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

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Authority **NND 969060**
By **MB** Date **04/09/07**

PET 6 IRAN

Department of State

TELEGRAM



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ACTION SS 70

INFO OCT 01, CIAE 00, /071 W

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R 181020Z MAY 69
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 8351
INFO AMEMBASSY BEIRUT
AMCONSUL DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TRIPOLI

S E C R E T TEHRAN 1904

LIMDIS

SUBJ: POSTMORTEM GOI/OIL CONSORTIUM AGREEMENT

SUMMARY: IRANIAN PRESS REACTION GENERALLY LOW-KEY SO FAR THOUGH PAPERS HAVE PICKED UP QUOTES FROM UK PRESS AND HERALDED THEM AS IRANIAN VICTORY IN BATTLE FOR OIL REVENUES. IF SHAH, AS SHOWN BY DURDIN INTERVIEW, SOMEWHAT DISAPPOINTED, US COMPANY REPS SATISFIED WITH OUTCOME OF NEGOTIATIONS THOUGH RECOGNIZING THAT LITTLE PROGRESS MADE IN EDUCATING IRANIANS AND NEXT YEAR'S NEGOTIATIONS PROBABLY EQUALLY DIFFICULT. BUILDING ON COMPANY GRATITUDE FOR VIGOROUS USG SUPPORT OF THEIR FINAL POSITION, WE MIGHT LOOK FOR OPPORTUNITIES STRESS OUR HOPES CONSORTIUM MEMBERS WILL INDEED DO THEIR BEST MEET \$930 MILLION REVENUE LEVEL FOR 1348 AND WE MIGHT ALSO ENCOURAGE EFFORTS BRIDGE COMMUNICATIONS GAP WITH SHAH.

1. BECAUSE OF HOLIDAYS, MAY 17 PAPERS PROVIDED FIRST IRANIAN PRESS REACTION WHICH WAS MODERATE, AND CONSISTENT WITH TONE OF NIOC COMMUNIQUE. LATTER MERELY SAID NEGOTIATIONS CARRIED ON IN ATMOSPHERE OF UNDERSTANDING AND COOPERATION. "AGREEMENT REACHED WITH RESPECT TO GOVERNMENT 'U' 1348 REVENUE REQUIREMENTS" AND THAT IT ALSO AGREED FURTHER TALKS TO BE HELD LATER FOR REVIEW OF FUTURE POSITION. MAY 17 EDITORIALS REMINDED READERS IRAN ITSELF WILL DECIDE WHEN AND HOW MUCH IS TO BE PRODUCED

*Teheran 1904
5-18-69*

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BUT PAPERS PLEASED BREAKDOWNS IN NEGOTIATIONS AND SERIOUS SUBSEQUENT REPERCUSSIONS AVOIDED. KHADLINES MAY 18, HOWEVER, PICK UP QUOTES FROM UK PRESS AND ASSERON "SHAH WINS BATTLE FOR OIL REVENUES." ARTICLES SAY IRAN SECURED BILLION-DOLLAR OIL INCOME FOR 1348 COMPOSED OF REVENUE AND INTEREST-FREE ADVANCES. SO FAR PRESS HAS NOT CARRIED ANY EXCERPTS SHAH'S SOMEWHAT SOUR COMMENTS TO TIMES CORRESPONDENT DURDIN (TEHRAN 1872).

2. IF SHAH DISAPPOINTED, AMERICAN REPS, ON OTHER HAND (PARKHURST AND MOSES), LEFT TEHRAN QUITE SATISFIED AND VERY GRATEFUL TO AMBASSADOR MEYER FOR HIS VIGOROUS ENDORSEMENT DIRECTLY TO SHAH (TEHRAN 1795) AND SUBSEQUENTLY TO SHAH THROUGH ALAM (TEHRAN 1826) OF CONSORTIUM PROPOSALS. COMPANY REPS ADMITTED, HOWEVER, LITTLE PROGRESS ACHIEVED IN EDUCATIVE PROCESS MAKING IRANIANS UNDERSTAND IMPOSSIBILITY COMPANIES PROVIDING FIRM PROJECTIONS OF FUTURE REVENUES OVER TWO OR THREE YEAR PERIOD. THUS MOSES AND PARKHURST ACCEPT RESIGNEDLY PROSPECT THAT NEXT YEAR WILL BRING ANOTHER ROUND EQUALLY DIFFICULT NEGOTIATIONS.

3. THROUGHOUT NEGOTIATIONS CONSORTIUM REPS STROVE UNDERLINE FACT THAT REVENUE FIGURES MENTIONED WERE ESTIMATES ONLY. THEY ADMITTED THAT ON THIS ISSUE CONSORTIUM AND NIOC TALKING ON DIFFERENT LEVELS AND THAT SUMS MENTIONED WILL UNDOUBTEDLY BE REGARDED BY IRANIANS AS COMMITMENTS. IRANIAN MONEY SHORTAGE, ENGAGEMENT SHAH'S PRESTIGE AND MOUNTING IRANIAN IMPATIENCE WITH CONSORTIUM POSITION HAVE GREATLY STRENGTHENED IRANIAN CONVICTION (AS AGAINST PREVIOUS YEARS) THAT AMOUNTS MENTIONED MUST BE FORTHCOMING FROM CONSORTIUM.

4. TWO THOUGHTS FOR FUTURE OCCUR TO US: (A) BUILDING ON FAVORABLE COMPANY ATTITUDES BECAUSE OF OUR VIGOROUS SUPPORT

FOR THEIR FINAL POSITION, USG MIGHT LOOK FOR OPPORTUNITIES IN COMING MONTHS TO STRES TO US MEMBERS OUR HOPE COMPANIES WILL INDEED DO THEIR BEST MEET \$930 MILLION REVENUE LEVEL DURING 1348. KLU CONSORTIUM MEMBERS MIGHT CONSIDER PAVING WAY FOR OCTOBER NEGOTIATIONS BY TRYING TO BRIDGE COMMUNICATIONS GAP WITH SHAH, THUS WE WOULD HOPE COMPANIES COULD ENCOURAGE AUTHORIZED SPOKESMEN (PERHAPS JUST O'BRIEN OR ADDISON) PERIODICALLY TO DISCUSS INFORMALLY WITH SHAH WORLD OIL SUPPLY/ DEMAND TRENDS AND OTHER INDUSTRY DEVELOPMENTS WITHOUT NECESS-

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ARILY GOING INTO ACTUAL CONSORTIUM OPERATIONS. VISITS BY
INDIVIDUAL MEMBERS SUCH AS SHELL CHAIRMAN BARRAN HAVE DRAW-
BACKS (BARRAN MAY HAVE AROUSED SOME UNJUSTIFIED OPTIMISM) YET
SUCH ENCOUNTERS HAVE ADVANTAGE ALSO IN LETTING SHAH KNOW HE
HAS FRIENDS INTERESTED IN KEEPING HIM INFORMED AND WHO ARE
CONCERNED WITH IRANIAN PROGRESS AND WELFARE. DESIRABILITY SUCH
VISITS WOULD BE HEIGHTENED SHOULD SHAH, AS HIS INTERVIEW WITH
DURDIN MAY IMPLY, INTEND CONTINUE WITHOUT LET-UP PROGRAM OF
ACTIVE PRESSURE ON COMPANIES.

GP-3. THACHER

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