

## No. 325

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*Memorandum by the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Byroade) to the Consultant to the Secretary of State (Hoover)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] January 13, 1954.

Replies have come in from five of the eight posts addressed.<sup>2</sup> Several reactions run consistently throughout these replies. In general there is doubt and skepticism in respect of the specific proposal. All recognize the needs and dangers in the present situation but tend to feel that a formal treaty is not, at least at this time, the best way to meet these needs and dangers. There is a fear it is too rigid and might bring more politics into petroleum matters.

There appears in several of the replies a preference for some kind of an international petroleum forum or council for advisory and study purposes which might evolve into a more formal relationship. The details vary but all picture something informal, free of any coercive arrangements, something along the lines of the Rubber Study Group.

The idea that the Arab countries are ganging up against the oil companies and the Western Governments tends to be discounted. There is, in fact, frequent recognition of the continuing lack of identical interests among the producing countries and the consequent possible advantage in pursuing our objectives on a country-by-country basis. It is admitted that conditions may get worse but feared that formal injection of Western Governments into the picture might hasten undesirable trends.

There follows a brief synopsis of the several replies that have come in:

*1. Mr. Penfield—London*<sup>3</sup>

Mr. Penfield and his associates consider any formal treaty premature—too much tension in Middle East for present launching of such an undertaking. Instead he sets forth the advantages of some kind of petroleum council along the lines of the Rubber Study Group which would publish statistical bulletins and various studies. Such an international forum would stimulate attention on common problems such as consumers trends, prices, transportation,

<sup>1</sup> Drafted by Gay.

<sup>2</sup> This reference is to the NEA Staff Study on an International Treaty in Respect to Middle East Oil Disputes, transmitted on Oct. 21 to the Embassies in Amman, Baghdad, Beirut, Cairo, Damascus, Jidda, London, and Tehran. See Document 315.

<sup>3</sup> Letter from Penfield to Jernegan, Nov. 16, not printed. (880.2553/11-1653)