

Oil share in the world energy basket has increased from around 10 percent at the turn of the 20th century to approximately 35-40 percent at present and is projected to stay at this level until 2020. Natural gas is gradually increasing its share to around 25 percent of the energy market in the foreseeable future.

In the past two decades, world oil demand has increased 20 million barrels per day. Projections for future trends indicate that by 2020 world demand is set to increase by 30-40 million barrel per day--80 percent of the incremental demand will be in developing states, reported economic monthly Ravand-e Eqtesda'i (Economic Trends).

Firm Outlook

Soaring global energy demand will leave the West increasingly dependent on the Middle East. The International Energy Agency (IEA) forecasts that the world's daily burn rate for oil will rise by almost half over the next 25 years, to 121 million barrels a day, as global energy consumption increases inexorably. The IEA predicts that demand of energy of all types will soar by 59 percent by 2030. The IEA expects the Middle East OPEC states to be pumping 52 million barrels a day by 2030, up from 20 million today.

Global primary energy demand is projected to increase by 1.7 percent per year from 2000 to 2030, reaching an annual level of 15.3 billion tons of oil equivalent. The increase will be equal to two-thirds of current demand. Global oil demand will rise by about

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Sanctions

Iran-Libya Sanctions Act (ILSA) of 1996 imposes mandatory and discretionary sanctions on non-US companies which invest more than \$20 million annually (lowered in August 1997 from \$40 million) in the Iranian oil and gas sectors. Also, in early 1995, former US president Bill Clinton signed two executive orders, which prohibited US companies and their foreign subsidiaries from conducting business with Iran. The orders also banned any "contract for the financing of the development of petroleum resources located in Iran."

The most important aspect of US oil sanctions policy on Iran was, and is, its unilateral character. No other country has joined the US in its sanctions on Iranian oil exports or investments.

The first US embargo on oil imports from Iran was



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Oil Power



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attract such investment. To date, the Economist Intelligence Unit (EIU) estimates that Iran has attracted some \$15-\$20 billion in foreign investment for its hydrocarbons sector (the largest being ENI's investment in the South Pars gas field).

Iran exports around 2.6 million barrels per day, with major customers including Japan, China, South Korea, Taiwan, and Europe.

The country has an estimated 940 trillion cubic feet in proven natural gas reserves -- the world's second largest surpassing only that of Russia. Around 62 percent of Iranian natural gas reserves have not been developed, meaning that the country has huge potential for gas development.

Iran has the potential to be a large natural gas exporter due to its enormous reserves. In 2002, Iran produced about 2.7 Tcf of natural gas.

Iran's largest natural gas field is South Pars, geologi-

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cally an extension of Qatar's 380-Tcf North Field, and most likely the largest gas field in the world.

Foreign Investment

Experts say attraction of foreign investment with the aim of developing Iranian oil and gas industries requires extensive negotiations and sound legal strategies.

Iran itself should not invest even one dollar in oil and gas industries because foreign companies are highly interested in investing in these sectors. Government revenues should be spent on such sectors as health, education, manpower training and environment where-in other entrepreneurs are not ready to invest.

To create new capacities in oil and gas sectors needs huge investment. For instance, implementation of phases 10 to 12 of the South Pars development project needs a total investment of \$12 billion. Laying pipelines to export gas from the field to neighboring countries, to meet domestic demands and to inject gas into oil fields need additional investments. It seems that in the next 20 years about \$30 billion would have to be invested in oil sector and the same amount in gas sector. Foreign investment would lead to transfer of technology and technological know-how. Creation of job opportunities is an important outcome of investment in oil and gas sectors.

The government should continue providing private sector with spiritual and materialistic support but should not interfere in its activities. The private sector can through government support make its presence felt on foreign markets and attract foreign partners and necessary financial resources.

Iraq Enigma

Oil. That is what the modern Middle Eastern geopolitics has usually been about. Given the vast energy resources that form the backbone of western economies, influence and involvement in the Middle East has been of paramount importance for imperialistic powers.

Exponential growth of oil production and consumption, either in the US or elsewhere in the world continues.

US dependence on oil would increase at a faster pace than the government has forecast. US net oil imports are expected to rise to 70 percent of its total petroleum demand by 2025. The new Annual Energy Outlook 2004 report says the US is being forced to increase oil imports to accommodate growing demand amid declining domestic supply.

Although completely unreported by the US media and government, the answer to the Iraq enigma is simple yet shocking -- it is in large part an oil currency war. One of the core reasons for war is the administration's goal of preventing further Organization of the Petroleum Exporting Countries (OPEC) momentum towards the euro as an oil transaction currency standard. In order to pre-empt OPEC, they needed to gain geo-strategic control of Iraq along with its 2nd largest proven oil reserves.

tried to get some European countries to follow the US lead in barring Iranian oil imports but failed to get even serious consideration.

At first sanctions did cause some foreign companies with investments in the US to withdraw from some post-ILSA oil/gas projects in Iran, possibly keeping Iranian oil exports slightly lower than they would have been otherwise.

However, given the high world oil prices in 1996 and 1997, the Iranian economy did not feel any pain from these very limited reductions. In 1998 investment in Iran had been disregarded and foreign oil companies were entering Iran on a potentially multi-billion-dollar scale.

The US administration has recognized that it has

absolutely no support or even consent from other industrial nations for its Iran sanctions policy and has decided to take no action against any of these foreign companies. Thus, as widely predicted, the principal victims of the Iran sanctions policy are the US oil companies and ancillary businesses.

Keeping Pace

During the first six months of 2004, Iran produced 4.1 million barrels per day of oil, up from 3.9 million barrels in 2003. Iran's current sustainable crude production capacity is estimated at around 3.9 million barrels per day.

The country's existing oilfields have a natural decline rate estimated at 200,000-250,000 barrels per day annually and are in need of upgrading and modernization.

With sufficient investment, it is widely believed that Iran could increase its production capacity significantly. Iran produced 6 million barrels per day of crude oil in 1974, but has not surpassed 3.9 million on an annual basis since the 1979 Islamic Revolution.

The government has ambitious plans to double national oil production -- to more than 5 million barrels per day by 2009 and 7 million bbl/d by 2024. The country is counting on billions of dollars in foreign investment to accomplish this, but it is unlikely to be achieved without a significant change in policy to



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imposed in November 1979 in response to the 444-day hostage taking of US diplomats in Tehran. The embargo had no impact on Iranian oil exports, which had declined by some 2 million barrel per day following the Islamic Revolution.

Both the Bush and Clinton administrations actively

Carpet Industry

By Mohammad Baqer Sadri

Recently the National Organization for Hand-Woven Carpets announced that some 90 percent of the country's weavers are rural residents and the remaining 10 percent are urban dwellers. It also said that the global volume of carpet trade amounted to 3 billion dollars while Iran's share was about 30 percent.

It seems that once again an official organization has given erroneous statistical information. If Iran's share in the global carpet industry is 30 percent, then the country should have exported between 750 to 900 billion dollars of carpets annually. However, the

current export level stands at \$500 to 600 million only, the Persian daily Donya-e Eqtesda'i reported.

In fact based on international reports, at the beginning of the new century, the global volume of carpet trade reached 4 billion dollars and Iran's share from this figure was 25 percent.

The only way to compile accurate statistics in carpet production and sales is to use reliable national and international facts and figures. For example, a single institution can be established within the producing countries to accumulate data. The National Organization for

Hand-Woven Carpets could also establish links with its counterparts in other countries in order to

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compile pertinent statistics. This way the organization will serve the best interests of the country. Making ambiguous comments do not resolve any-

thing. It is firstly necessary that the information accumulated at the national level should have a sound scientific basis.

Furthermore, special bylaws and regulations should be enacted for design and production of carpets so that the right of ownership and copyright would be observed to some extent, notwithstanding that in Iran copyright still does not have the position it should. At any rate, this set of bylaws could help remove ambiguities over originality when for example Indian and Iranian weavers produce carpets. In other words, the bylaws could

help distinguish between the authenticity of Indian and Iranian carpets when necessary. This way the potential buyers would also have assurances about the original quality of the carpets they purchase.

The most important task is to revive the history of Iranian carpets by compiling information on Persian carpets. This will also help improve the market for Persian carpets.

Iran needs to be active in the carpet industry if it wants to break reliance on oil revenues. Modern methods should be employed in carpet production and traditional ways should be put aside. In modern times buyers



Current carpets export level stands at \$500 to 600 million only.

want carpets that match their furniture and interior décor.

Therefore local carpet-weavers should give priority to such considera-

tions to make their products competitive. If they want to have an edge over their rivals they should have an eye for detail. If national weavers are

informed about how to appeal to potential international buyers, then Iran can regain its important status in the global carpet industry.