

THE OIL WEAPON AND THE FIGHT FOR HEGEMONY OF THE MIDDLE EAST

Saudi Arabia's efforts to get OPEC to raise production has foundered on opposition, mostly from those on the other side of the fight for hegemony of the Middle East and the world, starting with Iran. The vote came down to Saudi Arabia, Qatar, Kuwait, and UAE against Iran, Iraq (!), Libya, Algeria, Angola, Ecuador, and Venezuela.

But as that breakout makes clear, this is as much about making things difficult for the US as anything else.

Analysts said that while there were opposing views on whether markets required more crude, the backdrop to the disagreement revolved around political tensions in the Middle East and North Africa and differences over how to respond to consumer demands.

"One factor is a diverging market view. Another is politics," said analyst Samuel Ciszuk at IHS. "At times of heated politics/ideological debate, Saudi struggled to dominate as much as it could have given its size vis-a-vis others in OPEC.

Gulf Arab producer Qatar has given support to Libyan rebels fighting the government of Libya's Muammar Gaddafi. And Saudi Arabia has angered Shi'ite Iran by using force to support the Sunni Bahraini government in suppressing a Shi'ite rebellion.

Easily OPEC's biggest producer, Saudi Arabia normally gets its way.

But this time those in OPEC politically

opposed to the United States – led by Iran and Venezuela – found enough support to block Riyadh.

“Saudi is the cartel member most interested in earning political points’ with consuming countries, and maintaining its image as a reliable supplier of last resort,” said Katherine Spector at CIBC World Markets.

“Venezuela and Iran likely feel they have less to gain politically by increasing quotas as a symbolic gesture.”

The IEA responded by begging Saudi Arabia to increase supply anyway.

“Of course what really matters is actual supply, which should move in line with seasonally rising demand, and we urge key producers to respond accordingly,” the IEA said.

It also once again made oblique reference to the only real tool it has at its disposal to battle high prices – the 1.5 billion barrels of government held oil inventories that it coordinates on behalf of its 28 members, a reserve meant to be used only in the event of an emergency outage.

“The IEA stands ready to work with its member governments and others to help ensure that markets are well supplied,” the agency said in an email.

And Ed Markey was the first member of what will surely be many members of Congress advocating to tap the Strategic Reserve.

“OPEC, led by Iran and Venezuela, has snubbed its nose at the United States and the rest of the Western nations addicted to OPEC oil,” said Markey, the top member of the minority party on the

Natural Resources Committee in the House of Representatives, said in a release.

“This is a clear sign that America must engage in a long-term plan to break our ties to this OPEC-controlled market, and prepare to deploy America’s oil reserves now to head off an economic collapse from continued high gas(oline) prices.”

Well, if there was any doubts Congress would find the Libyan war legal yesterday, those doubts will be dispersed today. And fracking? Expect more of it in your local drinking water.