

No. 297

880.2553/6-2453

Memorandum of Conversation, by the Officer in Charge of Lebanon-Syria-Iraq Affairs (Funkhouser)

SECRET

[WASHINGTON,] June 24, 1953.

Subject: Middle East Oil Situation

Participants: The Under Secretary

Mr. J.T. Duce, Vice President, Arabian-American Oil Company

Mr. Saba Habashi, Egyptian Lawyer retained by Aramco

Mr. George Ray—General Counsel—Aramco

NE—Mr. Funkhouser

Mr. Habashi stated (a) the Petroleum Committee of the Arab League had been revived after a five-year period of inactivity, (b) on May 25, 1953, the Ministers of Finance of the Arab states had engaged in discussions on Middle East oil prices, (c) oil price talks between Iraqi and Saudi Arabian officials had taken place recently in Riyadh, (d) the Petroleum Committee planned to convene at an early date to discuss a "minimum price of oil" and a "collective position on oil pricing".

Mr. Habashi discussed in general terms: (a) the increasing trend in the Middle East towards "gradual" nationalization, (b) the injurious effect in the area of the FTC report and anti-trust action, (c) the importance of United States Government support for progressive elements and individuals in the area, particularly the Arab League, (d) the danger that the extremist elements (Communists, xenophobes and "the greedy") would gain the upper hand.

The Under Secretary inquired if Mr. Habashi considered these trends "unexpected", stated that previous information given the Department generally confirmed Mr. Habashi's conclusions, and requested Mr. Habashi's views on "what to do about it".

Mr. Habashi suggested in general terms more positive United States Government official or moral support for the oil companies and for those local leaders who were working towards goals desired by the United States. He mentioned further diplomatic, economic and technical assistance in forms which could have beneficial effects on the oil situation. He specifically asked if "status" could be given to the Arab League, which was now under the progressive leadership of Hassouna, or if a United States diplomatic representative could be accredited to the League.