

US and Europe weigh up Libyan intervention as oil prices spike

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24 February 2011

The Obama administration and its European counterparts are coordinating a more aggressive stance toward Libya, including possible military intervention, in response to fears of an international oil price shock. With Libya's daily oil output reduced by an estimated 50-60 percent, oil has surged to its highest price in more than two years, at nearly \$110 a barrel. Stock markets have fallen in the US, Europe and Asia over fears that further price hikes may trigger inflation and slow economic activity.

The overriding concern of the imperialist powers is to re-establish stability in the North African state and resume the flow of oil exports. The various criticisms levelled by the Western leaders against the Libyan government's brutal violence are utterly hypocritical—Muammar Gaddafi has enjoyed the warmest of relations with the US and Europe over the past decade. His regime was funded and armed by these powers, rewarding its support for Washington's geo-strategic objectives in the region and collaboration with the foreign oil companies permitted into Libya. Many senior political and business figures have enriched themselves by working with Gaddafi, notably former British Prime Minister Tony Blair, who was a frequent visitor to Tripoli on behalf of US investment bank JPMorgan Chase.

Now, however, the government in Tripoli appears on the verge of collapse as opposition forces extend their control from the eastern part of the country to western urban centres near the capital.

US President Barack Obama spoke on the Libyan crisis for the first time last night, declaring that he had "asked my administration to prepare the full range of options that we have to respond to this crisis". In a similar threat of military force, Secretary of State Hillary Clinton earlier said Washington would examine "all possible options" and "everything will be on the table". (See "Obama and the Libyan crisis.")

Yesterday, ahead of an emergency meeting of the UN Human Rights Council, a draft resolution issued by the European Union (EU) condemned "the recent extremely grave human

rights violations committed in Libya, including extrajudicial killings, arbitrary arrests, detention and torture of peaceful demonstrators, which if widespread and systematic, may amount to crimes against humanity". This reference to crimes against humanity is significant—the same pretext was utilised for the NATO-led interventions in the Balkans in the 1990s.

Pseudo-legal cover for a potential intervention is already being prepared through the UN. A unanimous Security Council resolution was adopted Tuesday, condemning the violence and "underscoring the need to hold to account those responsible for attacks, including by forces under their control, on civilians".

The US and European powers are reportedly preparing a range of diplomatic and economic sanctions against Libya. French President Nicolas Sarkozy declared: "The international community cannot remain a spectator to these massive violations of human rights." He called for the imposition of a NATO-policed "no fly" zone over Libya. This comes just weeks after the Sarkozy government moved to have French riot police help former Tunisian dictator Zine El Abidine Ben Ali crush the revolt that sparked the unfolding revolution across North Africa and the Middle East.

The possible creation of a no fly zone over Libya is being discussed internationally. Concerns have been raised in the US and Britain over the chances of having Russia and China approve this measure through the UN Security Council. Several media reports have ominously noted that Washington, London and others are taking a "cautious" public stance on the matter until their diplomats and citizens are evacuated from Libya.

This mass evacuation is being accompanied by a substantial military build-up in the Mediterranean that could later be utilised as part of any US-NATO military operation in Libya. Britain, Turkey and Greece have deployed naval warships, and several countries have sent military planes, including France, Holland, Ukraine, Ireland and Italy.

Any US-led intervention would be primarily aimed not at halting of the brutal violence being unleashed by Gaddafi's

forces, but rather resuming Libya's oil production. Foreign oil companies, including Italy's Eni, Spain's Repsol YPF, Germany's Wintershall and France's Total, have either shut down production or cut back substantially. Foreign industry experts and subcontractors are trying to flee the country.

The extent of production maintained at oilfields operated by Libya's state oil company is unknown, and it is also unclear whether reported oil workers' strikes are continuing. The *Financial Times* yesterday reported: "According to traders, Libya's national oil company has declared *force majeure*—a legal clause allowing it to walk away from contracted deliveries—on refined products."

Libya's total daily production—previously 1.6 million barrels—represents less than 2 percent of total world oil output. The disproportionate impact of the Libyan oil crisis on international markets is due to several factors.

One is that Libyan oil is of a very high quality, and cannot simply be substituted by Saudi Arabia and other OPEC members increasing production. "The reservoirs beneath its desert landscape yield crudes that are easily refined into diesel and petrol and also low in sulphur, making them cleaner to burn," the *Financial Times* explained. "They [oil companies] would need to find barrels of equivalent quality from Algeria, Nigeria, the Caspian region or the North Sea. The bidding could further raise prices for the kinds of high-quality crudes that underpin benchmark oil futures contracts and reduce fuel output from refineries unable to afford them."

The Libyan uprising has also sparked fears on financial markets of the instability of other oil producers, including Algeria and Saudi Arabia, the world's largest oil exporter. "No one knows where this ends," Helima Croft, a director at Barclays Capital, told the *New York Times*. "A couple of weeks ago it was Tunisia and Egypt, and it was thought this can be contained to North Africa and the resource-poor Middle East countries. But now with protests in Bahrain, that's the heart of the gulf, and it's adding to anxieties."

In an effort to allay such concerns, Saudi Arabia's King Abdullah bin Abdul Aziz has announced a \$36 billion spending program directed toward employment, housing and other social issues, aimed at pre-empting any movement by Saudi Arabian workers and youth.

Commodity analysts at Japanese bank Nomura have warned of the possibility of oil prices hitting \$220 a barrel "if Libya and Algeria were to halt oil production together". An oil price this high would inevitably trigger a sharp downturn in the American and world economies.

Libya's oil fields, as with most of the country's territory, now appear to be under the control of anti-Gaddafi forces.

In Benghazi and Bayda, Libya's second and third largest cities, government forces seem to have been routed. International journalists are beginning to enter the area, crossing the border from Egypt. The *Guardian's* Martin Chulov reported that in Benghazi "every physical sign of the dictator has been taken down or burned". Old monarchy-era national flags were flying from government buildings. Soldiers who had defected had seized tonnes of weaponry and ammunition from military armouries.

Yesterday, opposition forces claimed control of Misrata, about 200 kilometres east of Tripoli, following days of street fighting. Faraj al-Misrati, a local doctor, told the Associated Press that six people had been killed and 200 wounded in the clashes. He added that residents had formed committees to clean the streets, protect the city and treat the injured. "The solidarity among the people here is amazing, even the disabled are helping out," he said.

Opposition forces have said they control other urban centres in the western part of Libya, including Zawiya, just 50 kilometres west of the capital.

Inside Tripoli, reports continue to emerge of Gaddafi's militia and foreign mercenary fighters massacring protestors and anyone regarded as an opponent of the regime. Video released on the internet showed these forces conducting house-to-house searches. Other footage appeared to show protestors using cement blocks and burning tyres as barricades around a square near the centre of the city. Demonstrations have been called for today and tomorrow, and there are reports of opposition plans to stage a "march" on Tripoli from other parts of the country on Friday.



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