

7. Gulf fears Shaikh will soon issue some form ultimatum which company will be forced reject and that this will freeze Shaikh's position because of prestige factors involved. Company believes Foreign Office intervention could prevent this but we understand Gulf representatives London unwilling approach Foreign Office without some assurance US Govt support. They report that in light AIOC position Foreign Office is undisposed act unless there is evidence US Govt considers it desirable. Company also asserts that even in absence ultimatum it unable have satisfactory discussions with Shaikh unless British pave way.

8. Department inclined think that in view unusual situation Kuwait where British in effect control access to Shaikh and because of complicated AIOC-Gulf-Shell relationships with Gulf caught in middle there may be grounds for informal US Govt intervention with British to make it possible for Gulf attempt work out solution. Embassy accordingly requested and authorized to:

a) Submit any comments or additional information it may have re foregoing;

b) Discuss whole picture with Gulf representatives informing them substance this wire;

c) Discuss as much of foregoing as it thinks desirable with appropriate British authorities;

d) Unless it sees objection, request British to advise Shaikh against precipitate action against companies and in due course take such steps as may be necessary to enable Gulf to enter into discussions with responsible Kuwait authorities for purpose of seeking equitable solution safeguarding interest of all parties. Embassy should make clear that for present we not entering into substance but only wishing ensure that Gulf has time and fair opportunity work out its problem.

DULLES

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No. 364

811.26A/8-2554: Telegram

*The Ambassador in Saudi Arabia (Wadsworth) to the Department of State*<sup>1</sup>

SECRET . PRIORITY

JIDDA, August 25, 1954—11 a. m.

74. Further my telegram 72, August 23.<sup>2</sup> Was received yesterday by King for general review US-Saudi relations. His attitude ex-

<sup>1</sup> Repeated to Dhahran.

<sup>2</sup> Not printed. (886A.2553/8-2354)