

Aramco calculates that, should the European countries successfully press their present demands—the Company's only alternative to non-compliance with these demands is loss of its markets—the Company, after maximizing its own use of soft currency, would still have to substitute sterling valued at \$12,000,000 annually for royalty payments now made to SAG in dollars. This would mean increasing to 42 percent (from the present 25 percent) the portion of royalty payments made in sterling.

On May 20, R.S. Hawkey, Aramco's Assistant Treasurer, flew to Jidda for discussion of this problem with Mr. George Blowers, Governor of the Saudi Arabian Monetary Agency. At the latter's suggestion, a letter was prepared for transmittal to the Minister of Finance requesting that the Government agree in principle to an increase of up to "approximately 40 percent" in the portion of royalty paid in sterling. The Company's letter stated that, while no such increase was contemplated in the immediate future, it hoped to obtain the Government's agreement to this principle in order to assure Aramco's associated marketing companies greater flexibility in negotiation of purchase contracts.

Privately, Company officials are not hopeful of obtaining the Minister of Finance's approval of this plan, His Excellency so far having adamantly refused to reconsider previous *dicta* to the effect that the Government would approve an increase in sterling only if accompanied by a corresponding increase in dollar receipts.

RAYMOND A. HARE

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*Memorandum by the Chief of the Petroleum Policy Staff (Eakens)*<sup>1</sup>

SECRET

[WASHINGTON,] June 3, 1953.

Subject: Department Views in Regard to Furthering Iraq Petroleum Company Transit Negotiations with Syria and Lebanon.

The Department has received a letter from Mr. Charles F. Darlington, representing the Socony-Vacuum interest in the Iraq Petroleum Company, requesting that the Department support IPC's position in the forthcoming negotiations for pipeline transit agreements between the Company and the Governments of Syria and Lebanon. He has also requested that we suggest an alternative proposal or at least give him our ideas if we cannot support the IPC

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<sup>1</sup> Drafted by Liebhafsky and sent to Robertson, Funkhouser, Corse, Dixon, Metzger, and Kirk.