Troubled Oil In the Middle East

WILLIAM HARLAN HALE

When Gamal Nasser seized and blocked the Suez Canal more than a year ago, he created a sudden oil famine whose repercussions were felt from Narvik to central Texas and a lasting realization of the West's dependence on the riches of the Arabian Gulf.

During most of 1957, to be sure, there seemed little immediate cause for alarm about the supply of oil, once Nasser had magnanimously permitted western tankers to resume their traffic through his canal, and once the pipelines sabotaged by Syrian zealots had been substantially restored to service. Wells, refineries, tanker fleets again functioned at full capacity, bringing out of the Middle East some three and a half million barrels daily. By the end of the year, King Saud of Saudi Arabia had earned another $300 million or so in annual royalties on oil extracted by Americans from his desert domain. His closest rival, Sheik Abdullah al Salim al Sabah of neighboring Kuwait, had put away a comparable income from the flow pumped out by both Americans and British from his minuscule fief at the head of the Persian Gulf. Considering that western oil companies took in dollar for dollar as much as they paid the region's chieftains on a fifty-fifty-split basis, the year's total profits promised to exceed by a fair margin the $2 billion received all told by companies and chieftains together in troubled 1956. In fact, at year's end oil was in oversupply in most western countries, with tanker rates dropping and Middle Eastern oil imports depressing the American market.

Although the immediate fear of an oil famine has been dispelled, Middle Eastern oil is still a subject of considerable anxiety. Despite the ample flow of oil and profit from an area that holds possibly two-thirds of all the world's oil and that provides three-quarters of Europe's oil needs, new challenges are arising constantly that raise fundamental questions of ownership, sovereignty, human welfare, and continuity of supply.

By 1965, according to Walter J. Levy, one of America's foremost oil economists, the Middle East may have to provide "more than five million barrels daily toward the West's probable oil deficiency—as well as to provide the bulk of supplies for the rest of the Eastern Hemisphere." In other words, although we may find ourselves adequately taken care of at the moment, there is no question that as western industrial nations develop further they will find themselves even more dependent on Middle Eastern oil. (Hardly anyone expects the new-found deposits in the Sahara Desert to become a major offsetting source in the near future.) This awareness is not restricted to the West alone; it is fully known also to the kings and sheiks and newly awakened peoples of the Arab East, who are clamoring to make an even better thing for themselves of a bonanza that in no more than a decade or so has transformed their lands into some of the richest states on the face of the earth.

'Breaking the Line'

Late last fall, American and British oilmen—long the chief developers of the area—were disturbed to learn of a deal arrived at between the Saudi Arabian government and the Japanese Oil Trading Company, for the exploitation of offshore reserves on a basis that promised to "break the line" of traditional straight fifty-fifty deals. Existing arrangements, such as that between the Saudi government and the American-owned Arabian American Oil Company (Aramco), provide for an even split on profits earned from the sale of oil at shipside *in that country*—which in the case of Aramco means sale to its own American parent companies. Profits earned after that from overseas sale, or even from pipeline transportation across the deserts, are not included in the deal. Yet here were the Japanese, offering the Saudis not only a fifty-six per cent profit slice but applying it all the way across the board, including the retail sale of refined fuel at a filling station in Osaka or Kobe. Even more important, the Japanese interests agreed that a third of the directors as well as employees of the new venture should be Saudi Arabians, and that a committee made up equally of Arabian government representatives and of their own should be formed to check the company's costs and operations.

American oilmen heading operations in the Middle East are not a talkative group. In fact, when one considers all the resourcefulness and engineering skill they have shown in exploring, "bringing in," and developing the area, they seem to err on the side of reticence—as if there were something wrong about converting hard work and risk-taking into handsome profits. No official with whom I talked at the New York headquarters of Aramco on Park Avenue, or in those of two of its mighty parent companies, Standard Oil of New Jersey in Rockefeller Center and Socony Mobil Oil in its vast new tower on Forty-second Street, would permit himself to be quoted by name on what he thought of the new Saudi-Japanese deal—or, for that matter, any other deal. But it was obvious that all were startled and concerned. "It surrenders company sovereignty and control," said one. "It puts the Saudi government into business in a country quite outside its own jurisdiction," said another. "It's a sop to the host country in the interest of a cut-rate deal," said a third, "but it's not going to budge us."

Budging, however, is precisely what King Saud's own chief of petroleum resources, Sheik Abdulla Tariki, has been doing with considerable success for more than a year, in trying to raise the ante on oil concessions in his master's desert domain. Tariki, a brilliant oil geologist trained in Texas and still in his thirties, is also an ardent nationalist fired by the astounding rewards of American oil drilling in his king's wastes and keen on obtaining an even fatter share of reward for his country.

Ever since Mossadegh's efforts to seize Iranian oil wells from British concessionaires, the threat of expropriation has hung heavily over the huge western enterprises. Nasser's coup at Suez has done nothing to calm the fears. The mere threat of expropriation is something to bring results. Last year the Saudi Arabian government, not satisfied with the almost $300 million annual revenue it was receiving from its American concessionaires, demanded almost another $100 million in the form of taxes on profits earned through the American-owned pipeline system ("Tapline"), and it seemed to be on its way toward obtaining a settlement. Moreover, looking into the Americans' books, the Saudis forced Aramco to cease selling oil to its parent companies at a discount. Sheik Tariki said, "We want to see Aramco run from Saudi Arabia by Aramco itself"—meaning as a venture under close Saudi scrutiny, far removed from the parent headquarters back in New York.

Tariki also asked for a fifty per cent share of earnings on all pipeline transport leading out of his country. This raised an interesting legal point, since the pipelines, unlike oil under the ground, are not an Arabian natural resource, and in any case were built entirely with foreign capital.

The American owners of Aramco, meanwhile, have been trying to mend their fences in the Middle East by offering a package deal that would split pipeline earnings with *all* countries through which their lines pass, and asking the individual states to allot the proceeds among themselves. So far this proposal remains hanging in mid-air, since the states can't agree on how to divide the spoils. "Whether or not this was just what the American companies intended when they put up their plan," one oil expert told me, "at least they've shown by it that the unity of the Arab world is sometimes overrated."

Another unsettling attempt to "break the line" established by the big American enterprises occurred last year in Iran when an Italian state oil company, Enrico Mattei's AGIP Mineraria, offered the Iranians

all of seventy-five per cent participation in profits in case oil was brought in on the concession granted. The deal, an extremely complex one, provides, however, for no customary "bonus" payment simply for the right to prospect, and also requires the Iranians themselves to pay half the cost of operation until a discovery is made. Still, many western oilmen are shaking their heads over the implications.

The Jugular Vein

To add to the pressures building up on the major established western oil companies, Sheik Tariki has asserted that for any future pipelines, ownership as well as operation should be vested in the Arab governments themselves. For western ears he remarks shrewdly that once those governments themselves have an immediate responsibility for the lines, unpleasant affairs such as the recent cutting of the trans-Syrian arteries will be prevented. Yet western oilmen, whose past few years in the region have made them increasingly suspicious, are inclined to reply that what Tariki and his friends are really after is to get their hands on the valves and thus be able to determine how much oil goes out, when, to whom, and at what price.

Lebanon is a mere "transit" country—a have-not land in Middle Eastern terms—but last fall its delegation to the United Nations General Assembly presented a proposal drawn up by Emile Bustani, a member of the Lebanese parliament and a pipeline builder, under which five per cent of all joint oil profits would be turned over to an "Arab oil investment bank" that would help the have-nots as well as the haves. Again the finger was on western operators whose wells have enriched some countries but whose pipelines have failed to enrich others.

In November, Arab oilmen met in Baghdad to consider a scheme for financing future Middle Eastern pipelines with their own governments as the only stockholders, and there is shortly to be a further meeting on the subject in Cairo. Presumably it will consider the urgent point of how a have-not land is to finance the huge cost of a pipeline with very little money in the bank and even less stability to offer investors in its securities.

Who Gets the Profit?

No one doubts that for the investor who got in at the right time on the right oil field, the returns have been huge. (We tend to forget, of course, those who got in on the wrong field.) The question now is how long this division of the rewards of risk is to remain the same, with whom it will have to be split, and on what terms. It may be that oil-company profits may ultimately have to be reduced in order to achieve two fundamental needs—consistent supply to the West at a reasonable price and the strengthening of the whole Middle East economy. King Saud naturally wants to advance his own régime, while Standard Oil of New Jersey inevitably feels a prime responsibility to its own stockholders. Yet every decision that either King Saud or Jersey Standard takes has its effect increasingly and inevitably on the balance of international politics.

At this moment, thirty-six-gravity crude oil delivered to a tanker at a Persian Gulf port like Ras Tanura brings what is called a "posted price" of $2.08 a barrel. (Prices are "posted" by the various producers for various ports of the Gulf and arrived at without formal agreement, very much as the price for rolled steel at home is arrived at.) This $2.08 is what Aramco's parent companies (Standard of New Jersey, Socony Mobil, Standard Oil of California, and the Texas Company) pay at dockside to Aramco, which in turn pays King Saud half of what it earns. Figures on precisely how much Aramco takes in and what its costs are are never published, since as a wholly owned subsidiary Aramco is not required to issue financial statements. But while this reticence has added to the air of mystery surrounding our Middle Eastern oil empires, Aramco's actual gross earnings are not hard to discover. They are the same as what partner King Saud gets in annual tribute from the Americans—in short, about $300 million last year. On a total flow of some 360 million barrels of crude delivered to shipside, profits for 1957 have been estimated at more than $1.60 a barrel. In any case the total year's take for both sides involved in our Arabian concessions comes to about $600 million—a figure which closely approaches the total capital investment of $600-$650 million originally put into the venture by Aramco's four American sponsors, with nary a penny from King Saud.

PAUSE A MOMENT more over this question of money. Suppose a western buyer prefers not to pay the cost of sailing his tankers around into the Persian Gulf to pick up Aramco's crude at $2.08. He can pick it up nearer home at the Lebanese port of Sidon on the Mediterranean, where he pays a "posted price" of $2.59 for it. The "differential" of fifty-one cents represents the Tapline charge for running that oil overland to the nearer outlet. Now, the actual cost of putting that oil through Tapline averages about twenty cents—which means that the profits on the pipeline alone run to thirty cents a barrel or better. At the present daily run of 300,000 barrels or more, one single day's earnings on Tapline can run to ninety thousand dollars—or, on a yearly rate of, say, one hundred million barrels, an annual profit of $30 million. All of this goes, undivided, to Aramco's parent companies. Since the seven-year-old line originally cost something over $200 million to build, the present yield is a handsome fifteen per cent on investment.

And what did it actually cost to produce that oil run over those pipelines and sold so profitably at tankerside? Here we run into complexities and obscurities of accounting that defy comprehension. Questions of length of amortization of investment, of depletion of reserves, of the chargeability of one enterprise that "came in" against others that did not, all enter into it. International oil companies remain at bottom highly speculative enterprises, continually throwing in fresh millions to prospect and tap new sources as others threaten to decline, and no two experts (least of all tax experts) can quite agree on how to figure and prorate "net cost" on maintaining any one proven field. Some experts today judge that Aramco's actual operating cost for delivering a barrel of crude to the Arabian Gulf coast runs as low as twenty cents. Others cry out that this is a wholly wrong-headed way of figuring costs, that the true figure should be nearly twice that amount. In any case, as one Aramco official concedes, the genius of Arabian oil is that there is so much of it that it can be produced very cheaply when in large demand. This of course presumes the continuity of demand, which is hardly in doubt. What arouses the customers to talk back, given all that supply, is the continuity of a stiff price.

The American consumer, buying crude oil for his heating unit at home at a set price of fifteen cents a gallon, becomes startled when he does some figuring and calculates that at this rate he is paying at retail $6.30 a barrel for oil that may have been loaded into New York-bound tankers in the Persian Gulf at $2.08, after Aramco and King Saud got their cut.

The Ships Must Have Oil

The paradox of overabundant fuel supply at one end and urgent need for it on the other—or what is perhaps more important, the need for assurance that the supply will continue—underlies all our dealings over Middle Eastern oil, and therefore with the Middle East generally. Two classic contrasting approaches have been made to it—one American, the other British. The British, first-comers in the region, wedded governmental, diplomatic, and commercial considerations in their pursuit of Middle Eastern partners and dependents. American efforts, on the other hand, have tried studiously to keep these apart. The British built business enterprises in the area that were frankly tied to imperial policy and strategic considerations. We, on our side, have let business enterprise grow without the guidance—and eventually the assistance—of a government policy. The question before us now seems to be whether Middle Eastern commerce and policy can actually be kept apart. The British have said "No"; we go on saying, in effect, "Yes." Now that Americans have taken over from the British as the West's dominant political representatives in the Middle Eastern area, the issue is whether we have inherited British strength or only British liability, or have come up with some new and hopeful schemes of our own.

The British way in the Middle East has been to intermingle matters of property with those of sovereignty in a way that many Americans look upon as devious. Above all, the British wanted control of their imperial lifelines—a straightforward aim, even though Americans might find it unsympathetic. So a century before oil was discovered in the Arab Peninsula, the British set up "protectorates" over primitive coastal sheikdoms, paying off the chieftains to put an end to piracy and become Queen Victoria's well-behaved political satellites.

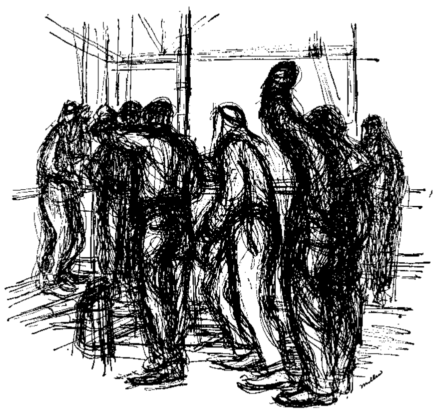
Then oil was found in the Middle

Eastern lands and British policy took a fresh turn. It would not do, said Whitehall, to let the local rulers manage it on their own in a loose partnership, while Britain's far-traveled navy needed the new fuel in its process of converting from coal. So in 1914 Winston Churchill, then First Lord of the Admiralty, prevailed upon the British government to buy the dominant and controlling interest in Persian oil concessions, thereby putting the British government straight into the oil business, where, in spite of Mossadegh's flurry of six years ago, it has remained to this day.

Churchill was not dreaming of developing the area, of advancing it socially, of building schools and railroads and harbors, or even of providing a bonanza to investors. He was thinking only of fuel for His Majesty's ships.

THE AMERICAN APPROACH has been of quite another order. Until very recently, the United States government has pursued a policy of nonengagement and noninterference in the area, looking upon the Middle East as Britain's own political and oil preserve—and being encouraged by London so to look upon it. Meanwhile the American oil companies have been moving into the area on their own, making private deals with desert chieftains, and then, as their enterprises flourished, launching massive programs for extending and consolidating their holdings. The British have dealt from government to government; the American dealings, on the other hand, have been between private corporations and foreign governments—a situation that puts our oilmen at some disadvantage, since they are dealing in private-property terms with foreign sovereign powers that may treat with them and profit from them but that still retain ultimate control over anything found and built within their domains.

Some critics, bandying about such words as "oil cartel" and "monopoly," have argued that there has actually been far too close a tie between American oil companies and our government in the Middle East. Some see this business "monopoly" as dominating our official policy; others, more familiar with past European experience, see the "monopoly" as the extension of our government's policy by other means. Both criticisms come down to the same thing: too much collaboration and collusion with the government—as well as with the British. But in fact, the more closely you look at the picture of American interests in the Middle East, the more you find that (a) there is really no one monopoly at work, (b) there is no solid link between the American government and American oil companies, (c) there certainly isn't a record of intimate fellowship



with British fellow exploiters, and (d) there isn't, in fact, any record of mutual support of governmental and private interests such as would serve to make public and private areas of responsibility clear and complementary. Our own record has been one of private oil companies increasingly reaching decisions and making political policy on their own—the State Department meanwhile standing back and saying, as it did in the course of the Suez crisis, that it would not even insist on the sanctity of international business contracts. "Unless the State Department does back us," one American oilman asked, "just how do you expect us to go on doing a business we can be sure of?"

The Missionary Spirit

Direct American participation in the oil dealings of the Middle East began in the 1920's when geologists of the Standard Oil Company of California began prospecting in Arabia, where other geologists had insisted no commercial oil could be found. When they were proven right and the earlier geologists wrong, a major power struggle began with British-controlled enterprises that were engaged in Iran, in the former Mesopotamia, and later in the coastal sheikdoms around the Persian Gulf. The British still looked upon themselves as traditional political "protectors" of the area, while the Americans saw themselves as the private insurgents, the risk-takers come what may, and, not least, as the missionaries. Aramco's ventures in particular involved a uniquely American approach of remaking whole sections of the Arabian Desert with new towns, schools, hospitals, ports, irrigation projects, even government buildings, and training a generation of young tribesmen to become mechanics, clerks, plant foremen, and engineers.

This inevitably produced political and social upheaval in a desert kingdom that had not changed its nomadic ways since the time of the Prophet. The Americans undertook the job—but ducked much of the responsibility. On one occasion during the late war, when because of the unavoidable interruption of traffic King Ibn Saud's demands for funds far exceeded the curtailed royalties he was then getting, and when American oilmen brought the matter to the attention of the President, Mr. Roosevelt wrote to Jesse Jones, head of his Federal Loan Agency, the following classic message: "Jess—Will you tell the British I hope they can take care of the King of Saudi Arabia. This is a little far afield for us!"

But the American economic and social intervention in the Middle East soon made the disclaimer ludicrous, although its form was preserved. The form, in turn, rubbed off on the substance in a way that again is uniquely American. Some years ago Eugene Holman, then president of Standard Oil of New Jersey, perhaps the most expansive of American companies to go in heavily for Middle Eastern oil, declared that a foreign government which lets oil concessions has a right to expect "that an adequate participation in the proceeds from the enterprise should accrue to the Government; that operations shall be so conducted as to contribute to the domestic economy of the nation; that domestic demands for oil shall be fully satisfied before any oil is exported; that development and production proceed in an orderly manner with no avoidable waste of the natural resource"—and so forth.

Too Much Oil

This principle of profit sharing in the Middle East has become routine, if not notably stable. With American money and enterprise the oil has been found, brought in, and much of its largess divided. But now the pioneering days of exploration and development are over; the oil is in, the ports and refineries are built, and the only risk that now remains is not economic but political. In our fathers' times, prospectors like the famed veteran James Terry Duce of Aramco went forth into Bedouin camps to stake out oil drillings among the unpromising sands. Ten years ago when the first great American oil strikes had just been brought in on the peninsula, Mr. Duce, the Lawrence of Arabia of the oil business, is said to have reached the conclusion that "There is simply too much oil in the Persian Gulf. Unfortunately for us, we have found so much that the rest of the world will never let us exploit it as a simple commercial undertaking."

"Terry has always been up in the clouds," a veteran of Duce's days has remarked. "Yet the old boy's statements have a way of coming true."

In 1952, Terry Duce made another statement: "I believe myself in fact that the oil industry should in the various countries in which it works be the first servant of the state, and that in its local development it should bear in mind first the interests of the country in which it works."

There is in fact too much oil in the Middle East—and too little of it elsewhere—to allow any single group or groups to have absolute control over it. Which are the various groups bidding for control? First there are the producing states, which want high production, at a high price, and the highest possible share of the proceeds. Then there are the "transit" countries, which also want the highest possible revenue on oil passing across their territory. Next there are the international oil companies themselves, which must be able to predict world demand as well as price in order to scale their operations, and which furthermore have to deal with rivalry by home producers as well as increasing demands for cuts by the Arabs. Then come the stockholders of the western companies, who demand the maximum return on their investment. Finally come the nations of western Europe with their own demand for an assured, continuous supply of oil at a price they can afford. Whatever the big oil companies do at this point affects the whole western alliance.

Which Way Out?

Many proposals for extending the benefits of Middle Eastern oil wealth have been thrown on the table by various hands. Among others, Anthony Nutting of Britain and Emile Bustani of Lebanon have said that gains for the Middle East should be higher—but that these should be distributed in a way that will benefit all the peoples of the Middle East rather than just a few. The prosperity of the Middle East and its attachment to the West, it is argued, cannot be reckoned in terms of the prosperity of a few oil producing states. But any plan for extending the ownership and control of Middle Eastern oil and its vital supply lines must include guarantees against expropriation, nationalization, or blockage under any other name. It is this,

again, that gives pause to the leaders of oil empires. How good is a guarantee from Syria, say? How good was Britain's from Mossadegh's Iran?

Yet until such time as we have cheap nuclear power, the oil has got to get through. Secretary of State Dulles has advocated fleets of supertankers—a proposal criticized as more likely to aid shipowner Aristotle Onassis than the surrounding world. The real problem is to get oil through on a steady and predictable basis, and at a price that isn't a holdup.

There has recently been some talk, even within the big oil companies, about setting up a supranational authority to extract and sell Middle Eastern oil and adjudicate its profits so that there may be both dependable supply and fair return. The proponents of this plan point to the European Coal and Steel Community.

This solution, which would materially modify sovereignty all around, may not sit well in an area that has only just discovered sovereignty. But the Middle East has recently made another important discovery—the interdependence among its own producing and transit states and its economic ties with outside consumer states.

For the western oil companies, meanwhile, there is the paradox that the more their life has changed from its early days of adventure to a sheer routine of pumping out the oil, the more complex and urgent their problems have become. They know that the more they supply of the world's critical oil and the richer they grow, the more they are challenged and the nearer they approach the day when their own status must change. Some oilmen speak privately—and certainly not for publication—of the need for increasing "partnership," "shared control," a "common market," and even "trusteeship" of the region's oil reserves for the good of all interested parties, from producers to consumers and including all governments that are directly concerned with the area.

But when you say "interested parties," how can you exclude the Soviet Union? Again the problem is lack of a clear policy. But unless we can limit the Russians' success in exploiting Arab nationalism, we ourselves are going to have little success at working out an acceptable international solution to the Middle Eastern oil crisis.

Buraimi: A Study In Diplomacy by Default

BUSHROD HOWARD, JR.

LAST SUMMER, on August 20, the United Nations Security Council debated for four hours the charge signed by eleven Arab nations that Britain had violated the U.N. Charter in helping the Sultan of Muscat put down a rebellion by the followers of the Imam of Oman. At the final vote, which rejected the complaint, the United States abstained, declaring that it did not have "sufficient" information to vote one way or the other. The record suggests, however, that the State Department had, if anything, too much information. What it had lacked all along was the will to make a stand.

A review of what led up to last summer's vest-pocket war in Oman suggests that the practice of diplomacy by default can be very costly to all concerned—in this case to the American oil companies, to the prestige of the United States government, and to British-American relations in the Middle East.

The fighting itself took place in a region of uncertain sovereignty and even more uncertain boundaries that has traditionally formed part of the chain of British Protected States along the Persian Gulf and the Indian Ocean. The nominal adversaries were the Sultan of Muscat and Oman, sovereign of the sparsely settled coast stretching from the Persian Gulf to the Aden Protectorate, and the rebellious Imam of Oman, a religious leader who is now claiming the mountain lands lying just inland from the coast. The British maintain that Oman comes under the suzerainty of Muscat, while the Arab League and Saudi Arabia have recently preferred to consider it an independent state. Ostensibly the fighting was the latest explosion of the long-standing boundary disputes between Saudi Arabia and the British-protected Persian Gulf states. More importantly, however, it was a struggle between American and British oil interests.

The concept of national boundaries is new to the Arabian Peninsula, whose empty sands and salt wastes have discouraged permanent occupation. But the unification of the peninsula under the late Ibn Saud in 1927, the discovery of oil in Bahrein in 1932, and the grant of the first American oil concession by Saudi Arabia in 1933 made the determination of boundaries a necessity. Accordingly, throughout the 1930's the Saudis and the British (acting on behalf of their Arab wards) made a determined if leisurely effort to negotiate the eastern boundaries of Saudi Arabia and the Persian Gulf states. These negotiations were not successful, but it was

thought that they had at least defined the area in dispute. This area was bounded on the south by the Ryan Line, which represented the maximum territory the British were then willing to concede to the Saudis. The northern boundary of the area, called the Fuad Line, represented the maximum territory then claimed by Saudi Arabia. All subsequent maps showed either one or both of the lines, and Saudi schoolbooks, the California and Texas companies' concession map of 1939, and all Aramco maps as late as 1948 showed the Fuad Line alone as the Saudi boundary.

As sole concessionaire in Saudi Arabia, Aramco understandably took a lively interest in King Saud's efforts to extend his kingdom. By the same token, the Iraq Petroleum Company, which holds all the concession rights in the Persian Gulf states south of Bahrein, took an equally lively interest in blocking such efforts. Ownership of Aramco is wholly American, divided among Standard Oil of New Jersey, Standard of California, and the Texas Company (thirty per cent each), and Socony Mobil (ten per cent). I.P.C. is British-managed and -controlled but internationally owned—23.75 per cent each by British and French government companies, Royal Dutch Shell, and the American-owned Near East Development Corporation (a joint interest of Standard of New Jersey and Socony Mobil). The remaining five per cent is held by the trust of the late C. S. Gulbenkian.

Mr. Young Goes to Dhahran

The first sign of trouble ahead came in 1948 when Aramco surrendered all its rights in the Kuwait-Saudi Arabia Neutral Zone at the head of the Persian Gulf in return for oil rights to all other offshore areas of Saudi Arabia. To determine the extent of Saudi offshore rights, Aramco retained Judge Manley Hudson of the Harvard Law School, who sent his assistant, Richard Young, to Saudi Arabia to undertake the task. When the Saudi government heard that Young was in Dhahran, it asked to be allowed to consult him. Aramco promptly agreed. In early 1949, Saudi Arabia issued a proclamation defining its territorial waters (a definition that the United States government protested was too sweeping) and asserting claims to the mineral rights in the adjacent high seas of the Persian Gulf.

Not satisfied with this, later in 1949 the Saudis made a claim to most of the land area between Qatar and Buraimi, which included a good chunk of the sheikdom of Abu Dhabi, another British Protected State, and two hundred miles of