

Exports of Oil to Poor States at Low Price

There should be some motives behind exporting oil to poor countries at a discount and low price.

Of course, whoever has offered such a proposal should reveal the motive. However, some motives are imaginable.

Referring to history, the first oil shock came in 1970s. After the year of 1973, the industrialized Western countries waged massive and tough propaganda against the Organization of Petroleum Exporting Countries (OPEC). The hue and cry caused long queues in the United States' gas stations, prompting the Americans to stage large-scale demonstrations and blame the OPEC for all economic problems facing the world, including the industrialized states.

Scores of plans were discussed at that time in order to put the OPEC under pressure. For instance, the OECD member states and the industrialized countries were urged to raise the prices of their export products in a bid to compensate for some part of the soaring prices of oil.

In fact, they made such a decision to raise the value of their propaganda. But the poor states, which imported oil, sustained the highest loss.

The OPEC also carried out some measures to lighten the atmosphere. Among its initiatives was the organization of the first OPEC summit in Algeria in 1975. The move aimed to show that the OPEC had not given in to the mounting pressure and escalating propaganda.

As another step, the OPEC set up a fund in the same year, aiming to make investment in its member states through the surplus oil revenue and grant low-interest or ex gratia loans to the poor countries through the fund.

However, when a relaxed atmosphere again

prevailed, the fund turned into a weak body.

If Iran is trying to adopt the same strategy, i.e. the country has likened the current condition with that caused by the initial oil shock, it should know that the price hike is similar to the increase in oil prices at that time, but the OPEC is not currently facing the high charged atmosphere it experienced in the 1970s.

All know that the OPEC's output is now at maximum level. At that time, the OPEC due to oil sanctions was charged with playing a role in raising the prices, but there is no such a speculation at present.

Various issues have caused such a situation and the OPEC is producing at full capacity. Although the industrialized states sometimes expect the OPEC to boost its production, they have not made severe propaganda against it.

The issue is not so serious. Even if it is the case, it could be settled by the OPEC through activating the fund at this juncture.

In an article entitled "From OPEC Fund to OPEC Bank" published in a recent edition of our magazine, the issue was thoroughly discussed. The article said the OPEC thanks to some reasons should develop the fund – not for granting low-interest or ex gratia loans. Since the oil prices have considerably increased,, but because the liquidity turnover is very high from which benefit the western banks.

Hence, the OPEC is better to turn the fund into a bank and trade in an international bank in the West, gaining high credit and using the benefits from the liquidity turnover. It also helps it gain the benefits by itself.. In other words, banks will not enjoy the benefits any longer.

In addition, almost all OPEC member states are concerned about the importation of high-price oil and

earning of huge petrodollars as they are beyond their economic capacities and consequently cause different problems. Most of the OPEC member states are now suffering from similar economic illnesses.

For this reason, most of the states' hard currency reserves have mechanism in placed similar to that of Iran

The money the fund collects could help the bank make investments in overseas projects – not in domestic economic projects. Then the earnings of the international projects pave the way for supporting those countries, where the investments are made. The proposal as discussed in the previous edition could be also put into practice by the OPEC.

Therefore, support for the poor countries put forward in the 1970s is not justifiable under the current conditions.

Another motive behind the support is to exercise diplomacy and bolster international ties at this juncture that the country's oil revenues have soared. There is no problem with the decision, but the country has repeatedly adopted the same strategy before, spending huge amount of money. If the country plans to improve its political position in the international scene, it should have a clear view of its consequences.

The other possible motive is that the country may find itself responsible toward the poor states. If the government has such a view, it should know that a government represents a nation and the revenues belong to people. In fact, the government is a trustee. So, if the initiative aims either to improve diplomacy or to fulfill religious and political duties, the nation should be briefed and accept it.

Otherwise, a gap would be created between the nation and the government if the case is not clarified for the people because they would wonder why the government plans to spend huge money for the poor states while their own country is suffering from the ever-increasing gap between classes, unjust distribution of revenues, poverty, and underdevelopment.

The decision can be studied from two aspects.

Firstly, there must be a clear reason behind such a responsibility toward the poor states. What has obliged us to feel such a responsibility toward the international community?. Even if there is a document or solid evidence that obligates the country to fulfill such a commitment, the government must convince the people or it causes a gap between the nation and the government.

Second, another possible motive behind the strategy is to make the government popular in the international

scene and win the peoples' hearts. In that case, the people should be briefed, as well.

Otherwise, the plan will surely fail, causing the gap between the people and officials.

Even if the country intends to do it out of charity, the people should know whether Iran is the sole state that donates or all OPEC member states adopt the same strategy.

It makes no difference even if the country gives the aid within the OPEC rules and regulations because Iran as the pioneer should elaborate on its motives, which will be later imposed on other OPEC member states.

The plan and its political goals, however, will most likely – above 95 percent – fail. If the country has presented the initiative to the OPEC as an overture with the aim of gaining its positive effects, it is regarded as a political maneuver. But if the government is determined to put it into force, it must be authorized by the people.

The last point is that the government of President Mahmoud Ahmadinejad is completely different from that of his predecessor Mohammad Khatami in terms of social, ideological, political, and economic policies.

As the oil prices go up, unreasonable reconstruction in many fields has accelerated, causing great concern.

Developments after the 1970s oil shock can help us predict the future events.

At that time, the shah doubled and even tripled the development budget without providing the infrastructure, and paying no attention to the dull market, and other limitations.

Today the government vows to receive the development budget before the first six months of the current Iranian calendar year (started March 21, 2006) while the annual budget bill has been passed some months ago.

Even the government has promised to demand for an equal amount for the second half of the year through passing a budget act.

Apart from the OPEC and its fund, the shah perhaps intended to win international fame through being lavish with public assets and making illogical investments.

So, if the government forgets the fact that it is the people's representative and makes extravagant use of the national wealth, the history repeats itself.

Under current circumstances, paying attention to the post-1970s developments and consequences can be fruitful and warns us against the traps and problems ahead.

The country should avoid those measures that could create a gap between the people and the officials.