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Oil, 1944.

Confidential Files

[March 30, 1944?]

Mar 30-44

The speech of Congressman Jerry Voorhis of California, published in the Congressional Record of February 21, 1944, gives a useful account of the general situation. In addition, I learned the following:

1. Colonel John H. Leavell was appointed some time ago Petroleum Attache to the Division of Near Eastern Affairs of the State Department. He has been described as a decent, conservative minded man, with no axe to grind, and without present affiliations to any of the oil companies. Toward the end of 1942, he prepared a report on the Saudi Arabian oil deposits in which he emphasized the vast nature of those deposits and proposed the building of a pipe line from them to the Mediterranean. He proposed, further, United States Government control of the group which was to exploit the deposits.

At that time the Army-Navy Petroleum Board, which is responsible for making the recommendations to the Army and Navy Chiefs of Staff in regard to war petroleum needs, had turned down the scheme. It appears that the active person on the Army and Navy Petroleum Board is Commodore Andrew Carter, who has been closely associated with the Shell Oil Company. A year later the scheme for a pipe line from Saudi Arabia was again put forward, this time, however, without the element of government control. The scheme on this occasion received the approval of Commodore Carter. *Col Leavell himself was by-passed.* The rest of the story is explained in Mr. Voorhis' speech.

2. As Mr. Voorhis indicates, the people closely connected with the big oil companies are to be found in strategic positions also in the State Department, (Mr. Charles Rainer, at present Petroleum Advisor to the State Department) and in the Petroleum Administration for War, (Mr. Ickes' office). I understand that Mr. Thornberg, the predecessor of Mr. Rainer in the State Department, (Mr. Rainer was described to me as not the ordinary hard-boiled oil man, but rather as one who had "married into oil") has gone to London with the Stettinius delegation. I recall that many months ago Mr. Thornberg, at that time in the State Department, had been described to me as anti-Zionist -- again not on general political grounds, but in consonance with the severely practical view of their interests taken by the oil people.

3. The oil companies are of course not anti-Zionist as such, their interests being centered entirely on the most effective exploitation of the fields from their point of view. There is no doubt, of course, that General Hurley, who had formerly represented the Sinclair oil interests, has taken a strongly anti-Zionist line in connection with the pending negotiations.

4. As regard to the Mediterranean exit of the pipe line, the intention apparently is that this should be in Palestinian territory, south of Haifa. It is suggested that this may mean Gaza.

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I was informed that some two months after the suppression of the proposed British-American joint statement on Palestine, Mr. Berle had sponsored the idea of another statement to be made by the President in behalf of the proposal for an Arab federation. In connection with

this statement apparently it was intended to emphasize the preeminence of King Ibn Saud. This proposed statement was also quashed before it reached the light of day, though by whom is not clear to me. It will be remembered that Mr. Adolf Berle was prominent also in connection with the visit of the Saudi-Arabian princes, a visit directly connected with the oil discussions.



הסוכנות היהודית לארץ ישראל

The Jewish Agency for Palestine

New York Office: SUITE 1205, 342 MADISON AVENUE, NEW YORK 17, N. Y., MUrray Hill 2-8803

Washington Office
1720 SIXTEENTH ST., N.W.
Michigan 4480

April 6, 1944

Dr. Abba Hillel Silver,
The Temple,
Cleveland, Ohio

Dear Dr. Silver:

Enclosed herewith are copies of
two reports on talks about oil.

I would like you to send me reports
on conversations you or our people in Washington
have had on the same matter so that we can pool our
information. We will then be in a better position
to discuss our policy when next you are in New York.

Cordially yours,

Nahum Goldmann

NG:FR

MINUTES OF MEETING OF OIL SUBCOMMITTEE

APRIL 7, 1944

Present: Mr. Neumann
Mr. Shulman
Mr. Herenski
Dr. Goldmann
Mr. Lourie

Dr. Goldmann explained the position of the Standard Oil Company of New Jersey which opposes the construction of the pipe line, and of the Petroleum Reserves Corporation which favors it, respectively.

As regards the former, their views may be stated as follows:

- (a) The assertion of Mr. Ickes that American oil supplies were running out, is untrue.
- (b) There is as much untapped oil in Alaska as there is in Saudi-Arabia.
- (c) In any case, there is no need for a pipe line. Ample tanker facilities will be available. Moreover, the pipe line will involve considerable risk of sabotage; in addition, there is the possibility of difficulties arising with foreign powers.
- (d) The pipe line will not necessarily result in cheaper oil. The cost of bringing oil from Saudi-Arabia to Palestine for refining via Suez today is approximately 27 cents a barrel--24 cents of this is accounted for by Suez Canal duties. An arrangement should be possible in the form of repayment of lend-lease whereby these duties would be eliminated, reducing the price of transportation to 3 cents.
- (e) From the Jewish point of view a pipe line through the territory of Ibn Saud would put him in the position to exercise permanent blackmail against a Jewish Palestine.
- (f) Most of the oil advisers in the different government departments are personally financially involved with the oil companies.

On the other side, F. told Dr. Goldmann that:

- (a) There still are ample oil reserves in this country, but the estimates of those opposing the construction of the pipe line (i. e., Standard Oil of New Jersey and its associates) are highly exaggerated. In any case, this country cannot take any risk of finding itself without adequate reserves.
- (b) As far as the Jewish side is concerned, the situation will be bad for us if the United States fails to reach an agreement with the British. Once an agreement is reached, however, Ibn Saud loses his power to blackmail. The construc-

tion of a line to Palestine will mean a tremendous industrial development which will obviously be of great importance to the Jewish National Home. Should there be no agreement with Great Britain, then the whole pipe line proposal must necessarily fall through since it would have to traverse British or British-controlled territory.

F. added that Senator Maloney, who is the chairman of the Special Senate Investigating Committee, has been receiving hundreds of letters from Jews expressing resentment that the pipe line proposal is threatening the future of the Jewish National Home. In answer to his inquiry it was explained to F. that this was a spontaneous action and was not engineered by the Emergency Council.

Dr. Goldmann said that there is apparently a possibility, amounting even^{to} a likelihood, that Congress will kill the whole proposal. He himself believes that F. is right in his view that the pipe line would be of benefit to the Jewish National Home, but he thought that the Zionists should not take any official line. He expects to see a leading personage associated with the California-Arabia Company in the near future through the intervention of Mr. Ed. Kaufman, who, Dr. Goldmann urged, should be coopted to the Emergency Council Subcommittee. Apparently, the supporters of the pipe line, including, of course, the California-Arabia Company, are troubled about the Jewish reaction which they feel may be an additional factor in producing an unfavorable attitude in Congress. It was Dr. Goldmann's opinion that his own approach should be that as long as Ibn Saud remains hostile to Jewish Palestine we cannot be expected to look with favor on the pipe line.

Mr. Neumann said that it appeared that both sides to the controversy were concerned about the Jewish attitude; we had a certain nuisance value here of which we should take advantage. He was not sanguine, however, of our being able to use our position to buy Ibn Saud off. What we ought to aim for would be to get a commitment from the American Government regarding what American policy in relation to Palestine will be.

Mr. Shulman said that we had nothing to gain by fighting the proposal, but -

- (a) The first question is whether any assurances have been given by Hurley, etc. to Ibn Saud. The only way to be certain would be by an announcement by the Government of its policy. Possibly, in view of the military situation, we could not get any public announcement at this time, but we should seek to get a policy favorable to the Jewish National Home formulated and accepted by the United States Government and conveyed through diplomatic channels to Great Britain.
- (b) We should seek to deter the Government from taking the position that any declaration on Palestine is to be dependent upon the agreement with or prior consultation with the Arabs.
- (c) We must build up and present the case that a Jewish Palestine with the associated economic development of that area is the best assurance for the future of the pipe line.

Mr. Mereminski suggested that it might be necessary to inform the British of our interest in the matter, and that action should be taken by the Jewish

Agency with both the British and the American Governments to the end that it be drawn into consultation in connection with any final arrangements. Thus, it would be a matter of great importance from the Zionist point of view as to what the price would be of the ultimate product and the conditions under which the operations in Palestine would be conducted.

Mr. Neumann said that we must be careful not to put ourselves in the position of either coming out for or against the pipe line. In so far as we had something to offer we would be willing, in certain circumstances, not to oppose the scheme.

It was decided in conclusion:

- (1) To have a further meeting of the Committee at 10 A. M. on Monday, April 10, 1944;
- (2) That it be suggested to Dr. Silver that Mr. Edmund Kaufmann be added to the Committee;
- (3) That Mr. Lourie should centralize and take charge of all available material on the question and that he obtain the assistance of Dr. Joseph Cohn of the Jewish Agency office and Mr. Alfred Kahn of Mr. Neumann's office in the preparation of a report on the whole situation;
- (4) That on the suggestion of Mr. Neumann inquiries be made in the course of the week-end with a view to obtaining the professional help of a lawyer in Washington to follow the hearings of the Special Congressional Committee;
- (5) To invite Mr. Leo Sack to come to New York prior to the hearings with a view to having him attend them on behalf of the Council.

AHS File

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April 7, 1944

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General John Patrick Hurley
~~Department of State~~ N 1210 Shouham Bldg.
Washington, D.C.

My dear General Hurley:

I was most happy to have had the chat with you the other day in your office. It was good of you to give me so much of your time. I was greatly interested in the impressions and the reactions which you received in the Near East, particularly with reference to the extensive propaganda which is carried on against the Jewish National Home. They confirm similar impressions received by others who have recently visited that part of the world.

I am greatly distressed that you have been made unhappy by what you know to be a gross misrepresentation of your position with reference to Palestine and the Jewish people generally. In these feverish days when passions run high and the work of men in public life must of necessity be wrapped in considerable diplomatic secrecy, it is inevitable that some people who gained their information from the public press should jump at conclusions which are very often imperfect and sometimes altogether inaccurate conclusions. Such misconceptions, however, can be dissipated.

I was happy to learn that to your best knowledge, no commitments have been made in the course of recent oil negotiations which involve the Jewish National Home. This has been bothering many of our people who have been led to fear that the Jewish National Home is, to use a colloquialism, being "sold down the river."

The first part of our conversation led me to believe that you have not had the opportunity to familiarize yourself fully with some of the legal aspects of the Palestine Mandate or of the Convention on Palestine which was signed by the United States and Great Britain in 1924. I hope that you will have the opportunity to go through the documents which I left with you. I am also taking the liberty of enclosing an excellent statement on the claims of the Jews and Arabs with reference to Palestine which was made by Mr. Emanuel Neumann before the Foreign Affairs Committee at the hearings on the Palestine resolution recently introduced in Congress.

General Hurley

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April 7, 1944

I shall be most happy to hear from you on any of the subjects which we talked about, if you desire any additional information. I shall also look forward with keen pleasure to the opportunity of meeting with you again.

With all good wishes, I remain

Most cordially yours,

AHS:BK
Enc.



AHS File

Return to AHS

April 13, 1944

Feuer

Oil

Memorandum of conversation with Mr. Paul Hadlick

Mr. Hadlick is the Washington attorney for the Independent Petroleum Marketers Association. He served as counsel for the Senate Subcommittee on Agriculture which was investigating the relationship between alcohol and synthetic rubber. Mr. Hadlick has made a rather thorough study of American oil concessions, both on this continent and in other parts of the world, and is conversant with the relations between the oil companies. He seems fairly conversant with the subject of oil, but made clear that the opinions which he expressed in the conversation were based on ~~the~~ conjecture; conjecture, however, which is rooted in previous knowledge and experience.

1. The pipe-line project will be consummated. The battle between the oil companies on the subject may be a sham battle whose purpose is jockeying for position, not only with regard to Arabian oil, but concessions elsewhere. By this, he means ^{that} some of the oil companies fighting the pipe-line will withdraw their opposition, either if they are given a slice of the concession or have turned over to them concessions elsewhere, now controlled by the companies favoring the Arabian deal, or some agreement is reached with regard to price and markets.

2. The Senate Committee on Oil will "white-wash" the Arabian deal. In the first instance, care has already been taken to stack the Committee in its favor and secondly, despite vigorous opposition in Congress to previous oil deals which involved large expenditures of public funds like Elk Hills and Alaskan oil, the opposition in the end amounted to nothing. The military had its way with regard to these and the likelihood is that with solid backing on the part of both the War and Navy Departments, the same result will come to pass

with regard to Arabian oil.

3. There will be a definite agreement between the United States and Great Britain not only on the particular subject of oil, but on the general question of co-sharing the Near East as a sphere of influence. The reasons are two-fold--

(a) Great Britain does not feel itself in too strong a military position vis-a-vis the Moslem world. It would welcome the responsibility of introducing the United States as its partner into the problem of policing that part of the world. An American pipe-line needs American military and naval forces.

(b) Russia is a great oil producing and oil exporting country. It regards the European continent, and has traditionally regarded it, as its major oil market. The whole sweep of country from the Caucasuses eastward through Iran and to the Persian Gulf is a vast uninterrupted, fabulously wealthy oil preserve. Russia has imperialist ambitions to extend its already great holdings in that area, and to squeeze Britain out as far as possible. Russia now has an important pipe-line which is one exit for Russian oil to the European market and which supplies the Balkans. One exit is not enough. Russia would welcome an opportunity for another outlet on the east coast of the Mediterranean. (Note: Connect this opinion of Mr. Hadlick's with the Ben ~~Harion~~ Article in Harper's which throws out the same suggestion.) In addition to sharing with Great Britain military responsibility for the control of the Moslem world, the presence of American military forces and bases in the Near East would be a great bulwark for Great Britain in restraining and perhaps, ultimately, fighting to prevent the achievement of these Russian aims.

4. In response to my query as to whether, if he were thinking in terms of a Jewish Palestine, would Mr. Hadlick regard the pipe-line as beneficial to a Jewish Palestine, both economically and politically, Mr. Hadlick replied that he

could only venture two tentative opinions:

(a) Economically, the presence of a pipe-line terminus and a refinery in an area does not necessarily make for the further industrial development and economic prosperity of that area. A refinery by itself does not add materially to employment and offers no particular economic advantages, unless the people who control that refinery are willing to sell the by-products of oil locally at an advantageous price, thus making it possible to develop industries which process these by-products. Mr. Hadlick pointed out that if you examine oil producing centers and refineries, both in this country and elsewhere, you will find very little relationship between the oil industry and the economic development of the area. Most often, the contrary is true. There is very little other industry in such areas.

(b) From a political point of view, Mr. Hadlick said that he would reply to my question with a counter question. He asked me whether I thought that the presence of the British military in Palestine had imposed heavier penalties on the Jews or on the Arabs. When I replied that it was obvious that the Jews were the more penalized, he then went on to say that the presence of a supplementary military power, namely, American, is not likely to improve, but may worsen the situation. He pointed that it would be considered important, in view of the larger international issues involved, to avoid the development of friction between the two military powers. However, he emphasized that these opinions were purely in the realm of guess-work and that it might be possible to build up refuting arguments.

Leon I. Feuer

LIF:hp

H. H. H.

author?

AHS File

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The following is the substance of an interview between our own friend and the General who is the Special Envoy to the Near East.

The General started the interview by declaring that he was anxious to make it clear to the interviewer, who is an old personal friend of his, that he has never been and is not now in the slightest way anti-Jewish. He is very indignant at the abuse which has been heaped upon him, one manifestation of which was nearly two thousand letters of attack provoked by the Pearson broadcast, whom he damned as a complete and unmitigated liar.

The General was sent to the Near East by President Roosevelt as an impartial observer to study the oil situation and its possibilities for America, the political complications which would be involved, etc. and to report his facts and findings. He said that it was his sworn duty to do this as a completely unbiased person, because if he allowed any personal consideration to enter, his value to his government as a reporter would be nullified. He saw and spent some time with Ibn Saud. This was prior to the King's article in Life magazine. Ibn Saud stressed very strongly the fact that he was not anti-Jewish, but anti-commonwealth. He did not believe it would be fair for an Arab majority to be forcibly transformed into a minority. He told the General that he had made these views clear to President Roosevelt in a personal communication.

The General then went to Palestine. There he saw Ben Gurion, Shertok, Magnes, and Joseph. He was tremendously impressed with the first three but conceived a great dislike for Joseph, who talked to him as though he were a "police-court judge." He was very much impressed by what he saw in Palestine. He said that Ben Gurion and Shertok placed every facility at his disposal for seeing what he had come to see and he was very grateful to them. He says that the Jews in Palestine have done a magnificent job of building up a country.

He then went on to visit other countries of ^{the} Arab Near East. He found that everywhere he went he had been preceded by Sir Ronald Storrs who was on a special mission for the British government. Sir Ronald was planting the following stories all through the Near East: President Roosevelt is responsible for Zionist agitation because he is surrounded by Zionist Jews. It is his policy to force the establishment of a Jewish national home and for this purpose he will sell the Arabs down the river. The British government wants the Arabs to know that ~~he~~ if anything like this happens it will not be their fault but that of President Roosevelt, etc.

The General said that as soon as he returned he immediately advised President Roosevelt of this political intrigue which was using him as a scapegoat. He said to the President that if it is his policy to further the establishment of the Jewish national home, then that was one thing. But, if it was not his policy, then he suggested that the President communicate with Churchill and demand forcibly that this intrigue in the Near East must stop. The General added that he knows that the President did talk to Churchill on the Trans-Atlantic telephone, but of course he either does not know or did not indicate what the tone of the conversation was.

The General pointed out to his interviewer that the letter of Secretary Stimson to the Senate Foreign Relations Committee preceded his return to the country and that he therefore could not have had anything to do with it, as hinted in the Drew Pearson broadcast.

NOTE: (There are several things which I would like to note about the above. The General protests too much that he is not an anti-Semite. His interview with Ibn Saud precedes the Life article. That does not indicate much attempt to bargain with Ibn Saud on the question of Palestine but on the contrary leaves the suspicion that he promoted the Life article.

He calls Drew Pearson a liar, which may be a case of the pot calling the kettle black. The circumstantial evidence seems to bear out Pearson. Urging the President to talk to Churchill and insist that his name not be used in connection with the Jewish national home would not seem to indicate that the General is impartial on the subject of Zionism. Nevertheless, I think it is wise for you to go through with the interview with him so that you can size him up yourself. He is going back to the Near East and an interview with you and the knowledge that he is being carefully watched may act as some kind of a check on his activities.

He is being mentioned very prominently as a candidate for the Vice-Presidential nomination on the Republican ticket, and if he has any ambitions in this direction, he will not be immune to Jewish opinion in this country.

Our information from Sen. Brewster indicates quite the contrary

