

Global Journalist: OPEC's power after the U.S. war in Iraq

Abstract: Byron Scott hosts the show once again and, on May 8, 2003, the conversation with his guests explores OPEC's power and influence in the world's economy, especially following the end of the American war against Iraq – since oil was mentioned to be a quintessential part of its motivation.

Bios

[Byron Scott](#) was a [professor emeritus](#) at MU School of Journalism. He was its first Meredith Endowed Chair in Service Journalism. [He died](#) in Columbia, Missouri, in 2018.

Christopher Kenneth (ph) is a journalist who worked as chief business reporter for the Russian Journal in Moscow in the early 2000s.

[Phil Gunson](#) is a journalist and an [author](#) specialized in Latin America topics. He wrote for [Newsweek](#) and was a correspondent for The Guardian, The Miami Herald and BBC. He is a senior analyst for the Andes Project ([International Crisis Group](#)).

[Greg Obong-Oshotse](#) is an [author](#) and a former Nigerian journalist, who was the editor of the paper Daily Independent in Lagos. He eventually left journalism and became a [Reverend](#). He lives in England.

John R. Bradley is a [British journalist](#) and [author](#), who has written about the Middle East for [The Independent](#), [The Spectator](#), The Washington Times, The Telegraph, and several other newspapers around the world.

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Byron Scott 00:12

Good evening and welcome to Global Journalist. This is Byron Scott from the Missouri School of Journalism sitting in for Stuart Loory. This is the program, as you know, which insists that Americans are interested in international news. Tonight we're going to discuss a topic that is central interest -- not only to the world but to us Americans coming up here on our summer vacations -- and that is OPEC, the economic or exporting community of oil producing nations. And we have with us tonight four journalists to comment on the dealings and the movements of

oil around the world first, Christopher Kenneth (ph), chief business reporter from the Russian Journal in Moscow. Mr. Kenneth, welcome.

Christopher Kenneth (ph) 00:50

We are welcome. Happy to be, to be talking to you.

Byron Scott 00:53

Thank you. Next, from Caracas, Venezuela, we have the Newsweek freelancer Phil Gunson. Phil, welcome back to the program.

Phil Gunson 01:00

Thanks for the invitation.

Byron Scott 01:01

Then we have Greg Obong-Oshotse, editor of the Daily Independent in Lagos, Nigeria. Welcome, Greg.

Greg Obong-Oshotse 01:08

Thank you very much.

Byron Scott 01:10

And finally, John R. Bradley, managing editor of Arab News, who also writes for Reuters, the Daily Telegraph in London, The Washington Times, on Saudi Arabia, and he's speaking to us from Jeddah, Saudi Arabia. First, I'd like to ask just how powerful is OPEC? It's something that we look upon as like the World Bank or perhaps the some other vague, far away kind of force here in the United States. But what really is a major force in the world. John, help us answer that question. How powerful is OPEC?

John R. Bradley 01:45

Well, it can be illustrated by the fact that here in Saudi Arabia, the oil minister Al-Naimi was rumored to be losing his job in the cabinet reshuffle that took place here about a week ago. And every single time, there was even a briefest mention of his name, every single time there was the briefest comment by him, it was reported very, very extensively, and oil prices were said to very, very slightly fluctuate as a result. That's the sort of power and influence just one oil minister -- the most important from Saudi Arabia -- has, when he's quoted in an OPEC context.

Byron Scott 02:35

Christopher Kenneth (ph)...

Christopher Kenneth (ph) 02:37

Yes.

Byron Scott 02:37

...in Russia, we we hear reports that even the welfare of the Putin administration has to do with the price of oil. Can you tell us what the Russian stake is?

Christopher Kenneth (ph) 02:50

Yes. Actually, since the beginning of the current administration, the price of oil have been very high. And therefore, the government has been able to achieve most of the policies it set out during the election in 1999. But, most people blame also the oil, the high prices, for lack of reforms in other sectors of the economy. So, at the current stage, people believe that the Russian economy, the weak, we lose if the oil prices go down, or something like that. So the stakes here are very, very high, and everybody is watching on how the current issues on Iraq... from Iraq affect the pri... oil prices in the future.

Byron Scott 03:45

Well, speaking of the interrelationship of politics and oil, what about Venezuela? Phil Gunson, you've just been through an election and also some strikes where there's the price of oil has been very much an issue.

Phil Gunson 04:02

Well, yeah, actually, we haven't had an election, not a proper election since the year 2000. But the oil industry is very much as you say, at the heart of the political conflict that's going on here. Major political crisis that Venezuela is going through and as you say, that led to strike combined strike and business stoppage which very, very severely affected the oil industry in December and January, effectively shut it down and prevented -- what's normally the world's generally ranks around about number five in the world as an oil exporter -- prevented Venezuela from exploring altogether. So that clearly affected the country very severely. There are varying estimates, even from the government, that probably cost about four to six billion dollars just in the in terms of the oil industry itself. And now, recovery is underway, but it's certainly that's when you take into account that oil normally accounts for something like 70-80% of foreign earnings and about half of government revenue, you can see that it's a really major issue.

Byron Scott 05:06

I recall speaking a couple of months ago to one of your colleagues there in Caracas is was talking to us from his cell phone and a two-mile-long gas station lineup, do you still have those lineups at the pumps, Phil?

Phil Gunson 05:22

Well, they went away. But curiously enough, they came back yesterday. And the problem doesn't seem to be so much in terms of refining gasoline, as in terms of the lack of spare parts for the, for the trucks that bring the gasoline. And that's due to the attempt to impose exchange controls, which has dried up the source of dollars, and therefore prevented the country for importing such vital items as the tires and spares for the motors of the trucks. Yesterday, we did have a return to to the gasoline.

Byron Scott 05:56

Oh, say. Greg Obong-Oshotse, tell us about what's happening in Lagos. There, there have actually been some, some civil unrest, some even some abductions involving the oil industry.

Greg Obong-Oshotse 06:11

No, right now, there isn't any civil unrest in Lagos as such, but, you know, down there in the Niger Delta, it's been quite arrested for...

Byron Scott 06:21

That's what I was referring to. Yes.

Greg Obong-Oshotse 06:24

...several years now. I mean, that, the whole thing is being highly politicized because, you know, since Ken Saro-Wiwa was murdered by the the the government, everybody else (felt ?) that look, "We need to, you know, sit down and reappraise our situation. And we need to make sure that those who directly produce the wealth of the nation actually begin to benefit immensely from not wealth that comes from their land". And that's been the the the the reason behind that a lot of a talk and clamor for resource control, and so on. And, of course, in the past, a few months, especially during the elections, as well, the Niger Delta youths were quite, quite risky. And I think it was a good opportunity for them to demonstrate that that things are, things ought not to go on the way they have been going on. And that fault, I can't kind of law in the oil exploration, and so that, you know, the kind of benefits that Nigeria ought to have made, from the end of the season, I'm afraid that would not be able to come because two production giants, Shell and ChevronTexaco, for instance, are to shut down and, you know, between them, they produce about, you know, 216,000 barrels per day, you know, and, you know, that's a lot of loss, if you try to monetize (unintelligible). Actually, Lagos there isn't really any civil unrest, really. It's down there the Niger Delta, and it's so tied to this oil (unintelligible). There's, of course, a few people have talked about, you know, the elections, some irregularities here and there. And yet, we still have a lot of (unintelligible), although they are still in town now. You know, the stations gas is scarce and people have to spend quite a lot, a lot of time to get gas to buy but, in the past two or three days it's begin to thin down and people could get can get gas much more easily. But this has been going on for about two months, one and two months. Since February actually, since mid-February, this has been going on like that. But that's the way it is for now.

Byron Scott 08:52

Well, that's a good update. Thank you. Back to Moscow for a moment, Christopher.

Christopher Kenneth (ph) 08:57

Yes?

Byron Scott 08:59

Tell us...

Christopher Kenneth (ph) 09:00

Hello?

Byron Scott 09:00

Yes. Tell us what the feeling is in Moscow after Iraq about the future of energy?

Christopher Kenneth (ph) 09:09

Yeah, the the. What's the point is that here people see the effects of the Iraqi war on the local economy in two different forms. They have what we call here short term outlook and long term outlook. In the short term, Russia is not -- this is the official position -- Russia is not supposed to lose anything. For from reasons one: the 2003 budget has been adopted, and during his enactment in the Duma by the local House of Parliament...

Byron Scott 09:48

Yes.

Christopher Kenneth (ph) 09:49

...the figures, the price of oil used, were relatively low like 20-\$21 per barrel, and all along oil prices have been in the range of 23-30. So, the government has been able to set up a, a fund, set of two at the moment is comprised several millions or billions of dollars, which would be we enable the government to have any images with issues of volatility on the global oil markets. But but when we say short term, we're talking between now and maybe the end of the year.

Byron Scott 09:58

Okay.

Christopher Kenneth (ph) 09:58

But the study from 2004, and if the current trend continues, and then the Iraqi oil factories are sort of prepared and Iraqi oil enter the market, which most people think might push dandy or prices, the opinion here is that the economy is likely to suffer, starting from 2004. That is the issue affecting the state, the national economy. Why we talk about private oil company, which invested in the so-called Saddam economy, like...

Byron Scott 10:32

Yes the private contractors, right, right. Okay.

Christopher Kenneth (ph) 11:18

Hello?

Byron Scott 11:19

Yes. Go ahead.

Christopher Kenneth (ph) 11:20

Like, Lukoil are the the they the number one or the largest oil producer here (unintelligible). These, these companies invested billions of dollars and secure some contracts with Saddam. So the fear here is that those companies are likely to lose their money.

Byron Scott 11:41

Yes.

Christopher Kenneth (ph) 11:41

And then, there is a high possibility that they might also lose the contract.

Byron Scott 11:46

Okay, let...

Christopher Kenneth (ph) 11:47

But here, some of them have given press conferences, and they said that the contract was signed with full observance of international laws, including the UN fashion rules on external economic relations with Iraq. So...

Byron Scott 12:07

Okay. Let's, let's...

Christopher Kenneth (ph) 12:07

Hello?

Byron Scott 12:09

Yes, let's move, if we can, to, perhaps the as close to the center of all this as we can get. John Bradley in Jeddah. What is the what is the Middle Eastern view there? Particularly what is what is the Saudi view after Iraq, John?

John R. Bradley 12:28

While the Saudis have benefited hugely from the war in Iraq, coupled with the problems, production problems in Venezuela and Nigeria, since last November they've been producing some 9 million barrels of oil a day compared to their previous average of about 7 million. I bought, a report in the by the Adriatic Bank here, has suggested that as a direct result of this next year's budget deficit -- projected budget deficit -- will be wiped out. It was estimated to be some \$10 billion, in fact, there'll be a \$4 billion surplus. This news came just as other news

broke that the mega \$25 billion gas deal between the Saudi government and various Western corporations had finally been completed and is likely to be signed in the very near future. And so, in the short term, at least, Saudi Arabia benefits and, and it's a good job, really, because they're facing huge economic problems here. Unemployment estimated to be anything from about 15 to 30%, at least 70% of the population under the age of 21. Population growth of about 4%. And really a very weak economy, which almost exclusively depends on oil exports. Now, the feeling here is, so the feeling here is in the short term, it's beneficial, but in the long term, not the government feeling necessarily in Saudi Arabia -- but certainly the people's feeling -- is that the war was all about oil, that America now has access and control of Iraqi oil. And this is part of a campaign by the right wing, and especially Zionist lobby in America to marginalize Saudi Arabia, that traditionally has been very dependent on Saudi Arabia, economically and military, in economic and military terms. And that Iraq, in a sense, well, marginalized Saudi Arabia is a superpower in the region, the U.S. troops are going to leave and people here many people here feel or fear at least, that with Iraq's oil going straight onto the market, Saudi Arabia's influences as an oil producing power will similarly be marginalized.

Byron Scott 14:59

That's a key point. We want to keep that in in mind here. We're going to take just a short break. And we right remind you that this is Global Journalist on KBIA. We'll be right back. We're back. This is Byron Scott substituting from KBIA and and the Global Journalist for Stuart Loory. We're talking with journalists in Jeddah, Saudi Arabia, and Moscow, in Caracas, Venezuela, and in Lagos, Nigeria. Let's go to Lagos. Greg Obong-Oshotse, you, you said earlier in the program that you believe that that the oil production in Nigeria is coming back, what what would that impact be on the world, beyond Nigeria?

Greg Obong-Oshotse 15:53

Come again, please?

Byron Scott 15:54

What would the impact of the rebound of the Nigerian oil industry be on the price of oil, or perhaps on the economies of the world, as we were talking out about earlier?

Greg Obong-Oshotse 16:07

Well, I don't imagine that we will be having any special advantages, because during the time of the attack on Iraq, the war in Iraq, was when I think that we could have been able to make some gains. Because Iraq was off the market, and they were not producing, and now the war is over, and things will begin to normalize. And, you know, we'll basically come back to the old production quotas that we had before. So I don't really see that we will be having any advantages, right now, you know, from the way the situation is presently.

Byron Scott 16:57

What about Phil Gunson, from Caracas? If things are settling down there, will that change the balance of things, vis-à-vis OPEC and the world economy do you think?

Phil Gunson 17:08

Well, I think yes, undoubtedly. You know, Venezuela is now -- according to the government anyway -- back producing 3.2 million barrels a day, which is what it was producing before the strike. But as far as the the impact here of the events in Iraq, I think there are two related separate but related issues. One, of course, is the eventual impact on OPEC, which President Hugo Chávez put a lot of energy into reviving when he came to office in 99. OPEC was in a pretty bad way and he was the prime mover in getting in making OPEC and a global player again. So clearly, if the eventual outcome in Iraq weakens OPEC, that's that's ahead, not least because -- and this is where the other aspect comes in -- for for Venezuela the issue of relations with the oil producing nations is more than just an economic issue, at least for Hugo Chávez and what he calls this revolution: it's a geopolitical issue. Because Hugo Chávez is was very keen to reverse what he sees, a very negative tendency towards the, towards a unipolar world dominated, of course, by the United States. And as far as he's concerned, the OPEC nations and the strength of OPEC is very important because that's a key access if you like it, the the, their key allies. Chávez, listeners may remember, was the only President, the only foreign President who actually visited Saddam Hussein, between the first and second Gulf Wars.

Byron Scott 18:38

I had forgotten that. The and that that visit was an oil linkage related or politically related visit?

Phil Gunson 18:49

Well it was presented purely and simply as oil related, what Chávez said was, "Well, I'm visiting all the OPEC heads of state to invite them to an OPEC Conference" which did eventually take

place in Caracas, "and I can't leave out Saddam Hussein he's a member of OPEC". But clearly, anybody who's followed the politics of Venezuela and the politics of Hugo Chávez was perfectly clear that there was a geopolitical aspect to this as well. Because Chávez is looking to strengthen any alternative poles of power in the world, which are independent, or at least semi-independent of the United States. And in that sense, I think you could say that with the, with the war in Iraq, Chávez has, to some extent lost a strategic ally.

Byron Scott 19:39

I think that the comments of all of you gentlemen, tell me that here in the United States -- which might be characterized as an oil eating economy rather than oil exporting economy -- that we have a lot of mythologies about what a plethora of oil brings. It brings neither political stability nor an overall populate population prosperity, it just seems to bring, seems to bring and its effect troubles. John Bradley in Jeddah, what, what do you think is the future of the Saudi leadership in OPEC?

John R. Bradley 20:25

Well, firstly, I think your, your analysis of what oil does for America is, is based on misconceptions. I mean, the oil, in fact, brings economic growth and stability to America in a way that almost nothing else does. The Saudis, for example, have been selling American oil at about \$1 per barrel less than they have for the rest of the world. And it's, it's for that very reason that Americans with America being a car culture that is crucial, of course, that Americans...

Byron Scott 20:45

Yes. And still we complain about gasoline prices. Yes. Okay. No, I agree with you there. Please go on, John.

John R. Bradley 21:08

The future of Saudi Arabia in OPEC will be pretty much what it has been for the short term. But the other big mistake people are making is thinking that the the vast reserves in Iraq are suddenly going to flood the market and change things in a very dramatic way very quickly. Now, there's no doubt that Iraq has huge reserves. But the oil industry there is in a state of disrepair. And most oil experts agree that it's going to take at least 10 years for it to really come into its own and just getting back to the 3 million or so barrels a day, that was normal for Iraq, around the time, just before the first Gulf War in 1990 is going to be a huge achievement in itself. There

was lots of talk, if you remember, before the Afghanistan campaign, that access to Caspian Sea oil, would dramatically undermine OPEC and would at last free the oil industry, from OPEC scrip, and that didn't happen. The reason it didn't happen is because firstly, the oil reserves estimates regarding the Caspian Sea were optimistic but grossly over optimistic, it seems now. And the second reason was that these things just don't happen overnight. Everyone wants everything to happen almost immediately, and they can't really conceive things anymore. Whether it comes to rebuilding Iraq, for example, or whether we because whether it comes to getting oil, Iraq's oil onto the market, that these are very long term things.

Byron Scott 22:43

These refer back to some of the long term things that Christopher Kenneth (ph) was talking about, for example, we need to look, we need to take the long view rather than the rather than the short view, which often so often turns to be inaccurate. Is that what you're saying?

John R. Bradley 23:00

Yeah, I mean, regarding oil, specifically, but regarding many things, many other things as well. I mean, we live in a sort of 24 hour news environment, and I think that's had a very negative effect on world politics when it comes to big issues, because people aren't really interested in, in sitting down and being patient and thinking about things long term. Okay, "We've gotten through Iraq, we don't like Saudi Arabia, let's marginalize Saudi Arabia by bringing out Iraq's oil and undermining OPEC". Well, fine, if that's your take, it's a nice idea. But it isn't going to happen in the very short term. And they have to think about 10 years, 15 years rather than sort of 10 days, 15 days.

Byron Scott 23:44

Well, if we think 10 years back, we see a whole different cast of characters in terms of, of perceived heroes and precede villains in this in this energy area. Let me, we're getting ready to wrap up here, and I want to give each of the the opportunity to give us that long term view from your own nations and for the world in regards, in regards to oil. And let me start with the fellow who was speaking originally about long term, Christopher Kenneth (ph) in Moscow. What is the long term view from the Russians perspective, do you think?

Christopher Kenneth (ph) 24:26

In the long term here, typical for the Russian economy, the the term we use here is sort of not the traditional implication. Short term here, is really short term. (Unintelligible) long term we've, we're talking (unintelligible) 2000, but if the current trend continues, and the Iraqi oil enters the market, the fear here is that the global oil prices will fall and that might have bad consequences for the Russian economy. Because the whole economy is oil dependent, more than 50, about 50-75% of the revenue are from oil, or oil related industry.

Byron Scott 25:15

And I'd like,

Christopher Kenneth (ph) 25:16

So...

Byron Scott 25:16

I wish we had time to come back to that. But Phil, Phil Gunson from Caracas in one minute or less the future of oil and OPEC, from the Venezuelan perspective.

Phil Gunson 25:30

Yeah, in Venezuela, like everything else here, there's a total division between government and opposition, that that's the only thing they all agree on, is that the country is excessively dependent on oil, and this has to stop. Economy, the economy has to be diversified, and the oil has been a major factor, which has prevented diversification of the economy. The government thinks that by maintaining a high oil price and a strong OPEC, it can achieve the the resources it needs in order to do that many people in the opposition, especially oil specialists, believe that OPEC has really been bad for Venezuela and that it's caused Venezuela to lose market share. And regardless of occasional price spikes, the long term perspective is very bad. So I think the political conflict here is taking precedence over everything else. And until we get that sorted out, it's very unlikely that there's going to be a serious and coherent policy in place.

Byron Scott 26:25

Greg Obong-Oshotse from the Daily Independent in Lagos, Nigeria. Greg, the Nigerian perspective.

Greg Obong-Oshotse 26:31

I think that for a long time to come, oil is gonna continue to play a very, very central role in our country, and in our politics as well, because I mean, we get about 90% of foreign exchange earnings from oil every year, and everything is controlled from the center. That's why there's so much attention on the center, everybody wants to, you know, have a pile to clean and so on. And it certainly would affect our politics for a long time to come until we are able to, you know, find a way to decentralize the amount of enormous political power the center right now, which is one thing that the military, they when the military came in, in at at the end of the past Republic, they centralize all part with military normally operates, but no civilian government ever since has been able to decentralize that. So I think that a long time to come oil will continue to be central, but of course, that gas is beginning to come in for reckoning. So, I imagine that that will begin to, you know, deemphasize the part that oil plays, but that would still be a long time.

Byron Scott 27:39

And I think we probably ought to do another program on just on just that subject in the future. But for tonight, we have to wrap up. I'd like to thank all of our participants from Moscow, Jeddah, Caracas, and Lagos. I'd also like to thank our producers Gus Peng (ph), Sarah Fajardo (ph), our electronic miracle maker and sound engineer Pat Akers. This is Byron Scott, substituting for Stuart Loory. We'll be back next week. Good night, from Global Journalist.