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## Irreversible Decline?

Did the U.S. and the Saudis Conspire to Push Down Oil Prices?

by MIKE WHITNEY

December 29, 2014

“Saudi oil policy... has been subject to a great deal of wild and inaccurate conjecture in recent weeks. We do not seek to politicize oil... For us it’s a question of supply and demand, it’s purely business.”

– Ali al Naimi, Saudi Oil Minister

“There is no conspiracy, there is no targeting of anyone. This is a market and it goes up and down.”

– Suhail Bin Mohammed al-Mazroui, United Arab Emirates’ petroleum minister

“We all see the lowering of oil prices. There’s lots of talk about what’s causing it. Could it be an agreement between the U.S. and Saudi Arabia to punish Iran and affect the economies of Russia and Venezuela? It could.”

– Russian President Vladimir Putin

Are falling oil prices part of a US-Saudi plan to inflict economic damage on Russia, Iran and Venezuela?

Venezuelan President Nicolas Maduro seems to think so. In a recent interview that appeared in Reuters, Maduro said he thought the United States and Saudi Arabia wanted to drive down oil prices “to harm Russia.”

Bolivian President Evo Morales agrees with Maduro and told journalists at RT that: “The reduction in oil prices was provoked by the US as an attack on the economies of Venezuela and Russia. In the face of such economic and political attacks, the nations must be united.”

Iranian President Hassan Rouhani said the same thing, with a slightly different twist: “The main reason for (the oil price plunge) is a political conspiracy by certain countries against the interests of the region and the Islamic world ... Iran and people of the region will not forget such ... treachery against the interests of the Muslim world.”

US-Saudi “treachery”? Is that what’s really driving down oil prices?

Not according to Saudi Arabia’s Petroleum Minister Ali al-Naimi. Al-Naimi has repeatedly denied claims that the kingdom is involved in a conspiracy. He says the tumbling prices are the result of “A lack of cooperation by non-OPEC production nations, along with the spread of misinformation and speculator’s greed.” In other words, everyone else is to blame except the country that has historically kept prices high by controlling output. That’s a bit of a stretch, don’t you think? Especially since—according to the Financial Times — OPEC’s de facto leader has abandoned the cartel’s “traditional strategy” and announced that it won’t cut production even if prices drop to \$20 per barrel.

Why? Why would the Saudis suddenly abandon a strategy that allowed them to rake in twice as much dough as they are today? Don’t they like money anymore?

And why would al-Naimi be so eager to crash prices, send Middle East stock markets into freefall, increase the kingdom’s budget deficits to a record-high 5 percent of GDP, and create widespread financial instability? Is grabbing “market share” really that important or is there something else going on here below the surface?

The Guardian’s Larry Elliot thinks the US and Saudi Arabia are engaged a conspiracy to push down oil prices. He points to a September meeting between John Kerry and Saudi King Abdullah where a deal was made to boost production in order to hurt Iran and Russia. Here’s a clip from the article titled “Stakes are high as US plays the oil card against Iran and Russia”:

“...with the help of its Saudi ally, Washington is trying to drive down the oil price by flooding an already weak market with crude. As the Russians and the Iranians are heavily dependent on oil exports, the assumption is that they will become easier to deal with...”

John Kerry, the US secretary of state, allegedly struck a deal with King Abdullah in September under which the Saudis would sell crude at below the prevailing market price. That would help

explain why the price has been falling at a time when, given the turmoil in Iraq and Syria caused by Islamic State, it would normally have been rising.

The Saudis did something similar in the mid-1980s. Then, the geopolitical motivation for a move that sent the oil price to below \$10 a barrel was to destabilize Saddam Hussein's regime. This time, according to Middle East specialists, the Saudis want to put pressure on Iran and to force Moscow to weaken its support for the Assad regime in Syria... (Stakes are high as US plays the oil card against Iran and Russia, Guardian)

That's the gist of Elliot's theory, but is he right?

Vladimir Putin isn't so sure. Unlike Morales, Maduro and Rouhani, the Russian president has been reluctant to blame falling prices on US-Saudi collusion. In an article in Itar-Tass, Putin opined:

"There's a lot of talk around" in what concerns the causes for the slide of oil prices, he said at a major annual news conference. "Some people say there is conspiracy between Saudi Arabia and the US in order to punish Iran or to depress the Russian economy or to exert impact on Venezuela."

"It might be really so or might be different, or there might be the struggle of traditional producers of crude oil and shale oil," Putin said. "Given the current situation on the market the production of shale oil and gas has practically reached the level of zero operating costs." (Putin says oil market price conspiracy between Saudi Arabia and US not ruled out, Itar-Tass)

As always, Putin takes the most moderate position, that is, that Washington and the Saudis may be in cahoots, but that droopy prices might simply be a sign of over-supply and weakening demand. In other words, there could be a plot, but then again, maybe not. Putin is a man who avoids passing judgment without sufficient evidence.

The same can't be said of the Washington Post. In a recent article, WP journalist Chris Mooney dismisses anyone who thinks oil prices are the result of US-Saudi collaboration as "kooky conspiracy theorists". According to Mooney:

"The reasons for the sudden (price) swing are not particularly glamorous: They involve factors like supply and demand, oil companies having invested heavily in exploration several years ago to produce a glut of oil that has now hit the market — and then, perhaps, the "lack of cohesion" among the diverse members of OPEC." (Why there are so many kooky conspiracy theories about oil, Washington Post)

Oddly enough, Mooney disproves his own theory a few paragraphs later in the same piece when he says:

"Oil producers really do coordinate. And then, there's OPEC, which is widely referred to in the press as a "cartel," and which states up front that its mission is to "coordinate and unify the

petroleum policies” of its 12 member countries.... Again, there’s that veneer of plausibility to the idea of some grand oil related strategy.” (WP)

Let me get this straight: One the one hand Mooney agrees that OPEC is a cartel that “coordinates and unify the petroleum policies”, then on the other, he says that market fundamentals are at work. Can you see the disconnect? Cartels obstruct normal supply-demand dynamics by fixing prices, which Mooney seems to breezily ignore.

Also, he scoffs at the idea of “some grand oil related strategy” as if these cartel nations were philanthropic organizations operating in the service of humanity. Right. Someone needs to clue Mooney in on the fact that OPEC is not the Peace Corps. They are monopolizing amalgam of cutthroat extortionists whose only interest is maximizing profits while increasing their own political power. Surely, we can all agree on that fact.

What’s really wrong with Mooney’s article, is that he misses the point entirely. The debate is NOT between so-called “conspiracy theorists” and those who think market forces alone explain the falling prices. It’s between the people who think that the Saudis decision to flood the market is driven by politics rather than a desire to grab “market share.” That’s where people disagree. No denies that there’s manipulation; they merely disagree about the motive. This glaring fact seems to escape Mooney who is on a mission to discredit conspiracy theorists at all cost. Here’s more:

(There’s) “a long tradition of conspiracy theorists who have surmised that the world’s great oil powers — whether countries or mega-corporations — are secretly pulling strings to shape world events.”...

“A lot of conspiracy theories take as their premise that there’s a small group of people who are plotting to control something, to control the government, the banking system, or the main energy source, and they are doing this to the disadvantage of everybody else,” says University of California-Davis historian Kathy Olmsted, author of “Real Enemies: Conspiracy Theories and American Democracy, World War I to 9/11”. (Washington Post)

Got that? Now find me one person who doesn’t think the world is run by a small group of rich, powerful people who operate in their own best interests? Here’s more from the same article:

(Oil) “It’s the perfect lever for shifting world events. If you were a mad secret society with world-dominating aspirations and lots of power, how would you tweak the world to create cascading outcomes that could topple governments and enrich some at the expense of others? It’s hard to see a better lever than the price of oil, given its integral role in the world economy.” (WP)

“A mad secret society”? Has Mooney noticed that — in the last decade and a half — the US has only invaded nations that have huge natural resources (mainly oil and natural gas) or the geography for critical pipeline routes? There’s nothing particularly secret about it, is there?

The United States is not a “mad secret society with world-dominating aspirations”. It’s a empire with blatantly obvious “world-dominating aspirations” run by political puppets who do the work of wealthy elites and corporations. Any sentient being who’s bright enough to browse the daily headlines can figure that one out.

Mooney’s grand finale:

“So in sum, with a surprising and dramatic event like this year’s oil price decline, it would be shocking if it did not generate conspiracy theories. Humans believe them all too easily. And they’re a lot more colorful than a more technical (and accurate) story about supply and demand.” (WP)

Ah, yes. Now I see. Those darn “humans”. They’re so weak-minded they’ll believe anything you tell them, which is why they need someone as smart as Mooney tell them how the world really works.

Have you ever read such nonsense in your life? On top of that, he gets the whole story wrong. This isn’t about market fundamentals. It’s about manipulation. Are the Saudis manipulating supply to grab market share or for political reasons? THAT’S THE QUESTION. The fact that they ARE manipulating supply is not challenged by anyone including the uber-conservative Financial Times that deliberately pointed out that the Saudis had abandoned their traditional role of cutting supply to support prices. That’s what a “swing state” does; it manipulates supply keep prices higher than they would be if market forces were allowed to operate unimpeded.

So what is the motive driving the policy; that’s what we want to know?

Certainly there’s a strong case to be made for market share. No one denies that. If the Saudis keep prices at rock bottom for a prolonged period of time, then a high percentage of the producers (that can’t survive at prices below \$70 per barrel) will default leaving OPEC with greater market share and more control over pricing.

So market share is certainly a factor. But is it the only factor?

Is it so far fetched to think that the United States—which in the last year has imposed harsh economic sanctions on Russia, made every effort to sabotage the South Stream pipeline, and toppled the government in Kiev so it could control the flow of Russian gas to countries in the EU—would coerce the Saudis into flooding the market with oil in order to decimate the Russian economy, savage the ruble, and create favorable conditions for regime change in Moscow? Is that so hard to believe?

Apparently New York Times columnist Thomas Friedman doesn’t think so. Here’s how he summed it up in a piece last month: “Is it just my imagination or is there a global oil war underway pitting the United States and Saudi Arabia on one side against Russia and Iran on the other?”

It sounds like Freidman has joined the conspiracy throng, doesn't it? And he's not alone either. This is from Alex Lantier at the World Socialist Web Site:

“While there are a host of global economic factors underlying the fall in oil prices, it is unquestionable that a major role in the commodity's staggering plunge is Washington's collaboration with OPEC and the Saudi monarchs in Riyadh to boost production and increase the glut on world oil markets.

As Obama traveled to Saudi Arabia after the outbreak of the Ukraine crisis last March, the Guardian wrote, “Angered by the Soviet invasion of Afghanistan in 1979, the Saudis turned on the oil taps, driving down the global price of crude until it reached \$20 a barrel (in today's prices) in the mid-1980s... [Today] the Saudis might be up for such a move—which would also boost global growth—in order to punish Putin over his support for the Assad regime in Syria. Has Washington floated this idea with Riyadh? It would be a surprise if it hasn't.” (Alex Lantier, Imperialism and the ruble crisis, World Socialist Web Site)

And here's an intriguing clip from an article at Reuters that suggests the Obama administration is behind the present Saudi policy:

“U.S. Secretary of State John Kerry sidestepped the issue (of a US-Saudi plot) after a trip to Saudi Arabia in September. Asked if past discussions with Riyadh had touched on Russia's need for oil above \$100 to balance its budget, he smiled and said: “They (Saudis) are very, very well aware of their ability to have an impact on global oil prices.” (Saudi oil policy uncertainty unleashes the conspiracy theorists, Reuters)

Wink, wink.

Of course, they're in bed together. Saudi Arabia is a US client. It's not autonomous or sovereign in any meaningful way. It's a US protectorate, a satellite, a colony. They do what they're told. Period. True, the relationship is complex, but let's not be ridiculous. The Saudis are not calling the shots. The idea is absurd. Do you really think that Washington would let Riyadh fiddle prices in a way that destroyed critical US domestic energy industries, ravaged the junk bond market, and generated widespread financial instability without uttering a peep of protest on the matter?

Dream on! If the US was unhappy with the Saudis, we'd all know about it in short-order because it would be raining Daisy Cutters from the Persian Gulf to the Red Sea, which is the way that Washington normally expresses its displeasure on such matters. The fact that Obama has not even alluded to the shocking plunge in prices just proves that the policy coincides with Washington's broader geopolitical strategy.

And let's not forget that the Saudis have used oil as a political weapon before, many times before. Indeed, wreaking havoc is nothing new for our good buddies the Saudis. Check this out from Oil Price website:

“In 1973, Egyptian President Anwar Sadat convinced Saudi King Faisal to cut production and raise prices, then to go as far as embargoing oil exports, all with the goal of punishing the United

States for supporting Israel against the Arab states. It worked. The “oil price shock” quadrupled prices.

It happened again in 1986, when Saudi Arabia-led OPEC allowed prices to drop precipitously, and then in 1990, when the Saudis sent prices plummeting as a way of taking out Russia, which was seen as a threat to their oil supremacy. In 1998, they succeeded. When the oil price was halved from \$25 to \$12, Russia defaulted on its debt.

The Saudis and other OPEC members have, of course, used the oil price for the obverse effect, that is, suppressing production to keep prices artificially high and member states swimming in “petrodollars”. In 2008, oil peaked at \$147 a barrel.” (Did The Saudis And The US Collude In Dropping Oil Prices?, Oil Price)

1973, 1986, 1990, 1998 and 2008.

So, according to the author, the Saudis have manipulated oil prices at least five times in the past to achieve their foreign policy objectives. But, if that’s the case, then why does the media ridicule people who think the Saudis might be engaged in a similar strategy today?

Could it be that the media is trying to shape public opinion on the issue and, by doing so, actually contribute to the plunge in oil prices?

Bingo. Alert readers have probably noticed that the oil story has been splashed across the headlines for weeks even though the basic facts have not changed in the least. It’s all a rehash of the same tedious story reprinted over and over again. But, why? Why does the public need to have the same “Saudis refuse to cut production” story driven into their consciousness day after day like they’re part of some great collective brainwashing experiment? Could it be that every time the message is repeated, oil sells off, and prices go down? Is that it?

Precisely. For example, last week a refinery was attacked in Libya which pushed oil prices up almost immediately. Just hours later, however, another “Saudis refuse to cut production” story conveniently popped up in all the major US media which pushed prices in the direction the USG wants them to go, er, I mean, back down again.

This is how the media helps to reinforce government policy, by crafting a message that helps to push down prices and, thus, hurt “evil” Putin. (This is called “jawboning”) Keep in mind, that OPEC doesn’t meet again until June, 2015, so there’s nothing new to report on production levels. But that doesn’t mean we’re not going to get regular updates on the “Saudis refuse to cut production” story. Oh, no. The media is going to keep beating that drum until Putin cries “Uncle” and submits to US directives. Either that, or the bond market is going to blow up and take the whole damn global financial system along with it. One way or another, something’s got to give.

Bottom line: Falling oil prices and the plunging ruble are not some kind of free market accident brought on by oversupply and weak demand. That’s baloney. They’re part of a broader geopolitical strategy to strangle the Russian economy, topple Putin, and establish US hegemony

across the Asian landmass. It's all part of Washington's plan to maintain its top-spot as the world's only superpower even though its economy is in irreversible decline.