



Division of Foreign Service Personnel
 JUL 28 1944
 DEPARTMENT OF STATE

LEGATION OF THE UNITED STATES OF AMERICA

Baghdad, Iraq, 30, 1944.

Strictly Confidential

No. 233

APR 24 1944

Subject: British Efforts to Retain the Position of Great Britain as the Sole Great Power with Important Interests in the Persian Gulf.

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The Honorable Secretary of State, Washington, D.C.

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OFFICE OF THE ATTORNEY GENERAL
 MAY 17 1944

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I have the honor to refer to my despatch no. 233 of March 20, 1944, in which I set forth the itinerary of a trip which Mr. FLETCHER, the American Consul at Basra, and I made in the Persian Gulf area during the present month. It will be observed from that despatch that after I had spent some four days in Basra, Mr. Fletcher and I stopped briefly at the little Iraqi port of Fao at the mouth of the Shatt-Al-Arab River, paid visits of several days' duration each at the Sheikdoms of Kuwait and Bahrein, and stayed for a day and a half at the camp of the Arabian-American Oil Company on the Saudi Arabian coast. Difficulties of communication rendered it impracticable for us to visit the peninsula of Qatar and the Trucial Sheikdoms. During the course of our trip we had the opportunity of meeting and talking with a number of British officials, some of whom are in the employ of the British Government or of the Government of India, and some in the service of local governments. We also met several British representatives and employees of oil companies as well as a number of American oil company officials and American missionaries. With the help of Mr. Fletcher I was able to meet and talk with a number of leading Iraqis in Basra. Our contact with native officials in Kuwait and Bahrein, however, was limited to several conversations of a general nature with the rulers of those sheikdoms during the course of which the British Political Agents acted as mentors and interpreters. From statements made by persons of various nationality with whom we talked and from the attitude displayed and remarks dropped by British officials and the various Sheikhs we were able to obtain a number of impressions regarding certain of the policies and current problems of British officialdom in the Persian Gulf.

The Persian Gulf as a British-Dominated Sea.

It will be recalled that for a period of nearly one hundred and fifty years the British have followed a consistent policy of leaving no stone unturned to prevent any other great Power, or for that matter any Power even of secondary importance, from gaining a foothold in the Persian Gulf. During comparatively modern

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times, the British have succeeded in putting a stop to the drive of Turkey into the Gulf area; they have emerged victoriously from diplomatic duels with France which at times has had ambitions in this part of the world; they have nullified attempts on the part of Germany to strengthen German influence in territory adjacent to the Gulf; they have consistently undermined the prestige of Persia in the Gulf; and they have prevented any Arab ruler from becoming too powerful in the area.

The British Political Resident and Political Agents.

The task of maintaining the Persian Gulf as a British dominated sea has been entrusted primarily to the Government of India. In carrying out this task on the Arab side of the Gulf that Government has used as one of its instruments an apparatus composed of a number of British so-called Political Agents accredited to the local rulers of importance. These Agents act under the direction of a chief agent residing at Bushire, on the Persian side of the Gulf. The chief agent has the title of Political Resident. The reports of the various Political Agents are made to or through him and he journeys from point to point in the Persian Gulf and the Gulf of Oman to supervise the activities of these Agents and to keep in touch with the various Arab potentates. His rank in the Indian Civil Service is, I understand, equivalent to that of a governor of a province of secondary importance. In the Persian Gulf, however, he is the dominant figure. He is usually knighted in order to increase his prestige and is accustomed to travel in grand style accompanied by a retinue of ten or twelve assistants and servants and carrying tons of luggage which enables him to outdo anyone whom he meets in the matter of clothing, food, drink, or presents.

As a concession to the Persians, who, I understand, are inclined to resent the fact that a Persian town is being used as the base of activities one of the purposes of which is to weaken Persian influence, the Resident has been given the title of British Consul General at Bushire and so far as the Persians are concerned he has no functions or privileges other than those of a Consul General of a friendly Power. His administration of the Political Agencies of the Gulf is therefore strictly an inner-office activity in which the Persians are considered to have no interest.

The Political Agents are expected to learn Arabic and from time to time are subjected to examinations in that language. The Agencies in which they live are built and maintained on such a scale that they rival the residences of the local rulers. They are provided with a staff of servants and with motor launches in which to travel along the coasts and to meet the Political Resident and other visitors. Some - although not all - of them are also furnished motor cars.

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Subordination of Persian Gulf Arab Rulers to the
British Political Resident and Political Agents.

The prestige of the institution of Political Resident and his Political Agents has been built up by more than a hundred years of intense diplomatic and administrative activity. When it fails to accomplish its purpose by peaceful means force is sometimes resorted to in the form of British warships and landing parties. During recent years, however, it has rarely been necessary for the British to employ actual force or even threats of force. It would appear, furthermore, that the competence of the Political Resident and of the Political Agents is judged to an extent by the degree to which they show themselves to be able simultaneously to keep the ruler under the requisite degree of control, to inculcate in him appropriate feelings of friendship for, and gratitude towards, the British Empire and themselves personally, and to prevent any disorder or unpleasant incidents from taking place in the area for which they are responsible. Although the ruler may have a certain amount of latitude in governing his realm, he is not permitted to pursue policies which might conflict with those of Great Britain, which might result in disorder, or which might shock the sensibilities of the British public.

The local ruler on his part is taught in numerous ways that he is likely to be more secure and to have his wants satisfied to a greater extent if he displays an attitude of full cooperation towards the Political Resident and the Political Agent. The recalcitrant Sheikh, Amir, or Sultan who persists in ignoring the suggestions of the Agent accredited to him may find himself ousted by a local rival for power. A plethora of these rivals exists in every Arab community along the Gulf. The right of primogeniture is not generally acknowledged in Arab countries. The successor to a ruler who dies or is removed may be any member of the ruling family who is in a position to take over and hold the reins of power. The candidate who has the backing of the Political Resident and the Political Agent is usually the successor. The new ruler is of course fully aware that he has attained his position with the aid of his British friends. Although some of his disappointed rivals become rather bitterly anti-British most of them are inclined to continue currying British favor in the hope that they will be given favorable consideration in case another vacancy should occur.

The Arab rulers in and along the Gulf are enmeshed in a web of treaties and agreements with Great Britain which has been spun around them or their predecessors during the course of the last one hundred and fifty years. At first the Arab potentates were bound to assist in eliminating piracy and in putting an end to the traffic in arms and slaves. By a series of subsequent agreements they have been obligated not to alienate any of their lands or to grant any concessions

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-oil concessions are usually specified in particular - without the approval of the Political Resident or some other representative of the British or Indian Government. Most of them are also obligated not to enter into negotiations or to have relations with any foreign Power except with the consent of or through the medium of the Political Resident or the Political Agent. The Political Agent is usually accorded by them the right to control immigration and to act as the tribunal for all legal cases involving foreigners. By relieving the ruler of the duty of administering justice to foreigners the British Government reduces the possibility of friction between him and foreign governments. In return the British Government usually is obligated to give protection to the territories of the ruler. The British insist, however, that these territories should not be regarded as British protectorates but as independent principalities under British protection. The extent to which individual rulers subordinate themselves to the Political Resident and the Political Agents varies in accordance with their own strength of character and the degree in which they insist on maintaining a semblance of independence, with prevailing local conditions, with the policies pursued at the time by the British or Indian Government, and with the personal policy of the Political Resident.

Concern of British Officialdom in Persian Gulf Area at Growing American Influence.

Although the attitude of the Political Resident and of the Political Agents under him towards various foreign countries may be influenced to a degree by the current relationship of such countries with Great Britain, it is clear that neither the Resident nor the Agents permit themselves to forget that one of their basic long-term tasks is to prevent any foreign Power, no matter how friendly its relations with Great Britain may be at the time, from attaining a position of influence in the Persian Gulf area.

The Resident and the Agents are called upon to display much tact and skill in carrying out their duties in this regard at the present time. They have awakened to the fact that the United States, the great Ally of Great Britain during this period of war, has been successful in acquiring certain interests of importance in the Persian Gulf, and that American influence and prestige in the Gulf area are growing. They do not desire at this juncture to take steps which would give offense to the United States; nevertheless their traditions and training do not permit them to acquiesce in an intrusion of this kind. They see American missionaries operating hospitals and schools; American oil companies exploiting or making plans to exploit oil fields; fleets of American vessels with cargoes for Russia passing through the Strait of Hormuz; hundreds of American planes loaded with American citizens or American supplies flying over the Gulf and landing or taking off

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from airfields adjacent to the Gulf; American soldiers stationed at these airfields, some of whom are suggesting that the war effort would be promoted if they were allowed to take over the work of construction, maintenance, and operation; thousands of other Americans in adjacent Iran controlling ports and railways.

There can be no doubt that British officials in the Gulf area are at present deeply concerned at what they consider to be the American threat to the British monopoly of the Persian Gulf. I wish to emphasize, however, that this concern does not necessarily reflect anti-American feelings on their part. On the contrary I am convinced that many of these officials are genuinely friendly towards the United States and Americans and sincerely hope for post-war cooperation between Great Britain and the United States. Nevertheless, the traditional policies of the organizations of which they are members and their own political training contribute to their conviction that it would be unfortunate for the Empire, as well as for the local population, for any other great Power, including even the United States, to obtain in the Gulf area a position of any importance.

American Missionaries in the Persian Gulf.

During the past century and a half the constructive energies of the British in the Persian Gulf have for the most part been limited to eliminating piracy and the traffic in slaves and arms; to charting and maintaining channels of navigation and to reducing hazards of maritime commerce; to increasing respect for life and property - in particular for the life and property of foreigners; to promoting trade relations with Great Britain and British dominions; to creating and maintaining respect among the Sheikhs and the local population for the British Empire and the British in general; and to preventing the outbreak of wars and preserving the peace internally. They have been inclined to show little interest in improving the health, the living conditions, the educational institutions, or the general well-being of the population. British religious and humanitarian organizations have not been encouraged to send representatives into these areas.

Over a quarter of a century ago the Reformed Church of America insisted upon undertaking missionary work among the Arabs. In view of the obvious lack of physicians and since the missionary program called for the despatch of medical missionaries it was impolitic for the British Government to refuse to admit them in limited numbers into the Gulf area. This Church therefore proceeded to introduce medical and other missionaries and to open at various points hospitals and schools. These missionaries were the first Americans to gain a foothold in the Sheikhdoms of the Persian Gulf. In some Sheikhdoms they are still the only resident non-British western foreigners. By their kindness, their attitude of unobtrusive helpfulness, and their effectiveness in relieving human suffering, they have won

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for themselves an important position in the communities where they are serving. Members of the ruling families have for years been accustomed to call on them for medical treatment. They have never endeavored to carry on political propaganda of any kind. The fact that they are Americans and are performing good deeds has been sufficient, however, to promote goodwill for the United States.

In Kuwait the American missionaries are still the only non-native physicians available. They are treating annually thousands of patients including members of the Sheikhal family. Their compound, in which are both a women's hospital and a men's hospital, is regarded as one of the most important institutions in the Sheikhdome.

In Bahrein they also maintain a women's hospital and a men's hospital as well as a school for girls which was until recently the only institution of its kind in the Sheikhdome of the Gulf.

Oil Concessions Strengthen American Influence in the Persian Gulf.

1912

During the years ~~1912~~ and 1923 promises were obtained from the various Arab rulers along the Gulf not to grant oil concessions without British consent. During the same period the British Government tightened its control over the exploitation of oil in Persia adjacent to the Gulf by obtaining a majority interest in the Anglo-Iranian Oil Company. Since the first world war the Anglo-Iranian Oil Company and the British political agent system have cooperated in an effort to keep American oil interests out of the Persian Gulf area. Their failure has not been due to any negligence on the part of the political agent system. It has been primarily due to: (a) the belief of the experts of the Anglo-Iranian Oil Company, whose judgment apparently carried weight with the British Government and British financial circles, that oil in large commercial quantities did not exist in the Arab Sheikhdome of the Gulf; and (b) unwillingness on the part of the British Government, in view of the international situation and of diplomatic pressure from the American Government, to go so far as to refuse to permit American interests to engage in exploitation for oil in fields under British control in which British oil interests had been unwilling to risk capital.

When some fourteen years ago the British Government finally consented to permit American oil interests to begin work in Bahrein, the possibility of the existence of oil in large quantities in that Sheikhdome still appeared to be remote. Nevertheless the British Government in order to be in a position to limit the spread of American influence in the area laid down certain conditions under which Americans could operate the oil concession. The American interests, for instance, were required to organize themselves and to carry on their activities as a British corporation (actually they incorporated themselves in Canada); they were obligated to employ only natives and British nationals in Bahrein except in those positions for which natives and British nationals with suitable qualifications were not available;

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they were required to bind themselves not to approach the Sheikh with regard to matters other than those of a routine nature except through the Political Agent; and they were compelled to consent to agree to a number of other conditions the effect of which was to place the Political Agent as the representative of the British Government in a position of authority over them. In spite of these conditions American influence has been making itself felt as the result of the successful exploitation of the oilfields and the establishment of the refinery. As a rule only the manager and a limited number of specialists actually working in the field are American citizens. At present a large number of American construction workers are temporarily on the Island engaged in enlarging and improving the plant. In spite of the limited number of Americans on the staff of the Company, the work is being carried on in the manner of an American enterprise; comfortable living quarters with all modern conveniences have been erected for the employees of the Company; medical and dental care is being furnished; trade schools under the Company's auspices have been established; and native labor is being treated in a fair and liberal manner. The funds which the Bahrain Government and the population are receiving from the Company in the form of wages, royalties, rentals, payments for supplies, and so forth and the energetic policies pursued by the company have stimulated the whole Sheikhdom.

It will be recalled that the Kuwait Oil Company, a British corporation which has obtained the oil concession for the Sheikhdom of Kuwait, is owned jointly by an American Company - the Gulf Oil Corporation - and by the Anglo-Iranian Oil Company. Substantially the same factors which made it possible for American interests to gain control of the oil fields of Bahrain have enabled American interests to get into Kuwait. The British Government permitted Americans to participate in the Kuwait concession only after they had undertaken obligations similar to those required of the American concessionaires in Bahrain, the purpose of which of course was to prevent the spread of American influence in Kuwait. Another condition was that the Anglo-Iranian Company be admitted as an equal partner in the enterprise. The Anglo-Iranian Company on its part demanded that the American interests bind themselves not to endeavor to sell the products of the concession to markets where they would compete with oil produced elsewhere by the Anglo-Iranian Oil Company or its affiliates. By acquiescing in this demand the American interests placed themselves almost completely in the power of the Anglo-Iranian Oil Company. It is understood that they now hesitate to invest more funds in Kuwait until they are able to receive some kind of a guarantee that the Anglo-Iranian Oil Company will not at some time render it impossible for Kuwait oil to be sold in any market in a position to absorb it, by maintaining that such oil is competing with the oil of the Anglo-Iranian Company or one of the Anglo-Iranian affiliates.

The sinking of ten wells in Kuwait has proved that considerable oil in commercial quantities exists in

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that Sheikdom. The British Government some two years ago, allegedly on strategic grounds, halted all drilling operations and caused the wells to be capped. The manager of the Kuwait Oil Company, a British subject, is at present working in Abadan for the Anglo-Iranian Company. Lieutenant Colonel H. P. DICKSON, retired political agent at Kuwait, is in Kuwait acting as the local representative of the Company to the Sheikh. No American connected with the petroleum industry is in the Sheikdom. Although oil was struck in the Sheikdom as far back as 1938, none has been produced commercially. British officials in cooperation with the Anglo-Iranian Oil Company have therefore been successful thus far in halting exploitation of the Kuwait fields by Americans. It is likely that the American interests concerned will eventually be forced out with heavy financial losses unless there is intervention on the part of the highest authorities of the British Government, as a result of American diplomatic pressure or because they decide that in the present world situation the amount of ill-will which might be created in the United States by the pursuance of the present policy would be more harmful to the interests of the Empire than the exploitation by Americans of the concession.

The British were never successful in including in the territory under their control a stretch of the western coast of the Persian Gulf extending for about 250 miles from the southern border of Kuwait to the base of the peninsula of Qatar. This important slice of the Arabian peninsula, which is usually known as Hasa, was for many years the object of struggle among various Moslem forces including the Wahabis, Turks, and the Egyptians. Following the collapse of the Ottoman Empire, Hasa passed under the control of Ibn Saud and is now an integral part of Saudi Arabia. For a time the British were interested in obtaining oil concessions in Hasa. It appears, however, that this interest subsided to an extent as they became convinced that no large amounts of commercial oil existed there. Furthermore, Ibn Saud, who for many years has been on guard against British penetration into his territory did not wish to give oil concessions to British interests in the neighborhood of the Persian Gulf. Consequently, to the chagrin of British officials and oil interests in the Persian Gulf area, American companies a number of years ago obtained concessions in Hasa territory which proved to have large quantities of commercial oil. The American oil concessions in Saudi Arabia are the only concessions in the Near East which appear to have a chance of operating free of British control. The concessionaires, however, still face certain problems connected with the marketing of their products since the British-controlled Anglo-Iranian Oil Company and its subsidiaries have a firm hold on most of the oil markets in the Near and Middle East. Nevertheless this American concession, which is owned jointly by Standard Oil of California and the Texas Company - the same companies which own the concession in Bahrein - is planning, in cooperation with the American Government, to produce and refine in Saudi Arabia enormous quantities of oil. By improving living and sanitary conditions, by treating its native employees in a fair and humane way,

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and by taking an active interest in the welfare of the population of the territory in which it is operating, the concessionaires are strengthening American prestige throughout the whole Persian Gulf region. There is little, however, which the British officials in the Persian Gulf can do to alter the situation so long as Ibn Saud lives and persists in giving the concessionaires his support.

When the British officials and oil interests in the Persian Gulf realized the error which they had made in underestimating the importance of oil in Bahrein and Kuwait and in not showing more persistence in their efforts to block the attempts of American interests to obtain certain rights to oil in these sheikhdoms, they took immediate steps in order to prevent a similar situation from developing in other portions of the Arabian peninsula under British influence. They decided to use the Iraq Petroleum Company as the instrument for the implementation of this policy. The Iraq Petroleum Company is ostensibly an international concern. The Anglo-Iranian Oil Company; an American company owned jointly by the Standard Oil Company of New Jersey and Standard Oil of New York; Dutch Shell; and a French company own 23-3/4% of the Iraq Petroleum Company each. The other five per cent is owned by a private British citizen. In practice, however, the Iraq Petroleum Company is dominated completely by the British Government. It is incorporated in Great Britain and is so organized and managed that from this vantage point it appears to be a tool of the Anglo-Iranian Oil Company. Acting in cooperation with the Anglo-Iranian Oil Company and the British Political Resident and the Political Agents, the Iraq Petroleum Company at once took steps to obtain exclusive oil concessions along the whole coast of that peninsula from Qatar to Aden. There has been a certain amount of exploratory activity in some of these concessions. It would appear, however, that these concessions were taken more with the idea of preventing American companies from entering the areas in question than with the purpose of extracting oil from them.

Contrast in Conditions between Bahrein and Kuwait.

After it had become apparent that the policies of the Americans of improving the living, working, and sanitary conditions of their employees, were making a favorable impression throughout the Sheikhdom as well as in other principalities of the Gulf, the British Government decided that it would be advisable to depart from its past policies by instituting a progressive program of its own. Several years ago, therefore, a British subject, Mr. D. BELGRAVE, was appointed as adviser to the Sheikh in order to improve the administration of the Sheikhdom and to take charge of this program. A Government hospital has been established in Bahrein; attempts are being made to improve sanitary and living conditions; studies are being given to problems of food and employment; a system of education has been set up; good roads are being built; and other public improvements are being made. Some of the veteran British officials in the area are not pleased at these developments. They say that it is sure to become increasingly difficult to keep the natives satisfied and orderly as they become more intimately acquainted with western ideas of culture and government.

It would appear that during the years 1939-1942 when the British Empire was tottering, British officials

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in Bahrein assumed an attitude of exceptionally friendly informality towards the American oil representatives and made every effort to cooperate with them. Since the latter part of 1942, however, they have reverted to their former attitude of a somewhat stiff but correct politeness and of making sure that the activities of American officials stay within the limits laid down in the concession contracts. The Political Agent has recently made unfavorable comment on the number of American citizens on the staff of the Company and has intimated that some of them should be replaced by British subjects. It is also understood that he was not entirely pleased when he was advised that we were planning to visit Bahrein but was somewhat relieved when he learned that we had no intention of transacting any business. He was, however, courteous and affable in his treatment of us and as a result of his hospitality we met the more important British civilian and military officials in Bahrein, all of whom showed us marked cordiality.

It is apparent that the Sheikh of Bahrein is anxious at the present time not to displease the Political Agent by any display of pro-Americanism. When, for instance, I told the Sheikh that the American Government appreciated the friendliness and helpfulness which he had shown to American citizens residing in the Sheikhdon, he glanced rather uneasily at the Agent, who was acting as our interpreter, and replied that he had been friendly to Americans because the United States was an ally of his great ally, Great Britain, and that he considered any friend of Great Britain to be his friend. He devoted a considerable part of our conversation to expressions of gratitude to the British Empire and to descriptions of the traditional friendly relations which exist between Great Britain and Bahrein. I have been given to understand, however, that in private conversations in the absence of the Political Agent the Sheikh does not find it necessary to base his friendly feelings towards the United States upon the relationship existing between the United States and Great Britain.

The situation in Kuwait, in which the efforts of the American companies to exploit the concession have thus far been unsuccessful, is noticeably different from that in Bahrein. The town is exceptionally clean and peace and order appear to be strictly maintained. I doubt, however, that there has been much change for the better in the living conditions of the population during the last hundred years. So far as I can ascertain, the American missionaries appear to be the only persons who have taken any real interest in improving the lot of the population. Very little has been done in the way of providing education facilities, although there is now a small primary school with an Egyptian instructor to which a limited number of boys are admitted. Outside of the city walls the roads are of such a nature that it is unsafe for cars not provided with special equipment for use in the desert to travel over them. Although the Sheikh receives 95,000 rupees (about \$28,500) annually from the oil concessionaire, in accordance with the terms of the concession, it is understood that he is accustomed to compare with some bitterness the situation in Kuwait with that of Bahrein where the Sheikh and the sheikhdom government

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Office Memorandum • UNITED STATES GOVERNMENT

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TO: Mr. Secretary
FROM: Mr. Murray

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NEA - Mr. Murray.

SECRETARY OF STATE
MAY 12 1944
NOTED

DEPARTMENT OF STATE
MAY 18 1944
CHIEF, DIVISION OF FOREIGN SERVICE ADMINISTRATION

SUBJECT: British Influence in the Persian Gulf.

DEPARTMENT OF STATE
MAY 17 1944

DEPARTMENT OF STATE
MAY 12 1944

DEPARTMENT OF STATE
MAY 21 1944

DIVISION OF AMERICAN AFFAIRS
JUL 1 1944
DEPARTMENT OF STATE

Minister Henderson at Baghdad recently visited the Sheikdoms of Kuwait and Bahrein on the west side of the Persian Gulf. His observations on the extent of British influence in this area are embodied in the attached despatch, which I believe may interest you.

To protect their routes to India, the British have, over a century, endeavored to prevent any other power from gaining a foothold in the Persian Gulf. Treaties have been concluded with local Sheikhs requiring them to allow the British to control their contacts with the outside world and limiting their power to grant concessions of any kind to foreigners. The British have established Political Agents in the various Sheikdoms, all of whom report to a Political Resident (who is also British Consul General) at Bushire, Iran.

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OFFICE OF SPECIAL POLITICAL AFFAIRS
DEPARTMENT OF STATE
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In spite of the efforts of these Agents, American cultural and commercial influence has become established to a limited extent. American medical missionaries provide the only hospital facilities in many places, and the liberal policies of the American-owned oil companies operating in Bahrein and the adjacent mainland have greatly enhanced our prestige in this region. A most interesting section of the Minister's despatch (pp. 7-8) deals with the operations of the Kuwait Oil Company, a joint Anglo-American undertaking. The British have been successful in having the ten wells capped which had been drilled and have brought activities to a halt. The Sheikh of Kuwait expressed impatience with the British for their obstructive attitude toward the development of his domain.

Realizing their "error" in allowing American oil interests to become established in Bahrein, the British, working through the Iraq Petroleum Company, have secured exclusive concessions to develop the oil resources of the entire area from the Qatar peninsula to Aden. Virtually no steps to exploit the area have been taken, however.

Attachment:
Copy of despatch no. 233, March 30, 1944, from Baghdad.

Wallace Murray

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