

the companies, or any one of the companies, elect to ship at a price eligible for MSA financing. If MSA financing is not available, as would be the case under the second course of action, the burden of obtaining a price reduction would be entirely on the participating countries; and

(c) Removal of crude oil from the list of commodities eligible for MSA financing would immediately raise questions as to the logic of continuing to finance refined petroleum products. The first course of action would avoid raising this issue unnecessarily.

The only real argument in favor of the second course of action is that the participating countries will eventually have to face up to the problem of providing the dollars necessary to meet their dollar crude oil requirements, so there is no real reason for delaying that eventuality.

We have also considered the possibility that a refusal on the part of the oil companies to sell Middle East oil to the participating countries at a price acceptable to MSA might have the result of diverting purchases to the Western Hemisphere at a higher price and thus result in an unnecessary drain on MSA resources. MSA, however, has assured us that this cannot happen and that they would not finance increased purchases in the Western Hemisphere which might result from any action taken by MSA.

On the basis of these views, it is recommended that the Department advise MSA that the course of action to be followed is a decision for MSA to make, but of the two courses of action being considered the Department would prefer the first.

As long as Mr. Kenney requested the Department's views by telephone, it seems to me that an expression of our views to MSA by telephone would be appropriate. Do you want to call Mr. Kenney, or shall I?

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*Memorandum of Conversation, by William McMaster of the
Petroleum Policy Staff*

SECRET

WASHINGTON, June 20, 1952. ¹

Subject: Anglo-American Oil Policy for the Middle East

Participants: Messrs. D. A. Greenhill, R. W. Bailey and J. A.

Beckett, British Embassy

Mr. Funkhouser--NE

¹ This memorandum of conversation was prepared on June 25.