

They had no argument to show any difference between our proposal and the Iranian case.

In the subsequent meeting with Rhodes, Hamilton and Proctor, we learned that Kemp (the Sheikh's representative in London) has requested AIOC for its net realization figures (Gulf's books are open to the Sheikh). It seems likely that AIOC may refuse. Since AIOC uses Gulf realization figures in calculating its division of profit with the Ruler, it is impossible to know the true respective shares. Also, since Gulf and AIOC are required to negotiate with the Sheikh jointly through the agency of KOC, an agreed position between them in advance is essential. Obviously, if AIOC is unwilling to disclose net realization figures an atmosphere of suspicion is created and Gulf put in an untenable negotiating position.

This information was candidly purveyed to the British group and our concern expressed. They appeared to have had no information or instructions on this matter and had no comment to make. We also stressed our hope that the Sheikh would not be encouraged to expect or demand more income and that Gulf would be permitted to defend its present arrangement without prejudice. They undertook to transmit our views to London, felt certain nothing would be done to prejudice the case and that Gulf would have full opportunity to present its case. They continued to hope-Gulf would be "flexible". No response from London has been reported to us.

Gulf officials are informed of and appear satisfied with the action that has been taken. They suggest that it may be necessary for Ambassador Aldrich to carry through.

We believe no further action is needed pending a reasonable period for response by the British to our discussions of last Friday.

No. 374

886A.2553/11-2754: Telegram

*The Acting Secretary of State to the Embassy in Saudi Arabia*¹

SECRET
PRIORITY

WASHINGTON, November 27, 1954--1:20 p. m.

223. Davies, Keyes, Ray, Duce, Saba Habashi called on Byroade November 26 to report on recent oil company-Onassis conversations New York. Onassis given to understand that if he cancelled his agreement with SAG or modified it to remove entirely preferential provisions companies would "consider" chartering from him again on strictly competitive basis. Onassis apparently desired com-

¹ Drafted by Hart and repeated to London and Dhahran.