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FEDERAL ENERGY OFFICE
WASHINGTON, D.C.

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FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

February 23, 1976

MEMORANDUM FOR FRANK G. ZARB

FROM: JAMES A. WEST

James A. West

SUBJECT: SOVIET OIL TALKS

On Friday, February 20th, the Soviets called State and requested a meeting to resume the oil agreement negotiations at 12:00 noon in a restricted session. Nikolai G. Osipov and three members of his delegation met with a U.S. team headed by John A. Armitage, Deputy Assistant Secretary of State for European Affairs, Phil Trimble, State legal advisor, and myself.

The Soviets stated they had received instructions from Moscow and could not accept the U.S. proposal to include Article 3 in the Agreement. This is the price discount article which reads as follows:

Each party to this Agreement will facilitate, as it deems appropriate, commercial transactions under this Agreement. The parties expect that the terms of such transactions will assure the interest of both Parties in achieving the volume of trade contemplated by this Agreement.

The U.S. delegation refuted the Soviet position and insisted it must be retained. Further, there was no reasonable prospect that Robinson or other U.S. officials would reconsider and change this view. Armitage agreed to refer it to Robinson but urged the Soviets to go back to Moscow to change their position. Osipov agreed to this but offered no real prospect of a change in their position. Hence, it appears that the talks are now deadlocked.

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Osipov also complained that the Maritime Agreement talks that began yesterday are not making any progress. He claimed the U.S. is trying to charge double commercial freight rates and the USSR would never agree to anything but world freight rates. Thus, it appears that the USSR has no intention of using the shipping talks to conceal an oil discount by using phantom freight rates.

Some minor drafting changes in the latest draft agreement were agreed to by both sides.

copy to: Mr. Cheney ✓

Mr. Grcenspan

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