

Iran, Saudi Arabia, Oil, and Water

by Hugh Fitzgerald



[A piece](#) by the well-known journalist Abdulrahman al-Rashed, published a year ago in *Al-Arabiya* (a Saudi-backed paper), provides useful background to the present crisis. Al-Rashed discusses Iranian complaints that Iran's share of the oil market is being "stolen" by the Saudis.

These are the signs of a long crisis when Iran accuses Russia and Saudi Arabia of stealing its share of oil! Iran knows very well that no one stole a barrel from it or from its share. The market has its rules that have not changed since ages ago; the oil market is for those who can sell oil and

not those who sit on it.

Iran has a massive reserve underground but it produces a little and it will sell even less. Due to the American sanctions against it, it lost half of its exports so far, although the US embargo on its oil purchases did not go into effect yet and will in November.

Iran is not prohibited from producing or exporting oil but buyers will have to choose between Iran's oil or trade with America. Of course, most countries abandoned buying Iran's oil in order not to lose the American market.

Amid this dangerous situation, the Iranian government is, before its people, trying to create justifications to the bad situation it has led the country to and it's doing so by blaming others such as accusing Saudi Arabia and Russia of stealing its market share. The truth is the entire blame must be directed at the regime

Iranian foreign, oil, and commerce ministers toured half of the world trying to tempt buyers by decreasing prices, accepting their local currency and accepting a bartering system. However, most of these countries refused to buy oil from Iran despite all the temptations. Hence, it's not Saudi Arabia and Russia that stole oil but this is Iran's hostile policy which cost it its markets, clients and revenues.

As long as Tehran wants to play a heavy game by militarily deploying in the region, igniting wars, supporting terror groups and insisting on its military nuclear program, then it must tolerate the price.

Iran immediately lost more than a million barrels which it could not sell out of its daily production of 2.5 million barrels. It will probably lose another million barrels during the next weeks when the sanctions are implemented. Iran's share will shrink to no more than half a million barrels and it will have to sell it for a very low price – this is if it

could because the American government intends to harass it until its oil exports are zero.

Iran's losses are doubled because its revenues will collapse as its exports decline and then the cost of imports will increase due to the American boycott campaign against it. We must note that the Iranian government's dream to develop its capabilities to double its oil production so it reaches five million barrels a day failed after global companies withdrew.

Amid this dangerous situation, the Iranian government is, before its people, trying to create justifications to the bad situation it has led the country to and it's doing so by blaming others such as accusing Saudi Arabia and Russia of stealing its market share. The truth is the entire blame must be directed at the regime, which put its foreign military projects before its domestic commitments, and since it militarily and politically expanded in the region, it should have expected a counter attack.

Tehran seeks to create a foreign enemy, Saudi Arabia in particular, and we do not expect it to go far in accusations against Russia because it's not in a situation that allows it to confront two major global powers at the same time: the US and Russia.

Another reason for Iran not to dwell on Russian sales of oil is that in Syria, Russia has proven to be the indispensable ally of Assad, and thus also of Iran, that supports Assad. Iran may not like the increase in Russian production, but in public it will exclusively attack the Saudis for "stealing" Iran's market share.

The Iranian regime's behavior is reminiscent of what Saddam Hussein did at the end of his war with Iran as he blamed his country's economic hardship on Kuwait, which he accused of stealing oil. He also blamed Saudi Arabia and the UAE, claiming they were decreasing oil prices in the market to

intentionally harm Iraq's economy.

There are always shifts in the market as even with the decrease of oil exports of countries like Iran, Libya, Venezuela and others, there are countries whose production increased like the US who along with Russia became among the largest producers in the market. Despite the increased production by capable countries like Saudi Arabia and Russia, the prices continue to increase.

Everything Abdurrahman al-Rashed says was true then, and is still true now. Iran is economically on the ropes, flailing wildly in an attempt to assign blame to others. The first group of American sanctions that snapped back in place on August 4, 2018 affected sales of airplanes (\$39.5 billion of plane sales to Iran were promptly canceled), as well as the sale by Iran of pistachios, carpets, and gold. On November 5, 2018 the major sanctions, on the sale of Iranian oil, were imposed. Not only does the American market remain closed to Iranian oil, but other countries are afraid to buy Iranian oil, for fear of American retaliation against their economies. But long before that, companies were already cancelling contracts for Iranian oil. The Iranian ministers have been frantically traveling the globe, offering their oil for sale at lower than current market prices, but finding no takers. American economic clout is simply too great.

Saudi Arabia and Iran are two oil-rich countries but the difference is in the philosophy and in how to handle this oil. In Iran, ever since the religious system assumed power, oil has been the state's means of implementing its ambitions of expansion and wars.

As for Saudi Arabia, it's the same Saudi Arabia in the 1970s, 1980s and afterwards; it looks at oil as a commodity that it relies on in its revenues to run the country's economy. The result is that Iran became an economically destroyed country

that brags about its production of missiles and nuclear reactors and the Revolutionary Guards. Saudi Arabia, however, brags about successful companies like Aramco and SABIC and about its participation in stability and development along with the region's countries.

It's true that Saudi Arabia has, by comparison with Iran, spent far less on military adventures abroad. It became involved in Yemen in order to prevent the Houthi rebels, Shi'a who are backed by Iran, from winning the civil war and thereby allowing Iran to establish military bases just on the southern border of Saudi Arabia. But the Saudis have spent a lot on non-military ways to project power. Possibly Saudi Arabia has spent as much as \$100 billion over several decades, money that paid for mosques, madrasas, and imams in Muslim communities around the world, so as to spread Wahhabi Islam.

As for Iran, al-Rashed is right to note that so much of Iran's oil revenues has gone to support military adventures in Yemen, Iraq, Syria, and Lebanon, and in buying or producing expensive military equipment. Iran's nuclear project alone has cost tens of billions of dollars. No one has threatened Iran since 1988, when the war with Iraq ended in stalemate. Rather, it has been Iran that has continually threatened the United States (with endless rallies against the Great Satan), Israel (rallies against the Little Satan), and Saudi Arabia, the most implacable Sunni enemy of the Shi'a.

The Iranians are right now in economic freefall. They now produce 2.5 million barrels of oil a day, in the expectation that they could sell that amount, but find that sales of 1 million barrels have disappeared, and when American sanctions on Iranian oil sales were reimposed (sanctions, that is, on all those who buy oil from Iran), according to Abdurrahman al-Rashed, Iran found it had another million barrels of oil it could not sell.

That leaves a country that is expensively overextended. In Yemen, the Houthis are being pummeled by the forces backed by the Saudis. Until the strikes on the Saudi oil industry, their Iranian missiles shot toward Riyadh fell aimlessly in the desert; the port of Hodeidah, which Iran needs to have the Houthis control, in order to ship supplies to them, has been subject to attacks by UAE-supported forces. In Syria, Iran's plans to establish permanent bases are being foiled by Israeli airstrikes on Iranian bases everywhere, and the devastation wrought by the Israelis has not been answered by the Iranians. In Iraq, even many Iraqi Shi'a in Basra have been demonstrating against Iran and demanding the withdrawal of its forces from the country. Thus does nationalism trump sectarianism.

In Iran itself, there has been a terrible drought, the worst in half a century. And it is especially devastating in the southwest region of Khuzestan, where the oil wells and sugar cane refineries, the historic economic lifeblood of the region, contribute to the crisis by polluting the water and inflicting residents with a myriad of health complications. Broken water pipelines, extended water outages, and widespread illnesses caused by the consumption of contaminated water resulted in an extensive grassroots response from those impacted by the crisis.

There have been demonstrations in the southwest against the Iranian's government mismanagement of the water crisis, a crisis that continues to worsen. The people most affected are ethnic Arabs, who make up most of the population in Khuzestan, and who, even without the water crisis have long been opposed, even though most of the Khuzestan Arabs are also Shi'a, to being ruled by Persians.

Iran faces an economic crisis unlike anything in its history. It is selling less than 1 million barrels of oil a day, and probably closer to half-a-million, as al-Rashed predicted. The relentless American sanctions cannot be ignored by those who

otherwise would be glad to buy Iranian oil (especially as it has been offered at a discount to the OPEC price). Trump and Pompeo have made it clear: if you do business with Iran, you can't do business with America.

The once-in-a-half-century drought has already done colossal damage to agriculture and the raising of livestock. It has also affected the supply of drinking water. The mullahs are not engineers or water conservationists. Nor are they willing, of course, to call for help from that world expert in the management of water resources, Israel. Nationwide protests and strikes, which began in December of 2017 and quickly spread across the whole country, are continuing. Where the protests were initially aimed at the soaring price of food and other basic commodities, and the failure of the state to pay wages, the demonstrations have turned against the despotic clerical government.

The inflation rate in Iran has reached 60 percent. The Iranian rial has hit a record low against the U.S. dollar because of the deterioration in the economic situation and the reimposition of sanctions by the United States. The country's active work force is 26 million, of whom at least 10 million are jobless. Youth unemployment is at 40 percent. Many university graduates are unable to find any job, even the most menial.

Even Afghan migrants who sought refuge in Iran have been forced to return to their war-torn country because of the economic situation. At least 33 percent of the population now live under the absolute poverty line.

There are only 31 private and state-owned banks in Iran. Most of them have failed, but the government is attempting to hide this. Instead of tackling the economic crisis, the corrupt mullahs have announced budget cuts that will hit the poor, while military spending in Iraq, Syria, Yemen and Lebanon has been increased.

How many of Iran's poor know just how corrupt their ruling clerics are? A six-month investigation by Reuters concluded that the Ayatollah Khamenei controls a private empire worth \$95 billion. Akbar Rafsanjani has a net worth of \$1.2 billion. Mohammed Ali Taskhiri has \$90 million, Mohammed Khatami has \$84 million, Ali Larijani has \$70 million, and you can find the rest of the top-ten in this corrupt crew [here](#).

What can the mullahs do? They can't force foreigners to buy their oil. They can't force foreign companies to invest in what is a collapsing economy. Germany's state-owned rail operator Deutsche Bahn announced that it is phasing out its projects in Iran. The French oil giant Total, the carmakers Renault, Daimler, and PSA all suspended plans to invest in Iran. Secretary of State Mike Pompeo urged all countries to reduce their imports of Iranian oil to zero. Since Pompeo's announcement, and because of it, Iranian oil exports dropped by almost one-third.

Except for the drought – which a government run by technocrats rather than clerics might have managed better, especially if it were willing to collaborate with Israeli water experts (Israel is the world's leader in water technology, including desalinization, advanced drip irrigation, and water recycling) – Iran's problems are entirely the result of political and military ambitions beyond its means. In a summit between Russia, Iran, and Syria last year, the Iranian representative stressed his country's desire to participate in the "reconstruction" of Syria. Iran wants to establish itself deep in Syrian political life, so as to be able to establish bases from which to attack Israel. But how is this to be accomplished? Syria is a country largely in ruins. It would take hundreds of billions of dollars to "reconstruct" the country. Where is Iran going to get any money, much less those sums, to "reconstruct" Syria? And if it somehow were able to cobble together a few billion dollars to start reconstruction in Syria, what would be the reaction of the Iranian people?

Iranians in the summer of 2018 and thereafter have been demonstrating all over the country, expressing their fury at where money has been going abroad. Here are some of the chants that were recorded:

“Death to Syria.”

“Death to Palestine.”

“Not Lebanon, not Gaza. My life is devoted to Iran.”

“Palestine, [and] Syria, is the cause of [our] misery.”

“Death to Dictator.”

“Death to Khamenei.”

“Reza Shah, blessed be your soul.”

“Long live the Shah!”

That should send shivers down the spines of the ayatollahs. Iranians are fed up with these expensive foreign adventures. Iran’s banks have been failing. Foreign investors are fleeing. The rial is collapsing. Agriculture is suffering. Livestock are dying. Oil sales are already down more than 50% of what they were a year ago, and they are predicted to go down still further to 20% of what they were a year ago.

In this complete economic meltdown, Iran’s leaders cannot possibly blame themselves. They must find The Culprit Behind the Conspiracy. This time Israel won’t fit the bill. So they blame their Wahhabi archenemy, Saudi Arabia, for “stealing” Iran’s customers. Saudi Arabia, of course, did no such thing. The former oil customers of Iran have been coming to Saudi Arabia, as they have also gone to Russia, and the United States, and the Emirates, and Kuwait, and have bought the oil they won’t be buying from Iran until the American sanctions are lifted. And that won’t happen, under this president, unless Iran ends its expensive military escapades, in Yemen,

Iraq, Syria, and Lebanon, and its nuclear science project, which had been put on hold, but has not been dismantled. The Iranian regime is coming apart. For more and more Iranians, disenchanted with the clerics, and many, too, with Islam – the fastest growing religion in Iran is Christianity, where it is growing faster than in any other country in the world – that is a spectacle devoutly to be wished.

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