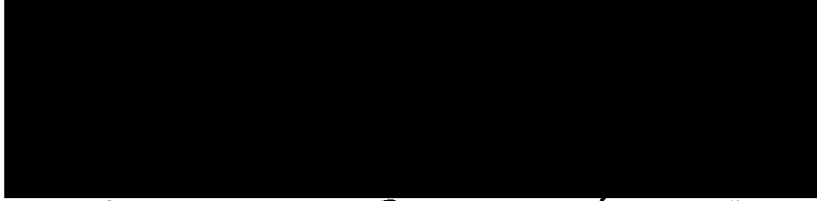


NSC Briefing by
Mr Dulles on 22 July

Mr Dulles briefed on -

25X6A

- 
2. Indochina Armistice Conditions
 3. Soviet bloc need for copper

Not formally used were

25X6A

- 
2. American Position in Saudi Arabia Deteriorating

However Mr Dulles said that
the Saudi Arabian situation
was discussed at the NSC

RDM

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AMERICAN POSITION IN

SAUDI ARABIA DETERIORATING

I. Indications crisis developing between Saudi Government and US, ARAMCO. 25X1X6□

A.

25X1X6

King Saud very angry with US.

In present mood, king might terminate both Dhahran Air Base Agreement and US military missions. King to be guided by Council of Ministers, which largely anti-American. (Air Base Agreement should run to 1961: can be terminated June 1956. Any earlier termination illegal.

B. ARAMCO fears emergency soon in showdown on Onassis Agreement. Will refuse compromise on exclusive rights, despite chance shutdown and possibly nationalization.

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II. Increasing anti-American trend:

- A. Threat terminate military agreements
probable insistence on Onassis Agreement
continue series moves since Saud's
succession (November 53).
1. Replacement American construction
firm by Germans (January).
 2. Involvement ARAMCO in Buraimi dispute
(February-June).
 3. Ratification Onassis Agreement (April).
 4. Refusal visas for French soldiers en
route Indochina (May).
 5. Termination Point IV Agreement (June).
 6. Opposition (with Egypt) to Iraqi
adherence Turkish-Pakistani Pact (June).

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III. Prospects: No indication Saud will change.

A. Possible attempt abrogate Air Base

Agreement, more likely terminate it 1956.

B. Terminate US military training.

C. Strong possibility Saud, whose advisors have stake in Onassis Agreement, will "nationalize" oil:

1. Mistaken belief can replace US technicians with Germans.

2. Hope up revenue by eliminating ARAMCO profits.

3. Desire enhance prestige as Arab leader by ousting Americans.

4. Wish avoid loss face involved cancellation Onassis Agreement.

D. Nationalization attempt would make Saudi another Iran: loss most revenue would bring economic crisis, political ferment, could cause overthrow Saud and whole

BACKGROUND

IMPORTANCE OF SAUDI PETROLEUM

I. Middle East averages some 20% of world oil production (exclusive of Soviet):

	<u>1950</u>	<u>1953</u>
WORLD	3,476	4,320 (million bbls)
MIDDLE EAST	657 (18%)	902 (21%)

II. Saudi Arabia averages over 30% of Middle East oil production.

	<u>1950</u>	<u>1953</u>
MIDDLE EAST	657	902 (million bbls)
SAUDI	200 (30%)	308 (34%)
IRAN	243	10

III. Bulk of Middle East oil goes to Europe, where it now furnishes more than 90% of Europe's total crude imports:

<u>1938</u>	<u>1950</u>	<u>1952</u>	<u>1953</u>
23%	85%	94%	(higher)