

Message Text

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67

ACTION NEA-16

INFO OCT-01 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 EB-11 CIEP-02 TRSE-00 STR-08

OMB-01 CEA-02 COME-00 FRB-02 XMB-07 OPIC-12 LAB-06

SIL-01 DRC-01 /200 W

----- 063768

R 071714Z MAY 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2339

INFO AMEMBASSY TEHRAN

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, GW, IR

SUBJECT: FRG/IRAN ECONOMIC RELATIONS

REF: A. BONN 7055 (NOTAL); B. TEHRAN 3459 (NOTAL);

C. BONN 5792; D. BONN 4098

1. EMBOFF DISCUSSED THE RESULTS OF THE RECENT FRG/
IRAN INVESTMENT CONFERENCE WITH HENZE OF THE
ECONOMICS MINISTRY. HENZE WHO HAD ACCOMPANIED
MINISTER FRIDERICH'S TO THE CONFERENCE SAID THE
RESULTS OF THE CONFERENCE GREATLY EXCEEDED HIS
EXPECTATIONS ESPECIALLY SINCE THE IRANIANS HAD BEEN
A LITTLE COOL DURING THE PREPARATORY STAGES OF THE
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CONFERENCE. ACCORDING TO HENZE SIGNIFICANT PROGRESSION

OVER 30 PROJECTS TOTALLING AROUND \$2.5 BILLION WAS ACHIEVED DURING THE CONFERENCE.

2. THE LARGEST PROJECT IN THE PACKAGE IS THE \$1.1 BILLION 25 MILLION TON OIL REFINERY AT BUSHIR. AGREEMENT WAS REACHED ON A 50-50 JOINT VENTURE BETWEEN THE FIVE-FIRM GERMAN CONSORTIUM AND NIOC. FIFTY PER CENT OF THE OUTPUT IS DEFINITELY TO GO TO THE FRG. TEN PER CENT (2.5 MILLION TONS OF NAPHTHA) IS RESERVED FOR AN IRANIAN PETRO-CHEMICAL PROJECT. THE REMAINING 40 PER CENT IS TO BE OFFERED AS A FIRST OPTION TO THE FIVE GERMAN FIRMS ; A SECOND OPTION TO OTHER FIRMS WITHIN GERMANY AND THEN FINALLY TO THIRD COUNTRIES. THE MAJOR OPEN QUESTION REMAINS THE PRICE OF THE CRUDE OIL PROVIDED TO THE REFINERY. HENZE SAID IRANIANS WERE TRYING TO WORK OUT SOME OBJECTIVE PRICE FORMULA. ANOTHER QUESTION REMAINS THE PETRO-CHEMICAL COMPLEX. THE IRANIANS HAVE AN ASSURED SUPPLY OF NAPHTHA BUT IT REMAINS UNCLEAR TO WHAT EXTENT GERMAN FIRMS WILL PARTICIPATE IN THE CONSTRUCTION OF THE COMPLEX. A THIRD OPEN QUESTION IS THE CUSTOMS TREATMENT TO BE PROVIDED TO THE REFINERIES' PRODUCTS AT THE GERMAN BORDER. THE FRG HAS YET TO WORK OUT THIS PROBLEM WITH ITS EC PARTNERS.

3. THE SECOND LARGEST PROJECT IS A \$600 MILLION STEEL MILL TO BE CONSTRUCTED BY A FOUR-FIRM GERMAN CONSORTIUM. THERE ARE MANY OTHER SMALLER PROJECTS BUT HENZE DID NOT YET HAVE A COMPLETE LIST.

4. THE GERMANS, IRANIANS AND RUSSIANS ALSO CONDUCTED TRILATERAL DISCUSSIONS DURING THE CONFERENCE ON THE PROPOSED NATURAL GAS DEAL (REF D). HENZE SAID PROGRESS WAS MADE IN THESE DISCUSSIONS BUT THE MAJOR QUESTIONS OF PRICE AND METHOD OF PAYMENT FOR THE SOVIET DELIVERY SERVICE REMAIN OPEN.

5. AS A FINAL POINT HENZE MENTIONED THAT THE SUBJECT OF IRAN/EEC COOPERATION WAS ALSO DISCUSSED. HE SAID LIMITED OFFICIAL USE

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IRAN WAS NO LONGER SEEKING STATUS AS A MEDITERRANEAN COUNTRY BUT RATHER IT WISHES TO ESTABLISH A SERIES OF COOPERATIVE VENTURES WITH EC COUNTRIES WHICH MIGHT BE GRANTED SOME TARIFF CONCESSIONS. HE SAID THE NATURE OF THESE COOPERATIVE VENTURES WAS VERY VAGUE AND HE DID NOT ENVISAGE MUCH EARLY PROGRESS ON THIS FRONT. HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENT, CONSTRUCTION, MEETINGS, JOINT VENTURES, CHEMICALS, PROGRAMS (PROJECTS), BUSINESS FIRMS, STEEL PLANTS, INDUSTRIAL PLANTS, PETROL EUM REFINING
Control Number: n/a
Copy: SINGLE
Draft Date: 07 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN07347
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740110-0814
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740569/aaaacjys.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. BONN 7055 (NOTAL); B. TEHRAN 3459
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by cunninfx>; APPROVED <11 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRG/IRAN ECONOMIC RELATIONS
TAGS: ENRG, GE, IR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005