MEMORANDUM OF CONVERSATION

December 14, 1976

SUBJECT: Owens-Illinois - Venezuela

PARTICIPANTS: Brent Scowcroft, Assistant to the President for National Security Affairs
William Spengler, President Owens-Illinois, International Division
John Andrews, Washington Representative for Owens-Illinois
David Lazar, NSC Staff

TIME AND PLACE: 1:15 p.m., Brent Scowcroft's Office

Mr. Spengler used the meeting principally to update General Scowcroft on the current Owens-Illinois situation in Venezuela. He said that the Government of Venezuela had asked O-I to build, at Government expense, two new furnaces to increase the capacity of the present O-I facility in that country. The estimated cost would be about $45 million. Mr. Spengler said that O-I had made a counter-proposal under which the new furnaces, when built, would be offered for sale to the "private sector" (i.e. Owens-Illinois) so that the resulting package would be owned 51% by the GOV, 49% by O-I. (Comment: It was not clear whether O-I's counter-proposal related only to the new furnaces or to the entire facility as expanded by them but, in context, the latter seems probable.)

According to Mr. Spengler they have discussed this proposal with Laria who so far says "maybe". Mr. Spengler pointed out that the risk to O-I of passing their technology to the Government of Venezuela without being paid for it (the $45 million would include costs and fees to O-I but nothing for the technology involved in the furnaces) is offset to some extent by the fact that the furnaces would take two years to build during which time O-I would be taking dividends out of the country on their present investment. Mr. Spengler said that O-I this year, for the first time (under the impetus of Section 24 of the Andean Code) had taken $3 million in dividends out of...
Venezuela and would anticipate a like annual dividend for the next two years. Mr. Spengler indicated that O-I probably will go ahead with the construction of the new furnaces.

Mr. Spengler said that arbitration of the nationalization problem still is supposedly in the game but indicated his opinion that the GOV eventually will back away from arbitration.

General Scowcroft said that, although we didn't pretend to know the intentions of the Venezuelan Government, we find this new initiative on their part a hopeful sign.

Mr. Spengler touched on the Niehous matter. While not denigrating the efforts of the Venezuelan Government to find Mr. Niehous, he did express the wish that they had been and were more capable. He also expressed the hope that the State Department would not let this matter drop but would keep reminding the Venezuelan Government of it. General Scowcroft assured him we would stay in touch with State on this. Mr. Lazar pointed out that the Venezuelan Government had strong reasons of its own for wanting to find Mr. Niehous and solve the case.

Mr. Spengler said there was no action that Owens-Illinois wanted of the U.S. Government now but that he had only wished to bring us up to date. The meeting ended at 1:40 p.m.
NATIONAL SECURITY COUNCIL

TO: [RECIPIENT]

FROM: Jeanne Davis

For your approval.
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TO PRES
FROM SECSTATE
SECRET
HYLAND
SECRET
DAVIS
STATE
SECRET

SUBJECT: Memo of Scowcroft meeting with Spengler and
Ambassador on 14 Dec re Owens - Illinois
Situation in Venezuela

INTERNAL ROUTING AND DISTRIBUTION

ACTION
ADV CTS S/CROFT/HSN
STAFF SECRETARY
CONGRESSIONAL
ECONOMIC
SUM CANADA/OCEANS
FAR EAST/PACIFIC
INTELLIGENCE
LATIN AMERICA
MID/EAST/NO. AFRICA
NCR PLANNING
PROGRAM ANALYSIS
SCIENTIFIC
SUB-SAHARAN AFRICA

ACTION REQUIRED
MEMO FOR SECSTATE
MEMO FOR PRES
REPLY FOR
APPROPRIATE ACTION
RECOMMENDATIONS
REFER TO
ANY ACTION NECESSARY
CONCURANCE
DUE DATE
COMMENTS, INCLUDING SPECIAL INSTRUCTIONS

DATE
12/14
12/26

FROM
Scowcroft
Scowcroft

TO
Scowcroft

SUBSEQUENT ACTION REQUIRED ON PAGE
None

SIGNATURES

DISPATCH
NOTIFY

SPECIAL DISPOSITION

SPECIAL INDEXING

SUSPENSE CV ATTACHED
NO

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