Iran's Shifting Development Perspective Anticipates Greater State Control Of Oil

Negotiations are near completion between the National Iranian Oil Company (NIOC) and its Italian counterpart ENI to form a joint company. The deal will provide the Iranian government with a new means of marketing its oil without the participation of the multinational ("Seven Sisters") oil companies. NIOC is scheduled to buy up a 50 per cent share in ENI's distribution and refinery networks in Africa and Europe, excluding Italy. The deal is part of a campaign by the Iranian government to use its oil resources to negotiate state-to-state trade contracts which will insure inputs of technology into Iran and expertise to revitalize its development plans.

Throughout 1976, NIOC has markedly stepped up its independent marketing of oil either by direct sales to foreign customers or through joint ventures which together presently account for over 20 per cent of Iran's total oil sales, according to a NIOC official. Increased utilization of NIOC gives Iran the ability to decide politically to whom and on what terms Iran's oil will be sold. NIOC has thus acted as the key source of pressure on the Shah of Iran to shift the nation's budgetary priority from its large defense budget to agriculture and industrial development.

Iran has signed a series of new and extensive trade agreements and protocols with the Comecon, totaling over $10 billion in the last six months. Exemplary of such deals is a $2.5 billion contract with Czechoslovakia for Iranian liquified natural gas to be supplied from a pipeline extending through the Soviet Union into Western Europe. Radio Free Europe reports that this is the largest foreign deal ever signed by the Czechs. A set of deals has also been established to diversify Iran's economy away from strict dependence on oil. Italy's ENI is set to build a new steel mill on the Persian Gulf; the Soviets are enlarging a plant at Isfahan; India has contracted to supply Iran with ore.

Challenges to Chase

According to a recent report in the *Washington Post*, NIOC has repeatedly locked horns with the Iranian military establishment over Iran's oil pricing policy. The military which is politically dependent on the U.S. weapons firms has pressured the Shah into a hawkish posture on oil prices in order to fund Iran's mammoth $10 billion defense budget. Iran's defense expenditures and a development plan with a focus on high consumption primarily dictated by Rockefeller-allied firms have contributed to Iran's deepening economic crisis despite its $20 billion a year income in oil revenues. According to the *London Times*, British contractors are pulling out of Iran for lack of funds from Iranian clients. Moreover, numerous Iranian businesses and industries have been shut out of Iran's national credit market due to a worsening cash flow problem. This problem has placed additional political pressure on the Shah.

Under such conditions, the Shah significantly won a six-month long fight with close associate David Rockefeller over the rate of interest on a $.5 billion loan to be extended through a consortium of New York banks led by Chase Manhattan. Chase, according to the *Financial Times*, was calling into question Iran's national sovereignty when negotiating loan terms, but in November the bank backed down and gave the loan to Iran at the requested low rate.

Like its oil-producing neighbors, Iran desires to use its rapidly diminishing oil reserves (Iran estimates 20 years of crude in the ground) for petrochemical production rather than as a simple fuel source. The managing director of the Iranian National Petrochemical Co., B. Mostifi has announced that by late 1978 or early in 1980, Iran will have invested $3 billion in new petrochemical facilities. In an interview two weeks ago with the Italian daily *Il Giornale*, the Shah surprisingly praised the late Italian oil maverick Enrico Mattei for his fight against the world oil monopoly held by the multinational oil companies — an indication of which way the wind is blowing in Iran.

British Government Debating Outlines of Long-Term Energy Strategy

A series of recommendations from British government bodies over the last several weeks testifies to the government's intention to go for a large-scale, long-term development of energy production, both in Britain and internationally. This marks a sharp divergence from the "Operation Independence" strategy of the incoming Carter Administration in the United States. Stressing the need for continued development of the most highly

advanced technologies in the energy field, the emerging British program will push for immediate modernization and expansion of coal and oil supplies for domestic use, with nuclear and energy technology generally being developed for export to Arab and Third World countries.

Hydrocarbon Development

The British government's first priority in energy development is obviously North Sea oil, but the high cost of developing the oil reserves has put severe restraints on the amount of oil that can be economically pumped from the sea bed. Consequently, most reliable sources are warning that the country will already have enjoyed the bulk of the benefits from the North Sea by the mid-1980s. While this is more than enough time to give the government the leeway it needs to regenerate the country's economy, it hardly provides the basis for a long-term energy policy.

To fill this energy gap, the National Coal Board announced this week that it was embarking on a 25-year investment program, dubbed Plan 2000, which would pump a total of 10 billion pounds into the industry and would mean "virtually the rebuilding" of coal capacity. The NCB is aiming for the production of 170 million tons of coal a year, as compared with 130 million tons in the past five years, and to treble productivity by shutting down exhausted pits and concentrating on equipping existing viable and new pits with the most advanced mining technology. The Coal Board's investment program must still be approved by Parliament, and a spokesman for the NCB stressed that its acceptance would depend largely on trade union cooperation.

Why Not Nuclear Energy?

The general collapse of industrial investment in the past 5 to 10 years has had a major effect on such high technology fields as nuclear energy where up-to-date production is dependent upon a large research and development sector. Britain's major nuclear project, development of the light water AGR reactors, has finally shown some success with the successful operation of the Hunters Point and Hillingdon reactors, but the prospects for expansion of domestic orders are practically nonexistent since the Central Electricity Generating Board — the country's prime nuclear contractor — already has a 40 per cent energy surplus.

Nonetheless, the government has consistently reaffirmed its commitment to the development of nuclear power, both in British companies and in the context of a joint European nuclear energy policy. Culham, the site of Britain's fusion research center, is a central research center for U.S., European, and Soviet scientists, and a major contender for the site of the European fusion research project.

The Central Policy Review Staff, the private "think tank" for the British Prime Minister, released a proposal this past week which would allow for the continuation of this critical high technology sector by restructuring it for export, rather than the home market. The Nuclear Power Company, the operating arm of the National Nuclear Corporation, which is a government-inspired amalgam of major power station contractors in which the Government holds a 50 per cent stake and GEC (General Electric Corporation) 30 per cent, would have major "turnkey" responsibility for export orders to the Mideast and developing regions. Implicit in such a policy would be a reversion to the "heavy-water" reactors of the type developed by the U.S. which have has more reliable completion and delivery dates.

This export strategy for nuclear technology complements the decision announced by Energy Minister Tony Benn several weeks ago to launch a major campaign to export oil technolgy to the Mideast, Asia, Africa and Latin America to allow for maximum oil exploitation in those regions. The Financial Times of Dec. 30 linked this announcement directly to the "eclipse of power of the major international oil companies," and noted that "there is now less likelihood that oil deposits in any given country would be left undeveloped because their development would go counter to the production and marketing strategy of a major international oil company."

ERDA Taking Another Look at Project Independence Energy Programs

The Federal Energy Research and Development Administration (ERDA) is questioning the economic and technical feasibility of aspects of the Rockefeller family-backed Project Independence energy program, according to articles in the Dec. 26 edition of the *ERDA Bulletin Information*. An ERDA review of current research and development efforts in oil shale and a reevaluation of a pilot coal conversion project show that the generation of synthetic fuels from coal and oil carry a "high technical risk," involve substantive environmental problems, and entail economic uncertainties which have combined to weaken government and industrial commitment to such projects, reports the *Bulletin*.

Dr. Philip White, ERDA's Assistant Administrator for Fossil Energy, noted in the *Bulletin* that the agency is reevaluating the Clean Boiler Fuel Demonstration Plant Project (Coalcon). The proposed Coalcon demonstration plant, using a process called hydrocarbonation, would use 2,600 tons of high sulfur coal a day to produce 3,500