

'National Security' Saved

By Morton Mintz

Washington Post Staff Writer

President Truman launched a criminal investigation of what he termed "the international oil cartel" but later halted a grand jury inquiry "solely on the assurance of Gen. Omar N. Bradley that the national security called for that decision," a former Justice Department official revealed under oath yesterday.

Although the antitrust laws haven't changed, the basic cartel arrangement considered illegal by the Justice Department 21 years ago continues today, the witness, Leonard J. Emmerglick, told the Senate Subcommittee on Multinational Corporations, headed by Frank Church (D-Idaho).

As special assistant to Attorney General James P. McGranery, Emmerglick led the grand jury investigation.

Truman reached his reluctant decision only eight days before leaving office in January, 1953, Emmerglick said. He said the President was confident that a civil suit would be vigorously prosecuted against the five U.S. firms involved—Exxon, Texaco, Gulf, Mobil and Standard of California (SoCal). The foreign firms, British Petroleum and Shell were co-conspirators, he said.

Three months after President Eisenhower took office, the Justice Department ended the grand jury investigation and simultaneously filed a civil complaint accusing the

oil companies of conspiring to restrain interstate and foreign commerce and monopolizing commerce between the United States and other nations.

The civil case was not vigorously prosecuted, but ended in the 1960s with consent decrees that were "cosmetic, and nothing more," Emmerglick said.

Emmerglick gave a rare glimpse of a conflict at the highest levels of government over whether the companies in the cartel should be broken up with a criminal proceeding that was expected to be over within a matter of months.

Emmerglick said Mr. Truman summoned him to his White House living quarters one Sunday evening and told the prosecutor he was ending

the criminal proceeding—not because Secretary of State Dean Acheson and others in the Cabinet also recommended doing so, but because General Bradley did.

Bradley, the nation's only surviving five-star general, now lives in Los Angeles. An aide said he was not immediately available for comment.

Senator Church released a 158-page collection of documents—declassified by the State Department at his request—on the cartel and the controversy within the government over its role in national security.

Many of the papers deal with a central issue: whether the national security in the Middle East would be pro-

Oil Cartel in 1953 Probe

ected or imperiled by prosecuting the cartel case.

The issue arose mainly out of fears that Iran, which in 1951 had nationalized assets of the Anglo-Iranian Oil Co. (now British Petroleum), might slip into the Soviet orbit.

The British and the Iranians had apparently irreconcilable differences. But the United States, then in the Cold War period and fighting in Korea, wanted Iranian oil production restored. The documents show Acheson contended that this required the cooperation of the major American firms because they had tankers to move the oil.

The Justice Department, alone among government agencies, wanted a solution in

which American firms not then in the Middle East would form a joint venture to produce and market Iranian oil. This solution was intended to inject serious, long-lived competition into the world oil business.

In a surprise development, the subcommittee produced an internal State Department memo showing that its own expert in the Middle East at the time, Richard Funkhouser, had relayed a recommendation from "major company" executives that independents be given "every encouragement . . . to move Iranian oil."

Funkhouser had also taken a strong pro-competitive stance in 1951 in a background paper prepared for a meeting

with oil executives on Middle East problems.

"The U.S. government should continue to make known to U.S. oil companies at every appropriate opportunity that the use of business practices which tend to divide markets, limit access to markets, fix prices, establish quotas or in any other way to restrain competition or foster monopolistic control is contrary to U.S. policy," Funkhouser said.

The Justice Department position was that these were the very practices engaged in by the cartel since the 1920s.

In addition, State Department legal adviser Adrian S. Fisher disclosed in December, 1952, that "none of the oil

companies had any particular desire to move this oil," having increased production elsewhere when Iranian oil went off the market.

In an unprecedented action, the National Security Council in October, 1953, transferred control of the cartel case to the State Department. Three months later, the NSC extended the cartel into Iran, rather than breaking it up, although Truman had told Acheson that such antitrust immunity could be obtained only through invocation of the Defense Production Act.

The NSC, Church charged yesterday, "not only perverted the law, but precluded the creation of a competitive international oil industry."