

Behind Closed Doors in Saudi Arabia: Dollar depreciation takes center stage on eve of OPEC Summit

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OPEC blunder reveals debate on weak dollar

By **SEBASTIAN ABBOT**

The Associated Press

RIYADH, Saudi Arabia — The accidental airing of a closed OPEC session Friday provided a surprise glimpse into a sensitive debate over the weakening U.S. dollar, with Saudi Arabia's foreign minister warning that even talking publicly about the currency's decline could further hurt its value.

The high-profile blunder ahead of a rare OPEC summit revealed the debate as Iran attempted to convince other member countries to express concern over dollar depreciation in the meeting's final declaration.

Oil is priced in dollars on the world market, and its depreciation has concerned oil producers because it has contributed to rising crude prices and has eroded the value of their dollar reserves. Cartel officials have resisted pressure to increase oil production to ease prices.

"The reality is that we have this problem. I think we should draft the declaration to reflect our concerns," Iranian Foreign Minister Manouchehr Mottaki said during a pre-summit meeting here with fellow ministers from the Organization of Petroleum Exporting Countries.

But Saud al-Faisal, foreign minister of U.S. ally Saudi Arabia, came out against the proposal with unusually frank comments.

"In my feeling, the mere mention that the OPEC countries are studying the issue of the dollar is itself going to have an impact that endangers the interests of the countries," he said.

"We all should be worried if any action that we take will lead us to do some injury to our returns on our product," al-Faisal said. "Nobody wants to have less money than more money. I am sure that we all agree on that."

Broadcast accidental

The closed meeting was accidentally broadcast to journalists and after about 40 minutes, an official rushed into the press room and yanked the television cable out of the wall.

A public declaration by OPEC expressing concern about the falling value of the dollar could send the currency even lower, putting at risk the vast dollar holdings oil producers have generated as crude prices have soared to record levels.

Iran and Venezuela have proposed trading oil in a basket of currencies to replace the historic link to the dollar, but they have been unable to generate enough support from fellow OPEC members.

After the meeting, OPEC Secretary General Abdalla Salem el-Badri said the group had decided not to mention concern over dollar depreciation in the declaration.

“We discussed it among ourselves, but I will tell you, you will not see it in the final declaration,” he said. “I told you ... many times that we are concerned, but this is a member-country policy.”

Saudi Foreign Minister al-Faisal suggested during the meeting that OPEC analyze the impact of dollar depreciation without documenting its efforts or concern.

“This is not new. We have done this in the past, decide to study something without putting down on paper that we are going to study it so that we avoid any implication that will bring adverse effect to our countries’ finances,” al-Faisal said.

Not everyone agreed with the Saudi foreign minister in the meeting. Nigerian Finance Minister Shamsuddeen Usman suggested accommodating Iran’s proposed addition.

“While underlining our concern for the continued depreciation of the dollar and its adverse impact on our revenues, we instruct our finance ministers to study the issue exhaustively and advise us on ways to safeguard the purchasing power of our revenues, of our members’ revenues,” Usman suggested the statement should read.

Production speculation

Although the issue of dollar depreciation took center stage on the eve of the upcoming summit, which starts today, the run-up to the meeting was also dominated by speculation over whether OPEC would raise production after recent oil-price increases that have closed in on \$100.

The record oil prices prompted U.S. Energy Secretary Samuel Bodman to call on OPEC to increase production earlier this week, but cartel officials have said they will hold off any decision until the group meets next month in Abu Dhabi, United Arab Emirates.

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