

OPINION

History of Iran-US oil conflict

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Iran and the United States of America conflict on oil dated back to 1953, when the US in collaboration with the then British government overthrew the government of nationalist prime minister Mohammad Mosaddeq, who was leading the oil nationalization movement against Britain.

The US played the key role in the coup against Mosaddeq and in the aftermath of the coup, in 1954, a consortium was set up to run Iran's oil industry in which the US oil companies and the UK, newly established BP, had equal shares: 40 percent. The remaining 20 percent shares went to two other European companies.

This was the beginning of direct US intervention in the management of Iran's oil industry and political affairs as well and Iran's revolution in February 1979 was partly a reaction to this meddling.

In 1977, before strikes in Iran's oil industry to reduce oil production to less than one million barrels per day in late 1978, Iran produced six million barrels per day — nearly 10 percent of the global oil production — a figure that was reduced to four million barrels per day after the victory of the revolution.

There were a number of factors behind this decision. First of all, it was believed that the country is not under domination of the US regional policies and it no longer needs to export a great volume of oil and spend it to buy weapons from the US (something similar to the role Saudi Arabia plays right now in the region).

Secondly, the opinion was that this lower amount of oil production is sufficient to meet the country's foreign exchange needs and thirdly, there was a common assumption that the oil reserves belong to the next generations as well and by lowering oil production they will last longer to the benefit of the coming generations. So, reducing oil production was a domestic and sacred decision by the revolution.

But less than a year before the revolution celebrated its first anniversary, a political incident happened which had a huge impact on Iran's oil production and exports: The seizure of the US Embassy in Tehran in November 1979 by a group of revolutionary students who insisted the US must extradite the deposed shah for trial.

Following this incident, US president, Jimmy Carter on November 12 announced a ban on oil purchase from Iran and Tehran stated reciprocally it has suspended all the US oil companies' orders for taking oil. Subsequently, Iran's 850,000 barrels per day of oil delivery to US companies came to a halt.

Even though Iran was able to find new customers to replace the purchases of US oil companies, the then Iranian oil minister, Ali-Akbar Moinefar, told MIEES weekly that Iran's total oil production fell to 3.5 million barrels per day. This was the first time after the revolution that Iran's oil exports was pushed away from the market.

While hostage-taking was ongoing, European countries and Japan set May 1980 as the deadline for the release of the hostages. When the deadline was ignored, they suspended part of their oil purchases, a temporary decision that was revised after the hostages were released in January 1981.

It was in February 1981 that BP, Shell, and Japanese companies concluded new contracts to buy 380,000 barrels per day of oil from Iran in total.

But the war with Iraq, hostage-taking incident and sanctions are not sufficient to explain the reasons for the declining trend in Iran's oil production.

OPEC policies on cutting production and defending high oil prices was another important factor. To defend higher oil prices, OPEC cut its production from 31 million barrels per day in 1979 to less than 16 million barrels per day in late 1985 and Iran's quota in the organization's total oil production stood at 2.4 million barrels in its March 1983 meeting after long dispute between OPEC and Iran over its quota.

After the end of the Iran-Iraq war in 1988, Tehran which strongly believed in high oil prices decided to comply with the OPEC's new strategy: Market share. Under the new strategy, Tehran tried to boost its oil production capacity steadily and could raise its oil production to four million barrels per day — the target it was looking for following the victory of Islamic Revolution in 1979.

But Iran's oil industry development was always under constraint due to the decisions were made in the 1990s and 2000s by different US administrations especially on investment in Iran's oil sector.

During the eight years of president Mahmoud Ahmadinejad's administration from 2005, Iran's oil industry came under further pressure due to a dispute over Iran's nuclear program which resulted in a decline in Iran's oil exports from 2.5 million barrels to almost one million barrels per day.

In 2013, when the current president, Hassan Rouhani, took office, he decided to bring back oil industry development to normal by reaching a deal with world powers, the P5+1.

The Joint Comprehensive Plan of Action (JCPOA) in July 2015 was the result of around three years of tough negotiations over the nuclear program between Iran and world powers including the United States.

In January 2016, Iran's oil sanctions were lifted and after a year and a half, Iran once again succeeded in raising its oil production to nearly four million barrels per day.

But after 40 years of ups and downs, it seems the oil game between Iran and the US is not yet over.

US President Donald Trump, by violating an internationally agreed deal, decided to withdraw the deal unilaterally and impose "the toughest sanctions in history" to bring the Islamic Republic of Iran to its knees.

But what do the figures show at the start of the new round of sanctions which came into force as of Nov. 5?

Iran which produced nearly 10 percent of the global oil production forty years ago, now produces three percent of global oil consumption, if we assume total oil consumption stands at 100 million barrels per day. International energy organizations estimate that total world oil consumption will stand 100 million barrels per day over the fourth quarter of this year.

During the last round of sanctions, Iran has lost its place in OPEC as the second largest oil producer and is now behind Iraq in the third place.

At the same time, the US, which George W. Bush said in his State of the Union Address in 2007 was addicted to oil, has been able to increase oil production and reduce its dependence on oil imports. The country now produces more than 10 percent of the oil consumed globally.

Over the forty years after the Islamic Revolution, Iran has always tried to reduce its dependence on oil revenues and has been succeeded relatively even though not considerably.

During the period, Iran's continuing oil production has been on the decline partly due to domestically set targets and partly due to foreign constraints.

Right now it is not easy to predict the outcome of newly imposed sanctions on Iran's oil industry because of the involvement of too many variables. On the threshold of the new sanctions, the US has considered waivers for Iranian oil consumers which has been evaluated as a kind of back down in Iran. What will be the next step from either side? We should wait and see.

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Poland ready to widen cooperation with Iran's mining sector

Poland's Ministry of Entrepreneurship and Technology voiced its willingness to broaden cooperation with Iran's mining and industry sector, and said cooperation between the two countries is on the right track.

Cooperation with Iran provides a great opportunity for Polish companies to enter the regional market, Tehran Bureau Chief of Polish Investment and Trade Agency Jaroslaw Kaczynski was quoted as saying by Fars News Agency.

He reiterated that Iran is among major potential targets of the Polish manufacturers, and said, "Some 25 percent of the machineries manufactured in the European country are mining equipment, which majorly suit Iranian market due to its considerable capacity and the characteristics of Iranian mines."

Kaczynski underlined that Iran has a strategic geographical location which can also be used as a corridor for regional markets.

"Several Polish brands are already present in the Iranian market and are operating in major coal mines," he said, adding, "For almost 13 years, our machineries have been operating in Iran, and we have granted support for around 150 Iranian companies and provided them multiple services via more than 450 Polish manufacturing firms."



Kaczynski underlined that trade between the two countries witnessed a remarkable 187.5 percent growth since 2015, which marks the landmark 2015 nuclear deal between Iran

and major world powers.

"Trade between the two states stood at \$80 million in 2015 but the figure reached \$230 million in 2017," he added.

Goods traded between Iran and Poland mainly include agricultural machineries, medical instruments, glass items, home appliances and food products.

Iran accounts for 96% of global saffron export: Shirzad

Domestic Economy Desk

Iran's share in global saffron exports reached 96 percent in the year which ended on March 20, said the chief executive of Central Organization for Rural Cooperatives of Iran.

Hossein Shirzad further said that Iran ranks first in the world in the production of saffron accounting for 88 percent of the global output while its share of exports stood at 96 percent in the year to March 20.

Speaking at a symposium on "Targeted Intervention Strategy in Saffron Market", he maintained, "Saffron should be priced logically within the framework of rules and regulations in order to get lion's share of the target markets."

Central Organization for Rural Cooperatives of Iran, represented by the Ministry of Agriculture, purchased approximately 67 tons of saffron of various grades.

According to statistics, per capita consumption of saffron in Iran stands at one gram per annum, Shirzad said.

Central Organization for Rural Cooperatives of Iran was set up in 1969 as public joint stock company with the aim of developing rural and agricultural and rural sectors.



In October, Shirzad said that Iran's southwestern province of Khuzestan accounted for almost 41 percent of the country's annual date exports in the past 10 years.

He added that the output witnessed a decline last year due to a number of reasons including drought.

More than 4,247 tons of date valued at more than \$2.6 million have so far been bought from farmers this year, Shirzad said.

The official added that Iran's date production was affected in recent years due to traditional methods of agriculture, water shortage, water and soil salinity, lack of marketing strategies as well as the rise of nitrate levels in water and soil.

Around 1.2 million tons of dates were produced in Iran in the year to March 20, of which more than 181,000 tons were exported, Tehran Chamber of Commerce, Industries, Mines and Agriculture reported citing data from Statistical Center of Iran and Islamic Republic of Iran Customs Administration.

The top three destinations of Iran's date exports were Pakistan, India and Kazakhstan with 44,000 tons, 39,000 tons and 28,000 tons of purchases respectively.

Iran's date cultivation took place on 170,000 hectares of palm-groves last year with the provinces of Kerman and Sistan-Baluchestan both in the southeast and Khuzestan in the southwest being the biggest producers.

Deputy minister:

Iran-Turkey trade not satisfactory



Domestic Economy Desk

Transactions between Iran and Turkey are not at a satisfactory level, said an Iranian deputy foreign minister.

Gholamreza Ansari, the deputy foreign minister for economic affairs, who was addressing the 'Iran-Turkey

Forum' in the northwestern city of Tabriz on Monday, however, noted that diplomatic ties between the two countries are good. IRNA reported.

He said the two countries are required to expand economic cooperation given their long joint borders and remarkable capacities.

Ansari noted that Iran and Turkey are old friends, adding the two countries' common borders have always been those of peace, friendship and tranquility, which prepare the ground for more effective collaboration.

Today, Iran and Turkey have helped revive reliable regional structures and bodies such as the Economic Cooperation Organization, he said.

He added Iran and Turkey are among the countries that can significantly benefit from transactions on both sides of Asia.

Commenting on the enormous economic and trade capacities of the two countries, Ansari said that both governments are seeking to further expand such capacities by removing structural and bureaucratic obstacles.

He added Iran and Turkey have, so far, played a significant role in bringing stability and peace to the region and fighting terrorism, which can, in the future, contribute to their development.

"Setting up joint companies in war-torn regional countries to reconstruct them will prepare the ground for expanding economic cooperation between Iran and Turkey and the rebuilding of damaged areas."

He said economic sanctions on Iran are the consequence of unilateral US decision, adding there are certain obstacles to boosting Tehran-Ankara trade which are neither related to nor stem from the sanctions.

He hoped that goods transportation between the two countries will be facilitated at border crossings as promised by Turkish officials.

Speaking at the same meeting, Suleyman Sensoy, the chair of Turkish Asian Center for Strategic Studies, said earlier transactions between the two sides had reached \$22 billion but regretted that the figure has currently fallen to \$10 billion.

Trade between the two sides is required to reach \$30 billion, a target for which the ground is currently being prepared, he concluded.