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5. Has the President received and has he responded to the letter of Venezuelan President Perez which criticized the President's UN speech, especially his remarks on oil price policy?

9/25/74 Guidance: We have received a letter from ~~President Perez~~ and we are glad to have his views. We are now studying President Perez' letter. Q-Response, A. Studying.

2. Do you have any comment on the ~~Venezuelan Government's~~ decision to ~~nationalize all iron ore holdings~~ effective January 1? What is the US attitude toward nationalization of American companies abroad?

12/9/74

Guidance: As Secretary Kissinger stated in his press conference on Saturday, it is "the US position that while we do not recommend expropriation, and indeed, while it runs counter to the investment of private capital, which may be one of the best sources for the underdeveloped countries of capital -- we do not, as a government, object to it if there is fair compensation and due legal process." It is my understanding that the Venezuelan Government has made arrangements for compensation to US Steel and Bethlehem Steel.

MEETING WITH VENEZUELAN AMBASSADOR

Q. Can you confirm that the President met with the Venezuelan Ambassador recently to discuss oil prices?

A. The President did meet with the Venezuelan Ambassador on December 1.

Q. Was the subject oil?

A. I think that is a reasonable assumption. I am not going to get into any detail on what was a private meeting.

Q. Why wasn't the meeting announced?

A. The President from time to time has private meetings and these are not always announced.

Q. Has the President met secretly with Ambassadors of the other major OPEC countries such as Saudi Arabia and Iran?

A. Look, the President has been having and will be having a number of private meetings with various individuals but these are not always announced and I am not going to get into any details of any private meetings which may occur.

Venezuela Nationalizes Oil Industry

Background

The Washington Post carries a front page story today on the Venezuelan government's nationalization of its oil industry at midnight December 31. According to the report the wells expropriated produce 2.3 million barrels of crude daily. 21 foreign companies and 17 subsidiaries are involved. Venezuelan oil accounts for roughly a third of U.S. imports, and Venezuela is the third biggest OPEC exporter following Saudi Arabia and Iran.

The negotiations still in progress between the companies and the Venezuelan government are quite complex and it is likely that they will continue for some time. At present the compensation agreements for the U.S. oil companies are before the Venezuelan Congress. The oil companies have signed the general compensation agreements and the Venezuelan government is making provisions for specific compensations through additional agreements. For each company there is also a draft management and service contract to be approved by the Venezuelan Congress. The contracts detail the companies' obligations to provide technical expertise to Venezuela and spell out the profit making mechanisms for the companies. In essence, the Venezuelan government will consider the profitability for the companies as part of their overall compensation, and the companies in turn will still find investment in Venezuela to be a profit making venture. Despite these various agreements now being negotiated with relative amicability between Venezuela and the companies, the U.S. government is considering reserving certain rights and any U.S. decision could override previously agreed to provisions for compensation.

* * *

Given the complex nature of the compensation negotiations you will want to refer all specific questions to State. If asked about our general policy on nationalization, you can reiterate the State Department's policy statement of December 30:

There have been significant developments during the past year concerning foreign investments by U.S. private firms. The Secretary, at the 7th special session on September 1 and at CIEC

December 16, emphasized the U.S. belief that foreign private investment can make a very substantial contribution to economic development. There have also been a number of actual or contemplated nationalizations involving U.S. firms, and ensuing settlement negotiations. In these circumstances, the department wishes to reiterate pertinent U.S. policy.

The President of the United States, in January 1972, drew attention to the importance which the United States attached to respect for the property rights of its nationals. He stated that the policy of the United States concerning expropriatory acts includes the position that:

Quote: Under International Law, the United States has a right to expect:

- That any taking of American private property will be nondiscriminatory;
- That it will be for a public purpose; and
- That its citizens will receive prompt, adequate, and effective compensation from the expropriating country. Unquote.

*SS said
Dec 30*

With regard to current or future expropriations of property or contractual interests of U.S. nationals, or arrangements for quote participation unquote in those interests by foreign governments, the Department of State wishes to place on record its view that foreign investors are entitled to the fair market value of their interests. Acceptance by U.S. nationals of less than fair market value does not constitute acceptance of any other standard by the United States Government. As a consequence, The United States Government reserves its rights to maintain international claims for what it regards as adequate compensation under international law for the interests nationalized or transferred. Unquote.

