Saudi Arabian Government which they considered clearly planned to force Aramco to agree to the government's pricing proposals. (886A.2553/6-2753)

No. 293

886A.2553/6-353: Despatch

The Ambassador in Saudi Arabia (Hare) to the Department of State [1]

CONFIDENTIAL JIDDA, June 3, 1953.

No. 366

Ref: Embassy despatch 362, June 1, 1953. [2]

Subj: Aramco-SAG Soft Currency Discussions

Threatened revision of many of its selling contracts in Europe and the Far East has caused the Arabian American Oil Company (Aramco) once again to approach the Saudi Arabian Government in an attempt to soften the latter's intransigent attitude towards acceptance of greater percentages of soft currencies, particularly sterling, in the Company's payments to the Government.

On January 28, Aramco presented to the Dammam Office of the Ministry of Finance a letter, couched in very general terms, calling the attention of the Government to the fact that, in order to hold its own with competing centers of sterling-produced petroleum, the Company would, in the near future, have to be prepared to agree to a substantial substitution of sterling for dollars in sales to Europe.

Since the 28th of January, pressure has been put on Aramco's associated marketing companies by several oil consuming countries (England, France, The Netherlands, Germany, Switzerland, Sweden, Spain and Japan) to accept larger proportions of oil sales proceeds in non-dollar currencies. Britain alone, apparently, seeks to substitute sterling for amounts now paid in dollars totaling \$8,000,000. Japan has protested the imbalance of its trade (\$13,900,000 versus \$830,000) with Saudi Arabia. Italy's views in this regard were reported in the reference despatch.

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[1] Repeated to the Arab capitals, to Beirut for the Petroleum Attaché and the Treasury Attaché, and to Dhahran.

[2] Not printed; it concerned the Italian trade imbalance with Saudi Arabia. According to the Italian Minister to Saudi Arabia, the value of Italy's dollar oil purchases from the associated marketing companies of Aramco in 1952 was approximately 20 times greater than the value of Italian exports to Saudi Arabia. Unless Italy could substitute sterling for a large part of the dollars paid and find a greater market for its products in Saudi Arabia, it would have to stop buying Saudi oil and turn to the sterling production of Iraq and Kuwait, or even Iran. (886A.2553/6-153)