

Mr. Proctor anticipated that Gulf would simply advise the Kuwaitis that their tankers must take their chances in the competitive field. He hoped Anglo-Iranian would take the same attitude. He expressed the view that it was important for the British Government to get to the Sheikh of Kuwait promptly and discourage him from supporting this new enterprise and especially to warn against the purchase of additional tankers which would simply become a liability.

I told Mr. Proctor that I agreed with his views and that we would communicate with the British on the subject. I added that in the case of the Onassis agreement in Saudi Arabia, we were taking a strong line to the effect that there could be no objection to the formation of a Saudi Arabian tanker company but that it must operate on a freely competitive basis.

Please prepare an appropriate instruction to London¹ and, as soon as occasion offers, discuss this with the British Embassy here.

¹ Telegram 836 to London, Aug. 11, not printed, informed the Embassy of Proctor's call and the Department of State position. (886D.2553/7-3054)

No. 359

886D.2553/8-1651: Telegram

*The Secretary of State to the Embassy in the United Kingdom*¹

CONFIDENTIAL

WASHINGTON, August 10, 1954.

809. Deptel 771.² Swensrud of Gulf called on Murphy Aug 9 reiterate Gulf desire Department's support its position vis-à-vis British Government. He was informed of line stated Reftel and expressed hope we would at least refrain from indicating to British we felt AIOC and Gulf should acquiesce Kuwait demand for payment taxes on basis posted price. Murphy was non-committal but said for present we adopting hands-off policy pending further word as to British position which we assumed Embassy and Proctor would obtain shortly. Indicated our views not fully crystallized although

¹ Drafted by Jernegan and cleared by NE and PED.

² Dated Aug. 6, not printed. On Aug. 4, Gulf representatives in London told Embassy officers they understood the Department of State had instructed the Embassy in London to support Gulf's position on the 50-50 division of profits in Kuwait. The Embassy had no record of instructions on that issue. (Telegram 619 from London, Aug. 4; 886D.2553/8-454) Telegram 771, the Department of State answer, informed the Embassy that after full consideration of the matter, the Department's view was that it should not intervene in the case, in accordance with its established policy of not intervening in commercial provisions of concession arrangements between private companies and concessionary governments. (886D.2553/8-454)