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TELEGRAM



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Authority NND 969000
By BW NARA Date 5-31-02

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PAGE 01 TEHRAN 00301 01 OF 02 191624Z

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Tehran 301
1-19-71

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ACTION SS-45

INFO OCT-01 CCO-00 SSO-00 NSCE-00 /046 W

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O P 191510Z JAN 71
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC IMMEDIATE 3252
AMEMBASSY LONDON
AMEMBASSY KUWAIT
INFO USMISSION EC BRUSSELS PRIORITY
AMCONSUL DHAHRAN
AMEMBASSY THE HAGUE
AMEMBASSY JIDDA
USMISSION OECD PARIS
AMEMBASSY PARIS
AMEMBASSY TRIPOLI

~~SECRET~~ SECTION 1 OF 2 TEHRAN 301

KUWAIT FOR UNDERSECRETARY IRWIN

OECD FOR TREZISE

SUBJ: OIL SITUATION: BRIEFING OF CONSORTIUM NEGOTIATORS

REF: (A) STATE 008901; (B) TEHRAN 279

1. I MET AT NOON JAN 19 WITH CONSORTIUM NEGOTIATORS (LORD STRATHELMOND AND PIERCEY), VAN REEVEN (CONSORTIUM TEHRAN) AND UK, FRENCH AND DUTCH AMBASSADORS TO BRIEF THEM CONFIDENTIALLY ON WHAT WE HAD PICKED UP RE IRANIAN VIEWS IN TALKS UNDER SECRETARY HAD JAN 18 WITH SHAH AND FINANCE MINISTER AMOUZEGAR. I DREW SUBSTANTIALLY ON REFTEL (B) FOR DETAILS OF IRANIAN VIEWS, EXPRESSING CONVICTION THAT COMPREHENSION ON PART OF SHAH AND HIS MINISTERS RE COMPLEXITY OF PROBLEMS INVOLVED AND REASONS FOR USG CONCERN HAD BEEN GREATLY INCREASED AS RESULT OF UNDER SECRETARY'S VISIT, WHICH I THOUGHT RESULTED NOT ONLY IN BETTER UNDERSTANDING HERE BUT ALSO IMPROVED

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June 21, 2006



Department of State

TELEGRAM

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PAGE 02 TEHRAN 00301 01 OF 02 191624Z

GENERAL ATMOSPHERE. ALSO TOLD THEM OF UNDER SECRETARY'S PRESENTATION OF DIFFICULTIES OUR ANTI-TRUST LAWS PRESENTED FOR US COMPANIES DUE TO FACT THEY COULD NOT CONSULT TO DEVELOP A COMMON POSITION UNTIL DEPT. OF JUSTICE HAD GIVEN CLEARANCE FRIDAY. HENCE NEED FOR SOME PATIENCE AND AVOIDANCE ANY ARBITRARY DEADLINES.

2. FOLLOWING ARE SALIENT POINTS THAT WERE DISCUSSED BY CONSORTIUM MEMBERS DURING BRIEFING:

(A) I TOLD THEM OF IRAN INSISTANCE THAT EFFECTIVE DATE OF ANY AGREEMENT BE EARLY IN JAN. 1971 AND MY OWN RECOMMENDATION THAT COMPANIES MAKE THIS CONCESSION EARLY IN DISCUSSIONS AS IT MIGHT LESSEN PRESSURE IF NEGOTIATIONS HAD TO LAST LONGER THAN OPEC GROUP ANTICIPATED. STRATHELMOND MADE NO COMMENT BUT PIERCEY'S FIRST REACTION WAS TO REJECT IDEA OF ANY SUCH DATE AS "IMPOSSIBLE". I GAVE HIM MY PERSONAL VIEW THAT IF CONSORTIUM WAS GOING TO GET AN AGREEMENT SHAH WOULD INSIST ON JAN EFFECTIVE DATE FOR SUCH AGREEMENT.

(B) IN REPLY TO MY STRESSING THAT OPENING MEETING WITH OPEC SUBCOMMITTEE THIS AFTERNOON COULD BE OF CRITICAL IMPORTANCE TO SUCCESS OR FAILURE OF NEGOTIATIONS, BOTH STRATHELMOND AND PIERCEY AGREED THEY WOULD HAVE IRANIAN ATMOSPHERICS IN MIND AND WOULD DO UTMOST TO HANDLE DISCUSSIONS IN WAY TO AVOID ADVERSE REACTIONS OR RAISING DOUBTS IN OPEC REPS MINDS AS TO SINCERITY AND SERIOUSNESS OF PURPOSE OF COMPANIES.

(C) IN CONNECTIONS WITH (B) ABOVE, I MENTIONED THAT IF CONSORTIUM NEGOTIATORS AGAIN SAID (AS DID CONSORTIUM JUNIOR REPS ON JAN 12) THAT THEY WERE NOT IN POSITION TO "NEGOTIATE," FAT WOULD BE IN FIRE. STRATHELMOND SAID THAT WHILE THEY WERE NOT EMPOWERED BY COMPANIES

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Department of State

TELEGRAM

PAGE 03 TEHRAN 00301 01 OF 02 191624Z

TO SAY THEY THEY WERE IN TEHRAN TO NEGOTIATE,
(THEY COULD SAY "DISCUSS"), HE FELT THEY
COULD HANDLE THIS DEFTLY IN MANNER WHICH
WOULD NOT GET OPEC'S HACKLES UP. PIERCEY
ALSO CONVINCED WHILE THEIR INSTRUCTIONS WOULD
NOT PERMIT THEM TO BE CATEGORIC ON THIS
SCORE THEY COULD MAKE CLEAR THEY WERE FULLY
EMPOWERED TO DISCUSS DETAILS AND THEY EMPHASIZED
THEY WOULD NOT PERMIT DIFFICULTIES ON THIS
SCORE TO RESULT IN SUSPENSION OF TALKS. THEY
ALSO SEEMED TO UNDERSTAND THEY COULD NOT
PULL OUT AS EARLIER LOWER LEVEL GROUP HAD DONE
AFTER JAN 12 MEETING AND SEEMED RESIGNED TO
STAYING ON TILL CONCLUSION OF TALKS UNLESS
OTHERWISE MUTUZZLY AGREED WITH OPEC GROUP.

(D) I ADVISED THEM THAT SECSTATE AND CALLED
MCCLOY AND GIVEN HIM SUMMARY OF OUR DISCUSSION
WITH IRANIANS AND HAD SUGGESTED COMPANY REPS
BE DESIGNATED AS "NEGOTIATORS." SECSTATE
HAD ALSO EXPRESSED VIEW COMPANIES WOULD BE WELL-
ADVISED TO NEGOTIATE WITH GULF PRODUCERS WITH
PARALLEL NEGOTIATIONS WITH LIBYANS. NEGOTIATORS
COMMENTED THAT 15 COMPANIES WERE COMMITTED
TO NEGOTIATE COMPREHENSIVE DEAL WITH OPEC
COUNTRIES. THEY WERE PRESENTLY FACED WITH
IRANIAN PROPOSITION WHICH, WHILE SUPERFICIALLY
ATTRACTIVE, WOULD RESULT IN AGREEMENT WITH
GULF PRODUCERS RATHER THAN ALL OF OPEC.
THIS WOULD BE REVERSAL OF THEIR FORMAL POSITION
IN INDUSTRY STATEMENT THAT COMPANIES WERE
COMMITTED TO COMPREHENSIVE DEAL WITH ALL
OPEC MEMBERS. I POINTED OUT AGAIN AS I HAD
IN INITIAL BRIEFING THAT I BELIEVED GULF
MEMBERS INCLUDING IRAN WOULD READILY

AGREE TO SINGLE AGREEMENT COVERING ALL OPEC
MEMBERS BUT PROBLEM WAS THAT IT WOULD BE
HIGHEST COMMON DENOMINATOR AND MOST EXTREME
DEMANDS OF RADICAL OPEC MEMBERS WOULD PROBABLY
PREVAIL. WHILE PIERCEY SEEMED QUITE FIXED
ON IDEA THAT COMPANIES SHOULD SIGN NO

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Authority NND 969000
By EW NARA Date 5-31-02



Department of State

TELEGRAM

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EXDIS
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PAGE 04 TEHRAN 00301 01 OF 02 191624Z

RPT NO AGREEMENT WITH IRAN UNTIL THERE HAD
ALSO BEEN AN AGREEMENT WITH LIBYA WHICH MIGHT
BE DIFFERENT THAN GULF AGREEMENT. STRATHELMOND
SHOWED A BIT MORE FLEXIBILITY AND RECOGNIZED
THAT COMPANIES SHOULD AT LEAST CONSIDER WHETHER
A FIRM AND DEPENDABLE AGREEMENT
WITH THE GULF PRODUCERS (BEFORE AGREEMENT
CONCLUDED WITH LIBYA) MIGHT CUT GROUND OUT
FROM UNDER ALGERIAN AND LIBYAN BLACKMAIL
AND IF COMPANIES DID NOT AGREE TO THEIR
MACARTHUR

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Department of State

TELEGRAM



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PAGE 03 TEHRAN 00301 02 OF 02 191632Z

TERMS OF OBSESSION IRANIANS HAVE THAT COMPANIES WILL ARBITRARILY INCREASE THEIR PROFITS AT EXPENSE OF BOTH PRODUCERS AND FINAL CONSUMERS.

(G) STRATHELMOND, PIERCEY AND VAN REEVEN EXPRESSED DEEP APPRECIATION FOR HAVING BEEN SO THOROUGHLY BRIEFED ON ATMOSPHERE AND POSITIONS THEY WOULD FACE IN THE TALKS WHICH BEGIN THIS AFTERNOON. THEY SAID IT WOULD HELP THEM GREATLY TO HANDLE DISCUSSIONS IN A WAY BEST DESIGNED TO AVOID RUFFLING OPEC FEATHERS AND THUS COMPROMISING FUTURE COURSE OF DISCUSSIONS AT OPENING TALKS TODAY. WE BELIEVE IT WAS A USEFUL EXERCISE AND WAS GENUINELY APPRECIATED. UK, FRENCH AND DUTCH AMBASSADORS ALSO WARM IN THANKS FOR BRIEFING. FOREGOING COMPANY REPS AND AMBASSADORS ALSO OF BELIEF THAT UNDER SECRETARY'S TRIP HERE HAD COME AT MOST OPPORTUNE MOMENT. CONFIDENTIALLY, WE HAD IMPRESSION THAT PIERCEY, WHILE OBVIOUSLY EXTREMELY CAPABLE MAN, SEEMS SOMEWHAT MORE RIGID AND INFLEXIBLE IN HIS VIEWS THAN DID LORD STRATHELMOND.
MACARTHUR



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