

NP, NSX, Country Files - Mt,  
IRAN, Box 601  
Vol. II 6/1/70 -  
Orig given to HAR 12/70  
1-10-70  
Iran

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Authority NND 969046

By NC NARA Date 5/7/02

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THE WHITE HOUSE

WASHINGTON

January 10, 1970

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TO: DR. KISSINGER

FROM: PETER FLANIGAN *PF*

You will recall that the President asked me, in the presence of the Shah of Iran, to make every effort to assist in closing the gap between the Iranian Government's requirements for the sale of oil to finance its Development Program and the current 1970 projections of such sales. Set forth below are three possible actions to achieve the desired result, and a status report on each:

1. Consortium

The bulk of the oil lifted from Iran is taken by a consortium made up of 40% British Petroleum, 14% English Shell, 7% each for Texaco, Standard of California, Standard of N.J., Mobil and Gulf, 5% a group of U.S. Independents, and 6% CFP. With Deputy Under Secretary Samuels I have personally met with Messers. Jamison and Collado of Jersey, Miller of California, Tavaleres and Moses of Mobil and Brockett of Gulf, and I have telephoned Rambin of Texaco. To each of these people I have indicated the President's desire, on the basis of the national security interest, that the consortium go a long way toward meeting the \$155 million gap between its projected Iranian oil take in 1970 and the projected governmental requirements. No specific program was urged on the companies. It was recognized that the U.S. interests would not be served by an action detrimental to Saudia Arabia, and it was further recognized that Iran had fared well in recent years compared with the other Persian gulf countries. While the oil companies insisted that the Shah's demands were "insatiable," they recognized that both national security interests and social justice support doing just as much as possible for Iran.

The English oil companies have been more enthusiastic about larger oil liftings from Iran than have the American companies. BP has attempted to bring the German oil company into the consortium. The

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members of the consortium will meet in New York during the week of January 12. The American companies have agreed to discuss the possibility of increasing Iranian liftings during this meeting. The English companies have a large position in the rapidly growing oil production from the Trucial States. It was generally agreed that increases in oil liftings from these areas might well be limited in order to take further oil from Iran. I indicated to the U.S. oil companies that if they felt it necessary, for the purpose of these discussions, to receive Justice Department approval to talk about the problem, I would approach the Justice Department on their behalf. A report should be forthcoming by January 19th as to the results of the meeting of the consortium in New York.

The dominant member of the consortium is British Petroleum which has 40% of the consortium and a 50% economic interest in the oil currently being lifted. A large stockholder in BP is the British government. It may be that BP will need urging to help find a satisfactory solution for Iran. Since part of the problem of Iran arises from the British withdrawal from the Persian Gulf, such governmental urgings might be an appropriate subject for discussion between the President and Prime Minister Wilson during the latter's visit at the end of January. This can better be determined after the report of the New York meeting.

## 2. Iranian Governmental Sales

The government of Iran has incorporated the National Iranian Oil Company (NIOC) to sell in the international oil market additional Iranian oil production. Dr. Fallah, the Vice Chairman of NIOC and its managing director, met with me and Harold Saunders of the NSC on January 8. Mr. Brownell participated in these meetings. We discussed the status of the Planet Oil proposals. I informed Mr. Brownell that no action would be forthcoming in the near future on these proposals.

I told Mr. Fallah with regard to the 1970 budget of Iran, no help could be expected as a result of the Cabinet Committee on Oil Imports. I did tell him, however, that we were attempting to find ways to ease his problem but that no assurance of any satisfactory results could be given.

After Brownell and the others had left, Fallah informed me that in the past Norwegians have been transporting 5 to 8 million tons (100,000 barrels per day) of oil from the Soviet Union to Cuba. Apparently some portion of this is used in Cuba and the balance is sold throughout the Caribbean. This is part of the barter deal between Cuba and Russia for Cuban sugar. Russia is apparently short of oil and has directed the Norwegians to buy oil in the Middle East to meet this commitment. The Norwegians have approached the Iranians, making it clear that if the Iranians refuse to make this sale they will buy the oil from Iraq's excess production. Fallah asked what the position of the U.S. government would be on such a sale, indicating that he would abide by any direction given

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by the U.S. Government. He did point out, however, that should Iran make the sale the proceeds would be spent by it in the United States, while if Iraq made the sale the proceeds would be spent in Russia. The sale would be made by Iran to Norway, with no explicit information from the Norwegian purchaser as to the destination of the oil. I told Fallah that I would tell him whether this government would resist such a sale by Iran to Norway or would take no position with regard to it.

3. The Defense Department meets its requirements for petroleum products through purchases from ARAMCO. ARAMCO is owned entirely by 4 American oil companies, with the oil being produced in Saudi Arabia. It is possible that the Defense Department could be directed to purchase a portion of its requirements from Iran. This, however, would have two negative factors.

1. A substantial portion of the profits from these purchases would go to non-American companies if Iranian oil were sought.
2. If the consortium were asked to make sales to the Defense Department, it would simply reallocate its distribution pattern without increasing the oil liftings from the various areas. I would suggest this be the last consideration on the list after exhausting the possibilities with the consortium and the sale to the Norwegians.

I will keep you fully appraised of the situation with the consortium. Would you please tell me at your earliest convenience a reply that should be given to Dr. Fallah regarding the sale of oil to the Norwegians. If you reach different conclusions with regard to the offshore purchases by DOD, I would appreciate your letting me have them.

cc: Deputy Under Secretary Samuels

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