporations? They are unable to explain it and we, also, are unable to give those persons adequate answers and clear justifications.

I am now strongly convinced that the recent attitude of the U.S. Government has seriously jeopardized the security of the American Oil business and investments in the Near East, including Lebanon.

The harm done is not over, and will continue to be felt unless something is done immediately. From my long experience in this field I consider that it is indispensable for the future security of the Oil business and its investments that the local authorities and the public be convinced that the American Oil Companies in the Near East have the confidence, the backing and the support of the U.S. Government.

Original Signed  
HABIB ABI-CHABLA

HABIB ABI-CHABLA

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EXHIBIT B  
TRANS-ARABIAN PIPELINE  
COMPANY

Damascus, Syria

December 5, 1952.

CONFIDENTIAL

Mr. W. A. CAMPBELL,  
Beirut - Lebanon

I wish to call to your attention the public reaction developing in Syria to the "Cartel" charges brought against the Oil Companies by the United States Government.

To the man on the street the word "Cartel", trust and the other legal terms used to describe the alleged oil combine as used by the United States Government in its charges are new words, which he now uses in his attacks on the oil transporting companies as well as the oil marketing companies that operate in Syria. Now he is able to point out to the United States Government's charges as a confirmation of the despotism which the oil companies exercise throughout the world.

The Syrians say that if the United States the most powerful country in the world complains of the domination of the oil companies, what about the Arab States who are still weak and whose officials are more subject to persuasion by the representatives of the oil companies.

The Syrian newspapers have taken up the proceedings brought by the United States Government against the oil companies and are making a great issue of the Cartel charges which the proceedings involve. They play the charge up to their demand that the Syrian Government enter into new negotiations for higher fees from the transporting companies and lower petroleum prices from the oil marketing companies.

The public, reading the Syrian newspapers' accounts of the United States Government case against the oil companies, is convinced that the oil companies are robbing everyone. They cheat the Arabs of their national wealth, and then cheat their own government by overcharging it. Therefore, the Syrian newspapers flaring public opinion and being inflamed by the public, are demanding that the Syrian Government press for greater revenues from the oil transporting companies as evidenced in the attached articles.

The Syrian Government, as well as all the Arab Governments, is influenced by this public and press demand. Fawzi Selo, Chief of State of the Republic of Syria, speaking at the inauguration of the new I.P.C. Beirut line, thanked the I.P.C. for its contributions to the Syrian Republic and the benefits it was giving to the Syrian people and stated that the Syrian Government expected to share with the oil companies on the savings derived from the pipeline.

The oil companies can well expect that the United States Government charges against the oil companies will continue to be used as an argument against them in demanding new terms.

BAHRUD AL-YUSUF  
Latakia, Syria

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(PRESS DIGEST NO. 209/5)

MORE ROYALTIES REQUESTED FROM OIL COMPANIES

All Papers - The Lebanese Government has been urged to negotiate the payment of 100 million Lebanese pounds by Tapline and the IPC as royalties for the transit of their pipelines across the Lebanese territory. The request was made by the Lebanese National Conference in cables sent to the President of the Republic, to the Prime Minister, to Speaker of the Chamber and to the Parliamentary Financial Committee.

The Lebanese National Conference justified its request by stating that these companies save about 200 million Lebanese pounds annually from the transit of their oils through pipelines to the Mediterranean coast. These companies at the present pay only 7 million Syrian pounds annually.

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(PRESS DIGEST NO. 209/5 OF NOVEMBER 6th, 1952)

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PETROLEUM CONVENTIONS MUST BE AMENDED

Al-Qayha' - In a three columns' article, Ihsan Al-Jabiri, Reviewer and engineer in the Ministry of Public Works in Damascus, writes a detailed article as to why should Syria demand the amendment of the present agreements with Tappine and IPC and claim a total sum of royalties amounting to L.S. 300,000,000 per year from both companies. The article runs as follows:

"Syria is in a pressing need to acquire its right from the petroleum Royalties at an average of not less than L.S. 200,000,000 per year. Syria needs this money to promote its economy without having to resort to foreign loans."

The writers refers to the Lebanese demand of increasing the royalties to L.L. 100,000,000 (Pr. Dig. 209/5 of Nov. 4) and then says:

"It is not strange that this national voice in Lebanon rises simultaneously with the move of economic and official circles in Syria to make up for the injustice done to our country as a result of the old petroleum agreement, especially that the Kirkuk-Banias pipeline is completed through which 18,000,000 bbls of crude oil flow for exportation to foreign countries.

"Every Arab knows that the Middle Eastern oil fields are the richest in the world and that foreign companies are incessantly active in exploiting this oil at conditions unfavourable to the Arabs. It has become clear after the construction of the Tappine, Tripoli and the Banias lines, that the status of these companies in Syria and Lebanon has become un-natural. It is very unjust that about 40 million tons of petroleum flow through this country annually and for which the country gets not more than 1%, whereas Iraq, Saudi Arabia, Kuwait get more than 50% of the net profits of these companies operating in their countries, bearing in mind that the advantages gained by such companies from transiting their petroleum across Syria and Lebanon exceeds by far their profits from the extraction oil.

"The Lebanese and Syrian people have realized that national defense schemes and economical projects which the countries need, require great additional resources which could not be secured by increasing the taxes neither it is permissible to rely on financing such projects with foreign loans. Therefore, attention should be directed in both countries, towards the necessity of demanding the restoration of the usurped right from petroleum royalties for financing these projects.

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"The royalties due to Syria and Lebanon from transiting oil should actually be twenty times what they are getting at present from royalties approved and extended by the French mandate and the following governments in both countries. Therefore the L.L. 100,000,000 demanded by Lebanon is not an extraordinary figure for transiting 25 million tons of petroleum to Lebanese ports annually. To prove this, we point out that the cost of transporting one ton of petroleum from Kirkuk to the Mediterranean across the Persian Gulf amounts to \$17.00 plus \$0.70 a tax levied by the Suez Canal authorities. What Lebanon asks for amounts to \$2.00 only, valuing the dollar at official rate of L.L. 2.20.

"If we accept this amendment to the transiting fee across Syria on such a very low basis, Syria's share will be two dollars for every ton that flows into Lebanese ports and \$4.00 for the ton which flows into Syrian ports. Thus the annual royalties will then amount to:

25 million tons x \$2.00 =	\$50,000,000
15 " " x \$4.00 =	\$60,000,000 = \$110,000,000

Accounting also for the difference in cost of transportation between the IPC and the Tapline, Syria's share of the royalties will go up to L.S. 500,000,000 per year, on the basis of demanding half of the savings derived as a result of transporting the oil across Syrian territory whereas the negotiations which took place last year with the petroleum companies in an attempt to raise the figure of the royalties, were not able to procure more than L.S. 10,000,000 per year. (Iraq in few years to come will be getting around L.S. 500,000,000 annually).

"The companies may object to the principle of sharing the profits at 50/50 basis saying that this is a fair deal with countries producing the oil but cannot apply it to countries through which the oil passes but this excuse could be easily refuted on political and economical grounds. As to the economical aspect it is an established fact that the element of transportation in raw materials has a hundredfold benefit over the costs of extraction. What would be the profits of the IPC had they been compelled to transport their products across the Persian Gulf in view of the benefits deriving from shortening the distances, it is not fair that the countries offering such benefits on account of its geographically excellent location, be deprived of its rights in such benefits.

"The political side. Britain has already admitted 25% to France in accordance with article 7 of San Remo agreement, in return of permitting the passage of the pipeline across Syrian and Lebanese territory. It is only natural that this share be conceded to Syria and Lebanon following France's evacuation of those two countries.

"It is rather funny that Mr. Gulbankian, who handled the transfer of the Turkish share to the British companies, should get his share of the IPC, whereas the country which offers the greatest service in allowing the passage of petroleum through a short distance to world markets, does not benefit by more than 1%.

"We, therefore, wish to draw the attention of those responsible to these important aspects on the occasion of the inauguration of the Kirkuk-Banias line and to urge the IPC to pay Syria half of the profits, exactly as is the case with Iraq. The cost of transportation responsibilities in protecting the pipeline and the dangers to which the country may be subjected in case of war on account of the flow of petroleum across our country, should be fully compensated for.

"Especially that the only means to enrich our economy is by nationalising the transportation of petroleum and compelling the oil companies to pay our rights from the royalties because of our need for it to subsidise the approaching economic and industrial revival which will raise the standard of the Syrian people."

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(PRESS BUREAU NO. 211/6)

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(PRESS DIGEST NO. 212/8)

PETROLEUM IN THE ECONOMIC CONFERENCE

Al-Fayha' draws the attention of the Economic Conference authorities that the question of the petroleum royalties does not appear on its agenda.

The paper believes that a sum of L.S. 300,000,000 (Press Digest No. 211/6 of November 6) which is half of the gains made by the Oil Companies as a result of transporting their oil across Syrian territory, if added to the budget of the country would surely bring prosperity to the nation.

Concluding, the paper urges those concerned with organising the conference to give the matter their utmost attention.

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(PRESS DIGEST NO. 212/8 of November 7, 1953)

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EXHIBIT "E"

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EXTRACTS FROM TAPLINE DAILY PRESS BEIRUT 8/21/52PRESS REVIEW, August 20, 1952

TELEGRAPH (Lebanese) - Editorializing under the headline "A Strange Secret Report About The Domination of Oil Companies Over The Arab Countries And America", says in part:

"We listened yesterday with great astonishment to Broadcasting Stations reporting the news of the 'Oil Cartel Secret Report' which President Truman had lately authorized to be published, after much reluctance, so as to maintain the friendly relations with the Arab Countries. The report discloses the despotism of oil companies and their arbitrary control of oil prices in the whole world generally and the Arab countries in particular. This despotic attitude has extended to the American Government which has become dominated by oil companies.

"We thank God that the warning has this time come from the Government of Washington to draw our attention and vigilance to our vital interests and natural resources as well as to the harm caused to Arab countries by the Imperialist exploiting oil companies.

"This Paper has been the first to issue thousands of such warnings to the Arab Governments and peoples against foreign exploiting companies which are 'a state within a state'. If America, the very powerful country, complains of the domination of oil companies, what shall we say about the Arab States, whose Governments are still affected by foreign policies and continue to be directed by foreign ministers and directors of companies?

"We have continuously urged the nationalization of foreign exploiting companies, which usually are transformed into foreign authorities that meddle in our internal affairs as in Iran and every country. Furthermore, these constitute a great danger on the Arab countries by assisting the continuation of foreign occupation in some of them and threatening the others with re-occupation. We believe that it is high time for the Arab countries to wake up from their slumber and to expedite an early settlement with these companies in order to safeguard their interests and natural resources as well as their independence and sovereignty.

"We are glad to meet, this time, with Mr. Truman in fighting international exploitation and monopoly which are the source of colonization and starvation as well as the cause of international tension and war".

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EXHIBIT "F"EXTRACT FROM TAPLINE DAILY PRESS REVIEWPress Review, September 4, 1952POLITICAL IMPLICATION OF OIL CARTEL IN ARAB COUNTRIES

THE DAILY STAR (Lebanese) - The news that the US Treasury is suing half a dozen American oil companies for "illegal" excesses in the sale of Middle East oil to Europe has aroused great interest in Iraq, Saudi Arabia and Kuwait.

The indifference shown at the first instance has given place now to indignation. Arab governments have realized a little belatedly, the meaning and the sequels of the suit for them.

According to the new oil agreements concluded during the past three years, the Arab oil-producing countries share the profits of oil sales with the oil companies. Whatever these companies gain half of it goes back to the Arabs. Arab governments are therefore interested in supporting the oil companies to sell their oil at as high a price as possible.

By trying now to limit the profits of these companies, the US Treasury is menacing directly the revenues of some Arab governments. That is why the dispute can not be limited to a simple judicial issue, between the US Treasury and US tax-payers. It will have political implication in the Middle East that might exceed in consequences the 67 million dollars which the treasury is claiming.

Commenting on this subject, the President of the Iraqi Chamber, Abdul Wahhab Marjan, declared last week in Beirut: "After so many efforts, the US has at last decided to help the Arab Middle East this year with 23 million dollars. This help becomes senseless if the treasury that gives 23 millions on one side, claims much more out of oil-revenues on the other."

Political circles in Baghdad and Riad are inclined to believe that Zionist influence lies behind the suit, aiming primarily at diminishing Arab oil-revenues. They refute the treasury, and insist on giving absolute freedom to oil companies in selling Arab oil. The US, it is said, is the champion of free enterprise. Its principles should be applied to oil as it is applied to other commodities.

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Beirut 1/13/52

EXHIBIT "Q"EXTRACT FROM TAPLINE PRESS REVIEWPRESS REVIEW, September 5, 1952NOTHING TO GAIN

THE DAILY STAR (Lebanese) - The attitude of the United States Government toward the American oil companies operating in the Middle East will puzzle a great many people who know these companies at first hand and realize the good which has resulted from their activities.

Why should the United States at this critical time attempt to injure a segment of American industry which is supplying a vitally needed commodity and which has contributed a great many benefits to the Arab world?

Seven large oil companies have been accused of attempting to stifle competition by cartel agreements. Four of these companies, all of them American and all of them with large interests in the Middle East, have been accused of charging excessively high prices for their oil.

The oil companies concerned have denied the accusation and have charged the government with using them as "whipping boys" in an election year. Be that as it may, it is apparent from here that the Arab states have nothing to gain and perhaps a lot to lose by these attacks upon American oil firms. Prosperous oil companies mean profitable returns to the countries which produce and transport the oil of the Middle East.

Any politically inspired attempt to injure the oil companies may have the effect of slowing down the companies' oil production and reducing the revenues for the Arab states. That would play directly into the hands of the Communists, for a healthy economy in the Middle East is the best defense against Communist inroads.

Surely the United States Government does not wish to assist the spread of Communism. But it will be difficult to persuade the Arab countries that the United States is sincere in a desire to improve conditions in this area if the US Government persists in these attempts to undermine one of the most important elements in the economic structure of the Middle East.

C O P Y

EXHIBIT "H"

Exhibit

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H

EXTRACT FROM TAPLINE DAILY PRESS REVIEW

1/13/53

PRESS REVIEW, September 6, 1952OIL PRICESAL HAYAT (Lebanese) - In an editorial Kamel Mrowa said:

Dispatches stated few days ago that the U.S. Treasury has decided to take legal proceedings against certain oil companies for selling Middle East oil at a price, estimated by the Treasury, to exceed world price, and for forming a cartel which imposed high prices on Europe. Therefore, the treasury demands from these companies to return the excess, which is 67,000,000 dollars, to the U.S. Treasury.

Arab quarters did not at first attach any importance to this report. However, it soon revealed a dangerous precedent in relation to the Middle East, since every piaster gained by oil companies from oil selling, is shared with Saudi Arabia, Iraq, Kuwait and Bahrain. If the U.S. Treasury asks now the oil companies to return these profits, it will be thus reducing the income of Arab countries by a large sum which greatly exceeds the grant given to us by that Treasury through Point IV.

For this we are right in inquiring about the fingers hidden behind this move: Are they Zionist fingers as Baghdad and Riyadh believe? Is it an election manoeuvre?

The U.S. cannot treat the oil companies as it treats an American ordinary tax-payer, as long as the Arab states are direct partners with them in the profits. It is, therefore, in our interest that this question be cleared soon.

The Western world does not ration the prices of its products in the Middle East. We often pay in this country 5 times the original price of the American commodity owing to free "interaction" in supply and demand. We insist that this interaction be applied to our products - mainly oil - when sold in their markets.

EXHIBIT "I"

C O P Y

EXTRACT FROM TAPLINE DAILY PRESS REVIEW 393  
PRESS REVIEW - September 6, 1952

Beirut 1/13/52

THE OIL CASE

THE DAILY STAR (Lebanese) - The attempt of the United States Government to interfere with oil operations, related indirectly to some Arab states, which we talked about yesterday, merits further consideration.

Why were the suits filed at this particular time? Is it a coincidence that the action was taken just as the American presidential campaign got under way? Could there be a connection between these suits and other efforts, inspired by elements opposed to the Arab states, to harass and hamper the economic development of Arab countries?

During the last few years there has been a political minority in the United States which has insisted that Israel should get preference in any consideration of the Middle East. This minority is not large in numbers, but it is strong in political affairs. By its selfishness it has endangered American relations with the Arab countries and the Moslem world.

It has been blind in its fanaticism and seems ready to pull down the whole anti-Communist front rather than permit the Arab states to go along with their economic growth and development.

The American oil companies which have been producing oil in Arab countries have recognized their responsibilities and the income from these operations is having a beneficial effect in many ways. We are sharing these benefits on a footing of absolute equality. If the oil companies, by this new campaign, would be put in a position that forces them to curtail their production our profits will fall down automatically.

That would give great satisfaction to the groups which are favouring Israel at the expense of the Arab states.

What good is aid extended under Point IV with one hand, if another hand is reaching into Arab pockets and plucking out the revenues from the oil that lies beneath their lands?

C O P Y

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EXHIBIT "J"

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Beirut 1/13

EXTRACT FROM TAPLINE DAILY PRESS REVIEWPRESS REVIEW, October 3, 1952PRESIDENT TRUMAN RETICENT: GENERAL MAJIB SPEAKS ABOUT THE BLACK GOLD IN THE RED SEA.

AL AHRAM (Egyptian) - Bonn - After a visit to the Suez Canal area to inspect the oil prospections carried out on the shores of the Red Sea by two Swiss journalists, they wrote in part to their papers the following:

"There is to the South of the Suez Canal some very sensitive bases such as a small oil refinery which links the country from the West and the south. Any foreign Power can easily cut off 'this artery of black life' or, in other words, the flow of fuel oil to Egypt.

"Egypt's wealth is no more the 'white gold or the cotton' but the 'black gold or the oil'. There are, however, some despotic international powers, the Anglo-American oil cartels, which lie in wait to lay hands upon it and President Truman's legal action against these cartels for profiteering on the Middle East oil is an example of their disregard of the interests of the oil owners".

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EXHIBIT "K"

LEGATION OF THE UNITED STATES OF AMERICA  
DAMASCUS, SYRIA

DAILY REVIEW OF THE SYRIAN PRESS

Pr. Dig. 168/14. News in Headlines

Saturday, September 6.

Al Inba

"The most recent report on the world oil problem. How seven oil companies monopolize the world's oil. American Government demands 67 Million Dollars from the oil companies".

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FREEMEN OF FRANCE, ENGLAND AND U.S.A. DIFFER FROM THOSE OF ESSO, SHELL AND SOCONY. Belrose 6/23/53

AD DUSTOUR (Lebanese) - published an editorial by Khalil Abu Jawdah which says in part:

"If the managers of oil companies were politicians, they would have been victorious in every negotiation. If they were army leaders, they would have never lost a battle because they are the most able negotiators and the cleverest in manoeuvres. However, they preferred to be merchants, who make us of politics, war and peace at the same time. They asked the Government for time and peace at the same time. They asked the Government for time with a view to considering its request for revising the last agreements, but later refuse to enter into new negotiations on this basis, awaiting the effect of this maneuver on both the Government and public opinion.

"A glaring proof of their cleverness, in this respect, is the present negotiations, which have started about two and a half years ago and continue to be dragging within a vicious circle with no avail. They persist in their exploitation and the oil continues its flowing across our territory, while we do not get a single drop of it but are satisfied that we are negotiating.

"We have, once before, drawn the attention of the Government that the question is not only the increase of the fees payable to the Treasury, but also the receipt of our share of crude oil with a view to having it refined and then sold on our account in Lebanon and Syria in agreement with the Syrian Government. Our local markets are not a sole entailment of the I.F.C. and its subsidiary companies which are not to continue their exploitation of our resources and wealth for fuel oils. On getting our full requirements of these commodities, then the fees levied on transiting of oil through the pipelines become secondary. Let them, therefore, give us our share of crude oil and return to use the refinery that was built with our money: this is the substance of the problem and the rest is impotent.

"Here is an important note which, we hope, the Government will take into consideration. Oil companies are not France, England, or the U.S.A. They are a group of greedy merchants whose first target of exploitation was the U.S. market. The US 'declared war' against them many times. They use several means, legal or illegal, to evade the law. We cannot imagine that big countries, who defend world peace and justice, will ever use their material and moral powers to serve greedy merchants and fight a peaceful people living in poverty and deprivation for the simple reason that they are claiming their legitimate rights.

EXHIBIT "L" (Cont'd)

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"We tell the Government frankly that the oil companies' refusal to revise their agreements... does not harmonize with our dignity as a nation... We hope it will force them to give us our share of crude oil and to effectively supervise the oil refinery..."

"Of American, French and English histories, the Lebanese people only know Victor Hugo, Jean Rousseau, Cromwell, Nelson, Churchill, Lincoln and Roosevelt but not Esso, Shell or Secony".

November 21, 1952.

C O P Y

EXHIBIT "H"

EXTRACT FROM "THIS IS YOUR SOUVENIR FROM BEIRUT"  
AN EXTRA PUBLISHED IN ENGLISH BY THE LEBANESE  
NEWSPAPER "SADA LOUBRAN" AND DISTRIBUTED TO MEN  
OF THE U.S. SIXTH FLEET ASHORE IN BEIRUT (EXTRA No.  
188, DATED NOVEMBER 29, 1952).

Oftentimes you hear wise guys shout "Communists". Well, Sir, Communists are not born, they are made. In this part of the world, who is creating them? Don't gasp! It's mostly Americans. By temperament, breeding, and historical background, we are anti-Communists. But you created Palestine and failed to make amends, so the frustrated had to grope for something. We have a national creed which has been and will always be a most effective weapon against Communism, but your diplomats and businessmen have blacklisted it.

And the U.S. attitude towards Palestine is not the only cause of breeding Communism. The Oil Interests share in the crime. Their high-powered publicity machine tells you thru pamphlets, pictures, and articles, and tells us thru little silly ads, what kind of God-fearing, well-meaning citizens they are. You, of course, remember that your Treasury is prosecuting them for doing the American people out of \$60,000,000 in income tax evasions. Well, some of these gents are operating here in a big way. The corrupt few amongst them have formed an alliance with some of our corrupt. Their business is quite good, thank you. They have dummy corporations, hush money, collusions, cherchez la femme, the kick-back, and a bye-product of oil which withewashes everything. These gentlemen have allied themselves with a feudal lord to brow-beat our labor and paid a little to the few to cheat our treasury of the much.