THE NEAR EAST

INTEREST OF THE UNITED STATES IN THE ARAB-ZIONIST CONTROVERSY OVER THE FUTURE STATUS OF PALESTINE; THE ISSUE AT THE UNITED NATIONS; CREATION OF THE STATE OF ISRAEL; ENTRY OF ARAB FORCES INTO PALESTINE

[The interest of the United States in the Arab-Zionist controversy and related matters was treated in Foreign Relations, 1947, volume V, in the section on Palestine, pages 999–1328. In 1948, the controversy continued as an issue at the United Nations, and it grew to larger proportions with the creation of the state of Israel and the entry of Arab forces into Palestine. Documentation on these matters is included in part 2 of this volume.]

UNITED STATES ECONOMIC AND MILITARY AID TO GREECE AND TURKEY

[Documentation on American aid to Greece and Turkey under the Truman Doctrine is printed in volume IV, pages 1–221. The subject of military aid to these countries as it related to their interest in possible participation in Western European collective defense arrangements is treated in volume III, pages 1–351.]
INTEREST OF THE UNITED STATES IN THE SECURITY OF THE EASTERN MEDITERRANEAN AND OF THE MIDDLE EAST

Editorial Note

On November 24, 1947, President Truman approved a paper stating that the security of the Eastern Mediterranean and of the Middle East was “vital to the security of the United States” and that it should be the policy of the United States Government “to make evident in a firm but non-provocative manner the extent of the determination of the United States to assist in preserving in the interest of world peace the security of the area.” For the text of this paper, and for related information, see Foreign Relations, 1947, volume V, pages 575 and 623. The policy was subsequently included as paragraph 2 of document NSC 5/2, February 12, 1948, “The Position of the United States with Respect to Greece”, ibid., 1948, volume IV, page 47.

On August 2 Secretary of Defense Forrestal concurred in the following views of the Joint Chiefs of Staff:

For the purpose of this memorandum the “Eastern Mediterranean and Middle East Area” is viewed as being two separate areas. The first, referred to as the “Eastern Mediterranean area”, includes the landed areas of Egypt, the Levant States and Turkey. The other, referred to as the “Middle East Area”, is comprised of the land areas of Iraq, Iran and Arabian peninsula.

Short-range emergency plans approved for planning purposes within the military establishment and other studies in process of development consider holding the Cairo-Suez-Khartoum area in the Eastern Mediterranean as a minimum. This area would be used initially as a base for air offensive action and, in later phases, as a base for further operations to regain Middle East oil resources. The possibilities of success in these operations cannot be accurately forecast at this time. In addition to retaining this minimum base area, such plans provide for retention of as much of the Middle East oil resources as allied capability will permit.

Other plans are under consideration which involve the employment of bases other than the Cairo-Suez area. Implementation of the latter plans would not permit augmenting forces already deployed in the Eastern Mediterranean area or the Middle East area at the outbreak of war sufficiently to assure retention of either after the initial stages. The forces deployed in these two areas would operate there as long as feasible in support of the over-all plan. These plans provide for the regaining of a portion of the Middle East oil resources prior to the
end of the second year of war. The possibilities of success in these operations depend to some extent upon the development of the political situation in this area.

Realistic appraisal of the military capabilities of the USSR, the geographical locations of the Middle East oil resources with respect to the USSR, and consideration of the probable early objectives of Soviet military operations in the event of war in the near future lead to the conclusion that United States and Allied forces presently available probably could not retain the major portion of the oil-producing areas from the outset. However, Allied forces can deny the enemy use of oil-producing facilities in the area. (S/P–NSC Files, Lot 61D167, File “Eastern Mediterranean and Middle East”)

In a memorandum of August 5, 1948, subsequently circulated as document NSC 19/3, the Joint Chiefs of Staff further appraised the position and security interest of the United States in the Mediterranean and Middle East area. For the text of NSC 19/3, see volume III, page 933, and for related expressions of the views of the Joint Chiefs of Staff, see post page 244, and volume IV, page 191.
PARTICIPATION OF THE UNITED STATES IN THE DEVELOPMENT OF THE PETROLEUM RESOURCES OF THE NEAR EAST

Memorandum of Conversation, by Mr. Herbert A. Breakey of the Petroleum Division.

[WASHINGTON,] January 28, 1948.

Colonel [William A.] Eddy, Arabian American Oil Company
Mr. Sanger, NE
Mr. Jenkins, NE
Mr. Breakey, PED

Mr. Terry Duce, of the Arabian American Oil Company, being in the city for a few days, was invited to meet with some of the State Department officials to inform them of the last developments regarding the Trans-Arabian pipeline.

[Here follow four paragraphs of observations by Mr. Duce.]

Mr. Duce summarized the situation as follows:

1. The company is going ahead with the pipe line as planned.
2. This winter it is proceeding with the line in the south.
3. The company is not at the present time interested in an alternative route, but it may investigate such possibilities.
4. The company, however, will consult with the governments at present concerned before attempting any alternative routes.
5. If war develops in Palestine, new plans will have to be considered.

2 Cairo, on January 26, had advised that Aramco was giving consideration to abandoning the Tapline project for six years and to negotiating transit rights in Egypt (telegram 75, 883.6363/1-2648).
3 Documentation on Palestine is scheduled for publication in part 2 of the present volume.
Memorandum by the Director of the Office of Near Eastern and African Affairs (Henderson) to the Secretary of State

CONFIDENTIAL

[WASHINGTON,] February 10, 1948.

Discussion:

Mr. George Koegler, Counsel for Standard Oil Company (N.J.), with Socony Vacuum Oil Company concuring, left with me the enclosed letter dated January 29 indicating that the refusal early in January of the Prime Minister of Iraq to grant a pipeline right of way to Standard and its associates will probably necessitate the abandonment of the proposed pipeline project. The Prime Minister took the position that Iraq would not grant a pipeline right of way to any company in which any American capital participates because of the United States position regarding the Palestine question.

The project, if completed, would transport from 400,000 to 500,000 barrels daily of crude oil from Kuwait and Iran to the Eastern Mediterranean; would be owned 50% by Anglo-Iranian, 40% by Standard, 10% by Socony, and would be constructed of pipe 32" to 34" in size. The pipe would be manufactured by Consolidated beginning not later than fulfillment of orders for the Aramco pipeline. Standard's participation is indispensable to the project because of financial arrangements whereby Standard is to be the principal source of dollars needed for the purchase of the pipe.

Standard feels it is impracticable to undertake construction of some 80 to 90 tankers required to move a volume of oil at the rate of 400,000 barrels daily, a distance by water approximating 4,000 miles as compared to some 900 miles by pipeline because of excessive expenditures in money, steel and power machinery involved in the use of tankers as compared with the pipeline.

Although there has been a change in government since Standard was rebuffed early in January, it is believed that the new government in Iraq would be even less likely to grant a pipeline right of way than its predecessor and accordingly an approach under the present circumstances would serve no useful purpose. Thus if the United States or United Nations position regarding the Palestine question and the decision of the Government of Iraq based thereon remain unchanged,

---

1 Addressed also to Under Secretary of State Robert A. Lovett.
2 Not printed.
3 Mr. Koegler informed Mr. Henderson on March 10 that AIOC desired to enlarge the size of the proposed pipeline and that the American partners did not wish to increase their share of the oil flow. Since it was necessary to reconcile the partners' percentages of stock ownership with percentages of pipeline capacity, it had been tentatively agreed that ownership would be divided as follows: AIOC 60.9%; Jersey Standard 24.7%; and Socony 14.4% (memorandum of conversations, by David A. Robertson of the Office of Near Eastern and African Affairs, 891.6363 AIOC/3-1648).
4 The Consolidated Steel Company, a California corporation.
it appears that during a period of global oil shortage a pipeline project probably will be abandoned which would otherwise make available some 400,000 to 500,000 barrels of oil daily. The impact of this loss in oil supply will be felt primarily in Western Europe, the normal consumption area of oil from the Middle East. According to the Harriman, Krug and Herter reports the European Recovery Program may be seriously retarded without Middle East oil.

The Department's proposed reply states that the oil of the Middle East is an important factor in the success of the European Recovery Program, in the continued recovery of Europe and in our own national interest. It is suggested that the company take no action at this time which would result in the abandonment of the project.

Recommendation:

It is recommended that the Department's proposed reply to Standard be approved.5

Concurrences:

PED A-A

[Signature]

5 Mr. Henderson's proposed reply of January 30 not printed. The Secretary of State, in a memorandum of February 19 to Mr. Lovett, noted the desirability of coordinating closely with the Departments of Defense and of the Interior. The memorandum concluded with the query: "Why shouldn't the letter be stronger and point out the national interest of taking no action which would lead to abandonment of the project at this time?" For the reply actually sent to Mr. Koegler on March 8, see p. 7.

890F.6363/2-2548: Telegram

The Ambassador in Egypt (Tuck) to the Secretary of State

CONFIDENTIAL

CAIRO, February 25, 1948—5 p. m.

191. Naim Antaki, former Syrian Foreign Minister and legal counsel for Tapline, told Ireland 2 today that his recent high hopes of Syrian ratification Tapline concessions had been shattered for time being by Arab League action on new facilities and concessions revealed by Azzam Pasha 3 in his recent statement regarding petroleum facilities and concessions (mytel 184, February 23 3). Azzam has confirmed to Ireland this statement represents attitude of Arab League. Arab policy

1 Philip W. Ireland, First Secretary of Embassy in Egypt.

2 Secretary-General of the Arab League.

3 Not printed; it reported that the Arab League had agreed that no petroleum facilities or concessions would be considered by member states until the Palestine situation had been clarified (890B.00/2-2348). Cairo advised, on February 29, of further information from Azzam Pasha that new construction of pipelines under concessions recently signed would not be permitted (telegram 206, 890F.6363/2-2948).
on existing concessions will depend on future action by US and UN. His personal attitude was that concessions should not be touched since they provided dollars essential to Arab economy and Palestine defense but that trend of public opinion Iraq and Saudi Arabia might alter picture. He was certain that Syria would not ratify Tapline and that as long as Nokrashy Pasha was Prime Minister, Egypt would not grant Egyptian terminus. Said Arab League thinking had not gone as far as planning operation of refineries and installations in Arab states should UN sanctions be applied.

Sent Department 191; repeated Jidda 19. Paraphrase to Arab capitals by pouch.

TUCK

The Secretary of State to Mr. George Koegler of the Standard Oil Company of Jersey

WASHINGTON, March 8, 1948.

Dear Mr. Koegler: I am writing with reference to your letter dated January 29\(^1\) regarding the probable need to abandon the proposed pipeline project designed to transport oil from Iran and Kuwait to the Eastern Mediterranean unless the Government of Iraq changes its attitude in refusing to grant the necessary pipeline right of way.

I note your statement that the Prime Minister of Iraq has communicated to a representative of your company and to the Chairman of Anglo-Iranian the refusal of his government to issue any pipeline right of way to any company in which any American capital participates because of the position taken by the United States with respect to the Palestine question.

As you are no doubt aware, it is my strong feeling, in which the Secretaries of Defense and the Interior concur, that the oil of the Middle East is an important factor in the success of the European Recovery Program and in the continued prosperity of Europe. It is also an important factor in the more immediate sense of our own national interest. It is hoped, therefore, that your company will not find it necessary to take any action at this time which would result in the abandonment of the project described in your letter. It would be unfortunate for your company to allow current international political complications to cause the abandonment of long-range plans which may have beneficial effects on the Middle East, Europe and the United States.

Faithfully yours,

G. C. Marshall

\(^1\) Not printed.
Editorial Note

The question of offshore oil in the Persian Gulf, discussed in the March 18 memorandum of conversation printed infra, received scant attention during the high-level "Pentagon Talks of 1947" between the United States and the United Kingdom on the Middle East. Denis Greenhill, who represented the British Foreign Office in the economic aspects of these talks, discussed the matter of "Persian Gulf and Boundary Questions" with officers of the Department on October 31, 1947. The memorandum of that conversation, prepared by David A. Robertson of the Office of Near Eastern and African Affairs, notes that views were exchanged on the "continental shelf and territorial water principles". The memorandum records that "none of the Persian Gulf countries have specifically declared their position as regards these principles, that claims and counterclaims once embarked on might lead to considerable confusion and that at some future appropriate date when other issues in the area, including the Palestine question, are less active, it might be advisable to suggest a general conference of the countries concerned and attempt to work out the various boundary questions." (890.0145/10-347) For documentation on the "Pentagon Talks of 1947", see Foreign Relations, 1947, volume V, pages 485 ff.

S90F.6363/2-1948

Memorandum of Conversation, by the Chief of the Division of Near Eastern Affairs (Merriam)

SECRET

[WASHINGTON,] March 18, 1948.

Participants: Mr. E. E. Jones, [Petroleum] Attaché, British Embassy
Mr. T. E. Bromley, First Secretary, British Embassy
Mr. Eakens, PED
Mr. Breakey, PED
Mr. Robertson, NEA
Mr. Sanger, NE Mr. Merriam, NE

Mr. Merriam referred to Mr. Bromley's letter of February 19 and the memorandum enclosed therewith (copies are attached hereto) on the subject of offshore oil in the Persian Gulf. These had been circulated to and discussed by interested officers of the Department who felt

1 Neither printed. The letter, addressed to Merriam, informed him that the British Embassy had received instructions from the Foreign Office to take up with him the subject of the development of offshore oil beyond the territorial waters of the Persian Gulf littoral. The memorandum dated February 4, enclosed in Bromley's letter to Merriam, was a statement of Foreign Office views on the subject which had not yet received Ministerial approval in London but which was designed to help the British Embassy evolve a common approach with the Department of State which could then be considered by higher authorities on both sides. (890F.6363/2-1948)
that the preliminary work done by the British side constituted a promising and helpful approach to the problem.

As we understood it the British discussion of the matter raised the following points:

1. Do existing concessions include subsea rights outside territorial waters?
2. Should the declarations of sovereignty include both seabed and subsoil rights, or only the latter?
3. Would it be better not to have assertions of sovereignty but merely agreements to confine the granting of oil concessions within defined areas?
4. Is the median line basis a good one? If so, how in working it out, would certain obvious difficulties such as the following be dealt with:
   a. Projection of frontier lines in cases of disputed frontiers?
   b. What should be the angle of intersection with the coast?
   c. Islands, especially those, such as Bahrein, constituting sovereign units?
   d. Possibility of Iranian cooperation and likelihood of Iran reasserting claims to Bahrein, et cetera.

5. Procedure.
The U.S. side would like to add another item: secrecy of handling, particularly vis-à-vis oil companies.

The subject was then discussed under the above headings.

1. It was the view of those present that existing concessions do not include rights to the seabed or subsoil in the Persian Gulf, in the absence of specific provisions to that effect. None of those present was aware of the existence of any such provisions. Mr. Bromley said the Foreign Office had pointed out that provisions do exist under which additions to the territory of a country would be included in existing concessions, and that conceivably such provisions could be held to apply to subsea areas. It was considered by those present, however, that the intent of such provisions was directed solely to possible extensions of the land area of a country as normally defined, and not to subsea areas, apart from land under territorial waters.

2. The question of whether the declarations should include seabed and subsoil, or only subsoil, arose from the complication resulting from pearl fishery rights. Mr. Merriam said that in theory the matter could be handled in one of two ways. One way was to include both seabed and subsoil rights in the declarations but to make exception of existing fishery rights. The difficulty with this method would be in defining the pearling rights and establishing priority as between, say, pearling rights and oil rights. The pearling rights appeared to be largely a matter of custom and had not been reduced to writing. To endeavor to do so would be a difficult task leading to dispute, delay and, doubtless, acrimony. Therefore, since we were now interested primarily in oil, it would seem simpler to confine the declarations of sovereignty to the subsoil. When a conflict of rights resulted, as by contamination of fisheries by oil, damages would be paid.
3. It was agreed that an assertion of sovereignty would be necessary, otherwise there would be no basis on which to grant concessions.

4. The median line principle seems sound. Whatever the difficulties in applying it in practice, it was a simple, reasonable concept, easy to understand. Moreover it derived a certain sanction in that it might be considered an extension of the *thalweg* principle of international law, the difference being that in this case there is no channel, so the middle of the Gulf itself would be chosen.

   a. In the case of disputed frontier lines, it might be necessary and practicable to handle the corresponding subsea extensions as neutral zones, i.e. on the basis of joint and undivided sovereignty.

   b. The precise angle of intersection of frontiers with shoreline might, if projected, give unfair results. It would seem better to establish perpendiculars to the general trend of the shoreline. However, it was felt that it would be desirable to prepare a map showing how the various principles which could be applied would actually work out.

   c. Here again it would be desirable to see what a map would look like.

   d. The American side said that it had given the Iranian aspect of the matter a good deal of thought. It was very probable, as suggested by the British, that the Iranians would utilize the occasion to reassert their alleged claims to Bahrein, etc. On the other hand, if the Iranians were not approached on the matter at the same time as the countries on the west side of the Gulf, it would look to the Iranians very much like a conspiracy from the west side backed by U.S. and UK. This would give a handle to the Russian propaganda machine and to pro-Soviet elements in Iran. In consequence, for reasons of principle and also as the lesser of two evils, the American side felt that it would be better to approach the Iranians on the matter at the same time and on the same footing as the countries on the western side of the Gulf.

   We visualized that in the end the matter might shake down by the Iranians including in their declarations something to the effect that nothing therein derogated from their claims. The other parties might respond by inserting in or amending their declarations to the effect that nothing therein constituted in any way a recognition of Iranian claims. Since these would all be unilateral declarations, and not agreements, the matter might go at that, the important thing being that the Iranians agree to the median line for the purposes of oil concessions. The British side took note of these observations, but pointed out that London appeared to be anxious not to give rise to a renewal of Iranian claims to Bahrein, etc.

5. Mr. Merriam said that we thought that, once US and UK had agreed on the essential aspects of the problem, the UK would make appropriate suggestions to the principalities with which UK had a protection relationship, and US and UK would make a concerted approach to the others: Iran, Iraq and Saudi Arabia.

   Since both US and UK are more or less in the Arab doghouse on account of Palestine, it will be necessary to keep an eye cocked on
that matter in deciding the timing of an approach. However, US and UK should continue to work in order to get their views lined up.

6. The American side raised an additional point, that of secrecy in relation to oil companies. Once the new subsea areas were staked out they would be open to concession-hunting by any oil company. So far as US was concerned, we felt that our handling of the matter should not give any American company an advantage over any other American company. Thus far we had discouraged all American companies who had inquired, from seeking subsea oil concessions in the Gulf. In order to give all companies an even start, we felt that when US and UK made their approaches to the Persian Gulf governments, press releases should be issued simultaneously in Washington and London. Until then, we felt that strict secrecy vis-à-vis all oil companies should be preserved, otherwise companies on the ground and in close relations with the Persian Gulf governments would have an advantage over other companies. Mr. Jones said that maintenance of secrecy vis-à-vis British oil companies would be somewhat difficult owing to the relationships existing between the Government and some of the companies. Up to the present, however, the Government had put the companies off by saying that it was a complicated matter which was being studied.

In concluding, Mr. Merriam said that the foregoing represented informal reactions on the working level to Mr. Bromley's letter and memorandum. The British had already let us have a map showing how the median line principle might be applied to the sea areas in the neighborhood of Bahrein. It would be most helpful if as the next step the British could let us have a map showing the application of the principle to the whole Persian Gulf, so that we could take such a concrete suggestion for applying the principle into account in working up a written reply to Mr. Bromley's letter and enclosed memorandum.

G[ORDON] P. M[ERRIAM]

---

S90F:8363/3-2948: Telegram
The Minister in Saudi Arabia (Childs) to the Secretary of State

TOP SECRET

JIDDA, March 29, 1948—noon.

164. While in Riyadh March 27 King informed me most confidentially SAG had been approached by foreign company having British participation through Central Mining Company, London and American participation through Superior Oil Company of Los Angeles seeking oil exploration and concessionary rights in the off-shore area of Saudi Arabia in Persian Gulf. His Majesty sent word to me upon my arrival and said it would be appreciated if US Government would give him its opinion concerning participation British capital in proposed
oil concession as he had hitherto reserved oil concessions to purely American capital.

Later, when I had my final audience with King, he asked my personal opinion. I replied that since His Majesty in my last visit Riyadh had himself expressed desire we, British and Saudi Arabians work together in closest concert in maintaining peace and security Middle East, I saw no objection admittance British capital in oil ventures. I added that by strengthening Britain economically we were in effect strengthening those forces best adapted to working with US. His Majesty stated that such being my opinion he would give orders to Finance Minister to begin discussion at once.

I observed that unless the question were pressing I would much prefer him delay action until my government could give its opinion as it might have altogether different views and in any case was able see problem in much broader perspective than I was.

His Majesty accepted suggestion and said he would order Finance Minister delay discussions for 30 days while awaiting answer from Washington.

King was insistent matter be treated with utmost discretion and asked in particular no word of subject be conveyed to Aramco.

Sent Department 164, repeated London 45.

**CHILDS**

890F.6863/3-2948: Telegram

*The Minister in Saudi Arabia (Childs) to the Secretary of State*

**TOP SECRET**

JIDDA, March 29, 1948—3 p.m.

166. Mytel 164. Upon my return to Jidda I learn Jidda representative Aramco informed Legation Finance Minister discussed with him question granting concession to Anglo-US group.

Aramco representative informed Finance Minister Aramco concession already included area sought by Anglo-American group which was consequently not open for other development. Finance Minister countered stating that at time Aramco concession granted, definition “territorial waters” by international [law?] restricted to line three miles off shore. Large body of law and opinion now to effect nation entitled to all oil on its continental shelf. Since this right subsequently arisen, it was not transferred Aramco by original concession. Aramco representative stated Finance Minister armed with large amount of “evidence” supporting his contention including Truman’s statement ¹

¹The reference here is presumably to the proclamation regarding natural resources of the subsoil and bed of the continental shelf, released to the press September 28, 1945, and printed in *Foreign Relations, 1945*, vol. ii, p. 1528.
The Secretary of State to the Legation in Saudi Arabia

SECRET US URGENT

WASHINGTON, May 8, 1948—11 a. m.

170. Re problem arising from Superior-Central approach to SAG for off-shore concession, you should inform HM that US and UK...
consider that problem of exploiting Persian Gulf sub-soil beyond three mile limit (re Legtel 164, Mar 29) is important one presenting some difficulties. In interest of exploitation on orderly, fair and reasonable basis, US and UK officials now having discussions for purpose of formulating principles and examining how these would work out in practice with view to presenting their conclusions for consideration of SAG. Active work being pressed on matter so that two govts can present views at earliest possible date. They hope that until their views are presented SAG will find it possible defer consideration of proposals which have been or may be submitted to it looking to exploitation sub-soil Persian Gulf.

Brit Emb. informs that London will instruct Trott 1 to make representations similar to foregoing.

As to participation Brit capital in off-shore oil concession, you should state that US Govt considers that decision is entirely one for SAG to make. US would be disturbed if concession or participation were granted to nationals of any govt having unfriendly attitude toward either US or SA. Apart from this US considers that competition for concession should be free and open and awarded by SAG on basis of what it judges to be in best interests of SA. 2

Sent Jidda, repeated London.

MARSHALL

1 Alan C. Trott, British Ambassador in Saudi Arabia.
2 Jidda, on May 11, advised the Department that “When handing Finance Minister note embodying observations Deptel 170, May 8, he said American representative Superior and his British opposite number Weightman had been informed . . . SAG would only be prepared to resume oil concession discussions after representatives had obtained approval their respective governments for such discussions. Finance Minister . . . emphasized SAG would make no move in absence concurrence US and British Governments.” (Telegram 267, S90F.6363/5-1148)

SECRET US URGENT

WASHINGTON, May 8, 1948—11 a.m.

171. Pls make clear to SAG that USG feels the question of extent to which Aramco concession covers submerged Persian Gulf area is matter for determination between SAG and Aramco. USG and UKG consultations not addressed to this problem but confined to formulating applicable principles governing division Persian Gulf submerged area (among countries having adjacent territory) with view to fair and orderly exploitation. These principles will be submitted to SAG when formulated.

Sent Jidda, repeated London.

MARSHALL
Memorandum by the Director of the Office of Near Eastern and African Affairs (Henderson) to the Secretary of State

[WASHINGTON,] May 26, 1948.

You may be interested in learning that yesterday evening Mr. Due, Vice President of the Arabian American Oil Company, told me that he had just received a telegram from Mr. Davies, another Vice President, who is at present in Saudi Arabia, to the effect that for the first time Ibn Saud indicated that he may be compelled, in certain circumstances, to apply sanctions against the American oil concessions.

Mr. Due said that he could not explain the situation over the phone but that he would come to Washington or send someone to Washington to discuss the matter within the next few days. He said that it is his understanding that Ibn Saud had made it clear that if he took sanctions it would not be because of his desire to do so but because the pressure upon him of Arab public opinion was so great that he could no longer resist it.

Although I do not know what the circumstances might be which would cause these sanctions to be applied, I obtained the impression that the making of changes in our arms policy so as to permit the shipment of arms to the Jewish State would create such circumstances.3

L[ox] W. H[ENDERSON]

---

3 Jidda, in telegram 336, June 9, advised the Department of the deep concern held by local Aramco officials over the possibility that the Saudi Arabian Government would “adopt any sanctions proposed by Arab League against American interests in ME even though these may be contrary SAG economic interests.” (S90F.6363/6-948)

---

SECRET

WASHINGTON, June 9, 1948—6 p. m.

757. No reply was sent to Jidda’s 231 Apr 27 in view our desire not to aid any company to obtain off-shore oil concessions in Persian Gulf

---

1 Not printed; it reported that “Legation is in receipt request from AmEmbassy Cairo on behalf Superior Oil Company permission for that company land plane Jidda several times during 5-day period beginning about May 4”. Jidda advised that it would take no action on the request in the absence of instruction from the Department, “In view statement by Satterthwaite to Keck of Superior Oil Company in Department that it would be embarrassing to US Government to have problem extraterritorial waters in Red Sea and Persian Gulf open at this time and that any such undertaking would be contrary US Interests” (S90F.7962/4-2748). Regarding the Satterthwaite-Keck conversation, see telegram 4389, October 10, 1947, to London, Foreign Relations, 1947, vol. v, p. 666. Joseph C. Satterthwaite was Deputy Director of the Office of Near Eastern and African Affairs.
until recommendations of Dept could be correlated with Brit and presented to Persian Gulf States (Cairo's 484² May 21) as set forth in Deptel 170 May 8 to Jidda (now being rptd Cairo).

Our policy towards Superior Oil Co should accord with statement made to Superior Vice-Pres Wood May 6 by Dept officials who told him Dept desired to be of equal service to all Amer companies and that while Superior was relatively new in ME Dept was prepared to maintain just as good relations with Superior as with any other oil co operating in that area. Courtesies extended to reps Superior should not be of such nature as to create impression US Govt is supporting their efforts to obtain undersea concessions.

Sent Cairo as Depts 757 rptd Jidda as Depts 227.

MARSHALL

² Not printed.

890F.6363/6-1148

Memorandum of Conversation, by Mr. Richard H. Sanger of the Division of Near Eastern Affairs

SECRET

[WASHINGTON,] June 11, 1948.

Participants:

Messrs. James Terry Duce, Vice President Aramco
Philip C. Kidd, Asst. to Vice President Aramco
George Ray, Legal Counsel Aramco
Allen Young, Asst. to Legal Adviser Aramco
Manley O. Hudson, Legal Adviser Aramco

Messrs. Mr. Henderson (NEA) Mr. Robertson (NEA)
Gordon Merriam (NE) Gordon Mattison (NE)
Richard Sanger (NE) George Gray (Le/P)

Mr. Duce stated that his Company had been informed by its representatives in Arabia of the position of the Saudi Arabian Government that the Aramco concession covered only the islands and territorial waters of the Persian Gulf, and does not apply to any additional rights which may be acquired by Saudi Arabia as the result of dividing the continental shelf of the Persian Gulf between the riparian States. SAG has been negotiating with Superior Oil Company and is ready to give that company a concession for the oil in this area, lying east of the Aramco concession but located in the area where Saudi Arabia may have subsurface rights. SAG has given Aramco an option on this "new" area if Aramco will meet the terms offered by Superior. Furthermore, SAG wants a decision on this by the end of June. The King has made it clear to the Company that its present concession will be safeguarded if a new concession is given.
Mr. Duce went on to say that since the Government of Saudi Arabia is known to be negotiating with Superior Oil and with a British company with the intention of granting a concession for such areas under the Persian Gulf as may be acquired by Saudi Arabia under the contemplated division of the Persian Gulf, Aramco has retained the services of various lawyers, including Judge Manley O. Hudson, and wants the whole matter to rest until their studies have been completed.

Mr. Henderson said that it seemed to him that the main question was:

1. Does the existing contract give Aramco rights to any oil under the Persian Gulf over which SAG may eventually assert sovereignty, or
2. Does the existing contract merely give Aramco rights to any oil that may exist in the parts of the Persian Gulf now admittedly belonging to SAG?

Mr. Ray said that the question might be framed in another way:

1. Has the Saudi Arabian Government anything to grant?
2. Does the Company want to exercise its option?

He said that the Aramco officials had come to invite State Department consideration of their request that this matter rest until the Company could examine the question thoroughly, at which time Aramco would like to discuss it in detail with the United States Government.

Mr. Hudson said that it had been impossible to take a definite position as yet. While the term “islands and territorial waters” is used in the Aramco concession, the Government of Saudi Arabia apparently feels that although territorial waters were included, the outer bed of the sea was not included. The Arabs usually think in terms of “coastal waters”.

Mr. Henderson said that the Department was interested in the matter because the US does not want American companies quarreling over their supposed rights in the Persian Gulf, and because we want world peace. We are afraid that if a country like Saudi Arabia announces that it has given concessions in the Gulf other countries will do the same. He went on to say that the US is working with the British on a plan for the establishment of the rights of the Persian Gulf States through a division of the Gulf by a median line. We would then want to approach the governments of the Persian Gulf states to see if they would reach agreement. We are concerned over the effects on world peace if various claims should be debated before a scientific division has been worked out and accepted by the States concerned. We have told King Ibn Saud that we were working on the problem. Furthermore we asked Superior Oil to take no steps in the
Gulf for the time being. Superior, however, chose to disregard this request. If we now said to Superior that it should postpone the whole matter, Aramco might go ahead. The fairest way, therefore, would seem for Aramco and Superior to agree that neither company will approach the King until the scientific division of the Gulf has taken place, and for the British company to conduct itself similarly.

Mr. Ray stated that more than a month ago his company had heard that Superior Oil and Trinidad Leasesholds, a British corporation, were trying to establish a claim to the area in the Persian Gulf east of Aramco’s present concession but within the area of the Persian Gulf where Saudi Arabia had rights. Aramco takes the position that there is no subsea territory east of its present concession for which Saudi Arabia has the right to grant concessions. When the Company suggested starting drilling in the Persian Gulf the Saudi Arabian Government said to put it off. Later SAG told Aramco it was all right to go ahead with such drilling, provided Aramco would accept the terms of a contract which SAG was working out with Superior which had a much higher royalty basis than the present Aramco contract. Speaking for Aramco, Mr. Ray said he felt that Aramco had a right to the subsea lands of Saudi Arabia in the Persian Gulf. Judge Hudson said that Aramco thinks Superior may get a concession outside the Aramco area as defined by SAG. He pointed out that if this should happen many difficulties would arise, including the use of the piers and facilities built by Aramco. Judge Hudson then questioned Mr. Henderson about the nature of the “median line” and the countries to be affected by it. He was told that the line would affect Iraq, Kuwait, the Kuwait Neutral Zone, Saudi Arabia, Bahrain, Qatar, the Trucial Sheikhdoms, and Iran. The median line would follow the contour of the mainland and would be worked out scientifically by the best geographers in the US and British governments.

Mr. Henderson said that it appeared that Aramco had the choice of meeting the competition provided by Superior or of asking for a postponement. On being told that the latter had been the Aramco plan until the receipt of recent information from Arabia, Mr. Henderson continued that the US Government must be careful not to side with any one American company against another. We felt that it was undesirable for the security of the Persian Gulf and Saudi Arabia’s own security as well, for the King to grant concessions until a scientific median line has been worked out, and we had suggested to the King that he grant no concessions until this had been done, and until the meaning of the Aramco contract had been decided upon.

Mr. Hudson said that the interpretation of the Aramco contract will take some time, and that Aramco would like to wait on the matter
until the interpretation is worked out, but that it could not do so in the light of the new circumstances.

Mr. Duce added that Aramco wants more time for study but Superior Oil has been discussing this problem with the Saudi Arabian Government. He felt that the term “territorial waters” was a confusing one. On being asked the terms of the proposed Superior Oil concession in the Persian Gulf, Mr. Duce said that they involved the payment of four gold shillings per ton, plus 20 percent of the gross, clearly a much higher figure than the Aramco concession and one which, if it went through, would upset the whole Persian Gulf concession structure.

Mr. Henderson asked the Aramco officials present not to reduce this conversation to writing and to inform only those Company officials who were directly concerned.

Mr. Duce pointed out that the same problem exists in relation to Kuwait and possibly the Neutral Zone. Mr. Robertson suggested that the US and the British companies involved should work out their problem but that without waiting for this the US and British governments should go ahead with the project of drawing up a median line.

Mr. Ray ended the meeting by saying that Aramco was bringing several of its top officials home about June 14, and that perhaps it would be best for Aramco to take up the option for these new offshore Arabian oil lands, as offered by King Ibn Saud, on the same terms as Superior has been offering and then see what should be done.

---

SECRET

WASHINGTON, June 14, 1948—6 p. m.

2221. 1. Reps of group independent American oil companies known as American Independent Oil Company inform Dept that Company has been granted oil concession by Sheikh Kuwait covering his undivided interest in Saudi-Kuwait Neutral Zone subject Brit Govt approval which Sheikh awaiting before signing agreement. Company states Brit Govt through Political Agent Kuwait requests inclusion in concession agreement of provision in Anglo-Kuwait Treaty 23 Jan 1899 purporting limit Sheikh’s power grant land for occupancy within his territory without previous consent of Brit Govt.

2. Company objects to inclusion such provision which it believes would not be acceptable to Saudi Arabian Govt whose consent necessary for development concession in Neutral Zone. Company states no such clause included in Sheikh’s oil concession to Kuwait Oil Com-
pany Dec 23 1934 covering Kuwait proper and claims Brit cannot
properly insist inclusion such provision relating Neutral Zone in
which Sheikh has only fifty percent undivided interest and cannot
commit corresponding Saudi Arabian interest to Brit authority or
jurisdiction; Company regards proposed provision discriminatory
since by making Brit permission prerequisite to securing land for oc-
cupancy it would tend subject operations American company to Brit
control.

3. Company requests Depts assistance and we have suggested they
approach FonOff London after conferring AmEmbassy. Harley
Stevens representing Company to fly London this purpose. Meantime
since time element important pls inquire FonOff as to nature of and
reasons for reported Brit request to Sheikh Kuwait mentioned above.
Dept is confident Brit Govt does not intend use its special position
Persian Gulf Sheikdoms to prevent or impede US interests obtaining
and developing concessions that area or to discriminate against them.
Telegraph report and extend Stevens appropriate assistance.  

MARSHALL

---

1 London's reply on June 16, after discussing the British Government's desire
to sign a political agreement with Amino, stated: "Foreign Office confirmed
emphatically Department's understanding set forth penultimate sentence Depart-
ment's reference telegram." (telegram 2648, 890B.6363/6-1648)

Amino representatives at London advised the Embassy on June 23 that an
understanding had been reached with the British Government on a political
agreement. The draft agreement provided that "in time of war or emergency
(which HMG alone can declare) HMG has the right to preempt Amino instal-
lations and production against indemification and payments by HMG. HMG also
retains the right based on 1890 Treaty to construct airfields and harbors any-
where subject to the agreement of the Sheikh." A clause was to be added to the
draft "limiting it to rights of Sheikh of Kuwait in Neutral Zone, i.e., nothing in
either concession or political agreement will prejudice rights in Neutral Zone
possessed by SAG." (telegram 1371 from London) The political agreement was
signed on June 26 (telegram 2360 from London). Both documents are dated
July 2 and are filed under 890B.6363/7-248.

Copies of the concession and of the political agreement were furnished to the
Department by Amino on September 7; they are filed under 890B.6363/9-748.

---

890.0145/6-1848: Telegram

The Secretary of State to the Embassy in Iran

SECRET US URGENT WASHINGTON, June 18, 1948—7 p. m.

566. In discussion with Brit re plan for division of subsea rights
in Persian Gulf (Deptel 469, May 24) question has arisen whether
approach should be made to Iran at same time as other riparian states.

1 Not printed; it advised that the request of the Superior Oil Company and the
Central Mining Company for a concession on the submerged lands of Saudi Arabia
in the Persian Gulf was "contrary to a request of the Department to the Superior
Oil Company that it withhold such application for a concession until the coun-
tries concerned could determine upon a division of the submerged lands"
(890.0145/5-2448).
Brit have taken position that no approach to Iran should be made until agreement has been reached among other Govts and public announcement made. Brit fear Iran would block agreement because of claims to Bahrein and Kuwait.

At meeting with Brit Emb Reps here June 15 [16?]* 2 we argued that this course might seriously jeopardize US and Brit relations with Iran. Iran Govt would probably learn of preliminary negotiations and even if matter could be kept secret sudden announcement of agreement among all Arab States concerned would still more provoke Iranian resentment. Since it would be obvious that US and Brit had taken leading role in matter, resentment would be directed against us as well as against Arab States. This resentment would undoubtedly be fanned by Soviet propaganda and Soviet agents in Iran who would argue that our action showed Iranian reliance on American and Brit friendship was unjustified.

Brit were told we thought preferable procedure would be for you to approach Shah informally and explain importance to Iran of having Iranian rights to subsea oil amicably determined in accordance logical principles and request Shah’s assistance in presenting matter most effectively to Iran Govt. We would hope that if matter presented in right light Iran Govt might agree not to raise Bahrein-Kuwait issue in this connection or at least formula could be found which would permit agreement on delimitation of subsea rights without prejudicing Iranian claims to those two territories. Brit Reps agreed this suggestion worth consideration and have referred it to London. We would appreciate your views re this suggested procedure.

Since Bahrein issue is particularly thorny point in connection Persian Gulf oil rights and appears likely to be recurring source of trouble at inopportune moments, we are wondering if it would not be well attempt settle it once and for all by early reference International Court of Justice. Such reference would enable Iran Govt to satisfy domestic public opinion by pointing out it was taking logical steps through established international channels to assert Iranian claim.

*Department officers met on June 16 with Messrs. Bromley and Jones of the British Embassy. Mr. Sanger’s memorandum of conversation states that “Mr. Boggs produced copies of a map on which he had worked out a tentative median line in the Persian Gulf and described the principles on which this line had been drawn. He pointed out that in most cases the line was equally distant from both shores of the Gulf but that in some cases islands had been considered as parts of the mainland.” Mr. Bromley promised to send the map to London (890.0145/6-1948). At a meeting with the same British officials on June 30, Mr. Boggs was said to have “presented a new map which he had prepared showing the division of the submerged area among the riparian states, with the central median line drawn primarily through points equidistant from the shore rather than, as previously, from island points near the shore. It was agreed that this map be forwarded to London as an amendment to the one previously submitted.” (Mr. Sanger’s memorandum of conversation, 890.0145/6-3048). Neither map is found attached to the memoranda. Samuel W. Boggs was Special Adviser on Geography.
At same time this claim appears so ill-founded that there would seem little doubt Court would rule in favor Brit position and provide Brit and Bahreinis with conclusive settlement removing this controversial issue from Middle East picture. If you agree, we propose make this suggestion to Brit Govt.

Since we hear Ibn Saud may take some action re subsea oil within week, we would like urgent reply.¹

Sent Tehran 566 rpted London 2299.

MARSHALL

¹ Ambassador Wiley replied on June 19, giving his “entire agreement” with telegram 566. He noted also that “there is at the moment no government with which to work. I am dubious about accomplishing anything through Shah at this disturbed moment.” (telegram 683 from Tehran, 890.0145/6-1948)

691.119/6-1948: Telegram

The Secretary of State to the Legation in Saudi Arabia

WASHINGTON, June 19, 1948—4 p. m.

239. Following is US Dept of Commerce, Office of International Trade, press release issued June 19, 1948 under number OIT 187:

“Export licenses for 11,650 tons of heavy oil-line pipe have been granted to the Anglo-Iranian Oil Company, the Dept of Commerce announced today through its Office of International Trade.

This pipe will be used to construct a pipeline in Iran from the oil field at Agha Jari to the port of Bandar Maschur on the Persian Gulf. The new line will have a daily capacity of 100,000 barrels of crude oil. Of this amount, a minimum of 40,000 barrels has been contracted for delivery to the US, and a considerable additional quantity may also become available for US purchase.¹

OIT officials emphasized that the construction of the line between Agha Jari and Bandar Maschur—a distance of only 48 miles represents the most efficient use of this quantity of pipe. The oil wells have already been drilled, and the necessary dock installations and storage facilities have already been constructed. The 11,650 tons of heavy pipe which constitutes the entire steel requirement of this pipeline has already been fabricated and is at dockside awaiting shipment. The construction of this line will make available more oil for the quantity of steel involved than any other pending project. The pipeline will be completed by June, 1949.

The decision on pending export license applications of the Trans-Arabian Pipeline Company, for 16,000 tons of heavy pipe in second

¹ In a letter of June 28 to Assistant Secretary Thorp, Francis McIntyre, Assistant Director of the Office of International Trade in the Department of Commerce, stated that the 40,000 barrels had already been contracted to the Socony-Mobil Oil Company and that negotiations were proceeding satisfactorily toward the commitment of a further 30,000 barrels to Independent American refinery interests (691.119/6-2848).
quarter 1948 and for 52,000 tons in the third quarter, has been deferred until the first week in Sept when the next allocations will be determined. The length of the proposed Trans-Arabian pipeline is over 1100 miles, and construction could not be completed before early 1950. When completed, the Trans-Arabian line will provide a more efficient means of transportation from the oil fields to the Mediterranean than the present use of tankers.

OIT officials stated that the postponement of consideration of the Trans-Arabian Pipeline Company's applications for oil-line pipe will not prejudice applications by the company for licenses to export material other than heavy pipe which may be required to continue construction on a reduced basis, using pipe on hand in the area."

Sent Jidda as 239; rpted Cairo as 882; London as 2311; Tehran as 568; Damascus as 237; Beirut as 356.

MARSHALL

691.119/6-1948: Telegram

The Secretary of State to the Legation in Saudi Arabia

CONFIDENTIAL

WASHINGTON, June 19, 1948—4 p.m.

240. We supported decisions outlined Commerce press release June 19\(^1\) transmitted separately for reasons described. Pipeline in Iran would provide essential transportation making badly needed additional oil supplies available to meet demand of U.S. and other friendly nations. Additionally project would permit ME oil development outside disordered area with maximum yield from minimum investment critically short steel.

Faced with alternatives we chose recommend postponement main line pipe export\(^2\) rather than risk outright rejection entire project because mounting sentiment Executive and Congressional quarters against shipping large tonnages critically short steel to disordered area with no assurances that project could be completed based on (1) inability Aramco obtain Syrian concession\(^3\) and (2) danger of exposure to constant attack.

In case you are approached you may assure SAG that it will be difficult obtain approval for export large quantities steel involved unless it can be clearly shown that this critically short supply commodity can be productively utilized. Conditions which must be met

---

\(^1\) See supra. The Department's support was formally conveyed to the Department of Commerce in a letter of June 9 (691.119/6-948).

\(^2\) In a letter of June 11 to the Department of Commerce, not printed (690F.119/6-1148).

\(^3\) The intended reference was to Syrian ratification of the pipeline concession. The convention granting the concession had been signed by the Syrian authorities and Tapline on September 1, 1947; see editorial note and Mr. Sanger's memorandum of conversation of December 26, 1947, Foreign Relations, 1947, vol. v. pp. 664, 668.
to provide this assurance include (1) restoration of order in the area and (2) conclusion of Syrian pipeline concession permitting transit.

In following postponement course Dept managed obtain necessary renewal by Commerce of special project license which otherwise would have expired Jun 2, 1948 and would have required complete abandonment project. Also we obtained assurance that postponement would not prejudice Aramco's applications for export licenses covering material other than heavy pipe needed for continued construction Tapline on reduced basis utilizing heavy pipe on hand. In event satisfactory assurances forthcoming re productive utilization. Dept can request further consideration heavy pipe export prior to stipulated Sept date.

Continued refusal Syrian Govt grant convention necessary pipeline deprives ME countries benefits estimated equivalent of $24 million during construction period plus $4 million annually after operations commenced.

Sent Jidda as 240; rptd Cairo as 834; London as 2312; Tehran as 569; Damascus as 238; Beirut as 357.

MARSHALL

S90F.6363/7–2348

Memorandum of Conversation, by Mr. Edward B. McEnerney of the Division of Near Eastern Affairs.

SECRET

[WASHINGTON,] July 23, 1948.

Participants: Mr. T. E. Bromley, First Secretary, British Embassy
Mr. E. C. [E] Jones, Attaché, British Embassy
J. C. Satterthwaite, NEA
D. A. Robertson, NEA
J. D. Jernegan, GTI
S. W. Boggs, OIR/GE
G. E. Gray, L/P
E. G. Moline, PED
G. H. Mattison, NE
Mrs. M. E. Hope, NE
Mr. E. B. McEnerney, NE

Mr. Robertson referred to Mr. Bromley's letter of July 20 to Mr. Mattison, enclosing a telegram to the British Embassy from the Foreign Office dated July 17, 1948, concerning the Persian Gulf offshore oil question. He said that the Department was very happy to have learned that the Foreign Office had accepted the American recommen-

---

1 No. 659/—/48, addressed to Gordon H. Mattison, then acting as Chief of the Division of Near Eastern Affairs. The note and its enclosure not printed.
dation that Iran not be presented with a "fait accompli" and that she be informed of the US-UK recommendations along with the other Persian Gulf states. He also noted that in the British telegram of July 17 it had been suggested that the UK approach the Sheikdoms under British protection and the Sultan of Muscat, while the US and UK might approach Saudi Arabia, Iraq, and Iran. He said that he wondered whether the approach to the Sheikdoms was to precede that to the other countries, or whether both approaches were to be simultaneous. Mr. Bromley said he believed they were to be simultaneous.

Mr. Mattison mentioned that, if the UK were to approach the Sultan of Muscat, it should do so on behalf of the US, since we are in direct diplomatic relationship with the Sultan, although we do not at present have a representative accredited to him. Mr. Robertson also suggested that it would be necessary to determine whether the approaches to the Sultan of Muscat, Iran, Iraq and Saudi Arabia were to be joint or parallel. It was agreed that they should be parallel.

It was agreed between the Americans and the British present that any statement by either Government which might be made to the oil companies, concerning the possibility of securing concessions covering the offshore area, should not be made until declarations had been made by the individual rulers announcing the offshore area under their jurisdiction. No public statement would be volunteered by the US and UK concerning the role which they had played in submitting recommendations to the riparian states. Mr. Moline suggested that it might be advisable, however, for the US and UK to prepare some statement concerning their role which could if necessary be made available should inquiries be made by the UN or other bodies. Mr. Jones said that he felt, as a matter of fact, that a certain amount of publicity concerning the Anglo-American discussions had already gone the rounds in oil circles. Mr. Robertson inquired whether the British thought any other countries, such as Iraq, had learned of our discussions. Mr. Bromley replied that, so far as he knew, Iraq had not.

Mr. Satterthwaite asked if the British Government's policy was to encourage competition among the British oil companies and not to select any chosen instrument. He pointed out that the US Government favors open competition as regards American companies. The British representatives replied that the British Government is also favoring open competition. Mr. Jones pointed out that actually very few British companies would be in a position to undertake offshore exploitation, since only a few possessed the necessary technical skill and equipment.

Mr. Robertson then referred to the use by the British in their telegram of the words "sovereignty" and "annexation". He said that the
Department would like again to express its desire that these words not be used. He pointed out that neither in the Continental Shelf Fisheries Proclamation nor in the companion Natural Resources Proclamation issued by the President had these words been used. He felt that it would be much wiser to follow the language of the President's Continental Shelf Proclamation, i.e., "jurisdiction and control," in this problem of the Persian Gulf. He said that if we were to depart from the language of the declaration a considerable delay might be caused, because it would then be necessary to consult with the fishery experts of the Department and with the Department of Interior, which had been responsible for the text of the President's declarations. The Department of State could not endorse the use of "sovereignty" and "annexation" as regards the Persian Gulf without prior agreement by the Department of Interior.

Mr. Boggs pointed out in this connection that when the President's Continental Shelf Proclamation was drawn up great care had been taken in the choice of the language used, and he felt sure that the drafters had avoided the use of "sovereignty" and "annexation" with good reason.

Mr. Gray said that from the legal standpoint he also felt that it would be advisable to follow the language of the President's declaration. He felt particularly that, were some expression such as "sovereignty over the subsoil and seabed" to be used, complications and misunderstandings might result as a consequence of which it might be believed that the riparian states were annexing the complete area affected, including the high seas. He then inquired specifically of the British whether they had in mind any such annexation of an area as was involved in the case of the Gulf of Paria, between Venezuela and Trinidad. The British replied that they had not.

Mr. Boggs said that he felt the question of annexing the resources of the subsoil was similar to that of acquiring fishing rights. In the latter case one would assert rights over the fish alone, and it seemed to him that in the former case it would be sufficient to assert rights over the resources alone.

Mr. Bromley said that he would endeavor to clarify the question with the Foreign Office. He added that the primary British objective was to assure, for the riparian states, that no other state would ever be able to assert rights in the Gulf in opposition to those asserted by the riparian states. He had in mind in particular any Russian effort to establish a position in the Gulf. Mr. Robertson suggested that it might be possible to work out some kind of formula which would preclude any such intrusion into the Gulf by a third party.

Mr. Mattison pointed out that from a political point of view it might be easier to persuade the riparian states to accept a concept of
jurisdiction rather than one of sovereignty since if it were merely a question of jurisdiction, the difficult problems of fishing rights and pearling rights, such as those of Bahrein, would not arise.

Mr. Robertson then asked whether it was the British intention to cancel the possibility of a conference in London, or whether it was merely to be postponed. Mr. Bromley replied that the British desire at the moment was to move ahead as fast as possible without holding the proposed conference and to work out general principles before working out the specific principles which would govern the drawing of a map. Mr. Robertson asked if the British had had any reaction from London on Mr. Boggs’ map and memorandum. Mr. Bromley said that they had, inasmuch as London had said they were working on their own memorandum in reply. Mr. Robertson said that it would be advisable to have the map worked out before specific recommendations were made to the riparian states. Mr. Mattison said that it would be much easier for the riparian states to accept the US-UK recommendations if they had the advantage of a visual presentation showing which segment of the Gulf would fall to each state. Mr. Bromley agreed that the map should be prepared before recommendations were made. It was therefore recognized that the discussions from now on would fall into two stages. The first would involve reaching agreement on basic principles, and the second would involve reaching agreement on the implementation of the principles through drawing of a map.

Mr. Bromley agreed to submit, as soon as possible, a precise statement of what the Foreign Office would consider a proper statement of principles to be submitted to the riparian states. These could then be discussed between the State Department and the British representatives with the view to working out the final agreed set of recommendations.

Mr. Gray then introduced the question of what form the proclamation which might be issued by a riparian state should take. It was felt in general that a sample form might be submitted to all of the states, but it was to be hoped that each state would not promulgate the same identical text in each case.

Mr. Robertson said that the State Department was faced with a specific problem about which he desired to ask the opinion of the British. The Saudi Arabian Government had asked the United States Government for advice concerning the granting of a Saudi offshore concession, and the USG had asked the Saudi Government to defer action until receipt of US-UK recommendations. The problem now was one of deciding when we could inform the Saudi Government that we felt it might feel free to grant a concession. Would the US and UK insist that agreement be reached by all the riparian states before we would recommend to any individual state that it grant a concession?
Mr. Bromley said that he felt that we should not wait for any such general agreement. When the US and UK had reached agreement on the solution of "the problem" posed by the SAG we would simply submit our recommendations to the riparian states. They would then be free to take whatever action they chose. Mr. Robertson said that he believed the US and UK might desire to be sure that Saudi Arabia would accept our principles before approving the taking of action by any other riparian state on the basis of our recommendations. Once Saudi Arabia was satisfied, the US and UK would not insist upon general agreement among all the riparian states. Mr. Mattison pointed out that of course we would not approve the granting by King Ibn Saud of a concession over any offshore territory which would rightfully belong to some other state.

Mr. Boggs pointed out that in the President's Continental Shelf Proclamation it had been stated that in cases where continental shelf running from the shores of the US was shared by it with an adjoining state or with a state lying opposite the US, it would be necessary for agreement to be reached by the US and the other state on the basis of equitable principles before the shelf could be considered divided between them. Mr. Jones repeated that, as he saw it, all that was involved was a presentation by the US and the UK to the riparian states of principles which we desired them to adopt, and that formal agreement between themselves did not appear necessary. It was agreed that negotiations between states was unnecessary.

Mr. Boggs said that he hoped that the Foreign Office, in raising the whole question of offshore oil to the British cabinet, would be sure to include the question of principles affecting the drawing of the median and transversal lines. He said that he felt most anxious that this should be done since he is working on problems of division in another area where there are no islands involved and he would like to see scientific principles adopted. Mr. Bromley then remarked that the question of islands was indeed a difficult one and that the Saudi Foreign Office had discussed the question of jurisdiction over islands with Ambassador Trott. They had in particular been discussing the status of Farsi Island.

At the close of the meeting Mr. Robertson pointed out that it would be necessary for the US and the UK to determine whether they would look with favor upon the granting by Iran of the concession covering Iran's offshore area. Mr. Robertson said that the US Government would not be anxious to see such a concession granted, and Mr. Bromley said that similarly the British Government would not like to see one granted.

In conclusion, it was agreed that attention should now be given to (1) drafting a set of principles and (2) drafting a suggested proclamation.
Memorandum by the Assistant Chief of the Petroleum Division
(Moline)\(^1\)

CONFIDENTIAL

[WASHINGTON,] August 6, 1948.

SAUDI ARABIA'S OFFSHORE OIL

Problem. In the specific instance of Saudi Arabia's proposed grant of an offshore oil concession, what is the desirable application of the Department's general policy of encouraging a wider company participation in the development of Middle East oil reserves.

Background. The Department long has endeavored to maintain the open door and non-discrimination policy with respect to the opportunity of American nationals to obtain foreign oil concessions; the most notable example of Department intervention to achieve this being the Iraq Petroleum Company case following the first World War. Subsequently, both with and without Department help, other American companies other than those in the IPC have obtained important Middle East oil concessions, and by 1945 all but the apparently less promising areas had been brought under concession by a small group of British and American companies. Among them, through contracts and partnership arrangements, close relationships had come to exist in respect to Middle East oil. Confronted with this factual situation and with the holdings of some companies so large as to preclude any possibility of development within any reasonable period, the Department began to consider seriously the development of a Middle East oil policy. It was then suggested that it might take the form of encouraging new companies not now holding concessions in the area to bid for the remaining areas open and of discouraging existing companies with large undeveloped areas from seeking them. It was also suggested that companies holding large areas might be encouraged promptly to examine such areas and relinquish those they did not desire to keep and develop without inordinate delay. A wide measure of agreement on the soundness of these suggestions seemed to exist within the Department.

The Department discussed the foregoing policy with the American partners in the IPC at the time the latter company was considering acquiring a concession in Transjordan. None the less IPC added the

\(^{1}\) Transmitted by Winthrop G. Brown, Director of the Office of International Trade Policy, to Raymond A. Hare, Acting Director of the Office of Near Eastern and African Affairs, in a memorandum of August 11. The transmitting memorandum noted that the position paper "has been discussed at length by PED, IR, NEA and NE officers and an effort has been made to reconcile in the present paper the views of the offices concerned."
concession to its widespread holdings in the Middle East. In the case of Kuwait, the Department made the ruler's interest in granting a concession known to several independent American companies, and an independent company was successful in obtaining the concession.

For several months the Government of Saudi Arabia has been contending, contrary to the view of the Arabian American Oil Company, that Aramco's 440,000 square mile concession in Saudi Arabia does not include offshore areas in the Persian Gulf beyond territorial waters. The Government has also been negotiating with Superior Oil Company and Central Mining Investment, Ltd., operating jointly for this purpose, with a view to granting a concession to some 10,000 square miles of these areas.

A memorandum left at the Department on July 21 by Superior officials states that the Government has informed Superior of its intention to give the company the concession on the basis of the company's present offer. The Department has little specific information regarding details of the proposed concession. The memorandum also refers to a competitive offer by Aramco regarding the area in question which Superior contends is a tacit admission that the existing concession does not cover offshore areas beyond territorial waters.

Aramco has not conceded the latter point. One cable from Jidda, among those which confirm the fact of an offer by Aramco, refers to it as a consideration for "clarification" of the basic Aramco contract.

The position of the Department as it has been made known to the Government of Saudi Arabia, to Aramco, and to the Superior Oil Company has been that the question of whether or not the existing concession covered offshore areas was a matter to be settled between Aramco and the Government of Saudi Arabia and that if the offshore areas were not covered by the existing concession it would be preferable that no new concession be granted to any company until the areas of the Persian Gulf, over which riparian states had jurisdiction, had been determined on an equitable and scientific basis. It was made known that this Government, together with the British, was working to determine on such a basis, the limits of the areas over which the riparian states might wish to proclaim their jurisdiction. In addition, representatives of the Superior Oil Company were told in response to a direct inquiry on the point that the Department favored the entry of independent oil interests into the Middle East, but could not favor any one company over another.

*Not printed.*
For implementing the policy of widening company participation in the development of Middle East oil, it would seem preferable that particular concession opportunities be made known to as large a number of interested independent companies as possible. It appears, however, that in the present case of Saudi Arabia’s offshore areas the complications in the form of potential disagreement between neighboring states as to respective areas of jurisdiction in the Gulf, together with the progress of current negotiations, may not permit this preferable procedure to be followed. It is a real possibility that Aramco will obtain the right to exploit the offshore area whether or not as a “clarification” of its basic contract and notwithstanding the Superior statement that the Government has agreed to give the latter the concession. Should this occur a major opportunity for the participation in Middle East oil development of a company independent of existing concessionaires in the area will have been lost.

Recommendation.

1. That officials of Aramco be called to the Department for an exchange of views with respect to the company’s intention in regard to Saudi Arabia’s offshore areas and the Department’s policy as indicated in the background section above. In addition to outlining our general policy, an attempt should be made to persuade Aramco that it would be in the interest of all parties, including the company, that a new company take over development of the offshore area if Aramco has any material doubt that its concession covers the area or is unable to clarify its claim to the area without payment of a consideration equal to or greater than the best competitive offer.

2. That the officials of Superior Oil Company be called to the Department to discuss specific terms of the company’s proposed concession with a view to determining whether any of them are at variance with our petroleum policy and, if so, to inform Superior concerning the Department’s views.

Editorial Note

Baghdad, on August 9, reported information from an officer of the Rafidain Oil Company, a subsidiary of the Anglo-Iranian Oil Company in Iraq, that the Iraqi Government had granted permission for the Middle East Pipeline Company to start a preliminary survey of territory in Southern Iraq for the eastern section and terminus of its proposed pipeline to Syria (Airgram 109, 890.6363/8-948).
Memorandum of Conversation, by Mr. Edward McEnerney of the Division of Near Eastern Affairs

SECRET

[WASHINGTON,] August 20, 1948.

Participants:

Mr. Maclean, First Secretary, British Embassy
Mr. Jones, Petroleum Attaché, British Embassy
Mr. Hare, NEA
Mr. Sanger, NE
L/P—Mr. Gray
Mr. Dunn, GTI
Mr. McEnerney, NE
IR—Mr. Looney
Mr. Mattison, NE
OIR/GE—Mr. Boggs

Mr. Hare presented to the British representatives copies of the draft proclamation prepared by Mr. Gray on August 19 (attached), which had resulted from a Departmental meeting of that date. Mr. Hare explained that the Department had studied Mr. Bromley’s letter to Mr. Mattison dated August 7, which enclosed a proposed British draft for a declaration to be issued by the riparian states. He said that Mr. Gray’s new draft had been based on the British draft but had been altered in certain respects as the result of extensive discussion within the Department. He asked the British representatives to read the draft, in order that they might comment upon it. When Mr. Maclean and Mr. Jones had finished reading the draft, Mr. Jones commented that it appeared to him to be much the same as the British draft, except that the American draft re-introduced the words “jurisdiction and control” as a substitute for the words “boundaries” or “sovereignty”, which the British had previously suggested. Mr. Hare explained that the Department had found it imperative to suggest that the word “sovereignty” not be used, primarily because the division of the Department concerned with fisheries activities had felt it important for certain reasons not to depart from the language of the US declaration of 1945 affecting the continental shelf. Mr. Hare then asked Mr. Looney, representing the Fish and Wild Life section of the International Resources Division, if he would comment on his Division’s position. Mr. Looney said that inasmuch as the President had on the same date in 1945 issued two proclamations, one concerning the continental shelf and the other concerning fisheries, the two declarations had become linked in the minds of most observers, and that any action affecting the one might be interpreted as affecting the other. His Division felt that it was most important, however, to maintain a distinction between

1 Infra.
2 Memorandum of conversation by Mr. McEnerney not printed.
3 Neither printed.
4 Both proclamations were covered in the press release issued by the White House on September 28, 1945, printed in Foreign Relations, 1945, vol. II, p. 1528.
activities affecting the shelf and activities affecting fisheries in the high seas, although maintenance of this distinction constitutes a difficult problem. His Division felt that if sovereignty were declared over the continental shelf rather than jurisdiction and control, it would be inevitable for the concept of sovereignty over the shelf to be extended and to be translated to sovereignty over fisheries activities in the high seas and then over the high seas themselves. He noted that five other governments had already issued declarations of sovereignty over both the continental shelf and the high seas above it. As he believed the British representatives knew, their Government had been informed that the US had lodged complaints with three of those five governments against those declarations of sovereignty. Mr. Jones interrupted at this point to say that whereas the British had originally desired a declaration of "sovereignty" over the continental shelf beneath the waters of the Persian Gulf, they had (in order to accommodate the US desire not to use "sovereignty") dropped that word from their proposed declaration and had suggested merely an extension of boundaries to include the shelf. Mr. Mattison and Mr. Gray then pointed out that although this was true, the Department had felt that an extension of boundaries necessarily meant an extension of sovereignty, and that the concept of a boundary extension was perhaps even stronger than a declaration of sovereignty. Therefore, the Department felt that mere omission of the word "sovereignty" did not settle the problem.

Mr. Looney then went on to note that the five countries which had proclaimed complete sovereignty were Argentina, Chile, Peru, Costa Rica and Mexico. (In the case of Mexico the declaration was not final, inasmuch as it will require constitutional amendment.) The Department, moreover, feared that other countries were contemplating similar declarations. It was feared that Iceland and Cuba were preparing them, and that Nicaragua and China might also take such action. The question of the US attitude toward such declarations of sovereignty was, therefore, assuming a world-wide scope.

Mr. Hare pointed out that he recognized that there was in fact very little difference between the concepts of "sovereignty" and of "jurisdiction and control," and that the difference was largely a matter of "shading", but that it was this "shading" which seemed of great importance to the Department, since different consequences would result upon the use of one or the other. Mr. Jones said that he appreciated there was this difference of "shading." Mr. Looney said that, although he was not prepared to comment in great legal detail upon the difference between concepts of "sovereignty" and "jurisdiction and control," his Division felt that there was a real difference which could
not be ignored. Mr. Gray pointed out the chief problem in the eyes of the Legal Division was that the US continental shelf declaration represented a doctrine so new that great care must be taken in any matters having to do with it, especially since there had already been proclamations by other countries which constituted perversions of our doctrine. He pointed out that the Legal Division feels that in order for any nation to assert jurisdiction, that nation must also assume a degree of sovereignty, and that, therefore, the British were, to that extent, correct in their interpretation of our continental shelf declaration. The Legal Division, however, felt that for practical and political reasons it would be wiser to avoid the word “sovereignty”. He felt that a declaration of jurisdiction would be effective in excluding parties alien to the Persian Gulf from asserting rights there.

Mr. Maclean said that the Foreign Office position had been that the continental shelf was res nullius, and that no one could assert any rights over such common property without declaring sovereignty over it. Mr. Looney replied that fish were also considered res nullius, but that it was the Department’s belief that jurisdiction and control could be applied over fish and that such an application would be fully effective in assuring rights for the party making the assertion, and that the British Government had shown a degree of acquiescence in the American position. Mr. Maclean pointed out that he felt the question of petroleum was slightly different from that of fish, inasmuch as riparian rulers would be most anxious to be quite certain that they had full property rights over petroleum. He asked Mr. Looney if jurisdiction and control would insure such property rights. Mr. Looney replied that he felt such rights would not necessarily be insured but, as a practical matter, they could be. Mr. Jones further remarked that the British felt that fish and petroleum were quite different phenomena in the sense that petroleum was a fixed and stationary phenomenon, whereas fish were migratory.

Mr. Boggs said that he felt the whole question of assertions of rights over the continental shelf was a very complicated one, especially from a geographer’s point of view, since it was quite difficult to determine exactly where the continental shelf might lie and since no matter where it lay it might not be possible, despite all modern methods of exploitation, actually to conduct petroleum exploitation throughout the shelf. Such factors as storms and currents would make it difficult to exploit everywhere on the shelf, since it might not be possible to station the necessary drilling apparatus at all desired points. Therefore, he felt that no ruler could hope to assert full sovereignty over it, inasmuch as he would be prevented by natural factors from implementing his sovereignty.
Mr. Jones said that, whereas this might be true, it would nevertheless be necessary for any oil company receiving a concession in the given area to know with certainty that it would have the right to drill in that area. Mr. Boggs reiterated that he felt it was most necessary to be careful in any statements made concerning the shelf, which covers 11,000,000 square miles beneath the high seas, a very large area. He felt that it was the size of the total world continental shelf, for one thing, which made it wise to assert rights only over the natural resources of the shelf rather than over the shelf as a whole.

Mr. Maclean said that it was somewhat difficult for him to understand the meaning of the word “appertaining”, the US desire to avoid use of “sovereignty”, and the bearing of fisheries questions upon the continental shelf problem. Mr. Hare said that he quite agreed that the US positions seemed somewhat obscure but that it was nonetheless of importance to the Department to maintain those positions. He agreed that the British were correct in saying that a nation must possess “sovereignty” before being able to exercise jurisdiction. However, the Department felt it necessary to avoid an expression of the word “sovereignty”. Mr. Boggs, however, said that he believed there was a genuine distinction between the concepts of “sovereignty” and “jurisdiction,” and that jurisdiction could be exercised to affect something over which a nation did not have “sovereignty”.

Mr. Jones then remarked that he believed the Department’s position was one of anxiety lest a declaration of sovereignty over the seabed might lead to a declaration of sovereignty over the high seas. Mr. Gray said that this was the case, and that it was especially unfortunate that the President’s declarations were issued both on the same day, thus necessarily linking them in the eyes of most observers. (In aside conversations with Mr. Hare, Mr. Boggs, and Mr. Gray during the course of the above discussion, Mr. Dunn suggested that the “sovereignty”-“jurisdiction” controversy might be resolved by abandoning both words in favor of the following: “declares its title to and its exclusive right to regulate the exploitation of the natural resources, etc.” The suggestion was approved. It was decided, however, that the above substitute wording would not be proposed to the British unless the Foreign Office proved adamant in its refusal to accept “jurisdiction and control.”)

Mr. Hare suggested that, inasmuch as the American side had made clear to the British representatives the Department’s position regarding the problem of “sovereignty,” it would then be in order for the meeting to consider certain other points. One of these was a suggestion made by Mr. Sanger to the effect that it might be advisable to delete from the draft proclamation a reference to the high seas of “the
Persian Gulf," changing the reference to simply the "high seas" contiguous to one of the riparian nations, wherever the seas might lie. This might be advisable because certain of the nations involved in a Persian Gulf division might also have "continental shelf" in the Gulf of Oman. These nations would be Iran, Trucial Oman and Muscat and Oman, and it would seem wise for them to assert rights over "continental shelf" contiguous to all of their shores rather than merely to their shores on the Persian Gulf. In addition Saudi Arabia might have some "continental shelf" lying on the Red Sea. Mr. Jones remarked that he felt the discussions so far had been confined to the Persian Gulf "continental shelf", and that the question of shelf belonging to Persian Gulf States but lying outside of the Gulf had not yet come up for consideration. Mr. Hare indicated, however, that the American side would like to have the words "Persian Gulf" removed.

Mr. Jones remarked that in the paragraph numbered 1(b) of Mr. Gray's August 19 draft it was stated that the transversal boundaries would be determined between rulers "in accordance with fair and equitable procedures." He remarked that the British draft had not referred to any such procedures but had suggested simply unqualified bilateral discussions between neighbors. Mr. Jones felt the American wording suggested that the bilateral agreements might be considered subject to review by third parties as regards the fairness and equitable-ness of the agreements. Mr. Boggs said that he felt the American language made it perfectly possible for bilateral agreements to be reached but that it offered the advantage of providing by implication an avenue of escape for one of the two parties should serious difficulties arise in any efforts to establish boundaries.

Mr. Jones inquired if it would be desirable from the American point of view for some kind of statement to be issued by the US and the UK to American and British oil companies, once the final division of the subsoil had been worked out by the riparian rulers. Mr. Mattison said that it would be advisable for such a statement to be issued but that the State Department would be most anxious to concert with the Foreign Office before any statements were issued.

Mr. Jones then asked if the American side had any other doubts or reservations concerning the proposals which had been submitted by the British Foreign Office. Mr. Mattison said that the Department was somewhat concerned about the consequences of the British suggestion that the UK unilaterally approach the Sheikhdoms under their protection about three weeks in advance of the parallel US-UK approaches to the other riparian states. The Department feared, for example, that if the Sheikh of Kuwait were approached by the British in this fashion in advance, King Ibn Saud might in some way or other learn
of such an approach and feel that he had been unfairly dealt with in not having been consulted at the same time. Mr. Maclean said that he could appreciate the difficulties and embarrassments which might arise should something of this sort take place, but he believed that the Foreign Office felt they were obliged, in view of their special relations with the Sheikhs, to mention such a matter as this Persian Gulf question to them in advance of any communication to the other riparian states. He also said that apparently the Foreign Office was anxious to insure that should Iran desire to take any unfavorable action such as a declaration of Iranian rights on the western side of the Persian Gulf (such as over Bahrain) the Foreign Office considered it desirable that the Sheikhs be prepared in advance to take action countering such possible Iranian action. Mr. Dunn said that the State Department was not actually afraid that the Iranians would take any such action as the British had in mind, but that the State Department was seriously worried about the manner in which the Iranian Government might react if any steps were taken about which they had not been consulted. Mr. Dunn felt that the British suggestion in Mr. Bromley's letter to Mr. Mattison that the Iranians be "warned" did not seem a desirable proposal. Mr. Jones said that the Foreign Office was afraid that it would take the Sheikhs a long time to achieve the necessary work involved in issuing their declarations, and that this was another reason why the Foreign Office desired to approach them in advance. Mr. Dunn said that nonetheless he felt that all of the states should be approached simultaneously. Mr. Jones said that although he recognized the danger which Mr. Mattison had foreseen in terms of a "possible leak", from one of the Sheikdoms to a ruler such as Ibn Saud, it would nonetheless probably be difficult for the Foreign Office to contemplate handling the situation any other way. Mr. Hare suggested that possibly the Foreign Office might be able to inform British representatives in the Sheikdoms of what was being contemplated without actually informing the local rulers themselves. Thus a great deal of time might be saved from an administrative point of view, and yet no approach would have been made to a Sheikh in advance of the approaches to the other rulers. Mr. Jones said that he would inquire about this possibility.

Mr. Dunn said that if for any reason the Foreign Office did not desire to participate directly in a parallel approach by the US and the UK to the Iranian Government, the American Ambassador in Tehran, to suit the convenience of British, might approach the Iranian Government on behalf of the US and the UK. The Department would be happy to arrange this, if it would make it easier for the British to agree to an approach to Iran simultaneous with the approaches to the other countries. Mr. Jones said that he appreciated this offer and would report it to London.
Mr. Maclean said that he would transmit to London a copy of Mr. Gray's draft proclamation of August 19 together with a statement of the points made by the Department in explanation of that draft to him and to Mr. Jones at this meeting. He said that in addition Mr. Jones would be leaving Washington for London on the 24th and he would be able then to explain in person at the Foreign Office the various positions taken by the State Department. Mr. Jones pointed out again that the British were most anxious to arrive at a solution to the whole problem as soon as possible, inasmuch as the various oil companies involved were pushing Saudi Arabia to come to a decision on the offshore concessions and the UK would be most unhappy if the Saudis were to take any action which might not "fit the bill," in the eyes of the US and the UK.

[Annex]

SECRET

[WASHINGTON,] August 19, 1948.

TEXT OF DRAFT PROCLAMATION

WHEREAS it has become technically possible to utilize the natural resources of the sea bed and subsoil beneath shallow seas;

WHEREAS it is just that the submarine platform extending to a reasonable distance from the coasts should appertain to and be controlled by the nation to which it is adjacent;

WHEREAS in the interest of protection, conservation and orderly development, it is the duty of a maritime state properly to control and regulate the use of the natural resources of the sea bed and subsoil adjacent to its coasts;

WHEREAS the right of a maritime state to exercise its control over the natural resources of the subsoil and sea bed of the submarine platform or continental shelf adjacent to its coasts has been established in international practice by the action of other states;

Now, therefore, we ----, the ---- of ----, in pursuance of all powers enabling us in that behalf, are pleased to proclaim, and it is hereby proclaimed, as follows: ----

1. The ---- of ---- regards as appertaining to the ---- of ---- and subject to its jurisdiction and control the natural resources of the sea bed and subsoil of the submarine platform which lies beneath the high seas of the Persian Gulf contiguous to the territorial waters of the ---- of ---- within the following area:

(a) between the outer limits of the territorial sea and a line extending lengthwise in the center of the said gulf, and
(b) within limits common with the two contiguous sheikhdoms, which will be subsequently more precisely defined in accordance with fair and equitable procedures.
2. Nothing in this proclamation shall be deemed to affect questions concerning sovereignty over Islands.

3. Nothing in this proclamation shall be deemed to affect the air or the character as high seas of the waters of the Persian Gulf above the submarine platform and outside the limits of territorial waters.

4. Nothing in this proclamation shall be deemed to affect any fishing or pearling rights.

---

890G.6363/8-2343: Airgram

*The Ambassador in Iraq (Wadsworth) to the Secretary of State*

**Baghdad, August 23, 1948.**

A–241. Press reports that the Council of Ministers has approved the formation of a Ministerial Committee under the presidency of Prime Minister Muzahem Pachachi with Finance Minister Ali Mumtaz al-Daftari and Economics Minister Abdul Wahab Mirjan, as members, to study existing oil conventions, and contact relative oil concessionaires for reconsideration of Iraq’s royalties.¹

---

¹The Minister of Economics, on October 19, addressed notes to the Iraq Petroleum Company, the Mosul Petroleum Company, and the Basra Petroleum Company which requested reconsideration of the terms of their oil concessions. The notes asked for increased royalties, Iraqi participation in their capital structure and management, computation of royalties on the basis of free market quotations for gold, training of Iraqis to replace foreign personnel, and an increase in the volume of oil exports (despatch 219, November 3, from Baghdad, and despatch 417, November 15, from Lisbon, 890G.6363/11–848, 11–1548).

---

890B.6363/8–2548

*Memorandum by the Acting Director of the Office of Near Eastern and African Affairs (Hare) to the Under Secretary of State (Lovett)*

**Washington, August 25, 1948.**

On Thursday, August 26th, Mr. James Terry Duce, Vice President of the Arabian-American Oil Company, and Mr. Philip C. Kidd, Manager of the Washington Office of that firm, have an appointment with you. Their reason for requesting this meeting is to review the development programs of the Arabian-American Oil Company, Trans-Arabian Pipeline Company, and the Mediterranean Refining Company which is jointly owned by the California Texas Company and Socony Vacuum.
You will recall that it was decided in June to defer granting further export licenses for the steel needed in the Trans-Arabian Pipeline. One of the factors affecting this decision was instability in the Middle East because of disturbances in Palestine. Certain persons in the Department of Commerce and more particular, Sentaor Wherry of Nebraska, had expressed the opinion that an equivalent amount of steel (about 217,000 tons is now involved) should either be used for tankers or for stimulating oil production in this Hemisphere.

The officials of Aramco have brought out that the Mediterranean Refining Company is ready to start work on a refinery at Sidon in Lebanon, and the Trans-Arabian Pipeline Company wishes to continue with the construction of its proposed pipeline from the oil coast in Saudi Arabia to Sidon. The officials of the company also point out that the oil companies operating in the Middle East will make available approximately one billion dollars of foreign exchange to that area over the next five years in the form of taxes, payments to local labor, total purchases, royalties, transport charges, etc. They feel that this constitutes a virtual "Marshall Plan for the Near East", to be paid for by American business rather than the American taxpayer. In their opinion this very substantial influx of foreign exchange into the Near East should go a long way toward stabilizing the area.

It is believed that Mr. Duce and Mr. Kidd will expound this thesis to you and propose it, along with various other arguments, as a reason for the Department of State supporting the request of these oil companies that the licencing of steel for their Near Eastern requirements be approved early in September.

In the recent setback suffered by all American interests in the Near East as a result of our stand on Palestine American business firms have seemed to suffer less than either US Government or American cultural interests in the area. It may well be therefore, that the oil companies are in a position to recover lost ground in the Near East sooner than US Government or other private interests.

Although we will probably not be in a position without further study to reply to any specific proposals which may be brought up, it is suggested that we should be receptive to any ideas which Mr. Duce and his colleagues may put forward that would result in improving the economic situation in the Middle East and thereby strengthen the position of the United States in the area.¹

¹ Mr. Lovett conversed with Messrs. Duce and Kidd on August 26 on the application of Tapline. Mr. Duce handed an Aramco letter dated August 25 to the Under Secretary in support of the application. Mr. Mattson's memorandum of conversation states that the Department promised careful consideration of the letter in any recommendations that the Department might make to the Department of Commerce (800F.6363/S-2548).
WASHINGTON, September 4, 1948—1 p. m.

3521. Dept has been informed by Ambassador Wiley Tehran of FO instruction dated Aug 26 to British Amb Tehran re petroleum resources Persian Gulf (Tehran’s 1030, Sept 1, not rptd London). Dept gratified that FO accepts our view that action this question should include approach to Iranian Govt. However, instruction also informed Le Rougetel a that Political Resident Persian Gulf was to be prepared approach Bahrein, Kuwait, Muscat concerning proclamation by them or, alternatively, by Brit Govt in their behalf of “sovereignty over submarine territories” up to median line. Dept has rptdly made known to reps Brit Emb Washington its views concerning desirability proclamations covering jurisdiction and control rather than sovereignty, and assumes FO thoroughly acquainted these views.

However, new factor has been interjected this question with receipt aide-mémoire from Brit Emb Washington dated Aug 27 b relative to Iranian claims to sovereignty over Bahrein. Dept has aide-mémoire under active study and formal reply will be forthcoming soonest. From preliminary study we agree with UK that Iran should be discouraged from bringing Bahrein issue to UN, and will be prepared offer further suggestions this regard. It seems to Dept however that UK insistence on sovereignty issue with respect submarine resources will inevitably produce very result with ref Iranian claims to Bahrein that UK and US hope to avoid. Dept therefore earnestly hopes that FO, in current consideration US views transmitted by Brit Emb Attaché Jones now in London, will give appropriate weight to new factor introduced by its note re Bahrein as urging abandonment of word “Sovereignty” and so avoiding heightened possibility unfavorable Iranian action. FO views desired soonest.

Tehran’s 1030, Sept 1 speaks of Sheikdoms under Brit influence with particular reference to Bahrein, Kuwait and Muscat. FO should be reminded that USG is in direct treaty relations with Muscat. c

MARSHALL

a Not printed.
b Sir John H. Le Rougetel, British Ambassador in Iran.
c Not printed; but for summary, see telegram 869, September 14, to Tehran, p. 44.
d This telegram was repeated to Tehran.
Memorandum by the Assistant Chief of the Petroleum Division
(Moline)\(^1\)

CONFIDENTIAL

[WASHINGTON,] September 10, 1948.

UNITED STATES POSITION REGARDING THE REOPENING OF THE HAIFA REFINERY\(^2\)

Background

The refinery at Haifa owned by Consolidated Refineries, Ltd. (CRL) ceased operations on April 12, 1948. Except for a brief period in July when it was operated by the Jews, using stocks of crude at Haifa, it has been closed down. CRL is jointly owned by the Anglo-Iranian Oil Company and the Anglo-Saxon Petroleum Company (Royal Dutch Shell). Socony-Vacuum Oil Company has an agreement under which it purchases 15 per cent of the Haifa output. Normally, the refinery processes 4 million tons of crude oil a year, half of which is received by pipe line from Iraq where the Iraq Petroleum Company (IPC) controls production. Socony-Vacuum and Standard of New Jersey jointly hold a 23.75 per cent interest in IPC. French, Dutch and British companies hold equal shares of 23.75 per cent.

It is the position of the United States that the reopening of the Haifa refinery, using crude oil from Iraq, would be highly desirable. The gain in terms of world oil supplies would be substantial. The cooperation of Arabs and Jews, which would be necessary to the operation of the refinery, would provide an important precedent for cooperation in other matters.

Efforts to Reopen Refinery

The United States Government has since early in May been in close touch with the British, representatives of the Provisional Government of Israel, interested oil companies, and the Mediator\(^3\) seeking to achieve through the latter, the reopening of the refinery on a basis agreeable to Arabs and Jews. Efforts to date have not been successful. The chief obstacle to agreement has been Iraqi reluctance to allow crude oil movements to Haifa as long as the refinery is under Jewish control and to the apparent Jewish reluctance to permit the degree of international control of the refinery and its operation which will satisfy the Iraqi wishes.

\(^1\)Transmitted by the Chief of the Petroleum Division (Falkens) in a memorandum of September 10 to the Director of the Office of United Nations Affairs (Rusk). It was prepared for the latter who was on his way to Paris to attend the session of the United Nations there.

\(^2\)Further documentation on the closing of the oil refinery at Haifa is included in the section of this volume dealing with the Palestine question.

\(^3\)On Palestine, Count Folke Bernadotte.
The Jewish position on the latter point is not entirely clear. Provisional Government of Israel officials in Israel having indicated an unwillingness to permit United Nations supervision or control of the refinery while a Provisional Government of Israel spokesman in the United States had said such control would be acceptable. A clarification of this point is being sought. The United States Government believes an essential part of any agreement regarding operation of the Haifa refinery is an undertaking by the Jews that any production will be distributed on an historical basis to Arab States as well as Israel. It is not clear whether distribution on this basis would be acceptable to the Provisional Government of Israel in the event refinery operations were as little as 25 or 30 per cent of capacity.

The French have urged in an aide-mémoire of August 26 that the difficulties of effecting a settlement involving international control or supervision of the refinery be recognized and that efforts be directed at present to securing the use of the pipe line for export of crude oil from Haifa. It has been pointed out to the French that the proposal seemed unrealistic in its failure to provide for the petroleum needs of Israel. The Provisional Government of Israel would probably be reluctant to surrender the bargaining power given by control of Haifa until Israel’s petroleum needs had been assured. It was further suggested that oil companies which formerly distributed products in the area might be willing to guarantee regular deliveries of products sufficient for current consumption, as indicated by the Mediator, in return for their shares of crude from the line. Preliminary work on the proposal is being undertaken in order that it may be advanced promptly if it is determined that operation of the refinery on a basis agreed by Iraq and Israel is impossible at this time.

The Provisional Government of Israel has indicated that, in the event crude oil for the refinery cannot be obtained from Iraq, it would prefer to provide for Israel’s petroleum needs by importing crude oil by tanker for operation of the refinery rather than by importing petroleum products. It is attempting, therefore, to arrange tanker imports of crude oil. The United States Government has been of the opinion that operation of the refinery, using crude oil imported by tanker, could only be at a small fraction of capacity and with jeopardy to the more important objective of Arab-Jewish cooperation for normal operation of the refinery.

**Summary**

In brief, the United States position is

1. That the prime objective of United States interest in the reopening of the Haifa refinery is its operation on as nearly normal a basis as possible, that is, using, primarily, crude oil from Iraq.

*Not printed.*
2. That the secondary objective, which should be sought as soon as inability to achieve the first objective becomes evident, is the use of the Kirkuk-Haifa pipe line for the purpose of exporting the line's capacity of crude oil from Haifa. It is hoped that agreement necessary for the achievement of this objective would lead eventually to agreement on the operation of the refinery.

3. That attempts to operate the refinery on any basis likely to nullify efforts in behalf of operation on an agreed basis, or likely to endanger the facility, should be discouraged. 5

5The views set forth in this paper were incorporated in the Department's memorandum of October 7 to the French Embassy in reply to the latter's aide-mémoire of August 26. Additionally, the memorandum stated: "The French Embassy will recall that Count Bernadotte's final report to the General Assembly of the United Nations on his work as Mediator in Palestine contained the conclusions that the port of Haifa, including the oil refineries and terminals, should be declared a free port with assurances of free access for interested Arab countries and an undertaking on their part to place no obstacle in the way of oil deliveries by pipeline to the Haifa refineries. The French Embassy will also recall that the policy of this Government, as stated by Secretary Marshall in Paris on September 21, is one of firm support of all Count Bernadotte's conclusions.

"Under these circumstances, it is the opinion of the Department of State that it would be advisable to await the outcome of the discussions in the General Assembly on the Mediator's conclusions before giving final consideration to the proposal set forth in the French Embassy's note regarding the exportation of crude oil from Haifa." (867N.6565/10-748)

Regarding Count Bernadotte's views on the Haifa refineries, see the "specific conclusions" of his report, paragraph (e), included in documentation on Palestine, scheduled for publication in part 2 of the present volume; for Secretary Marshall's statement of September 21, see the circular telegram of that date, ibid.

890.0145/9-1448: Telegram

The Secretary of State to the Embassy in Iran

SECRET US URGENT WASHINGTON, September 14, 1948—8 p. m.

869. (Deptel 3521 to London, Sept 4) Aide-mémoire dated Aug 27 1 expresses Brit desire exchange views re tactics to be employed if Iran should indicate desire raise Bahrein claim before UN. Document, which includes exhaustive historical studies of validity Iranian claim, ends with recommendations that (1) neither US nor UK should do anything to raise Bahrein question in any international forum; (2) US–UK should continue discourage Iran from raising it in any manner; (3) if Iran nevertheless raises the question in UN, Brit hope that it would be before SC rather than GA and that US would take strong line against Iranian claim; (4) if question raised either in SC or GA and it appeared that undersirable resolution might be passed, it would be best to steer meeting towards request for ICJ advisory opinion.

FO historical analyses and independent Dept studies of validity Iranian claim leave little doubt that latter untenable if submitted for

1 From the British Embassy, not printed.
impartial judicial decision. However, Dept agrees with FO view that it is impossible to predict with certainty nature of decision of ICJ if question referred for advisory opinion.

We propose to inform UK that we agree in principle with their four recommendations.²

We also wish to suggest to FO that if necessity should arise we would be prepared make parallel formal approach with UK to Iranian Govt along following lines: (1) In our opinion, Iranian claim is wholly untenable both on political and legal grounds; (2) we believe raising Bahrein question would lead to undesirable and fruitless disagreement with US and UK, have markedly unfavorable repercussions in Arab States, and would redound only to benefit of USSR; (3) if Iran should raise Bahrein question before any international forum, we would be obliged strenuously to oppose Iranian claim. While we would not so inform Iran, we would be prepared introduce or support resolution in UN requesting ICJ advisory opinion if Iran should take case to UN.

In our opinion contemplated approach to Iran should not be made unless occasion arises necessitating such action. However, when US–UK proposal re division submarine area Persian Gulf is made known to Iran, it is not unlikely that Iranian official or unofficial reaction may precipitate situation in which contemplated US–UK approach would be essential. Dept would therefore appreciate urgent comments re proposed reply to UK and suggested US–UK approach to Iranian Govt re Bahrein.³

MARSHALL

² For reply actually sent to the British Embassy on September 17, see p. 179.
³ This telegram was repeated to London. Tehran, on September 16, expressed its entire agreement with the Department’s view on Bahrein and advised that it had “no indications of any immediate plans of Iran Government for bringing matter before UN.” (telegram 1097, 501.BB/9–1648)

S90F.6363/9–1548

The Secretary of State to the Secretary of Commerce (Sawyer)

WASHINGTON, September 15, 1948.

Dear Mr. Secretary: In Mr. Thorp’s letter of June 11, 1948 to Mr. Blaisdell ¹ it was recommended that the consideration of export licenses sought by the Trans-Arabian Pipeline Company for the shipment of main line pipe to Saudi Arabia during the second and third calendar quarters of 1948 be postponed until the first week of September 1948.

¹ Not printed; but see footnote 2, p. 23. Thomas C. Blaisdell was Acting Assistant Secretary of Commerce.
The Department suggested postponement of consideration of the licenses at the time because of the disordered situation in the Middle East. There was, as you may recall, heavy fighting then going on between the regular forces of the Jews and Arabs in Palestine and it was not known whether the proposed temporary truce would be accepted or, if accepted, whether it would become effective.

Notwithstanding the foregoing circumstances, it appeared that it would be possible to continue construction of the pipeline, using the pipe on hand in the area, provided necessary materials other than main line pipe could be exported from the United States to Saudi Arabia. It was recommended by the Department of State, therefore, that the postponement of consideration of the export of main line pipe not prejudice the project license earlier renewed or applications by the company for licenses to export material other than heavy pipe which would be required to continue the construction of the pipeline.

The Department of State was gratified to learn that the recommendations of the Advisory Committee of the Department of Commerce were substantially in accord with those made by the Department of State and that the Secretary of Commerce, acting on the advice of the Advisory Committee approved the Committee's recommendations.

In these circumstances the Department of State, with the concurrence of the other interested government agencies, felt that the postponement of decision regarding heavy pipe exports would be the proper course to follow until the situation clarified. As you may recall the Jews and Arabs subsequently agreed to the temporary truce; the United Nations assigned the role of Mediator to Count Bernadotte; the United Nations Security Council ordered the Jews and Arabs to cease fighting and an indefinite truce is now in effect.

It is now evident that additional tonnage of main line pipe must be exported in the fourth calendar quarter of 1948 if construction of the Trans-Arabian pipeline is to be continued and completed in 1950. Failure to approve export licenses for pipe to be shipped during this quarter will mean the disbanding of the pipeline organization which it has taken two years to assemble and will entail the cessation of construction work on the project. Work could not be resumed anew until a new organization is assembled, contractual arrangements concluded for sources of pipe and equipment and shipping schedules arranged, with accompanying costly and indefinite delay.

In light of the developments pertaining to the effectuation and maintenance of an indefinite truce and because of the importance of the project, it is believed that steps should now be undertaken which
will prevent the abandonment of the project in terms of disbanding the construction organization and the indefinite cessation of construction work.

The oil of the Middle East is an important factor in the success of the European Recovery Program and in the continued prosperity of Europe. This project when completed will provide a vital transportation link in moving to Western Europe under the most economic conditions increased quantities of Middle East oil of which production is rapidly being expanded. The failure to provide exports of heavy pipe in the last quarter of this year would undoubtedly prevent the completion of the project until after the period of the Recovery Program. The project when completed will also be of substantial benefit in relieving the demand on the oil resources of the Western Hemisphere.

An important additional consideration is that the completion of the project would provide the area with substantial revenues to be derived from the construction and operation of the pipeline and of the proposed refinery at the Mediterranean terminus. These revenues would constitute an important financial stabilizing factor to the relatively limited economies of the countries in the area. Furthermore, the continued construction of the pipeline might be expected to create an atmosphere which would contribute to the maintenance of the truce and a peaceful settlement and also off-set certain disruptive tendencies conducive to the spread of communism.

In view of the foregoing and bearing particularly in mind the benefits to the United States and Western Europe, as well as to the Middle East which would derive from the completion of the pipeline, it is the opinion of the Department of State that the abandonment of the project would not be in the national interest. It is therefore recommended that applications for the export of main line pipe to Saudi Arabia for the Trans-Arabian pipeline be approved for the fourth quarter of 1948.

The Department of Interior and the Economic Cooperation Administration concur in this recommendation. The National Military Establishment is presenting its views to the Department of Commerce under separate cover.²

Faithfully yours,

G. C. MARSHALL

²In an attached memorandum of September 8 to the Secretary, Messrs. Satterthwaite and Brown made known that the Department of Defense would support the export of pipe through a separate letter to the Department of Commerce.
SECRET

JIDDA, September 15, 1948—8 a.m.

512. Garry Owen Aramco informed me today Aramco and SAG had agreed in principle as follows:

1. Offshore oil rights confirmed as being within Aramco concession.
2. Aramco to pay same royalties for offshore as onshore oil plus five cents per barrel.
3. Aramco guarantees $2,000,000 minimum royalties offshore oil per annum.
4. Aramco relinquishes rights Kuwait neutral zone.
5. Aramco obligated start work offshore region within one month after signature agreement.
6. Offshore area defined as area beginning mean low tide and extending seaward.
7. SAG will cooperate with Aramco in confirming and crystallizing SAG’s offshore area.
8. SAG confirms relinquishment agreement of 1947.

Foregoing has been placed in hands Aramco SAG lawyers for drafting of agreement which will then be signed.

Re relinquishment by Aramco other territories, by original concession Aramco was to begin relinquishment July 1949. This later extended to July 1955.

During recent negotiations Finance Minister stated SAG desired no competitors Aramco in Saudi Arabia. Preferred Aramco not relinquish territory until exploration indicates no oil.

Aramco however, for purposes geological planning program prefers start relinquishment. Effective signature above agreement all land west longitude 46 to be released from preferential area (granted supplementary concession 1989). This comprises 76 percent preferential area.

Beginning July 1949 Aramco will relinquish 33,000 square miles exclusive concession area. Similar amounts to be relinquished in July of 1952, 1960, 1965 and 1970. Upon termination this program 46 percent total exclusive area will have been relinquished.

Owen has seen and checked accuracy facts this telegram.

Department pass Cairo as 99 for Funkhouser.

BERGUS

1 The rights to exploit Saudi Arabia’s undivided half of the Kuwait neutral zone.
2 Relinquishment by Aramco of its rights in various areas of Saudi Arabia under the terms of its concession.
3 The offshore settlement agreement by the Saudi Arabian Government and Aramco, dated October 10, was signed on October 14 (telegram 194, October 13, 10 a.m., from Dahran, 890F.6363/10-1848). Aramco provided the Department with a copy on December 50 (890F.6363/12-3048).
4 Richard E. Funkhouser, Third Secretary of Embassy in Egypt.
The Acting Secretary of State to the Legation in Saudi Arabia

SECRET

WASHINGTON, October 4, 1948—7 p. m.

372. Brit Emb informed Dept Brit Min Jidda instructed urge SAG make "no decision" re offshore oil concession before receipt US-Brit views re division Persian Gulf and asked whether Dept would take similar position with SAG. Although Dept replied could not agree request withholding decision, Dept believe highly important there be no proclamation or publicity re offshore concession pending receipt suggestions re division Gulf. Particularly concerned in view par 5 Legtel 512, Sept 15 indicating Aramco obligated start offshore work within one month signature agreement. Publicity or operations US company in Gulf prior acceptance by littoral states proposed proclamation re division Gulf would greatly increase difficulty obtaining universal acceptance.

Following discussions with Brit it now appears proposed proclamation will be ready within few weeks for presentation by US and Brit Govts to Persian Gulf states. Inform SAG that US and Brit Govts will soon be able reply its request for guidance re offshore oil matters and express hope there will be no proclamation or publicity re concessions affecting submerged area pending receipt suggestions concerning division Gulf.

LOVETT

Editorial Note

The Iranian Government, in an announcement released on October 16, made known that it had invited to Tehran representatives of the Anglo-Iranian Oil Company to negotiate concerning revision of the terms of the company's concession. The negotiations, "conducted in a spirit of mutual and sincere cooperation", began on September 30 and terminated on October 13.

With the ending of this preliminary stage of negotiations, the AIOC representatives were to report to the officers of the company at London; and the company was to notify the Iranian Government of its views within three months, so that negotiations might be resumed at Tehran (enclosure to despatch 317, November 3, from Tehran, 891.6363/AIOC/11-348).

TEHRAN, October 19, 1948—11 a.m.

1207. British Ambassador told me today that Persian Gulf sheiks will in about three weeks be given draft proclamation for claiming
jurisdiction of sub-sea resources out to median line. They will be given
fortnight to think it over and then when they make statement Iranian
Government and other interested governments will be notified.\(^1\)

In my opinion this procedure is very close to previous plan of
presenting Iran with “fait accompli” against which Department
argued so forcefully. Iran is to be presented with Anglo-American
“suggestion” which involves establishing 900 mile boundary line for
Iran. Iran is by all odds the riparian state most concerned in divi-
sion of Gulf but she is apparently not going to be asked to agree
plan or even to present her views. Simultaneously, other riparian states
all of whom are subject to direct or indirect influence of UK–US
Governments will make declaration implementing suggested plan.

It is my considered opinion that Iranians will regard this course
of action as US–UK “imperialism”. At the minimum it will create
most unpleasant situation which will certainly not be helpful in our
current negotiation for renewing military mission contract. It could
even undermine present political orientation of Iran. It will surely be
excellent grist for Soviet propaganda mill. As Department is aware
Iranians are highly sensitive to their rights in Persian Gulf and
Bahrein issue has been foremost in Iranian nationalistic agitation.

Am afraid that question of sub-sea resources in Gulf will be handled
in a manner that may seriously prejudice our broader interests here.
SAG has apparently agreed to award off-shore rights to Aramco
(\textit{Current Economic Developments} September 27). Iran cannot grant
concession for another four years by virtue law October 22, 1947.
American Independent has presumably obtained off-shore rights
Kuwait half neutral zone. Iraq only possesses few miles frontage on
Gulf and this is heavily silted. This leaves only sheikdoms. Surely
British are in position to resolve disputes between them and to suggest
concession areas covering shallow waters which are of interest to oil
companies circumscribed so as to give minimum offense to Iran. Con-
cessions could delineate limited areas open to immediate drilling and
provide for later inclusion waters over which sheikdoms may

\(^1\) Tehran, on October 20, reported information from the British Embassy that
the correct timetable called for the sheikdoms to be given three weeks after
receipt of the proposals before they would be free to make any announcements;
and that Iraq and Iran would be informed a fortnight after the first communica-
tion to the sheikhs and the Saudi Arabian Government. Tehran concluded that
“Giving Iran week to consider matter before any proclamations are issued will
not soften reaction here very much in my opinion. Iran Government might
rush to make some absurd claim to waters around Bahrein.” (telegram 1210,
890.0145/10–2048)
eventually have jurisdiction. This should satisfy oil companies as I understand they are not immediately interested in water deeper than 100 feet. As need for overall division Gulf waters becomes more evident Iran could be invited to participate in proceedings on equal footing she deserves.

Sent Department 1207; repeated London 104.

S67N.6363/10–1648: Telegram
The Acting Secretary of State to the United States Delegation at the United Nations General Assembly, at Paris

SECRET US URGENT WASHINGTON, October 19, 1948—7 p. m.

4082. Urtel 5404 Oct 16. Re Haifa pipeline. Dept reply this matter delayed due non-receipt until now London tel 4478 Oct 13. Following discussions with French and Brit here and view their primary interest as well as importance ERP Dept agrees in principle with suggestion last para urtel 5405 to support French and Brit proposal reopening pipeline. Definitive position dependent however on character proposals and nature desired support. Insufficient info available here these points.

Dept wishes avoid participating any action which would weaken US position of supporting Bernadotte conclusions and jeopardize acceptance or acquiescence both sides, but relies on GADel judgment whether pipeline proposal would have that effect. [At] your discretion you may wish consult Acting Mediator this regard.

Dept also of opinion initiative re proposal and approaches Iraq Govt and PGI should rest with French and Brit and US should avoid taking lead.

ECA concurs.

1 Not printed; this telegram and airgram 1147, October 18, from Paris, advised that tripartite exploratory conversations on the reopening of the Kirkuk-Haifa pipeline were held at Paris on October 15. The American spokesmen hewed to the position set forth in the memorandum of October 7 to the French Embassy, not printed; but see footnote 5, p. 44. The French and British spokesmen took the position that the reopening of the pipeline for export purposes would in no way jeopardize the deliberations on Palestine at the United Nations. The last paragraph of No. 5404 gave the opinion of the American participants that the arguments of their opposite numbers were worthy of consideration and that the matter was of sufficient importance to the ECA to warrant the United States joining the British and French (S67N.6363/10–1648, /10–1848).

2 Not printed.
In view presence reps all parties Paris suggest current discussion be centered there.3

3This telegram was repeated to London and Baghdad. In reply, on October 22, Paris advised that:

“GADel agrees French-British proposal to reopen pipeline only for export crude would not weaken US position support of Bernadotte conclusions and would not jeopardize acceptance by Arabs and Jews providing approach to Iraqi[s] and Israeli[s] handled on strictly economic basis without our being drawn into a political discussion in any way. GADel including Secretary Marshall approve procedure:

1. Informal discussion with Acting Mediator by GADel representatives re his views.
2. Further discussion with French-British to indicate (providing Department approves):

(a) US would support proposal re export crude oil provided approach Iraqi[s] and Israeli[s] be on strictly economic basis with no political discussions;
(b) That initiative be taken by French and British in discussion Iraqi[s] and Israeli[s] with US approach separately; and
(c) US approach to Israeli[s] would be contingent on favorable response from Iraqi[s].” (telegram 5509)

The Department and the ECA, on October 25, approved the procedure set forth in No. 5509 (telegram 4159 to Paris). Paris advised, on October 22, that Acting Mediator “Bunche agreed US support would not be weakened or possibility agreement or acquiescence jeopardized if presently proposed approach is restricted to economic basis only.” (telegram 5517). All three messages used in preparing this footnote are filed under 867N.6363/10-2248.

890.0145/10-2048: Telegram

The Acting Secretary of State to the Legation in Saudi Arabia

SECRET

WASHINGTON, October 20, 1948—3 p.m.

399. Following is proposed text draft proclamation1 re scientific demarcation of Persian Gulf as among littoral states which has been worked out jointly by US and Brit Govts for submission these states for their consideration:

“WHEREAS it has become technically possible to utilize the natural resources of the sea bed and subsoil beneath shallow seas;

WHEREAS it is desirable in the interest of protection, conservation and orderly development that the exploitation of such resources should be controlled;

WHEREAS it is just that the sea bed and subsoil extending to a reasonable distance from the coasts should appertain to and be controlled by the Maritime State to which it is adjacent;

1Mr. Satterthwaite had sent the draft proclamation to Mr. Lovett for approval with his memorandum of October 7. On October 18, he had sent a further memorandum calling attention to the “urgency” of approval now that Aramco had signed an agreement with Saudi Arabia regarding offshore oil. Mr. Lovett gave his approval in a marginal notation on the memorandum of October 7 (890.0145/10-748).
Whereas the right of a maritime state to exercise its control over the natural resources of the sea bed and subsoil adjacent to its coasts has been established in international practice by the action of other states;

Now, therefore, we ————, the ————, in pursuance of all powers enabling us in that behalf, are pleased to proclaim, and it is hereby proclaimed, as follows:

1. The ——— of ——— hereby declares that the sea bed and subsoil lying beneath the high seas of the Persian Gulf contiguous to the territorial waters of the ——— of ——— and within the area defined below appertain to the ——— of ——— and are subject to its exclusive jurisdiction and control. The area is that bounded:

(a) To the South and North by the outer limits of the Territorial Sea and a line extending lengthwise in the center of the said Gulf (hereinafter called the median line), and

(b) To the East and West by lines extending from the Eastern and Western limits of the Territorial Waters of the ——— of ——— to the median line which lines are subsequently to be more precisely defined in agreement with the rulers or govts of adjacent states in accordance with equitable principles.

2. Nothing in this proclamation shall be deemed to affect sovereignty over islands or the status of the sea bed and subsoil beneath any territorial waters, or to prejudice ———’s rights in the sea bed or subsoil of waters contiguous to its territorial waters elsewhere than in the Persian Gulf.

3. Nothing in this proclamation shall be deemed to affect the air or the character as high seas of the waters of the Persian Gulf above the sea bed and outside the limits of territorial waters.

4. Nothing in this proclamation shall be deemed to affect any fishing or pearling rights."

Plan is for US followed by UK to propose this to SAG and UK submit it to protected Sheikdoms at same time. Two weeks later US and Brit Ambs will make parallel approaches Govts of Iraq and Iran. Separate instructions full details to follow.

Hold matter in strictest secrecy and take no action re proclamation except consultation with your Brit colleague pending receipt specific instructions for carrying out above-mentioned plan.  

Lovett

This telegram was repeated to Baghdad, Cairo, London, and Tehran.
MEMORANDUM OF CONVERSATION, BY THE DIRECTOR OF THE OFFICE OF NEAR EASTERN AND AFRICAN AFFAIRS (SATTERTHWAITE)

SECRET

WASHINGTON, October 21, 1948.

Participants: Mr. T. E. Bromley, First Secretary, British Embassy
Mr. E. C [E]. Jones—Petroleum Attaché, British Embassy

STATE

NEA—Mr. Satterthwaite L/P—Mr. Gray
—Mr. Hare PED—Mr. Moline
—Mr. Robertson GTI—Mr. Jernegan
—Mr. Dunn

NE—Mr. Colquitt
—Mr. Clark
OIR/IR [GE]—Mr. Boggs

SUMMARY

TIMING

(1) It was suggested by the American members present that, to meet substantial objections raised by our Ambassador in Tehran, our proposed plan of approach to the governments of the littoral states should be amended so as to provide that the Saudi Arabian Government be informed first and that the other littoral states, including the Sheikdoms of the Persian Gulf, be approached (not necessarily simultaneously) from two to seven days thereafter. We would then merely inform the governments of Iraq and Iran of our submission of advice to the Saudi Arabian Government at its request, and we would not make any recommendations to them as to similar action on their own part unless specifically so requested by those governments.

The British representatives present expressed some concern that under the new plan more time would not be allowed to notify the Sheikdoms but agreed to submit this proposal to the United Kingdom.

PRESS RELEASE

(2) It was agreed that we should proceed on the assumption that one or more governments would, within a reasonable time after our submitting advice to Saudi Arabia and the Sheikdoms issue a proclamation along the lines suggested. If inquiries should come in from oil companies between the date of submission of advice and the date of issuance of the proclamation by one of the governments of the littoral states, the fact that such advice had been given would be con-
fidentially revealed and inquirers referred directly to SAG for information. If a considerable delay were involved, this policy might be reviewed at a later date.

Press inquiries should be met by replies to the effect that our advice has been requested and given, but that until SAG has made its decision we are not free to comment upon details. When a proclamation is issued by some Persian Gulf Government, we would issue no press release but confine ourselves to frank answers to specific questions.

(3) It was agreed that a small-scale, rough map would be prepared as soon as possible and suggested median and boundary lines marked thereon in pencil. Copies of these maps should be sent to all interested posts.

(4) Translations of the official English text into Arabic and Persian should be prepared at the posts for submitting at the same time as the English text.

DISCUSSION

[Here follows lengthy discussion.]

J[OSEPH] C. S[ATTERTHWAITE]

SECRET

[WASHINGTON,] October 26, 1948.

Participants: Mr. Charles Harding, Socony-Vacuum Oil Company
Mr. Satterthwaite, NEA
Mr. Robertson, NEA
Mr. Barrow, NE

Mr. Harding called on October 21, to say his farewells to Mr. Satterthwaite prior to his departure for London where he expects to arrive October 24.

The principal purpose of Mr. Harding's trip is in connection with pending litigation over the so-called "red line" agreement which is

1 Drafted by John R. Barrow of the Division of Near Eastern Affairs.
2 Regarding the Red Line Agreement and the Group Agreement of July 31, 1928, of which the former was a part, see footnote 6, Foreign Relations, 1947, vol. v, p. 630, and footnote 4, ibid., p. 628.

The French Embassy, in January 1947, made formal representations to the Department of State alleging violations of the Group Agreement by the Standard Oil Company of New Jersey and the Socony-Vacuum Oil Company, the American partners in the Iraq Petroleum Company (see note 8 from the French Embassy and footnote 8, ibid., pp. 627 and 629). The French representations, in effect, protested the proposed purchase of a portion of the capital stock of Aramco by Jersey Standard and Socony (see Mr. McGhee's memorandum of conversation (Continued)
scheduled for trial this month. Mr. Harding believed that despite the
imminence of the hearing a settlement might be reached out of court.
The sole stumbling block was Mr. Gulbenkian who continued to
object to elimination of the restrictive provisions of the red line agree-
ment and was making various other demands, including claims to
payment for "flexibility oil", payment of certain royalties in dollars
(which the non-American partners of IPC would find difficult to meet),
extension of the waiting period for reacquisition of withdrawn or
cancelled concessions, etc. Mr. Harding said the other partners were in
solid agreement and were making a new approach to Mr. Gulbenkian
offering substantial compromises to most of his demands. He intimated,
however, that the partners would stand firm on the matter of eliminat-
ing the restrictive provisions of the red line arrangement.

Mr. Harding felt they were very close to settlement with Mr. Gul-
benkian and he sincerely hoped the case would not go to court, for
should there be a great deal of publicity surrounding the trial, disturb-
ing international repercussions might result. The case was being tried
on the issue of whether the red line agreement has become invalid on
the basis of the British Trading with the Enemy Act and would hinge
partially on whether the French partner, CFP (Compagnie Française
des Pétoles), had collaborated with the Axis. Certain high French
officials, in particular, were bound to be involved and this, in turn,
might cause some embarrassment between the French and the other
partners.

During the course of the conversation the question of reopening the
pipeline to Haifa was also touched upon, Mr. Harding stating he
personally believed little could be accomplished in this direction until
the UN acted on the Palestine question and made provision for the
future operation of the Haifa refinery. The Iraqis were being very
intransigent in the entire matter despite the fact that they were losing
approximately one-half of their royalties from the shutdown. His
company was planning, however, on the basis that the pipeline would
be re-opened after the first of the year.

(Continued)

of December 3, 1946, ibid., 1946, vol. vii, p. 40). The French, in effect, also ob-
jected to the agreement of the Anglo-Iranian Oil Company and the same two
American oil companies, whereby the former would sell large quantities of oil
to the latter (see telegram 13, January 8, 1947, to Tehran, ibid., p. 49).

Officers of the Department conversed with the French Ambassador on Janu-
ary 10, 1947, and stated that "the contract which the French Government con-
sidered to be abrogated by the actions of Jersey and Socony is between private
parties, and that it would seem that unless they are able to come to some agree-
ment there would be no other recourse but to the courts." (Mr. Eakins' memo-
randum of conversation, ibid., p. 632.) Litigation to bar the alleged violations of
the Group Agreement by the American companies was undertaken in the British
courts by the Compagnie Française des Pétoles, the French partner in the IPC.

Calouste Sarkis Gulbenkian, owner of 5% of the capital stock of the IPC
through Participations and Investments, Ltd.
Mr. Satterthwaite reviewed for Mr. Harding’s benefit current efforts being made by the British and French to reopen the line and the United States position in the matter.

J[oseph] C. S[atterthwaite]

890.0145/11-148: Telegram
The Acting Secretary of State to the Embassy in Iran

SECRET

WASHINGTON, November 1, 1948—3 p.m.

1025. Exposition your views re timetable median line project given full weight by Dept in subsequent discussion with Brit FonOff info reported urtels 1207, Oct. 19 and 1216, Oct. 20 reflects successive stages earlier US-UK thinking Wash. Final decision not yet reached but Dept contending info should be given Iran almost simultaneously with advice to SAG, with expectation proclamations by other states, if any, will lag sufficiently behind expected SAG announcement to avoid giving unjustified appearance of US-UK coercion and rather reflect true situation of others following SAG precedent.

Ref final sentence urtel 1207: Only “proceedings” contemplated are US and UK giving advice SAG upon request and UK, as protecting power, advising Sheikhdoms. There will be no affirmative attempt by US-UK to write score for concert all Persian Gulf States. If other Persian Gulf States choose to view SAG proclamation as attractive precedent, result would be equitable acquisition new rights by them; if not, they will lose no present or prospective rights.

Conditioned upon final UK agreement, following procedure presently planned by Dept vis-à-vis Iran:

(1) Few days after parallel US-UK advice SAG, and following UK advice Sheikhdoms, you would inform Iranian authorities (including Shah, in your discretion) US oil companies have shown active interest in Persian Gulf concessions offshore Saudi Arabia and King Arabia requested US advice, which had been given few days previously and expected might soon eventuate in proclamation declaring seabed and subsoil beneath Persian Gulf contiguous to territorial waters Saudi Arabia and extending to median line bisecting Gulf, as subject to exclusive jurisdiction and control SAG. In view interest UK companies in oil concessions offshore Saudi Arabia and Sheikhdoms, as well as informal SAG request for UK advice, UK had consulted US and draft proclamation recommended SAG represented agreed views two Govts. Brit understood to be offering similar advice Persian Gulf Sheikhdoms in special treaty relation with UK, and it understood Sheikhdoms are considering issuing similar proclamation. Additional motivation US-UK advice SAG and Sheikhdoms is mutual interest

1 No. 1216, not printed; but see footnote 1, p. 50.
orderly and peaceful development resources Persian Gulf. Your approach Iran simultaneous with US–UK info Iraq, would be solely for purposes their info as littoral state Persian Gulf.

(2) You would explain proposed proclamation based upon established international practice initiated by US proclamation Sept. 25, 1945, in which US asserted jurisdiction and control over natural resources continental shelf, that is, out to 100 fathom line. Entire Persian Gulf is less than 100 fathoms deep.

(3) Purpose SAG proclaiming draft principles at this time is to insure practical and equitable demarcation its national jurisdiction, creating responsible legal regime covering contiguous subsea area beyond territorial waters susceptible of exploitation natural resources.

(4) Should complaint arise at your failure inform Iran earlier, you would say our study this question made on specific request Ibn Saud and we were obligated reply to him before informing other states who had not requested advice.

(5) You would emphasize present rights to mainland, islands, territorial waters, and high seas would not in any way be changed. Should Iranian authorities appear concerned lest proclamation by SAG and Sheikhdoms in any way affect Iranian claim Bahrein, you should state that Iranian claim to Bahrein would be neither more valid nor less valid after issuance proposed proclamation by SAG and Sheikhdoms, since rights over land areas and territorial waters in no way affected by assertion rights over seabed outside territorial waters. If Iranians persist in raising objection based upon Bahrein, you should inform them US considers Iranian claim legally untenable and its assertion politically ill-advised, and should Iran insist upon actively advancing such claim, US would feel obliged energetically to oppose it.

(6) Should Iranians request your advice upon possible desirability their issuing similar proclamation, you would state US feels principles SAG proclamation equally valid and equitable if applied by any or all Persian Gulf littoral states. Decision is within exclusive competence each littoral state.

(7) Lest Iranians misinterpret statement above (Para 6) as indication selfish designs US offshore Iran, you would, in your discretion, say our advice to SAG obviously not motivated by self-interest in Iranian concession since, as Iranians know, we scrupulously respect laws of Dec. 1944 and Oct. 1947 forbidding new foreign oil concessions. No American company is seeking oil rights in Iran or in subsea area off Iranian coast.

Above procedure would, in our view, meet possibly adverse reaction anticipated urtels 1207 and 1216. Please comment soonest.²

---

² Ambassador Wiley replied, on November 5, that “Although I consider procedure for median line project outlined Deptl 1025, November 1, as carefully designed to minimize possibility adverse Iranian reaction (Embtl 1207, October 19 and 1216, October 20) I remain apprehensive over consequences this project”. The Ambassador suggested deferment of action until his imminent return to Washington for consultation (telegram 1271 from Tehran, 896.0145/11-548). Telegram 1025 was repeated to London.
The Acting Secretary of State to the Legation in Saudi Arabia

SECRET

WASHINGTON, November 10, 1945—2 p.m.

428. Revised procedure for presenting draft proclamation (Deptel 399. Oct. 20) planned as follows:

(1) US followed by UK will approach SAG. You will refer previous conversations and explain advice being given response SAG request US views re offshore oil not only because active interest US and UK oil companies in concession offshore SA, but also because our general interest in orderly development of resources submerged area Persian Gulf. You will explain parallel UK advice being offered for same reasons plus UK treaty responsibility Persian Gulf Sheikhdoms. (Consult background memoranda1 sent Leg showing developments this question since Dec 1947 when discussions initiated by UK). Will say US and UK will subsequently inform Iraq and Iran that advice has been given SAG and indicate its nature, and UK will both inform and advise Sheikhdoms along lines similar to SAG. (You will be instructed near future exact timing your approach.)

(2) Approach should be completely informal. You should leave draft proclamation without notation origin, explaining proposed proclamation based upon established international practice initiated by US proclamation Sept 25, 1945 in which US asserted jurisdiction and control over natural resources continental shelf out to 100-fathom line. Since all Persian Gulf less than 100 fathoms deep its entire seabed and subsoil susceptible application these principles by littoral states should they wish. Each littoral state could then conduct orderly development subsea resources portion Persian Gulf seabed under its jurisdiction, thereby preventing uncontrolled exploitation by non-Persian Gulf powers. However, failure of one or more Gulf states issue a proclamation would not detract from rights asserted by states proclaiming them. You should emphasize while US believes it would be to SA’s advantage issue such a proclamation based on internationally recognized principles, final decision of course rests with SAG. Purpose SAG proclaiming draft principles at this time would be to permit demarcation its national jurisdiction seabed and subsoil up to median line in Persian Gulf, on basis which is believed fair and equitable both to SAG and all other littoral states. Present rights to mainland, islands, territorial waters would not be in any way changed, nor status of high seas affected. Proclamation would assert exclusive jurisdiction and control but not sovereignty over seabed and subsoil of offshore area affected.

(3) Mapping details would have to be worked out scientifically. Questions which may arise should be capable of settlement among friendly neighbors who would derive common benefit from applica-

---

1 This refers to two memoranda identically titled “Offshore Oil Concessions in the Persian Gulf”, dated July 27 and October 21, 1948, which traced developments concerning these matters from October 1947 to mid-October 1948. Neither memorandum is printed. They were drafted by Mr. McEnery and are filed under 890.0146/7-2748 and 891.6968/10-2148.)
tion of internationally recognized principles outlined in proclamation. Tentative rough maps being airmailed indicating how these principles may be applied.

(4) Arabic translation should be made appropriate time accompany official English text proclamation. You may wish check translation with your Brit colleague.

(5) When submitting proclamation SAG endeavor ascertain whether it has intention early publication and if so how soon. Mean-time Dept would like have your estimate this regard and any comments you wish offer.²

²This telegram was repeated to Cairo and London.

S090.0145/11-1048 : Telegram

The Acting Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, November 18, 1948—6 p.m.

4353. While Dept appreciates weight Wiley’s objections, it believes other factors require prompt action along lines Deptl 1025 Tehran ¹ rptd London 4160. Believe revised procedure suggested that tel minimizes dangers Iranian reaction and that difficulties to be anticipated on Arab side Gulf as result further delay would outweigh possible difficulties Iran. SAG most anxious receive advice and Aramco advisors including Manley Hudson ready give SAG recommendations which might form basis SAG proclamation possibly at variance with US-UK draft. View intense activity private companies endeavoring obtain offshore concessions US believes advice should be given SAG earliest possible date. This opinion transmitted Brit Emb Wash and reply being awaited. Dept hopes delay mentioned urtel 4813 Nov 10 will soon end with Brit agreement revised timetable.²

²This telegram was repeated to Tehran and Jidda.

S67N.6363/11-2248 : Telegram

The Minister in Saudi Arabia (Childs) to the Secretary of State

SECRET

JIDDA, November 22, 1948—6 p.m.

603. Aminco representatives informed by SAG Palestine bar to conclusion concession agreement Saudi half Kuweit neutral zone to Aminco or any other American company. Aminco representatives believe SAG may be using Palestine as lever to obtain better terms. They are leaving to await developments.
SECRET

WASHINGTON, November 29, 1948—1 p. m.

1114. Dept has proposed to Brit Emb Rep\(^1\) incorporation portion wording suggested Embtel 1344, Nov. 22\(^2\) para 1(a) draft proclamation median line as follows:

"To the south and north, by the outer limits of the territorial sea and a line extending lengthwise in the center of the said Gulf (hereinafter called the median line), which line is subsequently to be more precisely defined in agreement with the rulers or governments of states adjacent to the Persian Gulf in accordance with equitable principles."

Brit Emb Rep was told Dept believes adoption suggested wording desirable but US would not insist on its inclusion.

Re apprehension as to Iranian reaction stated Embtels 1344 and 1349, Nov. 23,\(^2\) Dept feels certain advantages accruing to Iran under proclamation procedure should be kept in mind.

(a) Iran will have opportunity participate in determining median line.

(b) Median line theory protects Iranian interests to center gulf. If "deepest water" or "Thalweg" theory were applied by Arab states in proclamation this might work against Iranian interests since deepest water is closest Iranian shore. (We have reason believe oil companies may advise Arab States extend claims on this basis.)

Re effect proclamation on Saed Govt, must be recognizedSaed not required announce Iran has been informed of US and Brit advice to Arab States. On other hand he may well make announcement and use points (a) and (b) above to indicate he is protecting Iranian rights.

We have informed Brit we can no longer hold back Amer oil companies in seeking subsea concessions and desire earliest possible Brit decision.\(^4\)

MARSHALL

---

\(^1\) On November 24; see Mr. Sanger’s memorandum of conversation, December 6, p. 62.

\(^2\) Not printed.

\(^3\) Latter not printed.

\(^4\) This telegram was repeated to London.
The Acting Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, December 4, 1948—2 p. m.

4537. Following for info only. Brit Emb states FO agrees early action should be taken on off-shore oil proposals. Brit recognize existence danger unfavorable reaction Iran but believe conditions will not be improved by waiting. Should advice to PG states be delayed disputes might ensue over off-shore concessions which would be most detrimental to overall US–UK position.

FO now believes simultaneous approach should be made all PG states so as to preclude appearance Iran being presented with fait accompli and we concur. Brit propose express hope Iran will agree on principles and if so take action in accordance with them. We prefer not make recommendation to Iran but say our views for info only.  

LOVELT

1 The British views along these lines were transmitted to Mr. Jernegan on November 29 by Mr. Bromley in note G. 59/121/48 (899.0145/11-2948).

2 This telegram, as originally drafted, concluded with the following paragraph: “Dept concerned over long delay and hopes FO will obtain final clearance earlier than mid-Dec as suggested possible by Brit Emb. In your discretion pls confirm to HMG Dept’s approval new Brit plan and hope that it can be given higher priority for clearance.” This paragraph was deleted before transmission.

Telegram 4537 was repeated to Beirut as 764 for George V. Allen, Assistant Secretary of State for Public Affairs and former Ambassador to Iran, and to Tehran as 1139.

Memorandum of Conversation, by Mr. Richard H. Sanger of the Division of Near Eastern Affairs

SECRET

[WASHINGTON,] December 6, 1948.

Participants: Mr. T. E. Bromley—First Secretary, British Embassy GTI—Mr. Clyde Dunn NE—Mr. Richard H. Sanger NE—Mr. Harlan Clark

Background:

On November 24th the following informal memorandum was handed by Mr. Jernegan 1 to Mr. Bromley:

“We suggest that the wording of paragraph 1 (a) of the draft proclamation might be changed to read as follows:

[Here follows paragraph as quoted in paragraph 2 of telegram 1114, November 29, to Tehran, page 61.]

“The purpose of this change would be to make it clear to Iran that Iran would have a voice in the delineation of the line rather than

1 John D. Jernegan, Chief of the Division of Greek, Turkish, and Iranian Affairs.
being presented with a fait accompli. We think that this change does not make any material change in the meaning of the paragraph and that it might serve to make the proposed action more palatable to the Iranian Government."

Discussion:

Mr. Bromley said that a reply had been received from London regarding Mr. Jernegan’s memorandum of November 24th. In this reply the British Foreign Office doubted the wisdom of the changes proposed in the wording of the proclamation on the following grounds:

1. Such a change in wording might point the way to a conference of the rulers or governments of the Gulf states on the subject of the proposed draft proclamation, a development which it was felt would be undesirable.

2. The changes indicated that there might be several ways of drawing up a median line and of determining various other technical aspects of the proposed proclamation which offered an opportunity for dispute between the states involved.

3. On the political side, London felt the changes offered a wide field for disagreement among the countries involved and therefore might provoke the very disputes which we are trying to avoid.

4. The suggestion that the "line is subsequently to be more precisely defined" meant that the oil companies involved would remain in a state of uncertainty as to how far out into the Gulf their concessions extended.

Mr. Bromley said that in transmitting Mr. Jernegan’s memorandum to London he had explained that the Department favored these changes but would not insist upon them if London strongly disagreed, and he felt that this reply from the British Foreign Office constituted such disagreement. Mr. Bromley was told that we wish to consider the reaction of London before giving him any final reply on the subject of the proposed changes.

In further discussion Mr. Bromley said that the Foreign Office had been happy to learn that we had advised Aramco to go ahead and hold talks with SAG on this subject provided certain restrictions were met. He said that the Foreign Office was anxious that we should work out a schedule on dates so that there would be no question but that SAG was the first Government approached about this matter. He concluded by saying that the high level clearances for which we are waiting, in regard to timing and procedures, had not yet been forthcoming from London.2

---

2 The Department transmitted a summary of this memorandum to Tehran in telegram 1152, December 10, and repeated it to London. The telegram stated that "Dept not pushing matter changes or taking any action offshore oil pending (a) arrival Wiley in Wash, (b) visit Allen, Tehran and (c) high-level Brit approval draft proclamation and approach procedure mentioned Deptel 4637 to London rpt Tehran as 1139, Dec. 4." (800.0145/12-948)
Memorandum of Conversation, by the Assistant Chief of the Petroleum Division (Moline)

CONFIDENTIAL

(WASHINGTON,) December 22, 1948.

Participants: Mr. Charles L. Harding—Socony-Vacuum Oil Company.

Mr. Orville Harden—Standard Oil Company of New Jersey.

E—Mr. Nitze

NEA—Mr. Satterthwaite

—Mr. Deimel

NE—Mr. Colquitt

Mr. Sanger

Mr. Clark

PED—Mr. Bakens

Mr. Moline

IR—Mr. Vernon

Messrs. Harding and Harden called to give interested officials of the Department an account of the final negotiations on the recently concluded IPC agreements ¹ and to answer any questions regarding the provisions of the agreements.

Mr. Harding began by referring to the cooperation on the part of the various members of IPC. In his view the cooperation was at the highest level it has ever attained and is particularly striking in the case of the French who have in the past been very critical of the IPC operations. It was noted that the major parties to the old Red Line Agreement had reached an accord on a new agreement some months ago and the main difficulty since then had been with Mr. Gulbenkian who holds the minority interest in IPC.

In the renegotiation differences of opinion concerned two points in particular, 1) the elimination of the restrictive clauses of the Red Line Agreement, and 2) addition of a provision under which parties to—

¹The IPC partners signed these agreements on November 3. The agreements terminated the litigation and continued the relationship between the partners established by the Group Agreement of 1928, with modifications, including new sale-of-oil agreements. The partners agreed that the acquisition by Jersey Standard and Socony-Vacuum of Aramco stock was not a breach of any past or present agreements; nor would any of the European partners have any claim to damages as a result. The European partners also abandoned any right to participate in the American partners' purchases of "Red Line" crude oil and products or to any damages as a result of these purchases.

The documents giving the texts of the November 3 agreements were sent to the Department by Socony-Vacuum on December 16, 1948. They are not found attached to the transmitting letter. The letter stated, however, that the documents were being prepared in printed form in London. It is from the printed form, now filed with the letter of December 16, that the summary in this footnote has been prepared (800.6363/12-1648).
the agreement could, if they so desired, acquire greater than proportionate shares of oil produced by IPC and its subsidiaries.

The first point was the most difficult from Gulbenkian's viewpoint. Since he is not directly engaged in oil production or marketing, he views his IPC interest as an investment, a principal source of revenue. He was fearful that the removal of the restrictive clauses would lead to his being manoeuvred out of his 5 per cent interest in IPC. However, negotiations were finally successful and the only restrictive covenant left concerns concessions terminated against the wishes of the company. In this case parties to the agreement are obligated for five years from the date of termination of a concession to seek its recovery for the interests of all parties. Other than this there is complete freedom regarding the right of the parties to acquire new concessions in the area or to acquire new interests in existing concessions as in the case of Socony and Jersey participation in Aramco.

The French were particularly concerned with the second point mentioned above. Under the new agreement the old arrangement of sharing oil on a proportionate basis will apply until 1952, a date selected because of the anticipated completion of IPC's thirty-inch pipe line in that year. Beginning in 1952 requests can be made for whatever quantity of oil a group company wants. This policy will lead to uneven takings since some companies will require more and others less than their proportionate share. Requirements are to be tabled five years ahead of time. However, requirements through 1957 are shown in a schedule attached to the agreement.

Under the foregoing procedure, under taking companies are required to sell to over takers at a so-called half way price, i.e., half way between IPC cost (taxable cost plus one shilling a ton) and market price. This procedure was adopted in recognition of the right of the under taking companies to compensation for capital invested and risk taken but at less than full returns since they were not faced with the costs and difficulties of marketing for which the over taker should be compensated.

If the tabled requirements are greater than total production the Managing Director will cut the requirements back proportionately.

Gulbenkian, not being in a position to take over "flexibility oil" (i.e., over takings beyond basic proportions) since he was not in the oil marketing business, was given special treatment. In lieu of flexibility oil he will get for fifteen years 250,000 tons per year above his basic share. Thereafter he gets his basic share. His oil will be sold to the major groups at market price. His basic share will be obtained at IPC cost and his special flexibility oil will be acquired at the half way price. His 250,000 tons extra is supposed to become available beginning in 1952 but there is provision for postponement provided Gulbenkian still gets fifteen times 250,000 tons of oil prior to 1966.
Another feature of interest to Gulbenkian involved the question of payment for his oil. Under the old agreement Gulbenkian was paid for his oil in pounds or in a currency of his choice. He sold to the major groups and when he requested dollars they were usually able to obtain them from their governments.

Under the new agreement Gulbenkian can sell other than to the majors if he so desires in the event they are unable to provide the currency of his choice. For 1949 he has been guaranteed dollars for all of his oil for which he may pay IPC in sterling. Thereafter Near East Development will pay him dollars for any purchases by NEDC. In addition, NDC [NEDC] has guaranteed his profits in dollars on the special flexibility oil for fifteen years.

Gulbenkian wanted the majors to buy his oil in perpetuity but he compromised on the fifteen year basis. After fifteen years there is no obligation on majors to take his oil and Gulbenkian will be obliged to market as best he can.

In the matter of requirements no group can table requirements in excess of five-sevenths of the two lower requirements or in excess of 25 per cent above its takings in the previous five years. Only when the total requirements are in excess of capacity will a company be unable to get what it wants, but there are provisions for expanding production provided the additional quantities needed can be economically produced and brought to market.

The agreement did not settle the question of French losses due to the war, which is still to be arbitrated or settled in court.

The agreement is exceedingly complex and in its final form an attempt will be made to simplify it. However, the agreement as it stands is a complete and binding contract which does not require the additional action contemplated.

Messrs. Harding and Harden offered to answer any inquiries which subsequent study of the agreement might suggest.

---

Editorial Note

Iraqi Prime Minister Muzahem Pachachi addressed the Chamber of Deputies on December 27, 1948, concerning the question of reopening the pipeline to Haifa. He noted that the Iraqi Government had rejected a request by the Iraq Petroleum Company to permit the pumping of oil to Haifa to supply neighboring countries including Lebanon and Transjordan. The IPC had then made a second request to permit pumping of oil to Haifa “for direct shipment to Europe, and suggested a plan whereby Iraqi observers could accurately control the flow of crude through the pipeline direct to the tankers for export. It stated its willingness to guarantee that not a drop of Iraqi oil would be diverted to the Zionists.
"Subsequently representatives of three great powers having an interest in IPC and much concerned with the success of the Marshall Plan, requested the Government to give appropriate consideration to the company's appeal. The response of your Government was that it could never agree to a request which might be beneficial to Jews. Later, the Company submitted clarifications of its previous assurances which are now being examined by the Ministry of Economics. To date no decision has been taken, and none can be favorably decided upon until the Government is fully satisfied that the Zionists at Haifa shall not derive any benefit whatsoever from Iraqi oil." (enclosure to despatch 367, December 29, from Baghdad, 890G.6363/12-2948)

890F.6363/12-2848

Memorandum of Conversation, by Mr. Richard H. Sanger of the Division of Near Eastern Affairs

SECRET

[WASHINGTON,] December 28, 1948.

Participants: Mr. T. Bromley, First Secretary, British Embassy  
Mr. Kitchen—GTI  
Mr. Moline—PED  
Mr. Sanger—NE

Mr. Bromley said that in a further telegram from London the Foreign Office again questioned the legality of the proposed plan to assist the littoral states of the Persian Gulf in establishing their offshore boundaries in that body of water. He said that no final decision on this question was likely to be reached by the British Government for three weeks but that since the American Government is also reconsidering its position he did not feel this delay would be too serious.

Like the US, the British Government was worried over the effect of proclamations defining boundaries of the Persian Gulf littoral states on Persia. London recognized that further delay might complicate the situation in view of the activity of various oil companies but the Foreign Office felt that such complications were less undesirable than the hasty pushing forward of plans that might lead to internal political trouble in Iran, trouble which might be exploited by the Russians.

London suggested that if the US and Great Britain felt it necessary at this time to approach the littoral states of the Persian Gulf, we make the following suggestions:

1. We feel that, while the countries involved may, if they wish, talk with interested oil companies, it would be undesirable for the time being for any of these countries to commit themselves with any particular company or to extend their boundaries into the Persian Gulf.
2. At the same time, the oil companies involved should be told not to press the littoral governments for offshore concessions until it is known how their claims fit into the proposed new boundaries.

Although not desirable at this time, the US and British Governments do not object if the oil companies make conditional agreements regarding concessions with the Persian Gulf states provided these agreements are neither formalized nor proclaimed.

Mr. Bromley said that this wire from London had crossed the Embassy’s telegram containing Ambassador Wiley’s views on the Persian Gulf offshore oil problem. Mr. Bromley ended by saying that the Embassy would appreciate the reaction of the Department to this latest telegram from London.

Mr. Bromley was told that it seemed highly doubtful that any effective influence could be exercised on whether or not concessions would be sought or granted, that perhaps the most that could be accomplished would be to keep the agreements confidential. It was indicated, though not given as a final answer, that since the London proposals concerned only a three week period, they would seem acceptable particularly as offshore negotiations did not seem likely to reach final stages in that time.
AFTERMATH OF THE "PENTAGON TALKS OF 1947" BETWEEN THE UNITED STATES AND THE UNITED KINGDOM CONCERNING THE MIDDLE EAST AND THE EASTERN MEDITERRANEAN

890.50/1-248 : Airmgram

The Acting Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, January 2, 1948.

A–1. For Lewis Jones. ¹

1. The Department's considered review of the Summary Memorandum on Social and Economic Affairs in the Middle East ² has now been completed. Pursuant to the understanding that the Department's approval in principle of the Memorandum, orally communicated to the Embassy by the Department's airmail instruction No. 484 of December 5, 1947, ³ was subject to certain possible amendments of detail, the following minor changes are desired. Please ascertain and report the Foreign Office's attitude toward these changes.

1. Substitute "encouragement" for "support" in Section III, paragraph (c) and twice in Section IV, paragraph (d). The term "support" is regarded in certain Divisions of the Department as implying too specific a commitment to extend financial assistance for projects as yet insufficiently specific to warrant such commitment. Such implication was of course neither intended nor desired and the term "encouragement" is therefore believed to be more accurate.

2. Change last five words of Section III, paragraph (e) regarding the Tariff and Trade Agreement to read "signed at Geneva on October 30, 1947." This makes the reference more specific.

3. Substitute "hard currency" for "American dollars" at the end of the first sentence in Section III, paragraph (f).

¹ Previous documentation on these matters is presented in Foreign Relations, 1947, vol. v, pp. 485 ff.
² Counselor of Embassy in the United Kingdom.
³ For text, see Foreign Relations, 1947, vol. v, p. 614. In an eight-page memorandum of January 21, Francis Boardman of the Division of Commercial Policy stated that the summary memorandum is basically "a reassurance to the British that the American Government desires to cooperate with them in matters pertaining to the economic and social development of the Middle East. The IPP divisions ... feel that, despite discussion and revision, it does not reflect the conversations accurately; that its clearance was handled in such a way that the views of the economic divisions were neither presented to NEA as clearly as was desirable nor adequately considered by NEA or the British" (890.50/1–3048).
⁴ Not printed; but see footnote 3, ibid., p. 620.
4. Section IV, paragraph (f) add "pursuant to request" after "Egyptian universities".

5. Change "His Majesty's Government" to "The British Government" in Section IV, paragraph (b) for editorial uniformity.

6. Revise paragraph (a) Section IV to read "That a strengthening of the Economic Committee of the Arab League is desirable to enable it to function as an instrument of constructive collaboration. Any tendency by the League to foster restrictive, discriminatory or other undesirable economic or political objectives should be discouraged".

7. The substitution of "normal" for "established" has been suggested in the phrase "established channels of trade" in Section III, paragraph (f). This change has been proposed in the belief the term "established" implies an endeavor to maintain the status quo in an unduly rigid manner contrary to the spirit of the general clauses of the Memorandum in Section II. If the Foreign Office objects to this change we will not press it since the general clauses convey the guiding principles.

II. The proposed insertion of reference to certain Persian Gulf territories, reported in Point 9 of your telegram 6204 of November 26 is accepted. The Foreign Office of course realize that the Department has no resident representatives in these territories, which are covered from other posts in the Middle East. The application of the principles of this Memorandum to the area is welcomed.

III. Department proposes to transmit the Summary Memorandum and the Memorandum of Events Leading up to the Conversations (with penultimate paragraph deleted as suggested in Point 3, your telegram 6204 of November 26) to the following posts under instructions as outlined below:

Embassy, Cairo with instructions to inform Consulate General, Alexandria and Consulate, Port Said.

---

*Not printed; paragraph numbered 9 read:

"Foreign Office suggests insertion following sentence at end paragraph four (c) summary memorandum: 'a similar recommendation is made regarding cooperation between US representatives on the one hand and authorities in British and British-administered territories and British political resident in Persian Gulf on the other hand. Please telegraph whether Department approves this addition.' (841.6363/11-2647)"

*Later entitled ‘Developments Leading up to Informal Meetings between British and United States Officials October 23 to 28, 1947 concerning the Raising of Living Standards in the Middle East’ not printed. This undated memorandum closely paralleled and often quoted extensively the chronology of developments printed in Foreign Relations, 1947, vol. v, p. 595. It is filed with instruction 20, March 27, to Baghdad, p. 74.

Paragraph numbered 3 read:

"The paper ‘developments leading up to informal meetings between US and British officials’, Wright thought might be helpful to US missions but suggested penultimate paragraph page three this paper was ‘too gloomy’ re British potentials and describes what HMG hopes and believes temporary situation. Wright thought Department might wish consider revising this paragraph or its deletion.” Michael R. Wright was Assistant Under-Secretary of State in the British Foreign Office.
Embassy, Baghdad with instructions to inform Consulate, Basra.
Legation, Damascus.
Legation, Beirut.
Embassy, Tehran with instructions to inform Consulate, Tabriz.
Legation, Jidda with instructions to inform Consulate, Dihahran.
Legation, Addis Ababa.
Legation, Kabul.
Consulate General, Jerusalem.
Consulate, Aden.

The foregoing distribution parallels the proposed Foreign Office distribution outlined in the Embassy’s telegram 6204 of November 26 and telegram 6520 of December 17,8 omitting Suez, the Sudan, Transjordan and Cyprus (as well as the Persian Gulf States as noted above) because of the absence of United States foreign service posts there.

IV. Following is the substance of the tentative draft for secret first person instructions to be sent to the Middle East posts as outlined above:

[Here follows text. Except for minor changes of language, it was the same as that sent to Middle East posts on March 27; see page 74.]

You will note that in general, the foregoing draft instruction is in harmony with the British draft set forth in your telegram 6520 of December 17 and follows it closely in various passages, and that in addition certain passages have been added to emphasize the importance of the general spirit and character of the views and purposes developed in the Memorandum and instruction. The draft instruction is distinctly tentative and such comment as you may wish to submit following discussion of it with Foreign Office officials will be welcomed.  

LOVETT

8 Not printed; it gave the “tentative draft British covering despatch to accompany economic principles”. (740.00119 Council/12–1747)

890.50/3–1248: Telegram

The Charge in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, March 12, 1948—7 p.m.

1031. Apologizing for Foreign Office delay Burrows head Eastern Department said today in connection with Department’s A–1 January 2 regarding social and economic affairs in Middle East that Foreign Office accepts all Department’s amendments to memorandum with exception changing second “support” in section 4d. Foreign Office believes that in connection with application to International Bank “support” rather than “encouragement” is intended.

429–027–75—6
2. Regarding distribution Burrows agrees with Department outline. He understands Department has no objection to Foreign Office sending memorandum to Sudan, Transjordan, Cyprus and other posts where there are no US missions.

3. Burrows has no suggestions regarding US draft covering instruction which he described as “admirable”. He finds number Department’s additions “helpful” and said that in one form or another these would be adopted by Foreign Office in preparing final draft British instruction. Burrows assumes that Department’s instruction and Foreign Office instruction need not be identical in phraseology providing substance is same.

4. Burrows expects final clearance Foreign Office instruction and necessary typing can be completed by March 20 and said that any time after that date Foreign Office will be in a position to send out its instructions. However, before taking this action Burrows promised to await word from Department when its instruction would be ready. He thinks that while US and British instructions need not arrive simultaneously it would be preferable for them to reach a particular post “within a fortnight.”

GALLMAN

$90.50/3-1248; Telegram

The Acting Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, March 19, 1948—7 p. m.

993. FonOff response urtel 1031 social economic affairs ME appreciated. We plan transmit individual signed airmail instructions. Preparation these raises following points.

1. Recent ECOSOC action contemplating regional economic commission ME indicates desirability modifying item IV b Summary Memorandum. We suggest adding “if such organization is established the US and UK will endeavor to facilitate its functioning along most useful and practical lines”¹ or alternatively eliminate item renumbering subsequent items. FonOff comment requested.

2. Agreed change “support” to “encouragement” only once Item IV d leaving second “support” unchanged.

3. No objection FonOff sending instruction its ME posts where no US representation. We will add new US posts e.g. consulate Cyprus now being established.

¹ London, in reply on March 23, stated that the Foreign Office accepted the Department’s additional sentence. It also conveyed the Foreign Office’s query whether the Department would accept rephrasing of Part IV, paragraph 6, of the summary memorandum to read: “It would be desirable that the Levant States and France should reach a friendly and reasonable solution of their financial differences. The US and British Govts should take any steps they feel possible to bring this about although it is recognized that it may be politically difficult for them to intervene.” (telegram 1177, 890.50/3-2348)

The Department accepted this wording on March 31 (telegram 1115 to London, 890.50/3-2348).
4. Agreed identical wording Dept and FonOff instructions unnecessary provided substance each is same. No substantive change contemplated our draft as quoted Dept A–1 Jan 2. Reference to memo “developments leading up to” (with penultimate paragraph deleted) inadvertently omitted will be added first paragraph. Will advise you any other changes and airmail final text instruction and enclosures.

5. We concur desirability Dept instructions arrive at posts within fortnight or so parallel FonOff instructions and will have ours ready airmailing before end March. Meanwhile we would appreciate final text substance FonOff instructions before mailing ours.

For ur info and guidance in further discussions FonOff reference item 5 above. Difficulties experienced with Brit in ITO negotiations Geneva and Habana have resulted some misgivings here as to identity and harmony US–UK views. Believe such misgivings most easily removed by our seeing text FonOff instructions prior mailing our own to field and by obtaining if possible inclusion or rewording certain passages FonOff instructions along lines more close to ours. Particular importance this connection are eighth and ninth paragraphs our draft quoted Dept A–1 “for your guidance” and “the essential significance”.

To illustrate more specifically and for such tactful use you can make following suggestions relate to FonOff draft quoted urtel 6520 Dec 17, 1947:

a) Following substitute text for paragraph two would harmonize with our draft “While this summary memorandum cannot, of course, be considered as a formal or comprehensive statement of economic, financial, political or social policy, it reflects the state of mind of officials in the two governments on a wide range of problems falling within these broad fields. I am informed that the American Government holds a similar attitude with respect to the memorandum in relation to its policies and objectives in the Middle East”.

b) In second and third sentences, paragraph three suggest substitution “views and objectives” for “principles and recommendations” and substitution “in the memorandum or in some subsequent revision of it” for “in them” at end of paragraph.

c) Suggest revising first sentence paragraph five to read “contents this memorandum should be made known only to those members of your staff who will be directly concerned with its contents”.

2Documentation on these negotiations is scheduled for publication in volume 1, part 2.

3Telegraph 6520 not printed; paragraph 2 stated that the British Government had endorsed the principles and recommendations set forth in the summary memorandum (740.00119 Council/12–1747).

4London, in telegram 1177, foresaw no difficulties with the current British draft instruction, noting that “95 percent [of it was] Dept’s language”. It also noted the Foreign Office view that the document had been weakened by substituting the words “reflects state of mind of officials of the two governments” for the word “approval” and by substituting “views and objectives” for “principles and recommendations”. The Foreign Office also viewed paragraph c in telegram 993 as a further weakening departure.

London, on March 23, transmitted to the Department the British version of the summary memorandum, as of March 22, in despatch 745 (890.50/3–2448). The following day, it transmitted the text of the British covering instruction in airgram 731 (890.00/3–2448).
You will note these suggestions make no material alteration in substance. They will however considerably augment general satisfaction here. Pls telegraph results your further action this connection. Meanwhile we are proceeding final preparation our instructions.

THORP

*Assistant Secretary of State for Economic Affairs.*

890.50/3-2748

The Secretary of State to the Ambassador in Iraq (Wadsworth)

SECRET

WASHINGTON, March 27, 1948.

No. 20

Sir: There is enclosed a Summary Memorandum of Informal Conversations held in Washington in October 1947 between Mr. Greenhill of the British Foreign Office and Officers of the Department of State, concerning Social and Economic Affairs in the Middle East, and a Memorandum outlining the developments which led up to these conversations.²

The contents of the Summary Memorandum have received the Department's approval and the Department has been informed through the Embassy at London that His Majesty's Government in the United Kingdom have likewise endorsed the principles and recommendations embodied in the Memorandum. Accordingly this Memorandum is to be considered by the United States Missions and Consulates in the Middle East as indicating the current views and objectives of the United States with respect to the social and economic affairs in the Middle East discussed therein. It is intended to serve as general guidance for the official representatives of this Government in that area in the conduct of relations with Middle East countries with reference to matters lying within the general scope of the Memorandum.

Your attention is particularly called to the close harmony and identity of views and objectives on the part of the Government of Great Britain and of the United States as revealed by this Memorandum. In this sense the Memorandum constitutes a sequel to the corresponding conversations held in London in April 1944 between Mr. Wallace Murray of the Department of State and officials of the Foreign Office with reference to Anglo-American interests in the Middle

---

² Similar instructions were sent the same day to Middle East posts, as proposed in Section III of airgram 1, January 2, to London, p. 69, except that Jerusalem was to bring the summary memorandum to the knowledge of the Consulate at Haifa.

² Regarding these memoranda, see footnotes 3 and 6, pp. 69 and 70.
East. Pursuant to those conversations, parallel instructions were sent by the Department and the Foreign Office to United States and British Missions in the Middle East calling for the conduct of Anglo-American relations throughout the area in a spirit of cooperation based upon mutual frankness and goodwill.

The Department of State and the British Foreign Office desire that the close harmony and extensive measure of identity between British and American views revealed in the conversations held in Washington in October, as indicated in the enclosed Summary Memorandum, serve as effectively as possible as a guide to the conduct of Anglo-American relations in the Middle East, and particularly to promote the maintenance and development of harmony and collaboration between the official British and United States representatives in the area in line with the harmony of views and objectives evidenced in the conversations in London in May [April] 1944 and again in the conversations in Washington in October 1947.

Accordingly, I desire that you give careful study to the enclosed Memorandum and review it point by point with your British colleague, who will be receiving a copy of the Memorandum with corresponding instructions from the Foreign Office at about the same time. You should seek to reach early agreement with your British colleague as to the manner in which the principles and recommendations outlined in the Memorandum should be applied in your area. You should inform the Department if any of these principles or recommendations seem inapplicable in the peculiar circumstances at your post, and of any additional points which you consider should be incorporated in line with the general spirit of frank interchange of views and harmonious cooperation evidenced by the Memorandum as a whole.

In as much as a joint review of this nature with your British colleague may be regarded as a continuation of comparable discussions requested by the instruction of May 1944, referred to in the third paragraph of this Instruction, some of the points covered by the enclosed Memorandum may already have been covered in Anglo-American discussions at your post. If so, you will doubtless find it useful to examine what practical results were derived from your earlier discussions, to what extent the discussions you are now to have can be based on this earlier foundation, and to what extent they will break

---

*For documentation on the conversations between Mr. Murray, then Director of the Office of Near Eastern and African Affairs, and the British, see *Foreign Relations, 1944, vol. III, p. 3 and pp. 28 ff.; and ibid., vol. v, pp. 6, 7.

*Concerning the Department's instruction, see telegram 1167, May 17, 1944, to Cairo, ibid., 1944, vol. v, p. 6.

*The Department received reports from various posts in the Middle East on the question of Anglo-American cooperation in improving social and economic conditions in that area. They are generally filed under 890.50.
new ground. The Department will be particularly interested in receiving a report on these matters from you in due course.

For your guidance in discussions with your British colleague and in connection with all other action you may have occasion to take with reference to which the contents of the enclosed Memorandum and of this instruction may have some bearing, I wish to emphasize that the essential significance of the Memorandum relates to the general principles and spirit which characterize it rather than to specific details. The memorandum is not a formal and final declaration of specific United States policy, and does not cover inclusively all matters of interest to the United States with reference to social and economic affairs in the Middle East. It is not to be taken as indicating any intention to impose a concerted or collusive Anglo-American program or policies in the area. It does not imply any intention whatsoever to recognize British or American or British-American spheres of economic influence in the area as a whole or in any part of the area, nor to exclude or undermine the legitimate and constructive influence of other like-minded nations. There is no desire to develop or promote restrictive, exclusive or discriminatory policies or lines of action, for, as is clearly brought out in the Memorandum itself, the views interchanged implied no departure from the liberal principles of international economic relations formulated in the draft Charter for an International Trade Organization and the General Agreement on Tariff and Trade signed in Geneva on October 30, 1947.

The essential significance of the Memorandum lies in its recognition of the harmony and identity of British and American interest in the raising of social and economic standards of the peoples of the Middle East, as an effective contribution to human welfare and as the most useful and desirable means of promoting the purposes and interests of the United States and Great Britain through the advancement of sound and stable social, economic and political conditions in the area.

The primary objective of the Memorandum and purpose of this instruction is to encourage and promote, among all United States representatives in the Middle East as well as in Washington and London who are concerned with social and economic affairs in the Middle East, the general state of mind most conducive to harmonious and constructive collaboration with their British colleagues toward the progressive achievement of the broad ends envisaged, as outlined in the Memorandum and in the foregoing remarks.

The contents of this secret Memorandum should be made known only to those members of your staff who are actually involved in carrying out the recommendations which it contains. You should however insure that all appropriate members of your staff are made fully aware
of and are guided by the general spirit underlying it. I consider that
the manner in which this subject is brought to the knowledge of con-
sular officials in the outlying post within your area, namely Consulate
at Basra, may best be left to your discretion. Your procedure in this
regard might well be discussed with your British colleague following
receipt by him of corresponding instructions. Extra copies of the en-
closed Memorandum and of the instruction are included for your use
in communicating to the above mentioned consular post in your area.

Very truly yours,

For the Secretary of State:

WILLARD L. THORP

890G.6113/3-2948

The Secretary of State to the Ambassador in Iraq (Wadsworth)

CONFIDENTIAL

WASHINGTON, March 29, 1948.

No. 17

Sir: The Department has considered with care your report and
recommendations concerning a proposed program for irrigation and
other economic development projects in Iraq, as outlined in your
memorandum of November 13, 1947 addressed to the Director of the
Office of Near Eastern and African Affairs. For your convenience
there is attached a copy of this memorandum, and of the letter of
November 7, 1947, addressed to the Foreign Minister of Iraq by the
Vice President of the International Bank for Reconstruction and De-
velopment, referred to under Point 13 of your memorandum.

Particular note has been taken of your report that in several im-
portant conversations which you had in Baghdad with the Iraqi Prime
Minister prior to your return to the United States last September,
you were informed of the Iraqi Government's desire for broad collab-
oration with the British and American Governments in the formula-
tion of a comprehensive and integrated overall plan for development
in Iraq and for its earliest possible realization. In subsequent discus-
sions in Washington participated in by important officials of the Iraqi
Government as well as by yourself, including a meeting with the
President and Vice President of the International Bank, the estab-
ishment of an Iraq Development Planning Board, with appropriate
participation by British, American and International Bank experts
was envisaged as the appropriate vehicle through which such collab-
oration might be afforded. It is noted in this connection that, as
stated in the letter of November 7 by the Vice President of the Interna-
tional Bank, while the Bank could not consistently with its policy

2 Neither printed.
permit a member of its staff to serve actively on such a Board, "thereby becoming a party to the decisions of a body which would subsequently approach the Bank with a request for finance", the Bank would be prepared, at its expense "from time to time to make available one or more members" of the Bank's staff "for consultation at the board's headquarters or at such other places as may be mutually agreeable".

The question raised by your report and recommendations in these circumstances relates therefore to the readiness of the Government of the United States to participate at the request of the Government of Iraq and in collaboration with the Government of the United Kingdom, in aiding in the formulation and realization of an overall economic development program for Iraq through representation by American experts on the proposed Iraq Development Planning Board. In this connection it may be observed, as noted in your memorandum of November 13, that the British Government's interest in economic development in Iraq and a favorable inclination toward Anglo-American cooperation in reference thereto, has been expressed more than once, notably in a memorandum which the British Foreign Minister transmitted to the Secretary of State on March 20, 1947.3

With a view to the formulation of an appropriate instruction to you based on a broad consideration of the subject, the Department has consulted other interested agencies of this Government through the Cabinet Food Committee. On the basis of this consultation the Department is now able to advise you as follows:

1. The Government of the United States views with sympathetic interest and approval the desire of the Government of Iraq to formulate, and proceed to the realization of, an overall plan for economic development centered upon irrigation and other agricultural projects in the area of the Tigris and Euphrates Rivers, designed to expand food production, control floods, and in other ways contribute to improvement in the standard of living of the people of Iraq.

2. This Government would accordingly be prepared to give favorable consideration, at the Iraq Government's request, to such measures of assistance for this purpose as may be practicable and appropriate. Specifically, it would be willing to consider the nomination of an American expert or experts, subject to such expert or experts being available, for service with an Iraq Development Planning Board as proposed. More precise determination of the American participation of this nature which would be found practicable and appropriate would of course have to await a specific request from the Iraq Government. It is assumed in this connection that timely consideration will also be given to enlisting, in appropriate circumstances, the assistance or advice of suitable international organizations such as the Food and Agriculture Organization.

3. It would be understood that the nomination of such American expert or experts could not imply approval in advance by this Govern-

---

ment of whatever plans and program the proposed Iraq Development Planning Board might evolve. Such approval by this Government as might prove requisite for the support by it of any Iraq loan application to the International Bank would necessarily depend upon study and approval by the United States of technical and financial details of such final plans as may be presented.

It is the Department's desire that you should, in such manner and on such occasion as you find appropriate, express to the Iraqi authorities the views of this Government as above outlined in continuation of the conversations you have had with Iraqi officials in Baghdad and Washington. In view however of the interest already expressed to this Government by the British Government in this general subject, in view further of the Iraq Government's desire for Anglo-American collaboration with it in the formulation of its development program, and in view of this Government's general policy of maintaining the maximum harmony of action and fullest interchange of views with the British Government in connection with Middle Eastern affairs, the Department considers it important that there should be a further exchange of views with the British Government prior to your communicating this Government's views to the Iraq authorities.

Accordingly a copy of this instruction, together with its enclosures, is being communicated to the American Ambassador in London, with the request that he discuss the subject further with the appropriate authorities of the British Government and explore with them the desirability of similar and synchronized action on their part. It is anticipated that the British Government will welcome such procedure and instruct its representative in Iraq accordingly. 3

3 The Department, on March 29, transmitted a copy of Instruction 17 and its enclosures to Ambassador Douglas in Instruction 121, noting that:

"The particular action envisaged in the attached instruction to Baghdad was informally discussed with that official (Mr. Greenhill), and it was then thought desirable that the action proposed should await the completion of the so-called Haigh survey of Iraq irrigation possibilities outlined in the attachment to Mr. Bevin's memorandum (of March 20, 1947) above-mentioned.

"In view, however, of the return of Ambassador Wadsworth to his post in Baghdad, it is felt that authorization to him to make appropriate response should not be further delayed. It is believed, in the light of the earlier discussions above-referred to that the Foreign Office will welcome the opportunity for harmonious and synchronized British and American action in the circumstances. Accordingly, it is requested that the subject be discussed with the appropriate officials of the Foreign Office. By this means, it is desired to afford the Foreign Office opportunity to cause such instructions as may be deemed desirable, to be sent to the British representative in Baghdad with a view to discussion of the subject with Mr. Wadsworth and the taking of such synchronized action as may be found useful and appropriate."

London, on May 26, transmitted to the Department, British Foreign Office note E 4512/153/93 of May 16 to the American Embassy. The note deemed it "useless" to press the "care-taker" Government of Iraq to undertake development plans and considered that "The present crisis of affairs in Palestine would also render such action untimely." The Foreign Office, however, welcomed joint United States–United Kingdom action to press the Iraqi Government to resume activity concerning development plans when a new and more stable government would be formed (despatch 1228, 890G.6113/5-2648).
You should therefore prior to communicating to the Iraq Government the sense of this instruction, consult fully with your British colleague with a view to synchronizing your action with such harmonious action as he may be instructed to take. Should question or difficulty arise as to such synchronization or harmony of action you should communicate with the Department prior to taking the action authorized by this instruction. The Department will communicate to you such further instructions as may be necessary when a report is received from London in response to its parallel instruction to the American Ambassador in that city, a copy of which is enclosed for your information.

Very truly yours,

For the Secretary of State:

WILLARD L. THORP
INFORMATION POLICY OF THE UNITED STATES CONCERNING THE ARAB STATES; THE QUESTION OF COOPERATION IN THIS FIELD WITH THE UNITED KINGDOM

S11.20200(D)/8-2448

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, August 24, 1948.

No. 352

The Secretary of State refers to the Department’s information and educational exchange program, and in response to inquiries received from various missions concerned, has prepared the enclosed policy statement 2 to serve as a guide to the Department’s information activities within certain countries of the Near East.

The Department has been informally advised that the British Foreign Office has issued a guidance on the question of cooperation with United States field representatives in an anti-Communist publicity program, and that this guidance has been sent to all British missions concerned. The Department understands that the guidance states that as a result of the various discussions that have taken place it has been agreed that there should be a degree of cooperation in this matter. It indicates that there has been an agreement to exchange information and ideas where desirable without any obligation on either side except when consultation has resulted in agreement on a particular course of action.

The Department perceives no objection to the exchange of views with corresponding British officers relative to our general policy in this area inasmuch as it is to the Department’s advantage to receive corresponding information concerning British plans and policy there. It would however not be to the advantage of the government of the United States to enter into any arrangement which gave the appearance of joint action or that our activities were in any way inspired by joint policy or a unified approach. The Department therefore desires that complete independence of action and operation be retained by responsible officers abroad in charge of our information and edu-

1 For previous documentation on the coordination of informational and cultural activities by the United States and the United Kingdom, see Foreign Relations, 1947, vol. v, p. 612.

2 Infra.
tional exchange programs, while using the amicable exchange of views to the greatest advantage.

During his period of training in the Department, Mr. Mallory Browne * was apprised of the above-mentioned action on the part of the British Foreign Office in issuing instructions to all British missions concerned for cooperation with the United States field representatives in an anti-Communist publicity program. Mr. Browne discussed informally this subject with officers in the Department.

The Officer in Charge is requested to make appropriate comments and suggestions relative to this instruction as well as on the enclosed policy statement.

[Enclosure]

**INFORMATION POLICY FOR ARAB STATES**

**BACKGROUND**

It is probably not an exaggeration to say the US information program in the Arab States is faced with problems of unprecedented delicacy. In the space of a few short years the United States has fallen from a position of unequaled esteem, respect and honor in the attitudes of the peoples of the Arab world to one of embittered distrust and animosity.

The outstanding achievements of American philanthropy over a period of nearly a century plus a somewhat long-range admiration of America's accomplishments in peace and war were responsible for the former and the US foreign policy vis-à-vis the Palestine problem * is entirely chargeable for the latter.

As of the moment we must recognize that the Arab countries of the Near East are convinced that America alone is primarily responsible for the success which has attended the establishment of the de facto State of Israel in what is regarded as Arab territory. The part which other great powers have had in the past or present in bringing about that which is inimical to their interests has largely been forgotten in the wave of anger directed at the United States for her part in bringing about the present situation. Despite the role which the United Nations has played in the matter, even this international body has not taken much of the curse off of the United States leadership and backing.

The problem therefore which is posed is: In view of this extremely unfavorable position of US prestige, what policy is to be pursued in:

---

* During his period of training, Mr. Browne was Public Affairs Officer at the Embassy in the United Kingdom.
* Documentation on this subject is scheduled for publication in part 2 of this volume.
informational output content in all media and further what general principles may be established at this juncture as general guides to our information activities and programs as a whole in the Arab states.

The sole remaining American associations which are regarded with any degree of tolerance and esteem are the American institutions engaged in educational pursuits and philanthropy and, secondly, American oil interests, chiefly because of the material benefit derived and the personal attitudes of Americans engaged in the business locally. There is a wide-spread tendency in the Arab world to divorce American foreign policy and its baneful aspects from individual Americans and American institutions within the Arab countries.

U.S. INFORMATION OBJECTIVES IN THE ARAB STATES

1. To present the factual record of U.S. policy and actions continuously.
2. To make clear that the U.S. and its people have a real and continuing interest in the social, economic and political development of the Arab states and their peoples.
3. To show that U.S. policies and aims are fundamentally compatible with the preservation of the sovereignty and independence of the Arab states and that realization of the national objectives of the U.S. are basically in accord with the national aspirations of the Arab states and their peoples.
4. To make clear that the objectives of the USSR and its satellite states as shown by their actions are inimical to the national aspirations and interests of the Arab states and their peoples.
5. To retain and expand wherever possible the existing good-will and friendly feelings of the people of the Arab states toward individual Americans and toward private American activities and enterprises.

GUIDANCE FOR THE SELECTION AND PREPARATION OF INFORMATION MATERIALS

1. We should treat American policy statements and actions factually. With respect to those policies and actions which may be antagonistic to the Arab states and their peoples, reporting should be brief, but sufficient to keep the record straight.
2. We should use information materials concerning activities and events in the U.S. which demonstrate that the American people have a real interest in the culture, social, economic and political advancement of the Arab states and the Near and Middle East in general.
3. We should refrain from comment or reporting, except with special guidance, on the activities of private American institutions and enterprises in the Arab states in order to preserve the concept that Americans and their private activities are not agents of their govern-
ment, but do represent America as distinct from official American policy. The purpose of this caution is to retain existing good-will toward American institutions and enterprises in the face of general antagonism toward American policy.

4. We should cover fully and continuously those activities of the USSR, satellite states and Communist organizations which demonstrate that herein lies the real threat to the independence and national aspirations of the Arab states.

5. We should constantly make clear that the U.S. is supporting the independence and development of the small states in the Mediterranean and Middle East areas. We should refrain from depicting the USSR as a colossus with which smaller, nearby states must come to terms to avoid obliteration.

6. We should use copiously Americana feature material through all media which depicts America as progressive in the arts, sciences and culture and possessing those things, which, if made available to countries requiring our assistance, will result in their economic and scientific advancement and thus contribute to the security of their independence.

7. We should use, whenever possible, any material relating to the operations of ECA which demonstrates that ECA is a world recovery program and which shows concrete benefits to the Arab states derived from ECA operations.

CULTURAL AND EDUCATIONAL EXCHANGE ACTIVITIES

This statement of policy is largely concerned with information activities. The large comparable program of cultural relations and the activities under the educational exchange program have not been dealt with in detail, but will of course be the subject of subsequent study and statements. In view of the troubled political conditions making an overt information program at times difficult to execute, the Department will endeavor to place greater emphasis on cultural relations and the educational exchange activities both in Government programs and those under the auspices of private agencies operating in the Arab states.