No. 321

880.2553/12-1853

Agreed Minutes of the Second Session of the United States-French Talks on Middle East Oil

SECRET [WASHINGTON, December 18, 1953.]

Present:

French	Department
M. Clauzel	NE—Mr. Hart
M. Maillard	NE—Mr. Gay
M. Blancard	OMP—Mr. Armstrong
M. Benard	PED—Mr. Eakens
M. Carraud	L/E—Mr. Czyzak
M. Queuille	NE—Mr. Fritzlan
	PED—Mr. Miller

Second Meeting, December 18, 1953, 3:00 p. m.

The discussions resumed with M. Blancard continuing his justification of the necessity of basing the 50–50 arrangements on a discounted price. He noted that the companies producing oil in the Middle East must continually find new markets for their greatly increased production. This is a difficult problem for those companies without large established markets able to absorb the increases. It is absolutely necessary for these companies to give discounts to dispose of their large surpluses of oil. M. Blancard illustrated this point by citing the discount that Gulf allows Shell under their long-term contract and also the similar discount allowed by AIOC to Petrofina Belge. M. Blancard concluded that CFP is thus justified in receiving a discount from IPC for the crude it markets in France. Also CFP must offer a discount to move its surplus crude onto other markets. For such crude, a profit sharing arrangement based on posted prices would not be a true 50–50 arrangement as the net return accruing to CFP is not the posted price but the discounted price.

Mr. Eakens replied by stating that the Department did not advise Aramco on the matter of reducing the current discount, but it would now seem impossible for Aramco to withdraw its offer to reduce the discount to 2 per cent. In any event, Mr. Eakens continued, there seem to be some arguments for basing the 50–50 arrangements on the posted prices. The posted price is a public figure that is not dependent on accounting procedures for its computation. This would tend to make its acceptance easier for all parties. Probably actual sales prices which are used in Venezuela would be