

No. 1449

786A.5 MSP/2-1433 Telegram

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

SECRET PRIORITY

JIDDA, February 14, 1953—9 a. m.

621. Following is recapitulation Embassy's views regarding grant aid in compliance Deptel 469, Feb. 12.²

(1) In course negotiation Dhahran airfield agreement we informed Saudis confidentially of efforts being made obtain congressional authority for grant aid to countries of near eastern area other than Greece, Turkey and Iran and intimated that, if such action were taken, Saudi Arabia might expect receive substantial share reflecting our strategic interest in this country. In other words, this was implied *quid pro quo* in lieu of rent or some such other consideration and there is no doubt it contributed very considerably to successful outcome of negotiations. When therefore requested authority was obtained but not used, we were placed in a position of having our good faith open to question.

(2) It was originally emphasized that any grant aid must supplement, not supplant, cash reimbursable assistance and fact that SAG was slow in implementing latter constituted at least partial argument for our going slow in grant aid but this is no longer case since orders being placed and training has begun both here and in US.

(3) Saudis have always felt that we have not adequately recognized their contribution in according rights at Dhahran airfield as compared with our treatment such countries as Turkey and Iran. They also point out resultant exposure of their position in respect of hostile Soviet intent and criticism both within and outside country to effect Saudi Arabia falling unduly under American domination and had sold itself short of concluding Dhahran airfield agreement. This sensitivity would of course be greatly accentuated in event any other Arab country or Israel given grant aid either before Saudi Arabia or in undue proportions.

(4) Although Saudi income has increased greatly in recent years, country began from scratch with virtually no communications, industry, urban development or other attributes of even semi-modernity. Same is true of military establishment where must begin entirely from beginning, financial requirements great and necessary compete with other important developmental projects, some of which being stimulated by TCA. Defense minister is consequently up against very real financial difficulties.

(5) Although Saudis were forewarned, they have been genuinely shocked by cost American military equipment and training, and

¹ Transmitted in two sections and repeated to Dhahran for General Grover.

² Not printed; it urgently requested further Embassy views in answer to the letter of Jan. 16, *supra*, to furnish a strong brief in favor of grant aid for Saudi Arabia. (786A.5 MSP/12-2152)