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Nationalization of Iran's Oil Industry; Unending Confrontations

Prelude

The nationalization of Iran's oil industry was neither a sudden or spontaneous move nor what it led to was exclusive and restricted to Iran.

Nationalization of Mexican oil industry (1938) and that of Iran (1951), attainment of production sharing agreements in Venezuela (1948) and even the very formation of OPEC were all somehow the outcome of the unjust relationships between big oil companies of the time (known as Seven Sisters) and oil rich countries.

On the occasion of the anniversary of nationalization of Iran's oil industry, this analysis will review the process that led to that exceptional event and other aforesaid incidents.

Era of Concessionary Agreements

By the ending decades of the 19th and early decades of the 20th centuries, the Seven Sisters, which included two British oil companies of Royal-Dutch Shell and British Petroleum (BP) and five American companies, managed to gradually dominate the whole of the world's oil industry and its trade.

Given that Britain was then a colonial power, the two British companies had the advantage of easily obtaining concessions of exploration and production of oil in the British colonies and were thus born outside Britain. Later on of course, they extended their activities into their homeland as well.

BP was born in Iran on the basis of D'Arcy oil concession, and its birth date coincides with that of Iran's oil industry. The five American oil companies, however, were born and grew in their own homeland, where oil was first discovered in 1859, and only later on they extended their activities to other countries at international level.

The first two decades of the 20th century witnessed bloody skirmishes amongst the said oil companies, particularly between American and British oil companies, over seizing of oil concessions. However, with the help of their governments, they gradually realized that if they put aside their clashes and formed consortiums, they could get access to oil faster and benefit more.

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Finally, on 27th August 1928, the seven oil sisters gathered in secret in Achnacarry (Scotland) to form an alliance to avoid damaging confrontation and division. The Achnacarry Agreement marked the creation of world's first international oil cartel, whose members reserved the right to share out the oil market and fix prices as they saw fit. The contract between the "seven sisters" made these companies "masters" of the modern world.

Evidently, rivalry amongst oil companies continued, though in a weaker form, and was never completely put away, particularly between American companies on the one side and the British ones on the other. Both sides were watchful of opportunities to snatch away oil concessions from each other. The most vivid example of this is seen in the consortium formed after the overthrow of the national government of Dr Mosaddeq following nationalization of oil industry in Iran by him. American companies, which never had any share in Iran's oil industry, were given a 40% share in that consortium as the reward for America's help in staging the coup d'état.

By then, oil concessions were given to one of the seven sisters in almost all undeveloped oil rich countries. Based on such concessionary contracts, the privilege of exploration and production of oil in parts or whole of a country were given to an American or British oil company. In the frame of such contracts, the oil company would have to make two sorts of payments to the host country. One was a "Royalty" and the second was a part of the "Net Profit" earned by the company. Sometimes at the time of signing the contract, a one-time "Signature Bonus" was also given by the company to the country or the signatories.

Royalty was in effect a kind of a rent that was paid annually to the country, regardless of oil being discovered and production or not. However, if oil was discovered and produced, then the company would have to pay a percentage of the net profit of the sale of oil as well. In the case of Iran, this share was agreed to be 16%.

Disputes

This was more or less the case in the relationship and dealings of a company of the seven sisters with the country which granted the concessionary contract. In practice, however, the companies hardly cared about the national interests of those countries and invariably tried to dodge away from paying their contractual obligations.

Obviously, the net profit made by an oil company is the difference between the costs and revenues, which is dependent on the global price of oil. That means when the costs are high and revenues are low, the margin of profit will be trivial, and hence the percentage of shares to be given to the host country will be even more trivial. That is why oil companies used all sorts of manipulation in their accounts to show high costs. On the other hand, especially after the Achnacarry agreement (1928), they would keep the global price of oil artificially low and subsequently pay very little of the percentage that was due to the oil rich countries.

There were of course other hurting issues too. For instance, all kinds of rampant discriminations were in effect against local workers and in favor of workers of the oil company. Such discriminations played a serious role in creating the incentive for the nationalization of oil industry in Mexico. But in most other countries, the insignificant revenues the governments received were the main reason for similar moves.

A question that may arise is that by keeping the global oil price low, the oil companies could reduce their own profits as well. True. However, that only pertained to the exploration and production (upstream) sector of the contract where the company had to pay a share to the government. It should be remembered that the activities of the seven sisters were not confined to the upstream. In fact the entire value chain of the oil industry the world over was controlled by them and they could make their profits in other sectors.

A particularly shameless instance of manipulation of the accounts was that a significant amount per barrel of oil was attributed to the cost of marketing. Whereas in practice there was no marketing at all because those companies were themselves the customers for oil and controlled all other parts of the industry as well.

In fact, one of the demands of OPEC in its first decade of its foundation was the elimination of this 'Marketing Cost'.

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In Iran, differences with the British company over the share of the government started early on when oil was discovered and produced during the Qaajar dynasty rule, some seven years after the concession of 1908 was granted. All financial documents and accountings (and the manipulations) were in English and at the time there were no Iranian accountants to check them.

Once, when Reza Shah Pahlavi was in Power, a British accountant was hired for the purpose, but he colluded with the British oil company and nothing was achieved.

At various points in time and under sever social and political pressures; some negotiations to reclaim the rights of Iran's government would take place, but mostly by unreliable personalities who achieved nothing.

Documents show that such differences prompted Reza Shah to nationalize Iran's oil industry in 1931. The British company had not paid even the contractual royalty for couple of years under the pretext of running a loss. Reza Shah's finance minister Taghizade held a series of talks with the British oil company for the modification of the contract, known as D'Arcy concession. But since the negotiations produced no result, Reza Shah ordered the contract to be annulled. However, the British company took the case to international jurisdictions and the weak government of Iran had to no choice but to capitulate.

The contract was eventually renewed in 1933 and, although it increased Iran's revenues somewhat, the contractual period was raised to 60 years, 32 years over and above the period in the annulled contract. This rise in the period plus the unpopularity of Reza Shah didn't leave enough room for a closer examination of the good aspects of the renewed contract. In fact many interpreted Reza Shah's action to annul the old contract as a conspiracy against Iran's national interests.

In Venezuela, challenges between the government and the concession carrying company eventually resulted in the improvement of the contract. It was replaced by 50/50 and 'production sharing' contracts, which was a huge step forward. Some have said that Iran would have been better off if it had followed Venezuela's example.

The fact is that the case in Iran was quite different. It was not just an economic issue to do with oil. The D'Arcy concessionary contract was the symbol of the colonial influence of Britain in Iran and the interference of the British oil company in Iran's domestic politics had created a tangible link between politics, oil and economy. Inability of the previous governments of Iran to reclaim people's rights, the intransigence of the British oil company, the issue of the political sovereignty of the country and a deeper realization of the importance of oil, had raised the people's expectation to such a level that, when Iran's oil industry was being nationalized, ordinary concessions could just not meet the public demand.

Hence the nationalization of Mexico's oil industry, production sharing contracts of Venezuela and the like should all be seen in light of relevant time and space. However, all such moves were in reaction to the cruelty and greed of one of the seven sisters.

Investment, Technology, Market and Oil Dependent Economy

In the case of Venezuela, after this country attained the 50/50 contracts with oil companies, and, unlike Mexico and Iran, was not subjected to international pressures and sanctions, it was faced with another problem. The new contracts had made Venezuela unattractive for fresh investments. Why? Because international oil companies could still get more lucrative contracts in the Middle East and the Persian Gulf.

Like all other undeveloped oil rich countries, Venezuela was in need of capital investment and technology of the seven sisters. Obviously, if Venezuela could develop its own fields and supply its oil to the market and, if its economy was not so dependent on oil, it would not need the help of those companies.

Venezuela had only two options. Either to return to the old contracts, or to convince the other oil rich countries to accompany it in presenting a unified stance vis-a'-vis the oil companies. In line with the latter option, Venezuela pursued an initiative, which was accompanied by Saudi Arabia, and finally gave rise to the creation of Organization of Petroleum Exporting Countries (OPEC) in 1960.

Some analysts have maintained that OPEC was established as a reaction to the two times of oil price reduction by the seven sisters in 1958 and 1959. Actually the rise in oil price was merely an intensifying factor and the main reason for the foundation of OPEC stems out of the history of confrontation of oil governments and the seven sisters.

Dependence of OPEC member countries on international oil companies has even been echoed in the very statute (Article of Association) of OPEC. Oil industry is a capital intensive business and is technically complex too. The fact is that OPEC has not been formed to enable its members to join forces to provide for the capital and technical needs of the Organization and control the global oil market.

OPEC has always wanted the international oil companies to continue providing for needed investments and technological knowhow and buy the oil too. At the most, OPEC wants the oil companies to treat its members with more respect, attach greater value to the oil reserves and be less unfair. That only means a passive confrontation.

There are similar reasons for the practical failure of nationalization of Mexican oil industry and the defeat of the same move in Iran and the return of the Western companies. If the economies of Iran, Mexico, Venezuela and the other OPEC members were not so dependent on oil revenues and were capable of providing for their capital investments and technical needs, together they could control the global oil market. Then, their dealings with the international oil companies and the Western industrial countries would be very different and pressures and sanctions would neither be effective nor an issue at all.

Establishment of the Organization of Arab Petroleum Exporting Countries (OAPEC) in 1968 was a move in the direction of a collective effort of oil rich Arab countries to provide for the capital investments and technical knowhow for the development of the oil industries of the member countries, but met with no success.

Conclusion

In conclusion it has to be said that the move to nationalize the oil industry in Iran and other countries would have succeeded if it had been planned in such a way that the movement's upcoming phases would lead to the total independence of their economies from oil and to an indigenized oil industry. Otherwise the dependence on the old or new seven sisters continues undiminished and the threat of various sanctions remain unceasing.

The brave and great steps taken by the national government of Dr Mossadeq were aimed at cutting off the reliance of Iran's economy on oil and administrating the country's oil industry independently. If he had succeeded, a model would have been created that would have threatened the interests of the seven sisters and their supporters.

Looking back today at a movement that took place some 60 years ago, one can see its weak points more clearly. The weakest point was that no clear cut plan was drawn up beforehand for cutting off the dependence of Iran's economy on oil, for running the oil industry independently and for the provision of investment, marketing and sale of oil without the help of seven sisters.

Nothing was preplanned and everything was designed only gradually and as realities imposed themselves.

Directer

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Jump in LNG Shipping Costs

Saeed Khoshroo

At the onset of 2012, purchasers of LNG were still unprepared to pay US$150,000 in LNG carrier lease per day. That was under circumstances that a month earlier, leasing a standard size (125 to 150 thousand cubic meters) LNG carrying vessel at a cost of US$125 thousand per day was not a difficult task. The average LNG vessel lease rate per day in 2010 was under US$40 thousand.

There reside a number of factors underlying the sharp and sudden increase of LNG shipping costs. Rising number of LNG purchasers, higher volumes of LNG trade, dwindling number of newly built vessels and less LNG imports by the US were associated with the sharp increase in shipping charges.

The number of LNG importing states has jumped from twelve to twenty three in the past ten years. During this period of time, construction of LNG import terminals has doubled and even tripled to the extent that currently the capacity of re-gasification units is two times more than gas liquefaction units. This is under circumstances that few suppliers or purchasers of LNG have access to majority of LNG carrying vessels within long term contracts, thus, concurrent with growth in regional demand, significant amount of pressure is exerted on LNG carrier market.

LNG export markets experienced a growth of over 10% in 2011, whereas pipeline exports experienced a growth rate of five percent. Huge growth of demand in Asia, Middle East and South and Central Americas constituted the most important factors responsible for LNG demand.

During this period of time, demand in Japan and South Korea grew by 12 percent and touched the margin of 78 and 37 million tons respectively.

Japan's March earthquake and closure of a large portion of nuclear power plants in that country were main reasons for growth in LNG demand. Japan exceeded all other nations in terms of LNG purchases last year and for the first time negotiated with Norway to purchase LNG from that country. China's share of this global equation should not be neglected. The Chinese imported 12.2 million tons of LNG in 2011 That figure may not sound significant; however, it shows a growth rate of 31% compared with 2010 which can well impact the market.

The sharp rise in the US gas production due to higher volumes of available shale gas and a drop in local demand include some other factors impacting bloom of LNG shipping market. The US produced 650 billion cubic meters of shale gas in 2011 compared to 442 billion cubic meters in 2007 while imports dropped over 50%. Therefore, more LNG was available to be supplied to the European and Asian markets.

For instance, until 2008, over 75% of Trinidad and Tobago's export LNG was supplied to the US market, a figure which currently stands at less than 25% and the rest is supplied to Europe and Asia. The distance between this country and European and Asian destinations is four times more than that of the US. The same is true in the case of African exporters of LNG such as Algeria and Nigeria. Additionally, sharp drop of gas prices in the US has provided the grounds for the re-export of

24 LNG consignments by the US importers in 2010. Of these, 19 consignments were exported to other countries in 2011 including Asian, European and Central and South American markets.

The world's present LNG carrier fleet comprises 375 vessels which transfer an annual 380 billion cubic meters of natural gas to world markets. A sharp drop in demand for energy in general and gas in particular following the 2008 economic downturn dropped LNG freight charges to the extent that manufacturers of LNG carrying vessels are now showing reluctance to manufacture such vessels. This year, only two new LNG carrying vessels shall be added to the global fleet. The overall capacity of these two vessels is 9.5 million tons per year.

This scant number of carrier production is unprecedented since 2001 when only one LNG carrier went into operation. The said two LNG carrying vessels that are scheduled to go into operation in 2012 cannot be used in the single commodity market. One of them i.e. Cobal with a capacity of 164 thousand cubic meters belongs to the Angola LNG project which is expected to go into operation in the third quarter of 2012 .The other one is Hedong vessel with a capacity of 147 thousand cubic meters which belongs to China LNG project and is expected to go into operation by late 2012. This vessel has been leased within the framework of a long term contract. Currently, many companies in the market are seeking to lease LNG carriers; however, leasing a LNG carrier is not an easy task even at rates exceeding US$150 thousand per day. The situation is so critical that the world's largest LNG carrier company Golar has called back to service, a 37 year old carrier.

Qatar can play an adjusting role here. This country may transfer a portion of its LNG products to various markets in which case, intensity of demand shall subside in the Asian markets and purchasers shall avoid purchasing LNG from Norway and Nigeria and subsequently lease rates shall drop as well. However, in case Qatar insists to supply LNG to European markets even at lower prices, one can expect a tenser situation in the market.

This year alone, the "Australia Plateau" and "Angola LNG" projects with annual production capacities of 3.4 and 5.2 million tons will go into operation. By supplying LNG to Asia's growing demand market, Australia shall be able to relieve pressure which is currently being exerted on European market. The Angola LNG project in actuality targets the US market, however, with the transition of the US into an exporter of LNG, Angola needs to supply its LNG to other markets. In case Nigeria supplies all its LNG consignments to Asian markets, the seven carriers built for this project will not suffice to meet expectations and thus more pressure is exerted on the shipping market.

Should these products be supplied to the European market, there will reside surplus shipping capacity and higher shipping rates will be prevented.

One cannot expect a significant drop in LNG carrier shipping rates in 2012. These rates are even expected to touch US$200 thousand per day by the end of 2012. Manufacture of at least 22 LNG carriers will be completed in 2013 and orders for such carriers are on the increasing.

Reasons influential in the rising LNG shipping rates from the average US$37.5 thousand in 2010 to US$150 thousand in January 2012 have their roots in age old factors which are hard if not impossible to be removed in a couple of years. Rise in the number of LNG purchasers, shift of export routes and destinations, drop in the number of vessels constructed and gradual transition in the US status from an importer to an exporter constitute some factors that impact the shipping market until 2013.

Four rigs will be deployed in SP phases 22-24: POGC

Farhad Izadjoo, South Pars phases 22-24 project manager, talked of the load out operation of the first jacket of SP phases 22-24 which is supposed to be kicked off in late March 2012 and said: "The load out and erection operations of 2nd, 3rd and 4th jackets will start from June 2012," reported the news agency of Iran oil ministry.

Referring to the 57% headway the onshore refinery has made, Izadjoo added: "Since the start-up of the project back 19 months ago, the onshore part of the project has made favorable progress."

Izadjoo pointed out that a total of 4 offshore platforms and 38 wells are considered for these phases and continued: "At present, there is one drilling rig active in phases 22-24, the number of which -as planned- is supposed to be raised to 4 simultaneous with the installation of the jackets."

He went on saying: "Drilling operations of these wells started a few months ago and the first well has been already drilled at the depth of 1,070 meters."

Stating the entire pipeline required for phases 22-24 is 210 km, Izadjoo explained: "As the contractor of the pipeline sector of this project, SADRA (Iran Marine Industrial Co.) will start pipe laying operations of this phase next May. The topsides of these phases are being also manufactured by SADRA in Bandar Abbas."

"No problems exist securing the fund of the project and the contractors are all paid timely. The wellhead facilities for some wells have been already provided and the remaining equipment is being procured."

This phase have a sweetening capacity of 50 mcm/d and aims to produce 1.1 Mln tons/year of LPG, 77,000 bpd of gas condensate, 1 Mln tons/year of ethane and 400 tons/d of sulfur.

SP phase 12 at 70% head-way

Rasoul Falah Nejad - South Pars phase 12 project manager at Pars Oil and Gas Co. (POGC) - talked of the start-up of drilling operations of the 3rd platform of South Pars phase 12 and said: "About 12 wells will be drilled at this stage."

Stating that the entire SP phase 12 has made over 70% headway, FalahNejad explained: "This project has already made 65% and 75% headway in the offshore and onshore sectors in order."

Japan asks EU about im-plication of Iran sanctions on shipping insurance

The Japanese government has asked the European Union about the implications of its sanctions against Iran for non-EU states as Japanese ship-owners could see their insurance cover for voyages to Iran drop dramatically when the sanctions come into effect July 1.

Japan has asked the EU for details as Brussels finalizes regulations to bring the sanctions agreed January 23 into effect, the sources said.

Japan's Foreign Ministry, Ministry of Land, Infrastructure, Transport and Tourism, and Ministry of Economy, Trade and Industry are working together to ask the EU and clarify a potentially "major issue," one source said.

In response, Brussels has told Tokyo that the EU is still working on the regulations, the sources added.

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Iran-owned tankers storing crude falls to two-year low

The number of Iranian tankers used to store oil at sea slid to a two-year low as more of the ships were deployed to carry crude to Asia before the U.S. and Europe tighten sanctions on exports, said E.A. Gibson Shipbrokers Ltd.

Four very large crude carriers, each able to hold 2 million barrels, are in use to store Iranian oil, down from 16 at the end of last year, the London-based shipbroker said today in a report. That's the lowest monthly total since the start of 2010 and may signal a change in the country's policy on transporting crude to customers, Gibson said.

The decline may stem from a halt by tanker owners to carrying crude from Iran before sanctions that ban insurance coverage for any ships calling at the Persian Gulf country begin July 1, according to Gibson. That's the date a European Union embargo on the country's oil takes effect.

"This may have left a void which has necessitated the use of Iranian-controlled very large crude carriers to move more cargoes, which could account for their increase in activity," Gibson said. "It may also be a decision by Tehran to offload as much crude as possible ahead of the impending sanctions."

Most of the crude shipped to India in January was carried on NITC tankers, according to Gibson. India was the largest buyer of the oil that month, analysis from Lloyd's List Intelligence, a unit of London-based Informa Plc, showed. Some NITC vessels are going to China, Taiwan and Singapore, while the destinations of others recently loaded with crude for export were unknown, said Gibson.

NITC's ability to continue transporting crude on its vessels after July can't be determined, and some of the fleet may have to be idled, particularly if China cuts imports, the shipbroker said. The nation is the world's second-biggest consumer of crude after the U.S.

Iran's KPC inks two new methanol term deals

Iran's Kharg Petrochemical Company (KPC) has inked new term contracts with two buyers to supply up to a combined 480,000 mt of methanol annually, and has found ways to continue shipping cargoes to existing buyers despite the challenges presented by tightening sanctions, a company source said Wednesday.

The new contracts, which were signed around mid-February, give KPC the option to sell between 120,000 mt and 240,000 mt of product to each of the two buyers over a one-year period, said the source, speaking on condition of anonymity.

One of the buyers is a Chinese company, said the source, but declined to give the nationality of the second buyer, which is outside Asia. The loading month for the first cargo for either buyer could not be determined.

KPC had earlier tied up a term contract to supply between 120,000 mt and 240,000 mt of methanol, at seller's option, to a South Korean buyer for 2012.

The Iranian petrochemical maker also has a fourth term contract to supply between 90,000 mt and 180,000 mt of the product, at buyer's option, with a Japanese buyer.

Deliveries under both the contracts -- with the South Korean as well as the Japanese buyer -- are proceeding normally, though the new rounds of sanctions against Iran have presented problems, the source said.

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OIETAI Head Talks of Iran's Investment Potentials

Although new round of Western sanctions seeks to cause disruption in Iran's monetary system, this has not reduced the attractiveness of the country's profitable market for foreign investors.

In fact, amidst the economic crisis engulfing a majority of the nations, Iran is still considered a secure and profitable market for foreign investors. Even the Western's threats have not hindered other country's private investors to take part in Iran's market.

Speaking in this respect, the president of the Organization for Investment Economic & Technical Assistance of Iran (OIETAI) told Iran Daily that the positive trend of foreign investment will continue in the current Iranian year (to end March 2012).

Over 20 applications have been handed over by foreign investors to launch branches of global banks in Iran, Behrouz Alishiri pointed out.

He also announced that in coming days, the Cabinet is to approve a ratification to facilitate the regulations, procedures and the process of attracting foreign investment.

On speculations about the sanction of Central Bank of Iran (CBI), he said sanction's negative effects will mostly concern the West. It will not affect foreign investment attraction.

Excerpts follow:

Iran Daily: What has been the effect of intensifying sanctions on foreign investment attraction?

Alishiri: Foreign investment index has a limited link with sanctions, because government sector is not involved in foreign investment attraction. The process mostly concerns private companies, investors and project owners which make their investment decision after carrying out the feasibility studies and make sure about the profitability of investment.

The private sector cannot be restricted. In investment transactions both sides usually act on the basis of economic logic.

Providing a secure environment for investment, creating appropriate trade conditions, making sure about the profitability of the project, offering incentives, and creating motivations for investors are the criteria for making decisions in foreign investment.

All the said criteria are available in Iran. Therefore, the investors are interested in investing in Iran. In cases such as foreign investment, the state sector usually cannot prevent other country's private companies from investing in other nations.

Last year, we visited Portugal, Italy and Spain. We found out that European firms are keen to invest in Iran due to its booming market.

This is while, the West is the main source of imposing sanctions on Iran.

Question: What kinds of obstacles does sanctions cause? What are the restrictions in this regard?

Answer: Money transmission through banking system is one of the problems. Fortunately, the investors have found other alternatives for the problem.

If you study the figures on foreign investment across the world, you will understand that development and infrastructural projects such as power plants are not constructed with government funds. However, the governments may assist the private sector in this respect.

We should introduce our infrastructural projects to foreign investors.

Q: You had predicted that the country would attract foreign investment worth $4 billion during the current year. Is this goal possible in spite of intensifying sanctions? What measures have been taken to reduce the sanctions' threats?

A: International business has a competitive environment. It means that the country should compete with other nations' private sectors which dominate European markets.

Our strategy is to strengthen our last year's position in terms of foreign investment attraction.

The Organization for Investment Economic & Technical Assistance of Iran attracted $3 billion of foreign investment in the year to March 2010, witnessing an 86-percent growth. The figure rose to $3.7 billion in the year to March 2011--showing a 20-percent rise. We want to continue this positive trend in the current year.

Cabinet ministers in a session attended by First Vice President Mohammadreza Rahimi presented a report on foreign investment progress. The vice president notified directives including expediting the foreign investment and reducing the bureaucracy in this regard.

The other measure includes Article 111 of the Fifth Five-Year Economic development Plan (2010-15).

We assess the international incentives and offer proposals to the Government and Majlis.

Also, we want to promote the Organization for Investment Economic & Technical Assistance of Iran to a global entity with global standards. Moreover, the Article 68 of current year's budget law has allocated 100 billion Rials ($10 million) as export incentive to foreign investment. According to the law, we can give incentives in proportion to entry of foreign investors.

Q: Speculations are underway in Western circles and media about CBI Sanctions. How can this affect foreign investment attraction?

A: CBI sanctions are still at the level of talks. Banking and monetary experts know that central bank is a monetary organ which is independent from the government.

For example Central Bank of China, and Central Bank of India and other central banks are independent from their governments. They are authorized to preserve their independency.

I think CBI sanction is a wrong measure because, European nations have not made consensus on this.

Q: You pointed to Iran's high foreign investment growth rate. Do you attribute this to the world's economic recession, or to Iran's economic potentials?

When a country faces economic recession, the investments and assets fly to other parts which have better economic conditions. Growth in Iran's foreign investment occurred during 2008 and 2009 when the World was in the middle of financial crisis.

Iran boasts high potentials such as geographical diversity and biodiversity. The country ranks fourth worldwide in terms of diversity in agricultural crops.

The other advantage of Iran is its access to oil and gas reserves.

Q: Given Iran's high potentials for foreign investment, how far you have been successful in introducing economic opportunities?

In the past two years, over 20 international conferences were held in Iran and other countries for introducing the investment opportunities to foreigners.

We held seminars in Qatar, UAE, Turkey, Italy, Spain, Portugal, India, Malaysia, South Korea, China, Belarus, and Ukraine. We conducted negotiations with industrialists and entrepreneurs of these nations.

Q: What measures have been taken for attracting the assets of those Iranians residing abroad?

Answer: Iranian residents in other countries are very eager to invest in Iran. They like to invest in Iran and even direct foreign investments to the country.

Therefore the trend of attracting the investment of Iranians living abroad is positive. A comparison made between the figures for 2009 and 2010 indicates that investment attraction of Iranians residing abroad has increased eight times. The figure has reached $2 billion from $250 million.

We should see the issue of Iranians living abroad and their potentials as a serious chance. We should not also neglect their financial, scientific and spiritual assets.

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Consequences of Sanctions Against Iran

In a report on the impacts of embargoes and sanctions on Iran's economy, Energy Commission of Iran Chamber of Commerce, Industries and Mines (ICCIM) stated that these sanctions have had a considerable influence on various sectors of Iran oil and gas industry.

The report reads: "Among the effects of the sanctions are inability to access advanced technology, industrial machinery, raw material as well as the required machinery parts and equipment which is usually provided through custom commercial means at international markets, and difficulties to transfer foreign currencies caused by sanctions imposed on banks and their consequent costs, growing number of brokers and middlemen in foreign trades and their consequent costs, which have all aggravated the business situation to a great extent."

What follows is the most significant outcome of these sanctions- stated by this commission:

1. Letters of Credit (L/Cs) opened at Iranian banks not being acknowledged by foreign sellers and banks,

2. Credit lines being blocked by foreign banks and limitations being imposed on opening L/Cs and providing bank warranties,

3. Export permission to Iran being required to be obtained by foreign producers for most goods,

4. Lack of cooperation of foreign insurance companies to cover insurance for sellers who wish to trade with Iran,

5. Severe regulations over goods and parcels sent to Iran enforced by the customs offices of selling countries,

6. Request of foreign sellers and equipment manufacturers for the payment of the goods to be done before its transfer and delivery at the port of the origin country,

7. Sellers' lack of interest to trade with Iran and participate in Iranian tenders,

8. Mass departure of credible companies that supply goods, equipment and services and the consequent prevalence of broker companies, which cause high price of goods, purchase of incompatible quality from limited sources, extra transfer costs and currency exchange costs,

9. No rise in recovery rate of oilfield and lack of sustainable production from hydrocarbon reservoirs resulting from the absence of top ranking companies to acquire the required technology and cutting edge knowledge,

10. Costs of developing oil and gas fields of the country to go several times higher when carried out by Chinese and some foreign unknown enterprises as well as local companies.