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APPENDIX C

Foreign Office Memorandum  
of 23 July 1953  
from British Ambassador Makins  
to  
Assistant Under Secretary of State Smith

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"Her Majesty's Government have noted the State Department's views as got out in a report on the conversation between Mr. Byroade and Mr. Bealey on 7 July, and have much sympathy for them.

"The overriding consideration is that the whole question of compensation must be left to the impartial arbitration of an international tribunal. Furthermore the terms of any future arrangements must be such as not to appear to provide a reward for the tearing up of contractual obligations or to disturb the pattern of world oil prices. Subject to this Her Majesty's Government are prepared to go to the utmost to help...with the problem of presenting an agreement to the public' locally. They are also convinced that the Company, who have not been consulted, will adopt a generous attitude as regards methods and duration of payments as regards any compensation awarded to them.

"The answers therefore to the specific questions raised in the report from Washington Embassy are as follows:

"(a) The United Kingdom can do without this oil, although it would be an advantage to have it flowing into its traditional markets [the UK] once more.

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Her Majesty's Government are, however, anxious to dispose of the dispute which poisons their relations with the country concerned and is a disturbing element in the area as a whole. They would therefore 'be ready to cooperate' with a new government in trying to reach an agreement, provided that the principles referred to in paragraph 2 above are safeguarded.

"(b) Her Majesty's Government take the wording of the plan to mean that the initiative would be left to the future Prime Minister both as to the priority of an oil agreement in relation to his general programme and as to the nature of it. They hope he would agree to look at the February proposals, and they would of course 'help him in regard to the presentation of the agreement.' If he had any alternative proposals, Her Majesty's Government would consider them with equal sympathy, subject always to the principles mentioned above being safeguarded."

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