

produced beneficial results, both commercial and political, in the past:

(a) Aramco and IPC might be completely freed from control of parents and might sell to all comers as producing companies.

(b) Aramco and IPC might relinquish all concession areas not currently in production.

(c) Pipeline companies might be completely freed from control of producing companies and parents and become "common carriers" in competition with tankers.

(d) Middle East governments might be urged to favor bids on new areas by companies without Middle East production.

(e) Every encouragement might be given to independence to move Iranian oil.

(f) These examples of "nose-punching techniques" have each been suggested to me by industry (major company) officials.

20. Lastly, it is of critical importance to the success of any approach that oil men be handled most carefully and diplomatically. Oil officials seem overly sensitive to any indication that the industry isn't perfect. It may be necessary to "agree" with them before attempting to draw criticism of their own operations and possible solutions from them. It is probable that government officials start with two strikes in any objective discussion of oil problems. Emotion, pride, loyalty, suspicion make it difficult to penetrate to reason. Oil men tend to divide government people as either "for them" or "against them" and the initial adverse impression seems to get around fast and make solutions most difficult to reach.

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*Memorandum of Conversations, by the Ambassador in Saudi Arabia (Hare)*¹

CONFIDENTIAL

JIDDA, [July 6, 1953.]

In the course of a courtesy call on Shaikh Abdullah Sulaiman, Minister of Finance, on June 29, I observed that I had been kept informed of recent developments regarding negotiations between Saudi Arabian and Aramco representatives regarding the matter of pricing, and I wished Shaikh Abdullah to know that, based upon my very thorough discussion of this subject with Aramco officials, I

¹ Despatch 4 from Jidda, July 6, transmitted the source text and the memorandum of conversation with the Deputy Foreign Minister, *infra*. According to the despatch, the talks had taken place during the Ambassador's recent visit to Riyadh, and Aramco representatives had been advised of their substance.