

Global Journalist: 12 OPEC nations to meet and discuss oil high prices

Abstract: During this Nov. 15, 2007 show, Stuart Loory asks his guests why oil has been reaching such high prices (\$90/barrel), and what sustains the speculations about it reaching \$150. Amidst the current international economic and political tensions, although OPEC can not set any oil price limit, a Saudi journalist says their meeting is long past due.

Bios

[Stuart Loory](#) was a long-time reporter and editor for the Chicago Sun-Times and CNN. He was the inaugural Lee Hills Chair in Free Press Studies at the Missouri School of Journalism. He [died in 2015](#).

Khaled Al Maeena is a [veteran Saudi journalist](#). He held the position of editor-in-chief of many publications, such as the newspaper Arab News, for over 22 years combined, then, he was the EIC of Saudi Gazette, for two years. He also has vast experience in the PR industry.

Brian Ellsworth is an American journalist who worked [for Reuters](#) for almost two decades, during which he was based in Venezuela, Brazil and in Miami, U.S. He left Reuters [in February 2023](#). Since June 2024, he has been working as a [speechwriter](#) and press officer.

Will J. Dobson is an American journalist and [author](#). He works as [Slate's](#) bureau chief in Washington D.C.

Mikhail Zygar is an award-winning Russian political journalist based in Berlin, Germany. He is also an [author](#). He is a columnist [for Der Spiegel](#), and is the founding editor-in-chief of Dozhd, [Russia's only independent news television](#) station.

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Stuart Loory 00:00

Welcome to Global Journalist. I'm Stuart Loory, of the Missouri School of Journalism. The price of oil is hovering somewhere in the 90 plus dollar per barrel level, and there is no indication that it will go much lower anytime soon. In fact, there are dire predictions that it will go even higher, and that a price of \$150 a barrel is not out of the question. Imagine what that will mean for the cost of heating your home, running your cars, or operating factories in which many Americans work. This weekend, the leaders of the 12 OPEC nations, the cartel that controls almost half of

all the oil production in the world, will meet in Riyadh, the capital of Saudi Arabia, to, to, to discuss the situation. They will not set any price levels -- OPEC does not do that -- nor will they set any production levels. That's done by a lower-level committee of experts. But they will have a lot to say about what can be done to control the oil situation and who is responsible for the high prices. Venezuelan President Hugo Chávez will be in Riyadh, presumably, to argue that oil prices should be kept high, and that the money should go to help the poor of the world. Iranian President Mahmoud Ahmadinejad will be there, certainly to castigate the United States for creating the problem. The nations seeking a solution, will talk about new methods for setting prices, taking control over them from speculators in the financial markets, for example, and dealing with the increased demand on oil that rapidly developing countries such as China and India are creating. OPEC, at present, produces about 36 million barrels of oil a day. Estimates are that it could produce 61 million barrels a day by 2030, but that would take a cash investment of hundreds, hundreds of billions of dollars. These are staggering numbers. Can they be dealt with? To discuss this today, our guests are in Dubai, Khaled Al Maeena, editor in chief of Arab News -- it's a newspaper that is headquartered in Jeddah, Saudi Arabia. In Caracas, Venezuela, Brian Ellsworth, an energy correspondent for Reuters. In Washington, Will Dobson, managing editor of Foreign Policy magazine. And in Moscow, Mikhail Zygar, a political commentator for the newspaper Kommersant. Let's start in Dubai. Khaled Al Maeena, what is the purpose of this meeting? Why are the heads of state getting together for only the third time in the history of, of OPEC? Khaled Al Maeena, are you with us?

Khaled Al Maeena 03:10

Yes, sir.

Stuart Loory 03:12

I don't know whether you heard my question, but it is, what is the real purpose of this meeting? Why are the heads of state getting together for only the third time in the history of the organization?

Khaled Al Maeena 03:26

Well, I think this meeting was long overdue. It also has come against the background of rising oil prices. Now, a lot of the price rise is not more, is more due to market forces rather than design. There is no one in OPEC waiting, because the more it rises up, the more it hurts many of the economies. But, I think the price rise is also due to the in... in... intake of oil by both China and India, especially China. So, I think the OPEC leaders would like to come and reassure the world that they would also like to see stable oil prices. Saudi Arabia, in the past, used to be a swing producer. Right now, I don't think so it can be, because it has a capacity that it cannot go more

than. So, I think this is just to reassure everyone that the OPEC countries are going to show the responsibility.

Stuart Loory 04:19

Will Dobson, is that something that we agree with in this country?

Will J. Dobson 04:28

Well, I, I think that's fair to say that there is a desire in the part of OPEC right now to try and reassu... reassure people. But the bigger question, I think, for a lot of people, is, how do we get to where we are at this moment? I mean, if you talk to a lot of energy analysts right now, they'll tell you that it's very hard to rationalize why the price of oil is what it is today. I mean, you have to keep in mind that we've seen a 60% increase in the last six months. Now, there's no question that there are many things in the world that are turbulent today, but, a 60% increase in six months is hard to justify based on the news cycle the last six months. Yes, it's true. China and India are both showing incredible demand. You've got, you know, supply disruptions occasionally, here or there, you have concerns about Turkey, dealing with the Kurdish situation and things like that, but 60% in six months, that is hard for most ener... energy analysts to get their, their minds around.

Stuart Loory 05:36

Will, one of the things that be that's being said is that speculators, financial people, market investors, are, are driving up the price. How much of that is involved?

Will J. Dobson 05:52

Well, there's, there's, that, that actually, you know, that makes a lot of sense in many ways, because if you're a commodity trader and you want to in, it's in your interest that the commodity price follow the direction that you forecasted. And obviously you have a lot of financial players right now making bets on much higher oil prices, so they'd like to see this be a self-fulfilling prophecy. You know, again, you'd look, you'd think about sort of just simple supply and demand. And, and the reality is that, that right now, as a global inventory, there is no oil shortage. Willing buyers don't have a problem finding oil. And global the global inventory right now is over 4 billion barrels. So, that right there, there isn't that sort of supply disruption argument. So, what you hear people talk about is the risk premium, which is conveniently, very difficult to quantify. But you, you suggest, oh, well, it must, because of, because of the risk premium associated with

getting the oil to market that there, this price is rationalized. But again, it is so, it's so far beyond what most people think, that simple economics suggest it should be. And even OPEC itself, two years ago, the head of OPEC said that -- this is during the time of Hurricane Katrina -- said that probably the proper price for a barrel at that point in time was, was \$45 barrel, and it was, is, it was at 60 then, so.

Stuart Loory 07:20

Yeah. Mikhail Zygar, the, the increase in the price is certainly been helping the economy in Russia. Does Russia have any interest in bringing down the, the, the price of oil, and what impact is, is Russia's interest having on the world price of oil?

Mikhail Zygar 07:45

First of all, I must say that Russia, as is not a member of OPEC...

Stuart Loory 07:51

Exactly.

Mikhail Zygar 07:52

...is, is not directly involved in all pro... processes within this organization and, and more, Russia always tries to, to get as much profit as, as it can from all of the activities of members of OPEC. Because Russia doesn't recognize any quotas and the only, the only sense and the only idea of, of Russian policy in energy is increasing of oil output. And, because, hum, high prices of oil is the, the, the main base of, of current Russian government and the, the main reason for the enormous pop... popularity of President Putin and his government. But, too high prices of oil are also counterproductive because, and, and that's why Russia, as for now, is just observing the current situation. Russia is actually satisfied with current level of oil prices, but not like members of OPEC, Russia is, is going to is ready to, to increase the oil outlet (?), step-by-step, as far as its own resources allow it.

Stuart Loory 09:43

And, and let's just, Brian Ellsworth, in Caracas, Venezuela. What impact Hugo Chávez may be having on the high price of oil?

Brian Ellsworth 09:55

Well, Chávez and Venezuela in general, they both always supported a very high price for oil. In fact, they don't seem to respond to any of these other concerns that people say that if oil is too high, it will damage economies around the world, which will then lower the demand for oil. They could quite easily be described as the most hawkish of the OPEC, most likely to, to push for production cut. The least likely to ask for increases in production despite high prices. And I think right now, what we're going to see is Chávez trying to dominate this conference with the idea that oil should stay close to \$100 per barrel. He said this a couple days ago, this is the target they want oil to be, and they seem to believe this is a fair price for oil. So, in that sense, I think Chávez will promote the idea at this meeting that their OPEC should consider the market as having structurally changed such that \$100 for barrel is where they should be targeting, whereas in recent as, as, as, as, recently as a year ago, Venezuela would have said \$60 a barrel is a fair price for oil.

Stuart Loory 11:17

What is Venezuela doing with all of the increased income that it gets from the high price of oil?

Brian Ellsworth 11:26

Well, as most of you probably know, Chávez has very successfully managed a social development program that has used oil revenues to finance things like education, literacy, hospitals, schools, this sort of thing is politically very, it works very well. People here think that Chávez has made a more fair distribution of oil income than what previous governments have done. He has taken this model and exported it, if you will, to Caribbean countries providing cheap fuel and oil to them, and including even some communities in the United States receive subsidized fuel through a Venezuelan subsidiary. He, in the OPEC meeting is preparing to propose that the cartel OPEC at a global level, do the same thing: That OPEC nations take this money and finance social development, housing project development, health projects in Africa, Southeast Asia, in the poorest parts of the world, which seems to be his effort to export this model and put it sort of on a global stage, while simultaneously asking OPEC to become more involved in geopolitics, which could, will probably end up being a proposal for a broad alliance of oil producing nations to take advantage of their strength at this moment of high prices.

Stuart Loory 12:59

Khaled Al Maeena, do you think that's going to go anywhere in this meeting?

Khaled Al Maeena 13:03

I, I don't think so. It's a great idea and, and very well said. But you see, the OPEC countries have their own interests. They may agree on a broader platform, but I doubt whether they will go on the I doubt that some Nigeria could go ahead. The Saudis might give aid to some of the nearby countries in Africa, but I don't think so they'll go all along. Now, having said that, the, the OPEC countries would yet increase their aid to countries, but it wouldn't be under an OPEC umbrella. I think it would be done individually.

Stuart Loory 13:40

Will Dobson, the, the United States has great doubts about Hugo Chávez's sincerity. Do, do, does anybody in the United States see that this is a possibility?

Will J. Dobson 13:58

Well, I, I don't think anyone is really in the United States, is looking to Hugo Chávez for economic advice, or really sees his explanations for not only the rational basis on which the price of oil should be based, or what the proceeds should be used to do, what policy should be followed as a result of it as being really very credible at all. I mean, I think, to the degree the United States has an interest at all in this as -- and I don't think that you hear this being said as much as perhaps maybe it should be -- but that really what would be, what we'd like to see from OPEC would be really an increase in the buffer capacity that OPEC's producing for much of the past three decades, OPEC was capable of pumping far more oil than it actually delivered to the market, and that buffer capacity has fallen into many would say that some of these price increases are, are really linked to that buffer capacity not being what it should be.

Stuart Loory 14:58

Okay. I have. To tell our listeners that this is Global Journalist. I'm Stuart Loory. Our guest today are Khaled Al Maeena of the Arab News, of Saudi Arabia, he's coming to us from Dubai. Brian Ellsworth, of Reuters, in Caracas, Venezuela. Will Dobson, of Foreign Policy magazine, in Washington. And Mikhail Zygar, of Kommersant, the newspaper in Moscow. You may listen to this program again, ask questions or make comments by going to www.globaljournalist.org. You know, I really don't understand just how OPEC sits production levels, and I really don't even understand the, the price of oil. Do we talk about the, the price of West Texas crude, or do we talk about Brent North Sea oil when we're talking about

the price, and are there differences in the price of a barrel of oil that are in any way meaningful? Khaled? Do you want to deal with it?

Khaled Al Maeena 16:11

These are decided by market traders. In fact, for a long time on all those two or three barrels, dollars of barrels, but right now, I asked an old expert in Saudi, and he said some of the reasons given are that because of the production capacities, there are no new oil refineries have been built in the United States. It takes seven years to build one. So, there are other factors. There are the oil traders, the brokers and all and the speculators. So, they contribute a lot to oil prices going up and down.

Stuart Loory 16:41

And is, is there any way to take control from the speculators and to, to put it in more reasonable hands? Will Dobson?

Will J. Dobson 16:53

Well, I mean, I think it's some we have the ability to regulate markets, we do. I mean, and it's true that oil markets have been left almost completely unguarded. High oil prices, and this is, I mean, at the very root of the problem, are eventually going to slow economic growth. So, I do think that there's a role for government here to try and rein in some of the excessive speculation and try and prevent the type of bubble like we've bubbles like we've seen in housing or tech stocks, we can try and do that with oil markets as well. There's, there you have a, you have a whole range of problems here. I mean, there's some things that we have to recognize that we can't control, and that has to do with the politics of oil. There's, to a large degree, that is something that we have to live with. But then when it comes to actual structural things like supply and delivery, these are things where we have more control, and then ultimately this other, this other factor of speculation, that's something that, that governments can deal with only through regulation.

Stuart Loory 17:53

Yeah, and when you say the politics of oil, are you talking about differences in the, in the way countries are run, the, the, the say the very authoritarian monarchy in Saudi Arabia versus a, a more pluralistic and free market and democratic economy in the United States?

Will J. Dobson 18:17

Right. Exactly. I mean, due to large degree there being, we have limited we've had a limited ability to try to tell Hugo Chávez what to do with his own oil supply, or what he wants to do with oil markets, and how he can impact them through his own decisions as an autonomous actor in Venezuela. Likewise, we have limited ability to dictate to Vladimir Putin what he wants to do with Russia's oil supply. And, but furthermore, beyond that, and it's obviously this is a crucial issue, because we do see that -- and Thomas Friedman has written about it in our magazine over a year ago -- as you see the price of oil rise, you've also seen authoritarian policies around the world also increase, as many leaders in the world now buttressed by these windfalls are much more insulated from outside pressures than they were. But, aside from that, as well, there's also just the politics of there's just international politics, in the sense that when you have a world that is as tumultuous as this world has been in, say, the last five years, it is, it is true that there are greater risks that will be counted in and should be counted in by traders in assessing the price of oil. I mean, this isn't all, this isn't all a completely corrupt enterprise on the part of traders. They have to measure risk. It is, I think anyone would agree, sometimes a little bit more art than science, but nevertheless, those, those factors are real, and we have a limited ability to predict all of the many different things that could pose a challenge to bringing the oil to market.

Stuart Loory 19:59

Let me ask Mikhail Zygar, the political situation that we have just been talking about. I should imagine that Vladimir Putin is interested in using oil to help reassert Russia's dominance as a, as an important power, even a superpower in the, in the world. What would you say about that?

Mikhail Zygar 20:29

Actually, yeah, it's a rather widespread idea. And, I would also, also add that not only oil, but oil and gas, na... natural gas as well, because the supply of natural gas in Russia is, is controlled by state mono... monopoly, and supply of oil is controlled by, by private companies. But, actually there is no exact difference, because high prices of oil in Russia nowadays is a kind of substitute for, for common sense, and it's impossible to, to persuade Vladimir Putin that some, some part of his policy is, is not right and is not very wise, because the, the majority of, of the pop... population of Russia is actually satisfied with all of his politics, and because the profits of oil exports and gas exports helps him in achieving any goal. But, I, I think that oil, oil supply and, and gas supply, I, I hesitate that, that, that, that can make Russia kind of superpower, either in Europe or in ex, ex among ex-Soviet Republic because most of ex-Soviet Republics are exporting oil and gas as well, and there is a kin... a kind of rivalry between Russia and, for, for example, republics in Caucasus or Central Asia.

Stuart Loory 22:48

Mikhail, excuse me, but I would like to bring Khaled Al Maeena into this discussion also, and ask him whether the prospect is for Saudi Arabia to remain a close ally of the United States and help to maintain reasonable control of oil, or is there the possibility of growing differences between the two countries?

Khaled Al Maeena 23:20

(Unintelligible) Saudi Arabia, has been and, and is a close ally of the United States. Of course, in the past few years, there have been some divergent views on several issues. But, I think it's not just the United States that matters. It's the whole world that matters. We do not want to do anything, as, as the gentleman said before, that might hurt the world economy because the rising oil prices. But, let me just stress on another point that hasn't been touched yet. And I was sitting with a group of bankers this afternoon, and the question arose about the impending quote unquote "attack on Iran". And somebody said that if oil prices are nearing a 100, God forbid, and we hope senior elements will take place, there won't be any attack, oil prices could go to 200 or could be disrupted. We I mean, in Saudi Arabia, there's a growing feeling that the OPEC countries should get together. As was also said there has to be some kind of regulation, or some regulatory body that oversees because people are hurting. I mean, so many things are happening here that we really care about, but I don't think so the Saudi-American relationship will get worse. They already have reached a point where both sides have realized that the best thing to do is, is to focus on issues, and oil is one of them.

Stuart Loory 24:49

And but talk again, if, if you would, about the possibility of oil going so much higher, \$150 a barrel, \$200 a barrel. How can that happen?

Khaled Al Maeena 25:04

Well, if there's an attack, as I said, we hope it will not happen. Or any kind of attack, whether by, by the United States or even Israel, tries to attack the Iranian nuclear plants. I mean, A the Iranians are going to disrupt the flow by, by sinking a couple of ships in the Gulf. The second thing the whole business infrastructure here collapse. Dubai, with his fine buildings, in the UAE, with his plastic cities, are going to go down. Economy was that, I think Iraqis attacked the, the floodgates of hell will open. If Iran is attacked, the floodgates of a million heads will open. So, that is gonna that would be the nightmare of anyone in the world.

Stuart Loory 25:53

Will Dobson, if oil were to go much higher, \$150 a barrel, \$200 a barrel, the United States would be hurt. How badly would it be hurt? And would be what would be the impact elsewhere in the world?

Will J. Dobson 26:11

Well, I think you know, there's nothing you know here, this is something that it's important to keep in mind. You know, with \$200, \$200 a barrel oil be terrible. Yes, it would be terrible. It would, it would severely slow down economic growth at a time when we're worried about a lot of other market fundamentals here in the U.S., whether it be our housing market, our subprime mortgages and so on. But, right now, we are currently, today, living with oil at, at in the 90s, you know? And so if it's 96-97 if it goes to 100 that's really just a psychological difference for people. And, and that's not to say that that doesn't matter. The psychology of markets is, is often what's driving them and what people anticipate having happened actually being realized. But, in terms of actual the economic effects, I mean, we are essentially at \$100 a barrel right now. So, I think that if we see in the next coming days or weeks that oil ticks up a few more dollars, it's going to be the headlines in every major newspaper in the United States. You're going to see it big that it's that it reached 100 but, it might not be the worst thing in the world, because in some ways, it's important to keep in mind that there'll be some positive benefits that come from it. For example, it might be it might take something like \$100 a barrel for people to become even more serious and concerned about environmental technologies that could flow from this. I mean, this is something that you hear many environmentalists say, is the rising price of oil might be the only thing that ever gets this country and others more serious about trying to invest in technologies that weans us off of this dependency, because at the end of the day, we're dealing with a finite resource that's causing a lot of harm in other ways, to our environment. So, it's, it's not a total, a total nightmare scenario, and in many ways, we have gradually encroached up on it. I think the tougher questions, the more important questions are how we even got here, and whether or not this is a rational basis.

(Show Producer ?) 28:24

Stuart?

Stuart Loory 28:25

Yes.

(Show Producer ?) 28:25

This is bad, time to wrap it up.

Stuart Loory 28:27

Okay. I, I'm sorry to say that we are out of time. What we have just heard is that we are not really talking about an economic problem as much as we are talking about a worldwide political problem. Our guests today have been Khaled Al Maeena, of the Arab good news (sic), in Jeddah, Saudi Arabia, he came to us from Dubai. Brian Ellsworth of Reuters in Caracas, Venezuela. Will Dobson of Foreign Policy magazine in Washington. Mikhail Zygar of Kommersant in Moscow. Our producers are Devin Benton (ph), Heather Perne (ph), You Lee (ph) and Kathryn Wolf (ph). Our director is Pat Akers. For all, I'm Stuart Loory. Global Journalist will be back next week.