

Interested posts are requested to comment re this problem and particularly re practicability of (a) impressing Arab leaders with historic fact that danger of aggression may be increased if Arab imposed econ pressures become really effective; and (b) impressing Israeli Govt with argument that more efforts are needed on their part avoid provocative acts and to reach understanding with Arabs if pipeline diversion thru Arab territory is to be prevented. (a) raises question of over-all US policy re boycott which is currently under review. <sup>5</sup>

Problem will be discussed with oil companies to see if project can or shld be delayed further without jeopardizing IPC relations with Iraq Govt.

. ACHESON

<sup>5</sup> The Ambassador in Iraq, Burton Y. Berry, recommended that if diversion of the Haifa pipeline were economically feasible, the United States should not oppose it on political grounds since U.S. prestige in the Arab world already suffered from the Arab conviction that this country favored Israel. The Embassy believed any attempt to use the Haifa pipeline as leverage in bringing Arab-Jewish rapprochement would probably backfire. (Telegram 340 from Baghdad, Sept. 11; 887.2553/9-1152) Telegrams 1543, Sept. 17 and 1660, Sept. 11, from London, reported the most persuasive economic argument against diversion of the Haifa pipeline was the fact that the immediately anticipated Kirkuk production and the contemplated Mosul production together would probably not produce oil at a sustained rate beyond the capacity of the already existing northern lines. Documentation is in Department of State file 887.2553.

## No. 265

PPS file, lot 64 D 563 "Strategic materials (oil)"

### *Memorandum of Conversation, by the Director of the Policy Planning Staff (Nitze)*

CONFIDENTIAL

WASHINGTON, September 19, 1952.

Subject: Problems of American Oil Company Operating Abroad.

Participants: State

Arabian American Oil

The Secretary

Company

Henry A. Byroade

Terry Duce

Paul H. Nitze

Fred Davies

Mr. Duce began the conversation <sup>1</sup> by outlining the difficulties which his company and other American oil companies operating

<sup>1</sup> A memorandum dated Sept. 16, not printed, was sent by Byroade to the Secretary of State to brief him on his appointment with Davies and Duce. (886A.2553/9-1652)