

## OPEC's Swan Song?

By Sam Vaknin

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Indonesia's Energy Minister, Purnomo Yusgiantoro, is unhappy with the modest production cut, from June 1, of 2 million barrels per day, adopted by the Organization of Petroleum Exporting Countries last week. He intends to demand further reductions at the June 11 get-together in Qatar.

The deal struck is so convoluted and loopholed that actual output declines may amount to no more than 600,000 bpd, assuming, miraculously, full compliance. Quotas were first raised before the war to 27.4 million bpd - a theoretical level, not met by actual supply. Crude prices, entering a period of seasonal weakening, dropped further on the news.

With Nigerian and Venezuelan crude recovering from months of strife, this downtrend may be temporary. Global excess capacity is a mere 1 million bpd - one fifth its prewar level. As North American and North Sea production declines, the importance of Gulf producers soars.

OPEC's eleven countries - Algeria, Indonesia, Iran, Iraq (suspended in 1990, following its invasion of Kuwait), Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela - control one third to two fifths of global oil output and three quarters of the far more important residual demand - traded between net consumers and net exporters. Residual demand is set to double by 2010.

Still, OPEC - led by Saudi Arabia, now off the US buddy list - faces fundamental problems that no tweaking can resolve. Iraq, in the throes of reconstruction and under America's thumb, may opt to exit the club it has founded in 1960 and, thus unfettered, flood the market with its 2.3 to 2.8 million bpd of oil. Iraqi production can reach 7-8 million bpd in six years, completely upsetting the carefully balanced market sharing agreements among OPEC members.

This nightmare may be years away, what with Iraq's dilapidated and much-looted infrastructure and vehement international wrangling over past and future contracts. All the same, it looms menacing over the organization's future.

Far more ominous perils lurk in Russia, the second largest oil producer and growing. Though the cheapest and most abundant reserves are still to be found in the Persian Gulf, Central Asia and Russia are catching up fast. Ali al-Naimi, the Saudi oil minister may be forced out of office by this apparent crumbling of the organization's stature.

This would be unwise. Naimi is widely credited with engineering the tripling of oil prices to more than \$30 a barrel between 1998 and 1999. As the informal boss of the state-owned Saudi oil behemoth, Aramco, he has already introduced postwar output cuts. The oil market is so volatile that even marginal production shifts affect prices disproportionately. Naimi is a master of such manipulation.

Saudi Arabia regards itself as the market regulator. It keeps expensive, fully-developed, wells idle as a 1.9 million bpd buffer against supply disruptions. It is this "self-sacrificial" policy that endows it with tremendous clout in the energy markets. Only the United States can afford to emulate it - and even then, the Saudi Kingdom still possesses the largest known reserves and sports the lowest extraction costs worldwide.

OPEC is, therefore, not without muscle. Saudi Arabia had punished uppity producers, such as Nigeria, by flooding the markets and pulverizing prices. Yet, the organization is riven by internecine squabbles about market shares and production ceilings. Giants and dwarves cohabit uneasily and collude to choreograph prices in what has long been a buyers' market. These inherent contradictions are detrimental. If OPEC fails to recruit another massive producer (namely: Russia) soon - it is doomed.

Paradoxically, the Iraq war is exactly what the doctor ordered. OPEC's only long-term hope lies in a geopolitical shift, the harbingers of which are already visible. Russia may join the cartel, disenchanted by an imperious and haughty USA - or the Europeans may "adopt" OPEC as a counterweight to the sole "hyperpower" newfound energy preeminence.

America announced its intention to pull out its troops stationed in Saudi Arabia. As this major producer is thrust into the role of the "bad guy" - it acquires incentives to team up with other "pariahs" such as France and, potentially, Russia. Controlling the oil taps is a sure way to render the USA less unilateral and more accommodating.

US interest are diametrically opposed to those of oil producers, whether in OPEC's ranks or without. The United States seeks to secure an uninterrupted supply of cheap oil. Yet, a consistently low price level would go a long way towards reducing Russia back to erstwhile penury. It would also destabilize authoritarian and venal regimes throughout the Middle East.

This unsettling realization is dawning now on minds from Paris to Riyadh and from St. Petersburg to Tehran. As the United States looms large over both producers and consumers, the ironic outcome of the Iraqi war may well be an oil crunch rather than an oil glut.

Sam Vaknin is the author of *Malignant Self Love - Narcissism Revisited* and *After the Rain - How the West Lost the East*. He is a columnist for *Central Europe Review*, *PopMatters*, and *eBookWeb*, a United Press International (UPI) Senior Business Correspondent, and the editor of mental health and Central East Europe categories in

The Open Directory Bellaonline, and Suite101 .

Until recently, he served as the Economic Advisor to the Government of Macedonia.

Visit Sam's Web site at <http://samvak.tripod.com>  
[palma@unet.com.mk](mailto:palma@unet.com.mk)

Dressing A Toddler, Whomever She Is Today

By David Leonhardt

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Some things we take for granted. Like getting dressed. Unless we are paraplegic, an absolute klutz or have just smoked far too much cabbage, getting dressed is a cinch.

Sure, if you happen to be the winner of the 2004 Imelda Marcos Shoe Collection Trophy, you might have trouble choosing just the right shoe for the occasion. But actually slipping your foot into your selection should be a cinch.

The only time getting dressed should pose a problem is on April Fools Day. Underwear is pretty hard to put on when it is drenched in water. Harder still when it comes straight out of the freezer. And even harder when wrapped around last year's frozen Christmas cake. But that still leaves 364 days of easy dressing.

Some things we just take for granted...until you become a parent.

"No!" Little Lady screams in mock rage.

Just come back here so I can pull up your pants and slip on your shirt.

"No!" the toddle repeats in defiance.

Did you know that there are some things you can do at 30 miles per hour? Putting a shirt on an agile toddler is not one of those things. Around the chair. Over the back of the couch. Under the table. Into the bathroom. SLAM!

Ouch. Make that: into the bathroom door.

"No!"

Please, Little Lady, let me put on your shirt.

"I'm not Little Lady. I'm Baby Swan."

OK, Baby Swan. Let me put on your shirt.

"You're Papa Baby Swan."

OK. You're Baby Swan. I'm Papa Baby Swan. Just let me put on your shirt.

"Now I'm Tutter."

Tutter is a mouse puppet in a children's show she watches. OK, Tutter, let's put on the

Tutter shirt."

"No. You be Tutter."

OK, I'll be Tutter. I'll be whomever you want be to be. Yesterday I was Big Spider. The day before I was Spider Web. I remember being a crocodile, a monkey and a detective. I have no idea who I am anyway, so I might as well be Tutter.

"Are you Tutter?"

We hear a lot about the "terrible twos", but we don't hear much about the identity crisis years. Speaking with mothers down at the play center, it seems many kids go through this phase.

"I saa-aid, are you Tutter?"

You probably did, too. Ask your mother if you ever went through a phase when you were always pretending to be someone else...so much so that you were almost convinced it was real.

It's bad news if your mother's eyes gloss over nostalgically and she answers, "Yes dear, I remember when you were quite convinced you were an African dung beetle."

It's worse news if she adds, "I think the pre-teen years were the hardest. We had no idea how to explain the birds and the bees to a beetle."

But the worst news is if your mother sighs and says, "I remember well. Your father and I are still hoping it's just a phase you're going through."

The best of us go through identity crises now and then. I am The Happy Guy. I am also a writer. And a search engine optimizer. And a husband. And a homeowner. And a father.

But not this morning. This morning I was a very tired and frustrated Tutter mouse puppet...with generously distributed bruises to prove my credentials.

"No!"

Aw, c'mon, Baby Swan. This is your Tutter speaking. Please come out from under the staircase.

"No. You be Baby Swan."

I suppose that at her age, she can probably get away with going topless. But sooner or later she'll get hungry. And when she comes out to feed, I'll get that shirt on Baby Swan. Or Tutter. Or whomever that toddler is today!

David Leonhardt publishes The Happy Guy humor column:  
<http://www.thehappyguy.com/positive-thinking-free-ezine.html>

And A Daily Dose of Happiness:  
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[info@thehappyguy.com](mailto:info@thehappyguy.com)

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