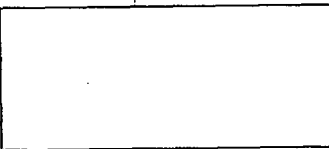


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APPROVED FOR RELEASE  
DATE: SEP 2007

EO 12958 6.2(c)  
(C)

10 October 1973

MEMORANDUM FOR: Mr. Harold Saunders

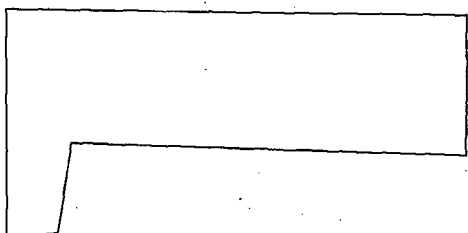
SUBJECT: Status of Oil Negotiations in Vienna

1. Although Yamani opened the negotiations on 8 October on an apolitical note by observing that "we are here to renegotiate the Teheran pricing agreement and not to discuss the Middle East war", by 9 October the war had clearly intruded on the technical discussions.

2. Contrary to expectations, Yamani made a flat demand to increase prices by more than 100 per cent to \$6.20 a barrel. X He said this was not a negotiable position. The companies were authorized to offer a 45 cents price increase. With this im- - passe the meeting broke up.

3. Subsequently, Yamani met alone with George Piercy of Exxon and the Shell representative. He was extremely tough and bitterly criticized the U.S. position in the Security Council on cease fire and withdrawal. He said that he was not breaking off the negotiations and that he and Amuzegar would remain in Vienna until they had a response from Piercy. All the Arab oil ministers were, he said, anxious to leave Vienna to attend the OAPEC meeting called by the Kuwaitis to formulate Arab oil policy in the Middle East war. Yamani said that he might be recalled by the King because of the war situation. He said the King was considering (a) cutting production to 7.2 million barrels a day and (b) making further cuts of 5 per cent per month until Israel is out of the occupied territories.

4. The companies anticipate that the negotiations will be interrupted for the duration of the war.



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