

**DON'T BLAME SPECULATORS FOR THE HIGH PRICE OF ENERGY:  
TURN THE SPOTLIGHT ON A LACK OF NOUS AND PERSPICACITY  
OF WESTERN GOVERNMENTS**

The oil barons of the world, over the past few years, determined that high oil prices were just a temporary phenomenon, and, that being the case, in due course, the oil markets of the world would see crude-oil prices, being corrected by the natural forces that shape economics.

Then, oil prices would retreat, once again, back to the levels of past years.

These oil barons could not have been more wrong.

The fact is that high oil prices are likely to be with us for ever.

With the People's Republic of China and India, both emerging industrial economies, soon to be among the powerhouses of the world, their respective requirements for oil and foodstuffs will not diminish in the coming years.

Their requirements will escalate to uncharted levels, most likely.

The world is producing, today, about 86 million barrels of crude oil, daily, but the world is consuming something along the lines of 87 million-plus barrels of crude oil per day.

When demand exceeds supply, prices rise.

It has always been such and will, always, be such.

It is the way of a capitalistic society.

Because of the miscalculations of the oil barons of the world, just a few years ago, concerted investment in conventional sources of energy and/or alternate sources of energy was, almost, non-existent to any appreciable degree.

This is just one of the multiple causes of the current high price for a barrel of crude oil on international commodity exchanges.

All of the above and much more is, today, old hat, so to speak, but what is not old hat is that the only areas of the world, today, where material amounts of money are being spent of new oil refineries are in the PRC and in the Arab World.

In the US, which is being held to ransom by the oil-producing countries of the world, little has been done, throughout the past decade, to increase oil-refining capacity.

One might be tempted to comment that the only governments of world, therefore, that are sufficiently perspicacious are those governments which are determined to spend considerable sums of money on establishing new and larger oil-refining facilities.

## **The Iran Factor**

The ongoing political uncertainty in respect of the fundamentalist Muslim country of Iran is, of course, also stoking the fires of international inflation because, should Iran determine to continue to thumb its proverbial nose at the world with its nuclear programme, the West may well take action against Iran out of fear that the country will try to join the nuclear club, having mastered the ability to create weapons of mass destruction.

As was written in The Betty Letter of Friday, July 18, 2007:

*'It seems to me that the only thing worse than a pre-emptive air/sea strike against Iran by Israel is for the world to permit Iran, a fundamentalist, Islamic country with a clear propensity for evil, to become a nuclear power ...'.*

**For Full Story, Please Refer To:**

**[TARGET Intelligence Report, Volume X, Number 134.](#)**

Iran is one of the 4-largest exporters of crude oil in the world, today, and, should it shut down its supply of oil to thirsty markets, it would create an immediate and, perhaps, catastrophic effect on many of the world's economies.

According to the database of **TOLFIN** () (The Computerised, Online Financial Intelligence Service and Web-Based, Credit-Checking Provider), Iran produces about 4.15 million barrels of crude oil daily.

That is nearly 5 percent of the world's total production.

At the same time, Iran consumes about 1.63 million barrels of crude oil per day.

The country exports about 2.52 million barrels of crude oil, daily.

Its oil exports account for nearly 3 percent of the world's total exports of this strategic commodity.

Due to the high price of crude oil over the past few years, Iran has been able to amass foreign reserves of at least \$US70 billion.

That treasure chest is continuing to be filled with more and more US dollars, daily.

The country continues to increase its foreign reserves, which are not used other than for political purposes, according to intelligence sources.

Iran adores the present high price of crude oil, no doubt.

If the pressure from the West is exerted to such an extent that Iran closes its doors, tightly, as it has threatened so to do, it may, also, try to blockade The Strait of Hormuz, through which a goodly part of oil exports are shipped from The Persian Gulf to The West.

The Strait of Hormuz is a narrow waterway, linking The Persian Gulf on the west, with The Gulf of Oman and The Arabian Sea on the east.

Separating the Arabian Peninsula from Iran, it is about 275 kilometres long and from 50 kilometres to 80kilometres wide.

It is of great strategic economic significance to the worldwide shipment of petroleum products.

In this important waterway, there are Qeshm Island (owned by Iran) as well as 3 islands – Ṭunb al Kubrá (Greater Tunb), Ṭunb aṣ Ṣughrá (Lesser Tunb), and Abū Mūsá – all of which were seized by Iran in 1971, but are still claimed by the United Arab Emirates.

The Iran Factor and all of the above bodes badly for the world as the inflationary embers which, at this time, are only smouldering, are being given the *'fuel'* to enable them to flare up with the passage of time.

Disregarding the ever-present and dangerous situation with regard to Iran, there are other inherent reasons, adding to the dangers of continued inflation in the industrialised countries of the world.

One such reason could be described as political and bureaucratic obstacles, conspiring to thwart the modernisation of energy production in both the US and in Europe.

The US Senate has pointed the finger of suspicion at oil speculators, stating that they, in large part, are responsible for the high price of crude oil on international commodity markets.

This is errant nonsense, of course.

The emerging markets of the world, especially those of Asia, are, in large part, responsible for the higher cost of energy and foodstuffs.

But the blame should not be heaped upon these economies and/or its peoples, in same way that one should not blame the African Continent for having the largest deposits of diamonds in the world.

The blame should be heaped upon the lack of nous of the powers in charge of the industrialised countries of the world over the past 3 decades.

Looking at the PRC's economy, only, it is noted that its population of some 1.30 billion people, starved as they were for household appliances, motor vehicles, etc, rushed to acquire those goods which, in the 1960s, were but a dream to the average household.

Today, the dream has become reality thanks, in large part, to the Government of the PRC, embarking on a free-market economy.

As more and more families acquired household appliances, the country had to produce more and more energy to permit their normal functions.

In addition, as the PRC's economy expanded, making the country one of the largest exporters in the world of garments, shoes, electronic parts, plastics, piecegoods, etc, and, along with this phenomenal growth, air, sea and land communication grew apace, the requirement for more and more crude oil became an urgent requirement.

With all of the above, better nutrition for the population followed with a more plentiful medium of exchange and more available disposable income for the average household.

Infrastructural expansion in the country was not a luxury any more, but a necessity that could not be ignored because it was required to support the needs of the human population which, by this time, demanded more and more of the good life.

Once the sweet taste of ice cream has passed over the tongue of a young child, it is unlikely that that same child will not want to taste it, again, and again, and again.

Infrastructural improvements required vast quantities of steel and cement.

In order to produce both, more energy was required – yesterday!

The demand for crude oil, therefore, expanded in the PRC.

It will continue to expand in the coming years.

Thus, energy and foodstuffs will continue to be relatively pricey on the world stage for an extended period of time.

Meanwhile, inflation in the PRC is way too high.

It must be tamed.

The weapon of choice, employed by the Government of the PRC, is, likely to be raising interest rates along with raising the reserve requirements of PRC bank, once again.

The economy must be reined in – and quickly.

There will, no doubt, be an outcry from many quarters of the country, but, as any surgeon knows, the single incision is far better than multiple ones.

For More About Inflation, Please Refer To:  
**TARGET Intelligence Report, Volume X, Number 134,**

Published On Friday, July 18, 2008, Headlined:

**‘THE PEOPLE’S BANK OF CHINA:  
STAND BY! INTEREST RATES ARE ON THE RISE !’**

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