

Anglo-American Oil Agreement

Subject File

P.S.F. Bx 115

PSF *Anglo-Limer Out Agreement from 3-45*
THE WHITE HOUSE
WASHINGTON

January 6, 1945

MEMORANDUM FOR MR. WILLIAM J. HOPKINS:

Hold the attached Message to the Senate until Monday. Send it up then. Advise the State Department and tell them that they might issue their release simultaneously with the release of the Message itself. The Message release, of course, will be automatic when reading of the Message starts in the Senate.

S. T. E.

January 6, 1945
Advised Mr. Bohlen's office
as per Mr. Early's memo. Also informed
them the message could not go up to
the Senate until Wednesday as the
Senate was not in session until then
W. J. H.

DRAFT PRESS RELEASE

The State Department has consistently advocated the development of broad international understandings for the promotion of sound trade and commerce between nations as essential to the building of world-wide peace and prosperity. The Anglo-American Oil Agreement was concluded in an endeavor to apply this cooperative approach to particular problems and to lay the basis for the removal of possible causes of friction in the field of international oil.

However, in view of the misunderstanding that has arisen concerning the purpose and scope of that Agreement, the Department is requesting the President to withdraw the Agreement from the Senate. The purpose of this course is to permit consideration of the best way to achieve the fundamental purposes underlying the Agreement--preventing friction between nations growing out of problems of foreign oil and assuring to all an adequate supply. It appears to the Department that the misunderstandings which have arisen come not from lack of agreement upon these objectives but from the implementing features attending them.

TO THE SENATE OF THE UNITED STATES:

Pursuant to the recommendation of the Secretary of State, on August 24, 1944 I transmitted to the Senate for its advice and consent to ratification an agreement on petroleum between the Governments of the United States and of the United Kingdom of Great Britain and Northern Ireland which was signed in Washington on August 8, 1944.

At that time I considered that the agreement constituted an important step forward in removing possible causes of friction in international trade in petroleum and promoting cooperation among the nations in the development of that trade. I have not changed my opinion in this respect. However, I am informed that fears have been expressed as to the scope and effect of the document, as now worded; some voicing

concern lest it authorize acts by the petroleum industry inconsistent with the provisions of existing law, others lest it hold potentialities harmful to the industry. It is my belief that these fears are without foundation. Certainly no such possibilities were intended or designed by the American representatives who negotiated the agreement.

Since there is general accord that an understanding on international trade in petroleum between the United States and the United Kingdom is desirable and in the public interest, it would be unfortunate if this should be delayed, if not prevented, through a misunderstanding as to the purpose and scope of a particular document.

The Secretary of State, accordingly, has recommended that I request the Senate to return the agreement in order that consideration may be given, in consultation with the Government of the United Kingdom, to whatever revision appears to be necessary to achieve its objectives

-3-

and to remove grounds for misunderstanding. I, therefore, request that the agreement be returned for this purpose.

FRANKLIN D. ROOSEVELT

DEPARTMENT OF STATE
WASHINGTON

January 4, 1945

MEMORANDUM FOR THE PRESIDENT

Subject: Secretary Ickes' letter of November 29
on the Anglo-American Petroleum Agreement

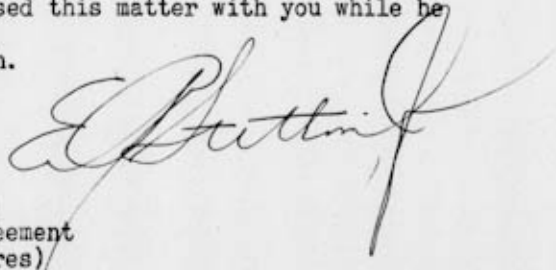
filed - Ickes folder 2.44

I refer to your memorandum transmitting Secretary Ickes' letter of November 29 regarding the status of the Anglo-American Petroleum Agreement now before the Senate Foreign Relations Committee. I am sending you herewith a memorandum recommending that you withdraw the Agreement from the Senate for further study and consideration with the British.

With regard to the question of Mexican oil referred to in Secretary Ickes' letter, Ambassador Messersmith discussed this matter with you while he was here last month.

Enclosures:

Memorandum on
Petroleum Agreement
(with enclosures)



DEPARTMENT OF STATE
WASHINGTON

January 4, 1945

MEMORANDUM FOR THE PRESIDENT

Subject: Anglo-American Petroleum Agreement

In my memorandum of December 27, 1944 I advised you that it was our intention to recommend that you request the Senate to return the Anglo-American Petroleum Agreement in order that consideration may be given to a revision of the Agreement to remove grounds for misunderstanding as to its purpose and scope. As I informed you this matter was discussed with Senator Connally and he agrees that the Agreement should be withdrawn.

I therefore recommend that you request the Senate to return the Agreement in order that we may consider with the British how best to effect its purposes while removing grounds for misunderstanding. At the same time account will be taken of the various criticisms and suggestions which have been put forward, including those contained in the report from the Petroleum Industry War Council to Secretary Ickes.

A suggested draft message from you to the Senate is attached. There is also attached a draft press release which, if you approve, the Department will issue at once.

Enclosures:

Draft message
Press release

E. Dutton

4186

THE WHITE HOUSE
WASHINGTON

PSF

March 14, 1945.

MEMORANDUM FOR

THE SECRETARY OF STATE

FOR PERSONAL PREPARATION OF
REPLY FOR MY SIGNATURE.

F. D. R.

Ltr of 3/12/45 to the President from Hon.
Harold L. Ickes, Petroleum Adm. for War;
recites developments in connection with the
Anglo-American Oil Agreement matter and sub-
mits memo on anti-trust immunity clause.

Carbon returned to Acting Secretary Grew, 3/24/45,

elb

DEPARTMENT OF STATE
WASHINGTON

March 21, 1945

MEMORANDUM FOR THE PRESIDENT

Subject: Anglo-American Petroleum Agreement

In response to your request of March 14, I attach a suggested reply to Mr. Ickes' letter of the 12th.

The crucial change which the new proposal makes is the insertion of a clause relating to anti-trust immunity. I understand that this is the price of Oil Industry acquiescence in the treaty.

The first active discussions of the matter occurred in a session of the Senate Foreign Relations Committee while Mr. Stettinius was away. Naturally the Department asked that no decision be made until he returned.

Mr. Stettinius is concerned over the far-reaching effects this provision will have upon our whole anti-trust and anti-cartel policy. This department is especially interested in view of your correspondence on cartels with Mr. Hull last September and the efforts we are now making, with the Department of Justice and other agencies, to initiate international arrangements to curb cartels.

In its present form the provision is certain to provoke serious political controversy. Despite Mr. Ickes' evident opinion to the contrary, the clause will be regarded as an attempt to amend the Sherman Act by treaty.

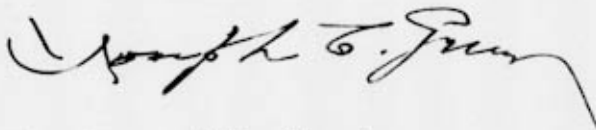
- 2 -

The principle it embodies is apparently without precedent in anti-trust policy. All the important anti-trust exemptions, even NRA, have been part of legislation under which the Government maintained some continuing control over the industry concerned. In the instance, one provision of the treaty commits the Government to a policy of anti-trust immunity for the industry while another disavows any purposes to impose Government control under the treaty.

We are anxious to reach agreement with Mr. Ickes but we feel strongly that it is necessary to have further discussions about the anti-trust problem in which the Attorney General participates directly.

In addition, there are several other features in the revised draft of the Anglo-American Petroleum Agreement which cause us considerable concern.

Mr. Stettinius in his capacity as Chairman of the Committee which you appointed to conduct negotiations with the British on oil, would be happy to discuss these points with the members of the Committee at the earliest possible opportunity.



Acting Secretary

PETROLEUM ADMINISTRATION FOR WAR

WASHINGTON 25, D. C.

MAR 12 1945

100-344442-12
MAR 12 11 23 AM '45
RECEIVED

My dear Mr. President:

Inasmuch as I have acted as Chairman of the Committee appointed by you to deal with the Anglo-American Oil Agreement matter, I think that I should post you as to developments in this connection since your departure for Yalta.

You will recall that the Agreement signed by us with the British last year and transmitted by you to the Senate for approval as a treaty on August 24, 1944, was withdrawn at the suggestion of myself and the State Department on January 10, 1945, for reconsideration and possible revision. Senator Connally had announced his opposition to this Agreement even before any hearings had been held; this, based upon oil industry opposition to it.

Upon the return of the Agreement, the Committee which you had appointed to negotiate it - consisting of Messrs. Stettinius, Forrestal, Crowley, Patterson, Rayner, Davies, and myself - met to consider the next moves. After rather full consideration of the problem introduced by the oil industry's opposition, at the suggestion of the Committee I arranged that my Deputy Mr. Davies, in collaboration with the Oil Adviser of the State Department, Mr. Rayner, meet with the oil industry forces in an attempt to reconcile the existing differences.

There followed a number of meetings with the oil industry and extensive and spirited discussion of the differences. From this, we emerged finally with a revised document having industry support. The new version differed from the original almost wholly in terms of clarifying language and with practically no changes of substance. The single important addition consisted in an "anti-trust immunity" clause necessary to obtain industry agreement, this clause reading as follows:

"That upon the formal approval by either Government of any specific course of action proposed by the Commission, action taken by its nationals in compliance therewith shall not be an infringement of its laws with respect to restraints of trade."

The oil industry has rather painful recollection of some anti-trust situations dating back to NRA days and has been quite insistent that, in any arrangement which contemplates that the industry adopt courses of action at the instance of the Government, it should have protection against prosecution under the anti-trust laws for carrying out the governmental direction. Everyone seems agreed that this is not an unreasonable position but, of course, the inclusion of any such provision introduces a controversial element in the political sense.

On February 22, at the request of Senator Connally, your Committee appeared before the Foreign Relations Committee of the Senate in an informal, closed meeting to discuss in a preliminary way, the revised Agreement. Senator Connally had invited, as well, the oil industry leaders with whom we had dealt. Thus, Government and industry were both represented and afforded an opportunity to express informally their views and recommendations. The several executive departments concerned - excepting State - urged acceptance of the new document, and the oil industry representatives expressed their endorsement. In general, the reception on the part of the Connally Committee was distinctly friendly to the Agreement.

The State Department, represented by Mr. Acheson, said, in effect, that it

was not prepared to take any position for the present; that it had not had sufficient opportunity to study the wording of the new Agreement; and further, that Secretary Stettinius was absent from the city and would have to be consulted. The Foreign Relations Committee was somewhat puzzled over the failure of the State Department to join with the rest of us, particularly since State had endorsed the original Agreement which differs only slightly from the revision, and in view of the fact that its Oil Division representative had been brought into every meeting with the oil industry and had actually participated in the drafting. I must say that I was rather puzzled myself.

I have not felt free to release copies of the new document to the members of the Connally Committee because, as a practical matter, this is likely to be equivalent to general publicizing and this would seem to be highly undesirable until the executive departments can present a united front; further, until you yourself have had an opportunity to consider the matter. Also, something should be said to the British before a proposed new version, which we hope to persuade them to sign in lieu of the original, is broadcast to the general public.

As matters stand today therefore, we need to:

- A. Bring the State Department into line with the rest of your Committee and have it actively support the revised Agreement.
- B. Persuade the Department of Justice that it can accept the anti-trust immunity clause.
- C. Appear again before the Foreign Relations Committee as soon as we are united within the Administration, and endeavor to obtain reasonably definite acquiescence.
- D. Reopen negotiations with the British.

When it comes to renegotiation with the British, I think we must this time meet with them in London. The British have made two visits to Washington in the interest of this Oil Agreement, in both cases under some pressure from us here, as you know. It is embarrassing enough that, having signed an agreement, we are not now able to go through with it, and in advancing new proposals I think that we are at least required to reciprocate as to the place of meeting. It has been suggested that it might be advisable that I return Lord Beaverbrook's visit here; however, as to this and further specific plans, I can better be definite at a somewhat later date.

There is an impression in some quarters that there is no great urgency about completing this Anglo-American Agreement; that it can await the conclusion of other international arrangements of one kind or another now in prospect. Actually, precisely the reverse is the case. The longer we wait, the more difficult it will be to come to terms with the British. They were not anxious for an Agreement in the first place and their resistance increases as time goes on. It is the British, and not the American side, that is making concessions under the terms of the document we have drawn. If we are to succeed, there is no time to be lost.

Sincerely yours,

Harold L. Fisher

Petroleum Administrator for War.

The President,

The White House.

Enclosures:

1. Copy of Revised Agreement.
2. Memo on anti-trust clause issue.

S/W H/Rg
76409 Item #3

No. _____

SUGGESTED REVISION OF AGREEMENT ON PETROLEUM
BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND
THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

(The following is an incomplete tentative draft of proposed revisions of the Anglo-American Petroleum Agreement, prepared by a subcommittee of the President's Committee on the Anglo-American Agreement. It is a working draft, for the consideration of the President and the President's Committee, and is subject to their approval or disapproval. It cannot, therefore, be considered to be the draft which will be submitted to the Government of the United Kingdom.)

Preamble

The Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland, whose nationals hold, to a substantial extent jointly, rights to explore and develop petroleum resources in other countries, recognize:

1. That ample supplies of petroleum, available in international trade to meet increasing market demands, are essential for both the security and economic well-being of nations;
2. That for the foreseeable future the petroleum resources of the world are adequate to assure the availability of such supplies;
3. That the prosperity and security of all nations require the efficient and orderly development of the international petroleum trade;
4. That the orderly development of the international petroleum trade can best be promoted by international agreement among all countries interested in the petroleum trade whether as producers or consumers,

The two governments have therefore decided, as a preliminary measure to the calling of an international conference to consider the negotiation of a multilateral petroleum agreement, to conclude the following agreement.

Article I

The two Governments agree that the international petroleum trade should be conducted in an orderly manner on a world-wide basis with due

regard to the considerations set forth in the Preamble, and within the framework of applicable laws and concession contracts. To this end, and subject always to considerations of military security and to the provisions of such arrangements for the preservation of peace and prevention of aggression as may be in force, the two Governments affirm the following general principles with respect to the international petroleum trade:

1. That adequate supplies of petroleum should be accessible in international trade to the nationals of all countries on a competitive and nondiscriminatory basis;
2. That in making supplies of petroleum thus accessible in international trade, the interests of producing countries should be safeguarded with a view to their economic advancement.

Article II

In furtherance of the purposes of this Agreement, the two Governments will so direct their efforts:

1. That with regard to the acquisition of exploration and development rights the principle of equal opportunity shall be respected;
2. That all valid concession contracts and lawfully acquired rights shall be respected, and that no effort to interfere directly or indirectly with such contracts or rights shall be made;
3. That the exploration for and development of petroleum resources, the construction and operation of refineries and other facilities, and the distribution of petroleum shall not be hampered by restrictions inconsistent with the purposes of this Agreement.

ARTICLE III

With a view to the wider adoption of the principles embodied in this Agreement, the two Governments agree that as soon as practicable they will propose to the governments of other interested producing and

consuming countries an International Petroleum Agreement, which inter alia would establish a permanent International Petroleum Council composed of representatives of all signatory countries.

To this end the two Governments agree to formulate plans for an international conference to consider the negotiation of such a multilateral petroleum agreement. They will consult with other interested governments with a view to taking whatever action is necessary to prepare for the proposed conference.

ARTICLE IV

Numerous problems of joint immediate interest to the two Governments with respect to the international petroleum trade must be discussed and resolved on a cooperative interim basis if the general petroleum supply situation is not to deteriorate.

With this end in view, the two Governments agree to establish an International Petroleum Commission to be composed of eight members, four members to be appointed immediately by each Government. To enable the Commission to maintain close contact with the operations of the petroleum industry, each Government will facilitate full and adequate consultation with its nationals engaged in the petroleum industry.

In furtherance of and in accordance with the purposes of this Agreement, the Commission shall consider problems of mutual interest to both Governments and their nationals, and with a view to the equitable disposition of such problems it shall be charged with the following duties and responsibilities:

1. To study the problems of the international petroleum trade caused by dislocations resulting from war;

2. To study past and current trends in the international petroleum trade;
3. To study the effects of changing technology upon the international petroleum trade;
4. To prepare periodic estimates of world demands for petroleum and of the supplies available for meeting the demands, and to report as to means by which such demands and supplies may be correlated so as to further the efficient and orderly conduct of the international petroleum trade;
5. To make such additional reports as may be appropriate for achieving the purposes of this Agreement and for the broader general understanding of the problems of the international petroleum trade.

The Commission shall have power to regulate its procedure and shall establish such organization as may be necessary to carry out its functions under this Agreement. The expenses of the Commission shall be shared equally by the two Governments.

Article V

The two Governments agree:

1. That they will seek to obtain the collaboration of the governments of other producing and consuming countries for the realization of the purposes of this Agreement, and to consult with such governments in connection with activities of the Commission;
2. That they will endeavor to make available to the Commission such information as may be required for the discharge of its functions.

Article VI

The Two Governments agree:

1. That the reports of the International Petroleum Commission shall be published by each of the two

Governments, unless in any particular case the two Governments decide otherwise;

2. That upon the formal approval by either Government of any specific course of action proposed by the Commission, action taken by its nationals in compliance therewith shall not be an infringement of its laws with respect to restraints of trade;
3. That no provision in this Agreement shall be construed to require either Government to act upon any report or proposal made by the Commission, or to require the nationals of either Government to comply with any report or proposal made by the Commission, whether or not it is approved.

Article VII

The two Governments agree:

1. That the general purpose of this Agreement is to facilitate the orderly development of the international petroleum trade, and no provision in this Agreement, with the exception of Article II, is to be construed to apply to the operation of the domestic petroleum industry within either country;
2. That no provision in this Agreement shall be construed to prevent either of the two Governments from taking such action as it may desire to limit the amount of petroleum which may be imported into its country.

Article VIII

The two Governments agree that for the purposes of this Agreement:

1. The words "country" or "territories"
 - (a) in relation to the Government of the United Kingdom of Great Britain and Northern Ireland, shall mean the United Kingdom and the British colonies, overseas territories, protectorates, protected states, and mandated territories administered by that Government which are named in the attached list; and

76409

(b) in relation to the Government of the United States of America shall mean the continental United States, Alaska, Hawaii, Puerto Rico, and the Virgin Islands;

- 2.. The word "petroleum" means crude petroleum and its derivatives.

Article IX

This Agreement shall enter into force upon a date to be agreed upon after each Government shall have notified the other of its readiness to bring the Agreement into force and shall continue in force until three months after notice of termination has been given by either Government or until it is superseded by the International Petroleum Agreement contemplated in Article III.

In witness whereof the undersigned, duly authorized thereto, have signed this Agreement.

5/4

ANTI-TRUST IMMUNITY CLAUSE

"That upon the formal approval by either Government of any specific course of action proposed by the Commission, action taken by its nationals in compliance therewith shall not be an infringement of its laws with respect to restraints of trade."

1. This clause is not self-executing. Before becoming operative, it would require legislation by the Congress:

- (a) Designating the official or agency of Government who would be authorized to approve recommendations to the Commission;
- (b) Establishing the standards under which the immunity would be given.

Thus, the anti-trust provision could not come into effect until both the Senate and the House of Representatives had had a chance to consider and act upon it. The Department of State and the Department of Justice would also have full opportunity to express their views concerning the provision.

2. There is nothing unique about a provision giving immunity to those who comply with specific recommendations of a Government agency. Several Acts of Congress, in both peacetime and wartime, provide that, upon approval by an executive official or agency of agreements or courses of action of certain types, the making of the agreement or the carrying out of the approved courses of action will not be deemed a violation of the anti-trust laws.

Examples are the Civil Aeronautics Act of 1938, the Interstate Commerce Act, the Shipping Act, 1916, the Agricultural Adjustment Act, and (wartime) the Small Business Mobilization Act.

The proposal for the anti-trust clause therefore simply contemplates the reenunciation of a principle which has repeatedly been approved by the Congress.



file *PSF*

THE SECRETARY OF THE INTERIOR
WASHINGTON

MAR 28 3 53 PM '45
RECEIVED

March 28, 1945.

My dear Mr. President:

We are pursuing diligently with the Attorney General the matter of the proposed Anglo-American Oil Agreement with particular reference to the anti-trust clause. I have taken this up personally and it looks as if we may be able to agree on language that will be mutually satisfactory. Then we will have to convince the Department of State and the oil industry, following which we must discuss the new language with the British.

I am leaving nothing undone to bring this whole matter to a conclusion.

Sincerely yours,

The President,
The White House.

Harold L. Icha
Secretary of the Interior.

4244

Anglo-Amer. Oil Ag.

PBF

March 24, 1945

Dear Harold:

I am very glad to have your report of March 12 on the progress made in working out a new proposal for an Anglo-American Oil Agreement.

I gather from your letter that the principal problem still outstanding relates to the anti-trust question. Now that the Secretary of State has returned to Washington, I assume you are pursuing discussions with him and the Attorney General jointly with a view to determining whether there is some basis for a solution consistent with our anti-trust policy.

I understand that there are some other points of general foreign economic policy about which Ed Stettinius would like to have some discussions with the members of the Committee of which you are Vice Chairman.

As you know I am greatly interested in following this matter. I shall look forward to hearing the results of your further discussions.

Very sincerely yours,

FRANKLIN D. ROOSEVELT

The Honorable
Harold L. Ickes,
Secretary of the Interior.

4264

THE WHITE HOUSE
WASHINGTON

Anglo-American Oil Agreement folder
3-25
PSF

March 27, 1945.

MEMORANDUM FOR

HON. E. R. STETTINIUS, JR.

I shall be delighted to have
the meeting that Harold proposes
just as soon as I get back from
Warm Springs. Will you remind me
of it?

F.D.R.

Ltr of 3/26/45 to the President from the
Sec. of the Interior; says the attitude
of some of the Depts, particularly the
State Dept, re the proposed Anglo-American
Agreement on Mideastern oil, is such that
an agreement does not seem probable unless
a meeting is arranged to determine the
issues.