

## Message Text

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CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 FEA-02 OMB-01 SCI-06 IO-14 FPC-01 SAJ-01 DRC-01

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R 241852Z JAN 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9933

INFO AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY TEHRAN

AMEMBASSY JIDDA

USINT ALGIERS

C O N F I D E N T I A L SECTION 01 OF 03 BONN 01326

STATE ALSO FOR T/IEP

E.O. 11652: GDS

TAGS: ENRG, PFOR, GW

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SUBJECT: ENERGY: FRG FLIRTING WITH BILATERALISM

SUMMARY: THE MIDDLE EAST WAR AND THE CONCOMMITANT ENERGY CRISIS HAVE BROUGHT SHARPLY HOME TO FRG POLICY MAKERS GERMANY'S DEPENDENCE ON OIL IMPORTS FROM ARAB (AND IRANIAN) SOURCES. WHILE THE FRG STILL PROFESSES ITS PREFERENCE FOR MULTILATERAL SOLUTIONS TO THE ENERGY CRISIS, IT IS BEING MADE INCREASINGLY NERVOUS BY THE EFFORTS OF THE UK, FRANCE AND JAPAN TO MAKE BILATERAL ARRANGEMENTS WITH THE PRODUCER COUNTRIES. IN RESPONSE TO THESE PRESSURES, THE FRG IS BEGINNING TO EXPAND ITS OWN BILATERAL CONTACTS WITH SEVERAL OIL PRODUCING COUNTRIES. IF THE US IS GOING TO HAVE A SAY IN HOW THIS POLICY DEVELOPS, WE MUST DO SO QUICKLY WHILE THE FRG THINKING REMAINS IN THE FORMATIVE STAGE. END SUMMARY.

1. IN ITS RECENT PUBLIC STATEMENTS AND ACTIONS THE GERMAN GOVERNMENT IS PROVIDING EVIDENCE OF GIVING SERIOUS CONSIDERATION TO JOINING THE COMPETITION WITH FRANCE, UK AND JAPAN FOR THE FAVORS OF THE GOVERNMENTS OF THE OIL PRODUCING COUNTRIES. CHANCELLOR BRANDT WAS RECENTLY QUOTED AS SAYING THAT UNTIL THE EC DEVELOPED A COMMON APPROACH TO THE ENERGY CRISIS GERMANY WOULD INCREASE ITS BILATERAL CONTACTS WITH PRODUCING COUNTRIES. ECONOMICS MINISTER FRIDERICHS MADE AN EVEN STRONGER STATEMENT BEFORE THE PARLIAMENT TO THE EFFECT THAT THE FRG WOULD MAKE EFFORTS FOR INCREASED COOPERATION WITH OIL PRODUCING COUNTRIES WITHIN THE COMING MONTHS AND WOULD UNDERTAKE STEPS TO INSURE THE SUPPLY OF THE GERMAN ECONOMY WITH THE NECESSARY RAW MATERIALS. FRIDERICHS AND HIS DEPUTY ROHWEDDER PLAN A NUMBER OF VISITS TO OIL PRODUCING COUNTRIES IN THE COMING WEEKS.

2. THE PRIMARY TARGET OF GERMAN INTEREST THUS FAR HAS BEEN IRAN AND THE FRG VIEWS IRAN AS THE TEST CASE OF ITS POLICY VIS-A-VIS THE OIL PRODUCING COUNTRIES. THE GERMAN GOVERNMENT HAS BEEN ACTIVELY NEGOTIATING WITH THE IRANIAN GOVERNMENT ON BEHALF OF A CONSORTIUM OF GERMAN OIL FIRMS FOR THE CONSTRUCTION OF A 25 MILLION TON OIL  
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REFINERY. THE REFINERY WOULD BE BUILT BY GERMAN FIRMS, IRAN WOULD PROVIDE THE CRUDE AND GERMANY WOULD RECEIVE THE PRODUCT OUTPUT OF THE REFINERY. THE GERMAN CONSORTIUM IS HEADED BY GELSENBERG, AND INCLUDES VEBA, UNION KRAFTSTOFF AND SOME OF THE GERMAN SUBSIDIARIES OF THE MAJOR OIL COMPANIES. WE WERE TOLD A GERMAN NEGOTIATING TEAM IS NOW IN TEHRAN AND THAT MINISTER FRIDERICHS INTENDS

TO MAKE AN UNANNOUNCED TRIP THERE SOON TO HELP THE NEGOTIATIONS ALONG. FRIDERICH'S IS ALSO PLANNING TO VISIT THE SHAH IN SWITZERLAND SOMETIME NEXT MONTH. THE FRG HOPED TO HAVE THIS DEAL WRAPPED UP BY THE END OF FEBRUARY BUT IT NOW ESTIMATES THAT IT WILL TAKE SOMEWHAT LONGER. A SECOND MAJOR PROJECT UNDER ACTIVE NEGOTIATION IN IRAN INVOLVES THE DELIVERY OF 10 BILLION CUBIC METERS OF NATURAL GAS PER YEAR TO GERMANY. THE FRG DISCUSSED THIS PROJECT IN SOME DETAIL DURING ITS RECENT BILATERAL CONVERSATIONS WITH THE SOVIET UNION (REPORTED SEPTEL).

3. IN ADDITION TO IRAN, THE FRG IS EXPANDING ITS CONTACTS WITH SEVERAL OTHER PRODUCING COUNTRIES.  
A. ALGERIA - THE ALGERIANS ARE REPORTED TO BE

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AMEMBASSY TEHRAN  
AMEMBASSY JIDDA  
USINT ALGIERS

C O N F I D E N T I A L SECTION 02 OF 03 BONN 01326

INSISTING THAT ANY NEW CONTRACTS FOR PETROLEUM DELIVERIES WILL BE LINKED TO NEW EXPLORATION VENTURES. THE GERMAN FIRM DEMINEX (SUPPORTED WITH GOVERNMENT FUNDS) HAS JUST SIGNED AN EXPLORATION CONTRACT WITH CONFIDENTIAL

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SONATRACH AND THE FRG EXPECTS THAT THIS WILL PAVE THE WAY FOR NEGOTIATIONS ON PETROLEUM DELIVERIES.

B. IRAQ - NEGOTIATIONS HAVE BEEN GOING ON FOR SOME TIME BETWEEN GERMAN FIRMS AND THE IRAQI GOVERNMENT. ALTHOUGH OUR GOVERNMENT SOURCES STATE THAT THE ABSENCE OF DIPLOMATIC RELATIONS WITH IRAQ IS AN OBSTACLE TO GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS, THERE HAS BEEN SPECULATION IN THE PRESS THAT IRAQ IS A TARGET COUNTRY FOR GERMAN EFFORTS AT PRODUCING COUNTRY COOPERATION.

C. SAUDI ARABIA - ECONOMICS MINISTRY STATE SECRETARY ROHWEDDER HAS ALREADY MADE ONE TRIP TO SAUDI ARABIA AND IS PLANNING ANOTHER. AT THIS STAGE OF THE GAME THESE TRIPS APPEAR TO BE ONLY FACT-FINDING MISSIONS TO DETERMINE THE S.A.G.'S PARAMETERS FOR FUTURE COOPERATION.

D. OTHER - THE FRG HAS JUST SIGNED AN AGREEMENT WITH NORWAY PROVIDING A FRAMEWORK FOR PRIVATE FIRMS TO DELIVER 6 BILLION CUBIC METERS OF NATURAL GAS YEARLY TO THE FRG. THE HEAD OF THE INDONESIAN OIL COMPANY IBNU WAS HERE IN DECEMBER FOR A PRIVATE CONVERSATION WITH FINANCE MINISTER SCHMIDT AND LIBYAN PRESIDENT JALLUD IS REPORTED TO BE COMING TO BONN LATER THIS WEEK.

4. THERE ARE SEVERAL REASONS FOR THIS INCREASE IN FRG BILATERAL CONTACTS WITH THE PRODUCING NATIONS BUT THEY ALL STEM FROM GERMANY'S DEPENDENCE UPON ARAB (AND IRANIAN) PETROLEUM. FIFTY-FIVE PERCENT OF GERMANY'S ENERGY REQUIREMENTS ARE FULFILLED BY PETROLEUM MOST OF WHICH IS IMPORTED FROM THESE SOURCES.

THE FRG DOES NOT WANT TO DO ANYTHING THAT MIGHT JEOPARDIZE ITS ACCESS TO THESE PETROLEUM SOURCES AND INDEED IT FEELS COMPELLED TO DO WHAT IT CAN TO SECURE CONTINUED ACCESS TO THEM. WHEN THE ARABS PLACED GERMANY IN A SEPARATE CATEGORY FROM FRANCE AND UK DURING THE MIDDLE EAST WAR, IT STRUCK A SENSITIVE GERMAN NERVE. GERMANY'S ANXIETIES HAVE INCREASED AS IT HAS SEEN THE UK, FRANCE AND JAPAN SCRAMBLING FOR DEALS WITH THE ARAB PRODUCERS. GERMANY DOES NOT WANT TO BE LEFT OUT IN THE COLD. IN ADDITION  
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THE GOVERNMENT FEELS THE NEED TO PROTECT ITS DOMESTIC POLITICAL POSITION BY DEMONSTRATING TO THE PUBLIC THAT IT IS PROTECTING ITS INTEREST IN THE FACE OF THE HIGHLY PUBLICIZED ACTIVITY OF OTHER INDUSTRIAL COUNTRIES.

5. IN FORMULATING A MODEL FOR ITS BILATERAL RELATIONS WITH PRODUCERS, THE FRG IS DRAWING ON ITS BILATERAL TREATIES OF ECONOMIC COOPERATION WITH SEVERAL EASTERN EUROPEAN COUNTRIES. THESE TREATIES PROVIDE A CHAPEAU OR INTER-GOVERNMENTAL FRAMEWORK WITHIN WHICH PRIVATE GERMAN FIRMS CAN NEGOTIATE ON SPECIFIC PROJECTS. THE GERMANS STILL BELIEVE THAT THE RESPONSIBILITY FOR THE DEVELOPMENT OF A PROJECT RESTS WITH PRIVATE FIRMS BUT IT FEELS A GOVERNMENT CHAPEAU IS NECESSARY TO GIVE ITS FIRM A BETTER CHANCE AT GETTING THE BUSINESS. THE FRG HAS JUST BOUGHT A CONTROLLING INTEREST IN THE GERMAN OIL PRODUCER

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C O N F I D E N T I A L SECTION 03 OF 03 BONN 01326

GELSENBERG IN ORDER TO GIVE IT SOME ABILITY TO PLAY  
A MORE ACTIVE ROLE IN THIS GAME. SOME OFFICIALS  
HAVE TOLD US THAT EVEN IF A COMMON EC APPROACH TO THE  
ENERGY CRISIS CAN BE WORKED OUT, THERE WILL STILL  
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HAVE TO BE INTER-GOVERNMENTAL ARRANGEMENTS BETWEEN  
THE PRODUCING COUNTRIES AND THE GOVERNMENTS OF THE  
FIRMS INVOLVED IN LARGE PROJECTS. SINCE FIRMS  
WITHIN THE EC ARE ESTABLISHED ON A NATIONAL LEVEL,  
THESE CHAPEAU AGREEMENTS WILL ALSO HAVE TO BE  
PRIMARILY BILATERAL.

6. THE GERMANS CONTINUE TO STRESS THE DESIRABILITY  
OF A MULTILATERAL APPROACH TO THE PROBLEMS OF THE  
ENERGY CRISIS IN BOTH THEIR PUBLIC AND PRIVATE  
STATEMENTS AND WE HAVE NO REASON TO DOUBT THAT THEY  
WILL WORK HARD FOR SUCH A POSITION WITHIN THE EC.

NEVERTHELESS, THEY APPEAR TO BE HEDGING THEIR BETS  
A BIT. THEY MAY VIEW BILATERALISM AS  
AN INEVITABLE WAVE OF THE FUTURE AND WANT TO  
PROVIDE THEMSELVES THE ABILITY TO RIDE WITH THE WAVE  
IF NECESSARY RATHER THAN BE DROWNED BY IT.

7. THE GERMAN THINKING ON THIS SUBJECT REMAINS VERY  
MUCH IN THE FORMATIVE STAGE AND THE GOVERNMENT DOES NOT  
APPEAR TO BE LOCKED INTO ANY CONCRETE FORMULA. THE  
FEBRUARY 11 ENERGY CONFERENCE PROVIDES AN IDEAL  
OPPORTUNITY TO SHAPE THEIR THINKING ALONG LINES  
COMPATIBLE WITH US INTERESTS -- AN OPPORTUNITY THAT IF  
NOT SEIZED NOW MAY BECOME MORE ELUSIVE IN THE FUTURE.  
HILLENBRAND

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
**Draft Date:** 24 JAN 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  
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**Previous Handling Restrictions:** n/a  
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**Review Authority:** golinofr  
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**Status:** NATIVE  
**Subject:** ENERGY: FRG FLIRTING WITH BILATERALISM SUMMARY: THE MIDDLE EAST WAR AND THE CONCOMMITANT  
**TAGS:** ENRG, PFOR, GE, XF  
**To:** STATE  
**Type:** TE  
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