

No. 291

886A.2553/5-2054: Telegram

*The Acting Secretary of State to the Embassy in Saudi Arabia*¹

CONFIDENTIAL

WASHINGTON, May 20, 1953—7:21 p. m.

646. Department informed by Aramco that as result recent price fixing negotiations Aramco confronted by Saudi proposal that new values (1.462 for Ras Tanura 1.898 for Saudi-Jordan frontier) be accepted for future and made retroactive to cover period from beginning 1951 and be basis of sharing earnings for this period. Aramco negotiators had indicated this not acceptable but they would be willing recommend price increase be made retroactive to beginning 1952.

Aramco has now received report from Davies stating negotiations to be resumed May 21 under chairmanship-Faisal and that according reliable but unofficial information Saudi proposals to be presented as having approval of King and constituting last word. If Aramco reaction negative Saudis reportedly prepared "take steps protect their interest", presumably implying immediate retaliatory measures and possibly eventual nationalization.

In face of such ultimatum Aramco negotiators have been authorized accept Saudi proposals.

SMITH

¹ Drafted by Fritzman and cleared by NE and PED. Repeated as telegram 252 to Dhahran.

No. 292

Editorial Note

Despatch 359 from Jidda, May 30, transmitted to the Department of State an account of two meetings held on May 21 and May 23 between Aramco representatives and a Saudi Arabian group headed by Prince Faisal. At a short meeting on May 21, Prince Faisal handed the Aramco representatives a memorandum which stated the specific demands of the Saudi Arabian Government regarding oil pricing. On May 23, Aramco representatives stated they could not accept the Saudi Arabian memorandum, and agreement was reached to reconvene the negotiations after Ramadan. (886A.2553/5-3053) Despatch 393, June 27, reported to the Department of State that Aramco representatives had brought to the Embassy's attention a number of measures recently adopted by the