

(3) The important maritime issue, i.e., flag discrimination is involved and this is of special interest to the U.K.

The Department's representatives expressed their general concern over this matter and reviewed Ambassador Wadsworth's recent representations to King Saud made on instruction by the Department and the King's reaction (Dhahran's telegram 164 of May 1, 1954).¹

Mr. Hart expressed the view that Aramco's parent companies would refuse to comply with the terms of the agreement and wondered if the economic implications of the agreement could be carefully worked out and brought to the King's attention in order to show him how implementation of the agreement might well produce severe cuts in sales and hence a reduction in production and royalties.

There was some discussion of the ability of the company to carry out a policy of reducing production in the face of determined opposition of a sovereign government and the various sanctions at its disposal.

It was generally agreed that it would be desirable to have studies made of the legal and economic implications of the agreement and that a renewal of representations to the Saudi Arabian Government should be considered. There was also general agreement that such representations would be more forceful if made simultaneously by ourselves and the British, although perhaps along somewhat different lines.

It was agreed that efforts should be renewed to obtain a copy of the agreement in order to make the necessary studies and that the Department and the Embassy should keep in touch on this matter.

¹ *Supra.*

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886A.2553/5-1654: Despatch

The Charge in Saudi Arabia (Jones) to the Department of State

CONFIDENTIAL

JIDDA, May 15, 1954.

No. 372

Ref: Embassy Despatch 315, March 16, 1954, subject "Aramco Price Negotiations with Saudi Arabian Government".¹

¹ Not printed; it reported speculation by an Aramco official that negotiations with Saudi Arabia might not be resumed until June. (886A.2553/3-1654)