

No. 355

886A.2553/7-2654: Telegram

*The Ambassador in Saudi Arabia (Wadsworth) to the Department of State*¹

SECRET NIACT

JIDDA, July 26, 1954—6 p. m.

38. 1. After discussion substance Deptels 16, July 16,² and 20, July 21³ with Davies, Brougham and Owen of Aramco I submit following draft of *aide-memoire* in which, Department concurring, I would hand Prince Faisal as proposed Embtel 32, July 20:⁴

Ambassador Wadsworth recalled that on April 30 last he handed to His Majesty a communication expressing *inter alia* his government's concern over the effect the Onassis agreement would have on private American interests.

In this regard the communication stated that the US Government shared the opinion of Aramco and of other private American companies that the Onassis agreement was not in keeping with the Aramco concession agreement.

To this His Majesty replied in substance that Saudi Arabia would fulfill all relevant obligations and it would act as it deemed best in the national interest.

At that time the full text of the Onassis agreement was not known either to the US Government or to private American interests. Since its publication their concern has increased.

Consequently and because of its long friendship for Saudi Arabia the US Government feels it would be wanting in due frankness were it not to set forth the very serious view it takes of this question and of the widespread ramifications which would result if appropriate solution is not found.

Firstly, as to legalities involved it reiterates its view that the Onassis agreement is not in keeping with the Aramco concession agreement. It holds after study of the text that the Onassis agreement is violative of the relevant obligations assumed by Saudi Arabia when granting the exclusive rights set forth in the concession agreement.

Secondly, it is persuaded that implementation of the Onassis agreement would result in wide and serious public resentment not only in the US but also in other countries having commercial relations with Saudi Arabia. At minimum Saudi Arabia would be thought to have committed an act of bad faith. One result would be the discouragement of foreign capital investment.

Thirdly, it deems the Onassis agreement inconsistent with established world practice in the field of international commerce. Consequently it could not passively acquiesce in the establishment of any

¹ Repeated to London and Tehran.

² Document 351.

³ *Supra*.

⁴ Document 353.