

DECLASSIFIED PA/HO Department of State E.O. 12958, as amended June 21, 2006



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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.

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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) ABOVED I MENTIONED THAT IF CONSORTIUM NEGOTIATORS AGAIN SAID (AS DID CONSORTIUM JUNIOR REPS ON JAN 12) THAT THEY WERE NOT IN POSITION TO "NEGOTIATED" FAT WOULD BE IN FIRED STRATHELMOND SAID THAT WHILE THEY WERE NOT EMPOWERED BY COMPANIES

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TELEGRAM

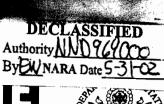
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TO SAY THEY THEY WERE IN TEHRAN TO NEGOTIATE, (THEY COULD SAY "DISCUSS"), HE FELT THEY COULD HANDLE THIS DEFTLY IN MANNER WHICH WOULD NOT GET OPEC'S HACKLES UP: PIERCEY ALSO CONVINCED WHILE THEIR INSTRUCTIONS WOULD NOT PERMIT THEM TO BE CATEGORIC ON 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 MUTUZKLY 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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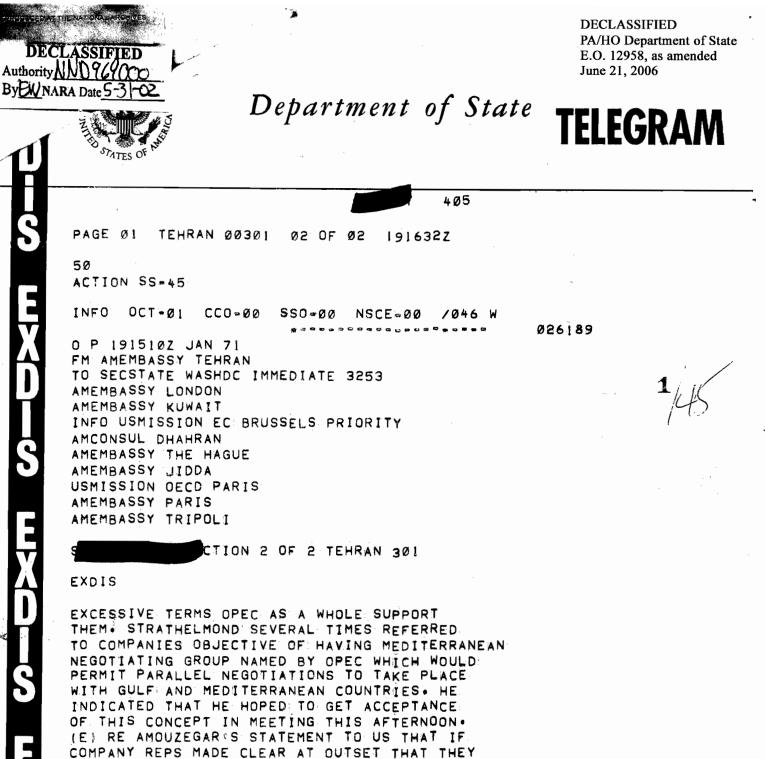
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RPT NO AGREEMENT WITH IRAN UNTIL! THERE HAD ALSO BEEN AN AGREEMENT WITH LIBYA WHICH MIGHT BE DIFFERENT THAN GULF AGREEMENT? STRATHELMOND SHOWED A BIT MORE FLEXIBILITY AND RECOGNIZED THAT COMPANIES SHOULD AT LEAST CONSIDER WHETHER A FIRM AND DEPENDABLE 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

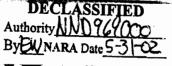


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OF THIS CONCEPT IN MEETING THIS AFTERNOON. (E) RE AMOUZEGAR'S STATEMENT TO US THAT IF COMPANY REPS MADE CLEAR AT OUTSET THAT THEY WERE HERE TO NEGOTIATE AND NEGOTIATIONS ACTUALLY BEGUN, AMOUZEGAR WILLING RECOMMEND POSTPONEMENT OF JAN 23 FULL OPEC MEETING, THERE SEEMED SQME DIFFERENCE OF VIEW BETWEEN STRATHELMOND AND PIERCEY ON DESIRABILITY OF POSTPONEMENT OF JAN 23 FULL OPEC MEETING. PIERCY'S VIEW WAS JAN 23 OPEC MEETING MIGHT BE GOOD IF IT IS CALLED FOR THE RIGHT REASON (I.E. NOT THAT NEGOTIATIONS HAVE BROKEN DOWN BUT RATHER THAT COMPANIES HAD MADE AN OPEC WIDE

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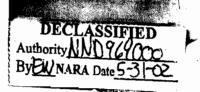
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OFFER TO NEGOTIATE. THIS MIGHT RESULT IN CREATION OF A MEDITERRANEAN AS WELL AS GULF COMMITTEE SO NEGOTIATIONS COULD GO FORWARD IN PARALLEL). STRATHELMOND, ON OTHER HAND, AGREED IT WOULD BE NICE IF IT WORKED OUT THAT WAY ALSO RECOGNIZED THAT THERE WERE DANGERS IN THAT RADICAL COUNTRIES MIGHT PRESS FULL OPEC MEETING TO UP DEMANDS CONTAINED IN OPEC RESOLUTION-120, PARTICULARLY INSOFAR AS RETROACTIVE AGREEMENTS, INCREASED TAX RATES AND FORCED INVESTMENT CONCERNED. I STRESSED AMOUZEGAR WOULD PROBABLY HAVE TO KNOW SCORE BY TOMORROW AFTERNOON IF HE WERE TO SEEK POSTPONEMENT OF JAN 23 FULL OPEC MEETING. (F) BOTH OPEC NEGOTIATORS WERE RATHER SHAKEN BY SHAH AND AMOUZEGAR'S ASSERTION TO US THAT PRODUCERS WOULD ONLY AGREE TO STABILIZE PRICES FOR FIVE-YEAR PERIOD IF COMPANIES AGREED NOT TO PASS ON "UNWARRANTED PRICE INCREASES" TO CONSUMERS. I HAD EXPLAINED THAT AMOUZEGAR ALSO MADE CLEAR THAT ARRANGEMENTS COULD BE MADE SO THIS WOULD NOT APPLY TO LEGITIMATE INCREASE IN COMPANY'S ACTUAL COSTS STEMMING FROM INCREASED WAGES, ETC+ AND ALSO AMOUZEGAR'S: THOUGHT THAT COMPANY DESIRES FOR PRICE INCREASES COULD BE REFERRED: TO SOME: MUTUALLY AGREED IMPARTIAL BODY TO ASCERTAIN WHETHER THEY WERE JUSTIFIED. PIERCEY TOOK VIEW THAT SUCH PROVISION COULD BE USED BY GULF PRODUCERS TO JUSTIFY INCREASING THEIR OWN PRICES THUS MAKING FIVE YEAR MORATORIUM INCREASE IN PRODUCERS PRICES VIRTUALLY WORTHLESS. STRATHELMOND, ON OTHER HAND, SAID THAT THIS WAS VERY COMPLICATED MATTER AS ANY SUCH AGREEMENT WOULD HAVE TO PROTECT THE COMPANY AGAINST MANY THINGS IN ADDITION TO WAGE INCREASES. FOR EXAMPLE, NEED TO WRITE OFF COMPANY INVESTMENTS, ETC. I COMMENTED: COMPANIES WOULD CERTAINLY FACE THIS PROPOSAL. IT WAS ONE WHICH WE HAD IMPRESSION THAT SHAH FELT VERY STRONGLY ABOUT NOT SO-MUCH IN TERMS OF JUSTIFIED INCREASES BUT IN.

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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 BELLEF 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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