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AN OIL INDUSTRY TEAM PRESENTED THE OPEC OIL PRODUCING COUNTRIES A NEW OFFER IN GENEVA ON MAY 23 WHICH WAS REJECTED. THE PROGRESS IN THE OPEC TALKS COULD AFFECT THE OUTCOME OF THE CONSORTIUM'S NEGOTIATIONS.

IF OIL IS BROUGHT UP IN YOUR DISCUSSIONS WITH THE SHAH, I RECOMMEND THAT YOU:

- (A) EXPRESS YOUR UNDERSTANDING THAT BOTH SIDES ARE WORKING TOWARD AN EQUITABLE AND LONG-LASTING RELATIONSHIP.
- (B) EXPRESS SATISFACTION AT THE SUBSTANTIAL INCREASES IN IRANIAN OIL SHIPMENTS IN 1972 AND THE PROPOSED DOUBLING OF THOSE SHIPMENTS OVER THE NEXT FEW YEARS, WITH THE RESULTING INCREASE IN REVENUES FOR IRAN.
- (C) IF ASKED FOR SPECIAL ACCESS TO THE US MARKET FOR IRANIAN OIL, POINT OUT THE GREAT DIFFICULTIES THAT GRANTING SPECIAL ACCESS TO ONE COUNTRY WOULD CAUSE US IN OUR RELATIONS WITH ALL OTHER OIL EXPORTING COUNTRIES.
- (D) INDICATE THAT YOU ARE AWARE OF THE DISCUSSIONS BETWEEN THE NATIONAL IRANIAN OIL COMPANY AND SEVERAL PRIVATE US OIL COMPANIES REGARDING JOINT VENTURES IN THE CARIBBEAN AND THE US.

ATTACHMENT:

TAB A - APRIL 27 MEMORANDUM.

APRIL 27, 1972

MEMORANDUM FOR: THE PRESIDENT  
FROM: PETER M. FLANIGAN  
SUBJECT: POSSIBLE OIL DISCUSSION WITH THE  
SHAH IN TEHRAN

THE CONSORTIUM OF FOREIGN OIL COMPANIES CONTROLLING ALL PRODUCTION AND REFINING OF OIL IN IRAN IS CURRENTLY IN EXTENDED NEGOTIATIONS WITH THE SHAH. THE NEGOTIATING TEAM IS HEADED BY KEN JAMIESON, CHAIRMAN OF STANDARD OIL OF NEW JERSEY, EVEN THOUGH EUROPEAN COMPANIES CONTROL 67 1/2 PERCENT OF THE CONSORTIUM.

TO DATE THEY HAVE AGREED TO (1) RAISE LIFTINGS OF OIL FROM IRAN TO 8 MILLION BARRELS PER DAY BY OCTOBER 1976 (FROM APPROXIMATELY 4 MILLION B/D IN 1972); (2) CONSTRUCT A \$100 MILLION NATURAL GAS LIQUIDS PLANT; (3) CONSTRUCT A 200,000 B/D REFINERY AND GIVE THE EXISTING ABADAN REFINERY TO IRAN TO PROVIDE FOR DOMESTIC CONSUMPTION.

THE SHAH'S INITIAL INSISTENCE ON ACCESS TO THE U.S. MARKET HAS BEEN SUCCESSFULLY REFUSED BY JAMIESON. THE AGREEMENTS REACHED TO DATE ARE GOOD ONES FROM BOTH THE SHAH'S AND THE CONSORTIUM'S POINTS OF VIEW.

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IT IS ESSENTIAL THAT THE SHAH NOT BE ENCOURAGED IN HIS DESIRE FOR ACCESS TO THE U.S. MARKET FOR IRANIAN OIL. SUCH ACCESS WOULD MAKE OUR RELATIONS WITH OTHER PERSIAN GULF COUNTRIES, AS WELL AS WITH VENEZUELA, EXTRA-ORDINARILY DIFFICULT, AND WOULD MAKE IMPOSSIBLE THE ALREADY DIFFICULT TASK OF MANAGING THE MANDATORY OIL IMPORT PROGRAM. YOU DID INDICATE SYMPATHY FOR THIS POLICY TO HIM DURING HIS VISIT TO WASHINGTON IN 1969. IF THE SHAH BRINGS UP OIL RELATIONS, YOU MIGHT SAY THAT YOU ARE PLEASED TO HEAR PROGRESS IS BEING MADE IN THE DISCUSSIONS WITH THE CONSORTIUM. YOU COULD INDICATE PARTICULAR PLEASURE THAT THE CONSORTIUM'S PROJECTED LIFTING OF OIL FROM IRAN ON FAVORABLE TERMS WILL REACH BY 1972 THE MAXIMUM AMOUNT SUPPORTABLE BY IRAN'S CURRENT PROVED RESERVES. IF THE SHAH BRINGS UP ACCESS TO THE U.S. MARKET, YOU MIGHT POINT OUT THE GREAT DIFFICULTY THAT GRANTING ACCESS TO ONE COUNTRY WOULD CAUSE US IN OUR RELATIONS WITH ALL OTHER OIL EXPORTING COUNTRIES.

THE NEXT MEETING BETWEEN THE SHAH AND THE CONSORTIUM NEGOTIATORS WILL BE ON MAY 22, 24. JAMIESON WILL INFORM ME OF ANY SIGNIFICANT DEVELOPMENTS IN THOSE MEETINGS.

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