

OPEC agrees to major oil production cut, sparking US-Saudi rift

Gabriel Black
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The Organization of the Petroleum Exporting Countries (OPEC) agreed last Wednesday to cut its members' oil production by 2 million barrels per day. The decision is seen as one of the most significant by the oil cartel in recent history.

The oil cut is widely viewed as a slap in the face to the United States and the Biden administration. It comes just two months after President Joe Biden's trip to visit Mohammed bin Salman, the crown prince of the theocratic dictatorship of Saudi Arabia. The *Financial Times* described the move as a "breach in the alliance" between Saudi Arabia and the US.

The Biden administration has been somewhat restrained in its public response to the announcement. President Biden stated that he was "disappointed."

But his administration also released a statement accusing OPEC of "aligning with Russia." Russia is a member of the expanded group of OPEC known as OPEC Plus. Russia's deputy prime minister, Alexander Novak, attended the meeting in Vienna.

Though the production cut was announced as 2 million barrels per day, the actual reduction is expected to be closer to 1 million. The world produces about 100 million barrels of oil (mb/d) every day. Already, most OPEC members are struggling to meet their expected quotas, which is why the projected impact of last week's announcement is smaller than the nominal reduction. Nevertheless, removing 1 percent of the world's oil from the market over the coming months will have a significant impact.

First, the cuts mean that energy prices will remain higher for longer. OPEC members cited the risk of global recession as justification for their cut. Anticipating that the US-led rise in global interest rates will trigger a full-on recession by the end of next year, OPEC wishes to signal to the markets that it will take measures to keep oil at about its current general price range.

Oil is the bedrock of the modern economy, used in the production and distribution of virtually every product on the planet. The cuts will encourage not just high oil prices, but high prices in general. There is a significant risk that as the world's central banks take the global economy into a recession, the downturn will be combined with high energy prices. The combination of mass joblessness and high prices is a recipe not just for misery, but also for a social explosion.

Such concerns motivated US Treasury Secretary Janet Yellen's comment that the cuts were "unhelpful and unwise." Yellen had in mind the effect energy prices would have on the class struggle, particularly in developing countries. She told the *Financial Times*, "We're very worried about developing countries and the problems they face."

There is no shortage of hypocrisy in Yellen's comments. She is leading a rise in interest rates that is not only engendering mass joblessness, but also a surge in the dollar. A high dollar lessens the ability of developing countries to pay debts, frequently denominated in US dollars.

The American ruling class is content to take destructive economic measures which it sees as benefiting its interests, but is incensed by OPEC countries asserting their interests.

"It's hard to overstate how anxious the Biden administration is about a potential resurgence in oil prices," said Bob McNally, a leading oil energy analyst.

Alarmed by the surge in workers' struggles across the country and the looming midterm elections, the Biden administration is terrified that even with a recession prices will not decline.

At OPEC's press conference in Vienna, the UAE energy minister stated that the cuts were aimed at staving off a crash in oil prices that would contribute to ongoing difficulties in raising money for new oil and gas projects.

Since 2014, new oil and gas investment has been substantially reduced.

OPEC members are also reported to be annoyed about the recently implemented price cap on Russian oil. They worry that measures which so far have been used only against Russia could, in the future, be deployed against other countries—pitting Western control over the financial system against rent-seeking resource-based states.

Within the US ruling establishment, there are growing calls to punish Saudi Arabia. “There’s got to be consequences for that. Whether it’s lifting the cartel’s immunity or rethinking our troop presence there,” Democratic Senator Chris Murphy told CNN.

Murphy continued, “For years we have looked the other way as Saudi Arabia has chopped up journalists, has engaged in massive political repression, for one reason: we wanted to know that when the chips were down, when there was a global crisis, that the Saudis would choose us instead of Russia. Well, they didn’t. They chose Russia.”

Thus, Murphy acknowledged that the Democratic Party can overlook Saudi Arabia murdering journalists and executing its citizens ... as long as its rulers toe the line against those regimes targeted for destruction by American imperialism.

The hostility they now express is not a reaction to the greed of the Saudi despots and the other members of the oil cartel. It is rather an expression of their diverging objective interests as the crisis of capitalism intensifies.

Amidst the resurgence of class struggle, the descent into war (led by the US), and the looming threat of global recession, fissures are emerging in the web of alliances overseen by US imperialism. As the historic crisis of the capitalist system intensifies, smaller countries facing their own deepening problems but having a measure of leverage, like the OPEC members, are more ready to assert their interests, courting the wrath of Washington and Wall Street.



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