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Iran offers major concessions to US and European oil giants

By Alan Leigh
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As it seeks to reach a rapprochement with the US and its allies, the Iranian government is offering Western corporations a substantial stake in the country's oil and gas resources. Major oil companies, including Exxon Mobil, Chevron and Conoco Phillips, could earn huge profits through access to Iran's reserves, some of the world's largest and least costly in terms of production.

US-led sanctions, imposed on the basis of unsubstantiated allegations that Iran has been seeking to build nuclear weapons, have crippled the country's economy. Oil exports have fallen by more than 50 percent since 2012, the value of the currency has collapsed and inflation is estimated at more than 40 percent.

Hassan Rouhani's installation as president following elections last June marked a shift by the Iranian regime to reach a deal with the West to end what amounts to an economic blockade. In an interim nuclear deal reached at international talks last November, Iran accepted major constraints on its nuclear programs in return for a slight loosening of bans.

However, the government is clearly pushing for a rapid end to sanctions to avert a deepening economic crisis that is hitting business hard and threatening to trigger widespread social unrest.

According to a 2013 report by the International Campaign for Human Rights in Iran, some two-thirds of the nation's manufacturing units are on the verge of closure, and millions of working class families are struggling to meet the rising costs of basic necessities.

Iran's oil minister Bijan Namdar Zangeneh told the *Financial Times* on November 26 that he had already been meeting "indirectly" with US energy companies to plan for when sanctions are lifted. Speaking to reporters before a December 4 meeting of the Organization of the Petroleum Exporting Countries (OPEC) in Vienna, Zangeneh said: "We have no limitations for US companies." He added that Iran was prepared to offer the US and European companies deals with better terms than Iraq. He specifically named France's Total, Anglo-Dutch Shell, Italy's Eni, Norway's Statoil, Britain's BP and the US firms, Conoco and Chevron.

At the OPEC meeting, Zangeneh told CNBC that the country was "technically ready" to produce 4 million barrels per day by the mid-2014, conditional on sanctions relief. Iran currently exports only 1.2 million barrels a day, compared to 2.5 million in 2011. According to Bill Farren-Price, oil analyst and CEO of Petroleum Policy Intelligence, the target of 4 million barrels per day was almost impossible without much-needed energy infrastructure upgrading.

Zangeneh's comments make clear that the high-level talks between the US and Iran over the past year have been about much more than Iran's nuclear programs. In exchange for ending Iran's isolation, the Obama administration is seeking far-reaching concessions from Tehran, in line with American economic and strategic interests in Iran and the Middle East.

In an interview last October with the *Donaye Eghtesad* magazine, Rouhani's chief of staff Mohammad Nahavandian acknowledged meeting with the representatives of major US companies during the UN assembly at New York in September. Nahavandian, a former head of the Iran Chamber of Commerce, said: "Our private meetings showed that these companies are worried to give up the great economic opportunities to China and Europe. This shows that these companies have arrived to the point of believing that the era of sanctions has ended. Our public and private meetings within the two weeks were not comparable with the past, and everyone seemed very enthusiastic."

Leading US oil companies have maintained regular contact with the National Iranian Oil Company (NIOC) and lobbied against the US sanctions. "It's no secret that we've maintained a dialogue with NIOC since 1995 in the hope that US sanctions would be lifted at some point and we would be allowed to do business," Carlton Adams, Conoco spokesman said. Conoco helped the NIOC in the analysis of data collected from Azadegan, the world's largest oil fields, on the understanding that development priority will be awarded to Conoco once sanctions are lifted.

Zangeneh is one of a number of senior ministers in Rouhani's government connected to the so-called reform or moderate factions of the Iranian elite that have advocated a rapprochement with the West and a pro-market restructuring of the Iranian economy.

In the early 1990s, as energy minister under President Hashemi Rafsanjani, Zanganeh negotiated a \$1 billion deal with Conoco. He served two terms as oil minister under “reformist” President Mohammad Khatami and forged cordial relationships with major companies, including Shell, Statoil, Total, Eni, Spain’s Repsol, Malaysia’s Petronas and Russia’s Gazprom.

As oil minister in 1997, Zanganeh established an offshore NOIC subsidiary, registered in the British Virgin Islands under the name of PetroPars. PetroPars mediated about \$8 billion in contracts between foreign companies and the NIOC. He also recruited many technocrats to the ministry, including some who became involved in financial scandals. After taking office in 2005, President Mahmoud Ahmadinejad denounced them as the “oil mafia” and removed them from their posts.

The conservative factions that backed Ahmadinejad rested on layers of the state apparatus, including the Iranian Revolutionary Guard, whose anti-US sloganeering, as well as their substantial fortunes, were bound up with maintaining their control of the oil industry and other economic sectors. While Supreme Leader Ayatollah Ali Khamenei has supported the Rouhani government, conservatives have criticised its orientation to the West.

Zanganeh made several speeches during the past two months seeking to counter the criticisms. On November 3, he declared: “They repeat that the US is not honest. What does it really mean in international negotiations? Nothing, because the negotiations are motivated by interests and not honesty or goodwill... During the past several years we have continuously declined because of these kinds of slogans. Why should our people become poorer every day? Our nation’s entire development has come to a halt and they continue to shout these slogans.”

Zanganeh’s comments point to deep concerns in the Iranian elite that the present economic crisis will produce a revolt in the working class. An editorial published on December 28 in *Jomhuri-e Eslami*, which has connections to Khamenei, warned the government about an “unpredictable rebellion of the poor.” The editorial not only underscores the fears in ruling circles but put the government on notice that changes need to happen rapidly.