

we hesitant take sides dispute involving details of commercial questions such as price.

FYI. Swensrud said in great confidence and not to be communicated British he visualized possible solution through payment Kuwaiti taxes by Shell provided Shell received corresponding tax credit from UK. This might be accomplished by device of establishing Shell subsidiary in Kuwait which would resell at profit oil received from Gulf and so subject such profit Kuwait jurisdiction. Swensrud believed if Gulf and US Government insisted on principle that Gulf must not be required pay tax on profits it did not and could not receive under existing contract, and if British nevertheless felt Sheikh's demand should be met, would be logical suggest tax be paid by company really receiving profits and that Shell therefore be permitted pay taxes to Kuwait with corresponding discount UK. He emphasized Gulf could not properly advance this suggestion itself but thought Embassy might do so informally if occasion arose. (Embassy should of course refrain from action on this unless instructed.)

Swensrud also said Gulf would probably be willing agree payment tax on posted price basis in future provided exception made for existing contracts. End FYI.

Request Embassy keep Department fully informed developments. ³

DULLES

³ Telegram 749 from London, Aug. 11, reported on a meeting on Aug. 6 between Gulf and AIOC representatives and British officials. The Embassy believed the British would be reluctant to use their special position in Kuwait to force the Shaikh to maintain or accept an arrangement less favorable than those in neighboring countries. (886D.2553/8-1154)

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The Chief of the Petroleum Policy Staff (Eakens) to the Petroleum Attaché in the United Kingdom (Moline)

CONFIDENTIAL
OFFICIAL-INFORMAL

WASHINGTON, August 11, 1954.

DEAR ED: This letter is in further reference to the Gulf-Kuwait payments problem. No doubt you have already discussed it fully with Mr. Proctor and Mr. Hamilton and perhaps it has been satisfactorily resolved. There is, however, one thought which has occurred to us which might be useful if you have not already done something along the same line.