

Oil producers denounce US bullying

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Intense pressure from the United States saw last week's meeting of the Organisation of Petroleum Exporting Countries (OPEC) in Vienna agree to a 1.45 million barrels per day (bpd) increase in production quotas in order to reduce prices. But the meeting broke up amid considerable resentment over the bullying tactics employed by the US.

Iran, which initially opted out of the new OPEC deal in protest at the heavy-handed US pressure, has announced it will also increase production in order not to lose market share. But Iranian representatives denounced US actions.

"The US intervention was beyond expectations," said Iran's OPEC governor Hossein Kazempour Ardebili. "Never in the history of OPEC has this been experienced before. There was a lot of resentment and a lot of resistance."

Former Iranian president Akbar Hashemi Rafsanjani also blasted the US. "A superpower ... forced these states to pave the way for the plunder of their wealth. The action by America's president was a bad move and regrettable."

Rafsanjani went on to say that oil producers receive just 25 percent of total revenues from the sale of exported oil whilst the Western states pocketed 75 percent through taxes and other charges. "If oil is to become cheaper, why don't they cut their taxes? Why should it be paid out of the pockets of producers and those who are needy themselves? Who is more deserving, the governments of Japan, America, Britain, Germany and France or the people of our countries, which have been exploited for centuries?"

The slump in the price of oil to as low as \$10 per barrel in December 1998 is estimated to have cost the oil exporting countries approximately \$50-60 billion in lost export revenues.

Middle East Economic Survey editor Walid Khadduri, a long-time OPEC observer, described the relentless US pressure: "Some delegations were being called four times a day (during the OPEC meeting) and they were exasperated. We could have had unanimity."

Paul Stevens, an oil analyst from Dundee University, explained that US Energy Secretary Bill Richardson was "so obsessed by US domestic policy that he forced OPEC into a position where they ended up raising production by less than would otherwise have been agreed, and [it] took longer to do. It has been an unbelievably stupid performance."

Iran's decision to lift output will result in the daily production of the OPEC cartel increasing to around 1.7 million bpd.

Together with predicted increases from non-OPEC members such as Norway, Mexico and Oman, world production will be lifted by over 2 million bpd. This figure, however, is still short of the 2.5 million bpd increase many in the US had been demanding prior to the OPEC meeting.

Following the OPEC meeting, prices for crude oil dropped to around \$26 a barrel from the March high of \$34 a barrel. However some analysts believe that oil prices will not be significantly affected by the announcement as it will take at least six weeks for the new oil to hit the market.

The OPEC cartel has agreed on a mechanism that will automatically cut or raise production by 500,000 bpd if prices venture below or above a \$22-28 per barrel price range. OPEC members are expected to meet again in late June to assess and make decisions on future production levels.

Richardson, who had previously stated that an oil price of \$27 a barrel was too high, was guarded in his comments on the outcome of the OPEC meeting and the policy of maintaining prices in the \$22-28 range. "Well, I'm not going to get into numbers," he said, "but clearly those numbers are better than \$34 and \$30."

Calls in the US for tougher action against OPEC have continued in the aftermath of the meeting. Representatives of both the Republican and Democrat parties have proposed that the US consider suing the OPEC oil cartel over the sharp increase in gasoline prices this year under anti-trust conspiracy laws.

At a news conference held just days after the end of the OPEC meeting, Pennsylvania Republican Senator Arlen Specter and Delaware Democrat Senator Joseph Bidden produced a letter addressed to Clinton that called for the consideration of lawsuits against OPEC in US and international courts.

In part the letter stated: "The behavior of OPEC and other oil producing nations in restraint of trade violates US anti-trust law and basic international norms and it is injuring the United States in a very real way."

Such a lawsuit, however, would be legally problematic. Richard Parker, the head of the US Federal Trade Commission, told a House Judiciary Committee that holding the OPEC cartel accountable for price fixing would be tricky because the targets would be sovereign nations, not individual companies.

"The problem with going after OPEC is not the action, it's

who's doing it. The same activity undertaken by a group of commercial firms would constitute a per se violation of the US anti-trust laws."

US courts have previously ruled against a price fixing case filed against OPEC by the International Association of Machinists in the 1970s during the Arab oil embargo.

But this has not deterred the proponents of legal action. According to Specter: "The legislation on sovereign immunity is a problem, but it should be possible to hold OPEC liable for economic activities that were separate from government roles. This would clearly be a cutting-edge lawsuit, making new law at the international level."

Other Republican Senators lashed out at the OPEC decision and again attacked Clinton for not acting earlier against OPEC and for refusing to boost US domestic oil production.

New York Republican, Benjamin Gilman complained that the 1.7 million bpd boost by OPEC was less than half the 4.32 million bpd of oil removed from production in the last two years. "The seeds for the current harvest of high gas prices, now approaching \$2 per gallon, were planted in March 1999 [when OPEC cut production], and regrettably the Clinton administration let them grow," he said.

Prior to the OPEC meeting Gilman introduced a bill in the US Congress calling for the president to cut US aid and arms sales to OPEC members and other oil producing nations that fix prices.

The US currently imports about 55 percent of its domestic oil consumption and its own domestic production is said to have fallen in 1999 to its lowest level in 50 years.

Sections of the Republican party, including Texas governor George Bush jnr, the party's presidential nominee, are said to favour the opening of Alaska's Arctic National Wildlife Refuge and other lands for oil exploration to boost domestic production and end reliance on OPEC.

Extreme right wing North Carolina Republican Jesse Helms attacked Clinton, saying the US had been forced to "grovel at the feet of oil ministers because the president and the vice president won't stand up to environmental extremists."

The increasing threats of lawsuits and trade sanctions made against both OPEC and non-OPEC nations are bound up with concerns over the longer-term effect that oil prices will have on US economic growth and the booming stockmarket.

One indication of the mood inside some US ruling circles was aired in a March 28 article by the editor of the Internet Magazine *Slate*, Michael Kinsley, subsequently published in the *Washington Post*.

Denouncing the OPEC meeting as a "criminal conspiracy" he wrote: "What is going on in Vienna is flatly felonious behaviour that is lifting billions of dollars from the pockets of American citizens. It may be beyond the reach of conventional anti-trust enforcement, but it is not beyond all American discipline."

Kinsley said that if the US cared about "our anti-trust

principles" then "we should make clear that we regard OPEC as a criminal conspiracy, even if there are limits to what we can do about it."

"We should find someone meaner than Bill Richardson to deliver the message—[FBI director] Louis Freeh perhaps. We should tell Norway this is not what friends are for. We should tell Russia we don't give aid to nations that are ripping us off. We should tell Kuwait and Saudi Arabia that they get the Nobel Prize for ingratitude and don't come crying to us the next time a local bully starts picking on them. We should tell all these oil ministers they're subject to arrest the next time they land in America and think they're heading for the nearest Hotel Inter-Continental."

With OPEC agreeing to a mechanism to maintain a price range of \$22-28 per barrel—a measure which cuts across the US demand that the market should determine oil prices not OPEC—threats of lawsuits, trade sanctions and even military action are likely to increase.

Speaking to a US Congressional hearing in the lead-up to the OPEC meeting, US Federal Reserve chairman Alan Greenspan said that while he saw no "significant indication" that crude oil price rises were inflating the general price structure, he had "no doubt" that "energy, if it gets sufficiently costly, could have some materially negative effects on the economy, inflation, growth, productivity and a variety of other related areas." He noted that even though there has been "a very substantial decline in the intensity of energy requirements in the United States economy, the effect of energy prices on the United States remains quite formidable."

A recent editorial published in the *Philadelphia Inquirer* entitled "Thanks OPEC—For the energy reminder, not the bullying," dealing with US reliance on imported oil and the lost benefits of low cost oil, pointed to the ever-present military issues. Low energy prices, it said, "made the United States even more inattentive to the implications of half of its oil supply coming from other nations. That degree of dependency invites future Desert Storms."



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