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

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Authority NND 35857  
 By AB NARA Date 7/15/01

GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

# Memorandum

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NEA, Off of Leb, Syria,  
 Iraq Affs, Reds relating to  
 Dr. Jor, Leb, Syr, 1969-72, IRAQ PET  
 Co, Petroleum-companies, 1972  
 Box 13 Lot file 75D,44

DATE: June 13, 1972

TO : NEA - Mr. Sisco

Thru: NEA - Mr. Davies *RD*

FROM : NEA:ARN - Talcott W. Seelye *TS*

SUBJECT: Essential Elements of IPC Nationalization Action

In taking a close look at the IPC nationalization and reducing it to its essentials in terms of key U. S. interests, I have come up with the following analysis:

## Immediate Effects on U. S. Interests

The IPC nationalization action by itself and thus far has had no appreciable effect on U. S. interests. It does not affect appreciably the U. S. balance of payments position; it does not hurt Western Europe by depriving it of oil; and it does not, at least for the moment, appreciably serve Soviet interests.

While it is difficult to estimate how much in the way of ESSO-Mobil profits have flowed into the U.S. annually from the IPC operation, the annual amount is a very small portion of the some \$2 billion which is annually repatriated altogether by U. S. oil companies. With regard to Western Europe, only ten per cent of its consumption on an average, comes from Iraq, and only six per cent is drawn from the nationalized Kirkuk fields. This loss can easily be made up by other oil producing countries, especially Iran. As for the Soviets, they are presumably not keen to have IPC deprived of its European markets because the Soviet Union cannot make up the difference and it is in Soviet interests to assure an economically healthy Iraq. Also, at the moment, there is no indication that the Soviets are pressing the Iraqis to allow them to exercise control over these facilities, as is occurring in the former IPC-owned North Rumaila field in the south.

## Longer Range Implications

While the immediate effects of the Iraqi action on U. S. interests are insignificant, the longer range implications are considerable. The IPC nationalization action could affect our other oil interests in the area by inducing other Arab producers similarly to nationalize. If this happened, our balance of payments position would be seriously affected; European oil needs would be jeopardized (although consumption imperatives would probably overcome the oil company boycott);

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and Soviet interests in the area would be advanced insofar as the dispossession of the American oil companies represents a reduction of important Western influence in the area.

Widespread nationalization could happen if Iraq's example turns out to be a great success or if we and other Western powers so antagonize the other Arab oil producers that they decide to follow suit.

### Our Principal Concerns and Objectives

Accordingly, our principal concerns are: (1) that nationalization not spread and (2) that Western firms not be excluded from the former IPC operation.

In consonance with these concerns, our objectives should be, first, to avoid actions which make the Iraqi action profitable or really successful. This means keeping as tight a rein as possible on the French to make sure that the French do not make too attractive an offer to the Iraqis with regard to follow-up arrangements, bearing in mind that the Iraqis need the European market badly. This also means refraining from taking punitive measures against Iraq because such actions by any of the Western powers risks closing Arab ranks and inducing other Arab oil producers to line up with Iraq--for example, by agreeing to finance any Iraqi deficit flowing from the nationalization action.

Secondly, we should avoid actions which drive Iraq further into the Soviet embrace. This means keeping a French-European follow-on option open to the Iraqis, so that the Iraqis are not forced either to turn the installations over to Soviet control or to become dependent on the Soviets for locating markets. Our approach to the French will have to be a kind of balancing act: on the one hand, we would like the French to keep a foot in the door but, on the other hand, we don't want them to accept such attractive terms that the IPC nationalization will have paid off.

\*i.e. an arrangement with the Iraqis which among other things undercuts their British, Dutch and U.S. partners.

NEA:ARN:TWS:jfc  
 6-13-72

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*describable as such*