

can not be fused together? If what the idea of "sustainable development" brings out, is the fact that forms of development that should be pursued are sustainable forms, and the idea of a right to development simply stresses that development and socio-economic welfare is based on human rights, surely we can acknowledge that people of the world have a right to sustainable development. This would be then a right to the kind of social, political and economic changes which both improve the well-being of people now and preserves the environmental conditions in a way that people in the future can achieve well-being too.

Indeed, if one accepts that there are human rights and that sustainability is a necessary element to a satisfactory definition of development, and that a right to development is grounded derivatively in the realization of human rights, then intellectually there seems no alternative.

Central to this analysis is the question: What is development? One common view has been that development is essentially economic growth and that to achieve economic growth is through modernization and the introduction of and increase in industrialization, advanced technology and economic mechanisms. What developing countries need to do is to catch up with and essentially imitate industrialized countries.

Objectives of Economic Development

It is now well recognized by many economists that development can not simply be about economic growth. We can well see that in several countries, economic growth occurs, the GNP goes up, but certain other things do not occur; for instance general improvements for the very poor of the society who are left out, just distribution of welfare or maintenance of civil liberties.

Many economists, policy makers and environmentalists in the industrialized countries are openly talking about "sustainable development". They argue that the use of mineral resources in general and hydrocarbons in particular has to be limited to the least and measures



have to be taken to cease the investment opportunities for fossil fuel consuming manufacturing sectors both in industrialized as well as developing regions, on the pretext that petroleum consumption is hazardous to global health and hence hampering the nations of sustainable development.

The industrialized nations have benefited from very cheap and abundant production and supply of oil and have reached at such a level of development that they no longer consider hydrocarbon resources quite vital for a sustainable development pattern over a long period of time.

On the other hand the less developed nations who copied the development patterns of developed countries since mid-1950's find no alternative to development but industrialization based on energy intensive manufacturing. This is simply what we would call, a "right to development". This is to mean that developed governments can not deprive the third world from a pattern of development that helped them to develop some half a century ago.

Developing nations have as much right to choose their development strategy and industrialization policy as the developed world had it several decades ago.

However, the issue of environmental protection is not

something that can simply be ignored. Today around one-third of world crude oil is produced by OPEC and other oil producing developing countries while three-fourth of the oil produced is consumed by industrial countries. That means to say that on per capita basis developed nations consume much more oil and therefore produce much more carbon as compared with the third world nations. This indicates that developed countries owe much more to the international community as far as the cost of carbon emissions is concerned. The destruction that developed countries have caused to the environment as the price for industrialization should not deprive the developing world from their right to development. The right to development is not a challenge to the notion of sustainable development but could even stay in some kind of harmony with each other.

1. BRUNDTLAND REPORT, UNITED NATIONS CHRONOLOGY ON WORLD ECONOMIC AND, SOCIAL DEVELOPMENT AND ENVIRONMENT, 1987

2. Declaration on the Right to Development, United Nations, December 1986, 41/128 Preamble.

Development Strategies Versus Environmental Policies

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In recent years two options have gained prominence in international thinking about development. One is that of "Sustainable development" and the other is the "right to development".

Sustainable Development

Although the phrase "sustainable development" does not make any specific reference to the environment, it is obvious that the context in which the idea has been established is that of environmental problems. It is related to the using

up of all kinds of natural resources, particularly non-renewable sources of energy and the problem of future shortages in the context of industrial activities and factors such as air pollution, land degradation, alteration of the atmosphere, and so on.

Perhaps in a sense sustainable development is as much about sustaining the social economic and political basis of development than anything else. However, the core of sustainable development in the new context is that of the kind of

development in developing as well as developed countries.

If a meaningful dialogue and understanding is established among the nations, human society has the ability to make development sustainable and to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs.

The "Definition of the Right to development Thoughts"

Development is a comprehensive economic, social, cultural and political process, which aims at continuous improvement of the well-being of the entire population and of all its individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting therefrom.²

Based on this theorem, if those necessary conditions for development can not be met now, at least a process of moving towards them and thus progressively realizing them is something which people have a right to.

Now the question is that, why and how the two ideas on development briefly explained above



If so, then will open even a greater dimension of the whole affair. Though it is unlikely that before agreements on the development of upstream sectors of Saudi, Kuwaiti and Central Asian countries are ratified, such a green light on Iraq is given.

3) The instrument of punishment of Iraq is now being used to help this country. For, if Iraq production were to fall within the quota system it would definitely not be allowed to produce as much.

4) Another interesting point is that the U.S. and the Sanctions Committee do expect the present level of prices to persist or else they would not have based such a long term measure on a temporary affair.

It is of course foreseen that in case oil prices decrease Iraq will have to increase its exports and hence its production. This is technically and protection wise not possible for Iraq. As it is Iraq's oil reserves that are being heavily damaged because of its irrational production. And that is why sooner or later development of its upstream sector will be unavoidable.

Even now there are some limited activities of refurbishment underway in Iraq's oil wells and utilities which are no more than temporary relief measures.

5) Generally it has been a long time since Iraq has been used as an instrument for oil price fluctuations. If OPEC does not intervene, the issue will continue unchallenged.

6) Again it has been many years since a member country has been allowed to act as a NON-OPEC member and outside quota system. In view of the

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afore-mentioned points, the OPEC members must seriously deal with Iraq's production in their very first future meeting and by bringing Iraq back to the quota system block the indirect interference in the internal affairs of the organization. If Iraq does not submit to the system then based on historical grounds necessary relevant quotas should be adopted.

STOCKS AND OPEC

As the time of the end of production reduction agreements of OPEC by march 2000 approaches, various opinions about the future policy of OPEC are being expressed. The main theme of all these views is based on OPEC'S production regulations.

One such idea is that OPEC should base its production on a price range. If the price rises beyond its upper limit, production should be increased to bring it back to within the range and vice versa.

Despite its logicality this has not appealed to the OPEC members, perhaps because its realization requires a quick and firm decision making mechanism which OPEC lacks. In addition recently there have been variety of price bands proposed by many quarters such as 18 to 20, 15 to 21, 18 to 25 ... but none managed to impress the members.

Obviously when official OPEC basket price is based on 21d/b and the present prices are higher than this index, any proposed price band must base its lower limit on the said index and the higher boundary 3 to 4 dollars above it. There is hardly any reason for OPEC to retreat from its position when the organization has reasserted its authority in the market.

Another view expressed for OPEC's production regulations is just based on facts and figures of stocks of consuming countries. In this method OPEC is required to only focus on the level of stocks and regulate its production level accordingly.

In this regard it has to be noted that although stockpiling is a very important factor, nevertheless taking it to be the single most important element can cause new problems for OPEC. For, as the following points show, this view about stocks can be as dangerous as not taking any notice of it:

1) OPEC has no possibility of any timely access to precise stocks statistics.

2) Figures of stocks are mostly presented by sources associated with the consuming states and there exists no way to verify their reliability.

3) Unlike oil prices that are so transparent and traceable in the

market, fluctuations in the stocks are not an easy task to follow.

4) Consumer states base their stockpiling policies on the recommendations of International Energy Agency. Any change in such policies is not readily available to OPEC. More importantly attachment of production policy to actions beyond the organization's control can mean total loss of initiative by OPEC.

5) there is always a time lag in the presentation of stocks figures and hence such statistics traditionally depict a situation of the past. Therefore how would one expect OPEC to base its future production policies on figures of doubtful nature?

6) Oil prices and their fluctuations serve as a fine index of activities of various elements and their impact on the oil market. Whereas such an impact can not be determined in the stocks variations. In other words changes in stockpiling are not caused by effective elements of the market

In view of the above-mentioned points and some other parameters, it is simply not possible for OPEC to use this method. It seems appropriate for OPEC to take serious note of the practical problems of such a policy and by weighing effective factors and indices of market avert adoption of any extreme measures. Comprehensive view of the market dictates that OPEC, as a determining body, should take into consideration all other factors and address their relevant positions and weights accordingly. ■

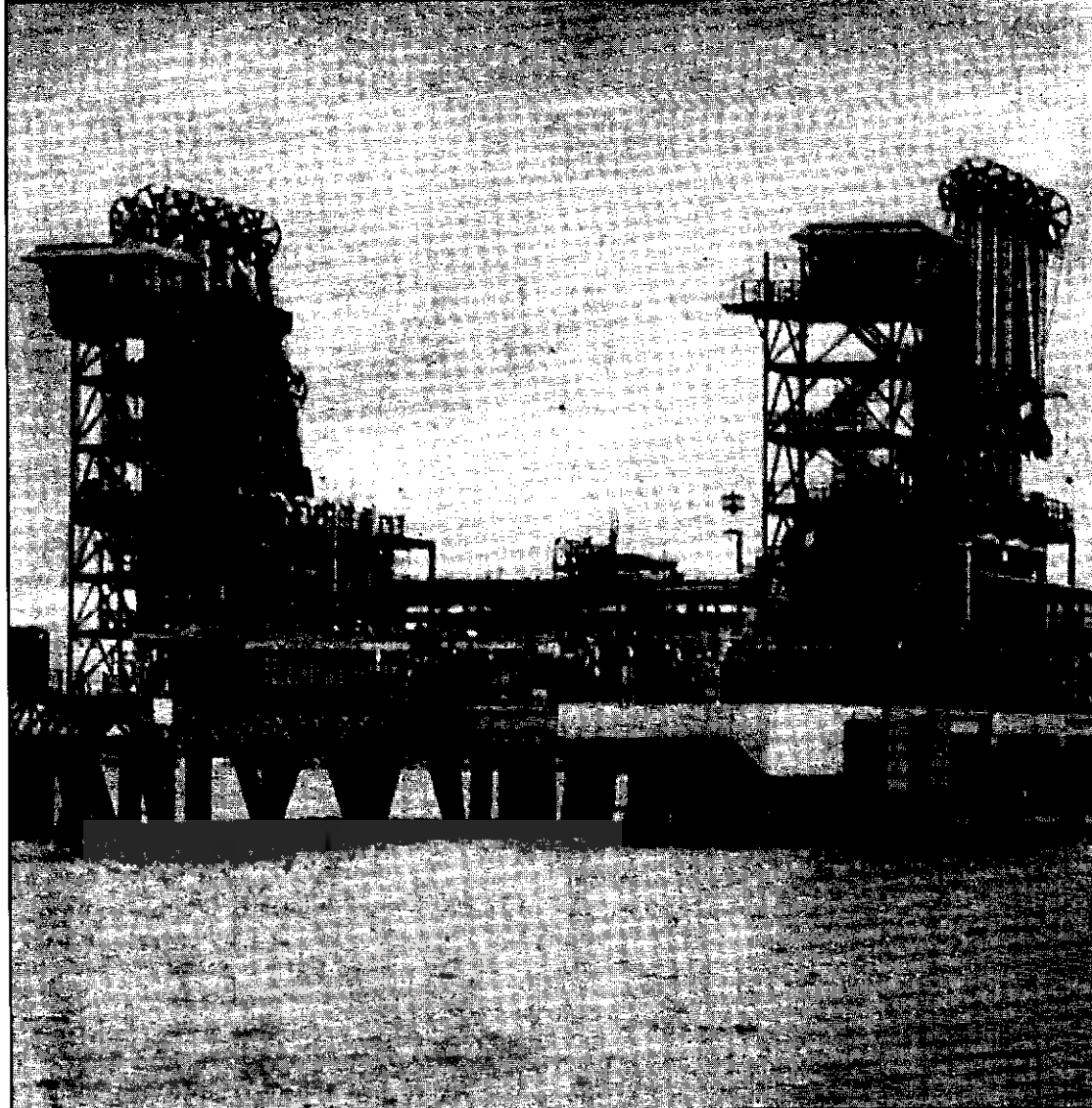
in which case OPEC will not be able to respond to its market share.

Supporters of market share policy must recognize that such a paradox mainly stems out of the fact that this policy is a mere economic issue while the industrial countries who dominate the global economy have for long taken the issue of energy into their strategic plannings and refuse to leave it to the free market elements. To substantiate this claim one just has to observe their staunch support for competing forms of energies such as coal and nuclear which despite environmental hazards continues unabated.

The fact remains that in the past many years adhering to market share policy not only has not enabled OPEC to chase the competing energies out of market but has not even helped to cause any significant reduction in the market share of NON-OPEC productions. As a result OPEC produced more and gained less. Reducing its resources at a faster rate and heavily debilitating its members capability to invest independently and in the bargain, causing increasingly serious misgivings amongst foreign investors for becoming active in their upstream sectors.

IRAQ'S OIL; AN INSTRUMENT OF CONTROL

«The Sanctions Committee of the U.N. Security Council has permitted Iraq to increase the ceiling of sales of its oil by more than 3 billion dollars to earn a revenue of 8.296 billion dollars for



another period of 6 months».

Above news was one of the most important talks of the world oil markets in the recent weeks which did leave its impact on prices. Given that the average of current Iraqi oil price is about 20d/b, then it follows that Iraq is actually allowed to export about 2.3 mb/d of its oil.

taking into account the past history of Iraq's production and its acute technical impediments as well as the country's domestic consumption, it becomes clear that such a new ceiling is equal to Iraq's maximum possible production capacity. this, in practice, is nothing short of allowing Iraq an absolute free hand to produce what it can.

Then naturally the question follows that why the Sanctions Committee,

more than ever under the influence of the U.S., for this particular case does not officially abrogate Iraq's oil production limit and confine its control only to the means of Iraq's foreign exchange expenditures?

In this regard following points are worth noting:

1) By adopting such a measure, the U.S. and the west take the oil production of a major OPEC member out of the quota system of the organization and use it, along with strategic reserves, stock exchange..., as a leverage to impose a moderation of their own liking onto the market.

2) Given the fact that in past few months Iraq's oil has found an increasingly high allocation in the domestic U.S. market the subject becomes even more

interesting!

Obviously considering the situation Iraq is in, the U.S. can benefit from cheaper oil!

In the recent past Iraq, after Saudi Arabia, Venezuela and Mexico has ranked fourth among the main suppliers of oil into U.S. market and is eyeing an even higher rank.

This seems to have caused some concerns amongst the first three who had earlier agreed about their respective shares in the U.S. domestic market. Apparently the subject will be one of the most urgent items in the agenda of their upcoming November meeting.

There are signs that, as a compensation, the U.S. administration may allow the American oil companies, suffering from sanctions against Iraq, to invest in Iraq's oil industry.

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PARADOX OF MARKET SHARE

Soon after the latest OPEC ministerial meeting on 22 Sept. in Vienna Kuwait's oil minister said that revision in the OPEC's production ceiling, even in their March 2000 meeting would be unprincipled. He added: "Increase of the ceiling when the demand will be about to slacken is not wise". In his later statement Mr. Sheikh Saud Nasser Al-Sabah said that Brent price of 25 to 28 d/b is a logical level.

What he has maintained is of course quite rational and principled.

The low price lobbies want to exert psychological pressure on the market and OPEC right from now. They want to make sure that the March 2000 meeting of OPEC will vote for an increase in the production ceiling. Such a definitive outcome can not naturally be expected and everything will depend on the market situation during the next few months, especially on the winter parameters and that of the new year.

OPEC will have to make the appropriate decision taking into consideration forecast of the global economic situation, world demand for energy carriers, supply of other carriers,

NON-OPEC oil and few other factors such as world stocks. Even if OPEC members decide to moderately increase their production ceiling, it will have to be a gradual one and over a period of time with a view on the demand side.

However, the question remains that how is it that the Minister of Kuwait, a country which for a long time vouched along with her big neighbour for market share, has now become such a fiery supporter of increase of world oil prices and cautions OPEC against decisions that would compromise the rise and stability of prices?

The answer seems to be found in the recent drives of Kuwait to attract foreign capitals to increase

the country's oil production capacity.

Since about a year ago Kuwait has been pushing for the purpose, however opposition, from its parliament and the low oil prices of the recent past have caused the delay in achieving this aim.

For the past few weeks Kuwait has been busy preparing a list of interested foreign companies so that the chosen ones can be invited to participate in the relevant tenders. Obviously weighing competence of the selected companies, tender formalities, negotiations and arriving at agreements will take quite a bit of time. During this period the prices need to be solid and stable.

As the experience of 1998 proves when prices

are low, investments are hard to come by and if investors are not quite sure of high levels of prices they will not take the risk of investing unless the entire risk is shouldered by the employer. Such an investment is not to the interest of Kuwait.

In view of above following points can be concluded:

1) Despite much trumpeted publicities of the west about the new technologies and their role in reducing oil production costs, the fact remains that any significant investments in the upstream is very much an oil price dependent issue and they hardly take place while prices are at a low level. In other words, unless and until companies capable of investment are convinced of the continuation of present acceptable level of prices they will not embark on any significant new investments.

2) Market share policy, adopted by some OPEC members for many years, is now faced with a fundamental paradox. Such a policy rests on a constant low oil price so that other forms of energy will not be developed and the market share of NON-OPEC production will not be allowed to increase. But as mentioned when prices are low, there will be no enthusiasm for investing in exploration and hence further production even amongst OPEC countries

