All Out War on Libya, Surge in the Price of Crude Oil…

"Humanitarian Wars are Good for Business"…. Speculators Applaud….

By Prof Michel Chossudovsky
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Region: Middle East & North Africa
Theme: Global Economy, Oil and Energy
In-depth Report: NATO'S WAR ON LIBYA

PART I

Insurrection and Military Intervention: The US-NATO Attempted Coup d'Etat in Libya?
– by Prof Michel Chossudovsky – 2011-03-07

US and NATO military advisers and special forces are already on the ground.
PART II

"Operation Libya" and the Battle for Oil: Redrawing the Map of Africa
– by Prof Michel Chossudovsky – 2011-03-09

PART III

The establishment of a no fly zone is on the drawing board of the Pentagon. Saudi Arabia and the Gulf states, supported by the Arab League and the Organization for African Unity (OUA) have labelled Libya as "An Unfriendly Nation".

The scenario envisaged by Washington is to involve Saudi Arabia and the Gulf states in aerial attacks directed against Libya.

They have also called on Saudi Arabia to supply opposition forces with weapons.

Reports confirm that NATO special forces and military advisers to the rebellion are on the ground in Eastern Libya.

The geopolitical and economic implications of a US-NATO led military intervention directed against Libya are far-reaching.

Libya is among the World's largest oil economies with approximately 3.5% of global oil reserves, more than twice those of the US.

A war on Libya would have an immediate impact on the price of crude oil. The latter has risen by 18 percent since the beginning of the insurrection in Libya.

It currently stands at $104.42 a barrel for April delivery on the New York Mercantile

Exchange, its highest level since the financial crash of September 2008. Since August 2010, the price of crude oil has risen from 75.93 a barrel to 104.42 (March 2011), a hefty increase of 37.5 percent. (See Table below)

Crude Oil (petroleum) – Monthly Price – Commodity Prices

Month	Value
Aug-10	75.93
Sep-10	76.14
Oct-10	81.72
Nov-10	84.56
Dec-10	90.1
Jan-11	92.66

March 2011 Price for April Delivery 104. 42

Source indexmundi.com. [Crude Oil (petroleum) – Monthly Price – Commodity Prices]

A war directed against Libya would push the price of crude oil up to abysmally high levels, potentially triggering a global inflationary spiral, which would result in the impoverishment of large sectors of the World population.

A sizeable increase in the price of oil over a prolonged period would wreak economic havoc: production and transportation costs would increase dramatically. Hikes in the costs of fuel and energy would trigger a renewed string of bankruptcies in major sectors of economic activity. They would also contribute to a sizeable increase in the external debt of developing countries.

These price hikes, which are already ongoing, would occur despite the abysmally low costs of Middle East oil.

What this means is that powerful institutional speculators on Wall Street with links to the US military and intelligence establishment will cash in on billions of dollars in speculative gains not only in the oil market but also in the commodity and foreign exchange markets.

This money is appropriated from households which must now pay a higher price for fuel.

A "humanitarian war" would be "good for business". It serves the interests of the institutional speculators, it contributes to a further process of appropriation of money wealth.

Financial institutions which had prior knowledge or intelligence of events in Egypt and Libya have already made billions of dollars in speculative gains in the futures and options markets for crude oil.

These global financial and banking institutions, which "placed their bets" several months ago, have "a vested interest in war". The greater the turmoil and disruption of the crude oil market, the greater the speculative gains. Short term speculative gains due to market volatility are also part of this process. Foreknowledge of the sequence of political or military events and how they affect markets as well as control and/or manipulation of financial news pertaining to these events are an essential part of the betting process.

In this regard we are dealing the with workings of the World's commodity exchanges, the most important of which is the powerful CME Group created following the merger of the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT) and the New York Mercantile Exchange (NYMEX).

[*Click to watch Prof. Chossudovsky's statement on* GRTV]

Political Rumors and Fake Information

The spreading of rumors and fake information is also a profitable undertaking particularly in relation to short-term movements of commodity markets:

> …a rumor that Libya's long-time ruler Muammar Gaddafi had been shot tore across the commodities market, sending U.S. crude oil futures down more than two percent. Other rumors have had similar immediate and sweeping effects, even without real changes in actual oil production or reserves. The cause is oil speculators, such as hedge funds, who buy and sell commodities, profiting by betting on short-term price changes.
>
> These traders are making money on quick movement, wagering on rumors and market blips. They are buying and quickly re-selling commodities they have no intention of actually holding or using. Their opportunism is once again hitting working-class families across the country, increasing the burden on small business owners and farmers,…. (Rep. Joe Courtney: Market Speculators and the Real Cost of Oil, Huffington Post, March 16, 2011)

Read Chossudovsky's analysis on War and the Economic Crisis

Economic Sanctions

Economic sanctions have been imposed by the US on Libya thereby creating havoc in the supply of Libyan oil to the European Union. These sanctions are indirectly targeted at the European Union. They contribute to weakening Italy and France, which are heavily dependent on Libyan oil.

> **Libyan oil trade has virtually been paralysed** as banks decline to clear payments in dollars due to U.S. sanctions (Reuters, February 8, 2011) "The move follows a decision by major U.S. oil firms to halt trade with Libya and makes it almost impossible for European firms to buy Libyan oil and supply refineries in countries such as France and Italy.
>
> Banks have been instructed [by Wall Street and Washington] to freeze financial transactions: "Banks don't want to finance the system in Libya, so for the moment no one is getting money for oil. There are big problems for payments," said a senior trader with a European oil company.
>
> "It's not a matter of choice, **there is an embargo on U.S. dollars coming in and out of Libya,"** said a trader with one of the firms, referring to banks' resistance to clear payments in the U.S. currency.
>
> "All U.S. dollar transactions are being blocked," the trader said, adding it was not clear at this stage if payments were possible in other currencies and whether any Swiss or European banks were willing to conclude transactions. (Libyan oil trade paralysed, deals in dollars blocked | Energy & Oil | Reuters, 8 February 2011)

Economic Impacts of a US-NATO Military Operation

If this military operation is carried out, oil prices will spiral, contributing to further exacerbating the economic crisis with devastating social consequences, particularly in the Europe Union, which is heavily dependent on Libyan oil.

The hikes in oil prices contribute to increased poverty, they also contribute to a concurrent increase in global food prices (which are also the object of speculative activity on the commodity exchanges) and more generally in the cost of living Worldwide. i.e the consumer price index.

Wheat – Monthly Price – Commodity Prices

Month
Value

Aug-10
246.25

Sep-10
271.69

Oct-10
270.29

Nov-10
274.37

Dec-10
306.99

Jan-11
326.54

US$ per metric ton

Maize (corn) – Monthly Price – Commodity Prices

Month
Value

Aug-10
175.6

Sep-10
205.84

Oct-10
235.7

Nov-10
236.44

Dec-10
251.02

Jan-11
265.29

US$ per metric ton

Maize (corn), U.S. No. 2 Yellow, FOB Gulf of Mexico, U.S. price, US$ per metric ton

Wheat, No.1 Hard Red Winter, ordinary protein, FOB Gulf of Mexico, US$ per metric ton

Maize (corn) – Monthly Price – Commodity Prices

Wheat – Monthly Price – Commodity Prices

Source indexmundi.com.

The fuel price hikes will in turn have a significant impact on the costs of transportation, international freight and air travel. At the height of a global economic crisis, it will further undermine both domestic and international trade.

All this is known and understood by the major economic actors including the politicians and the speculators. The politicians follow the guidelines set by Wall Street, which largely call the shots on government financial policy.

Regulation of the price of food staples or the retail price of gasoline is considered to be an encroachment on the workings of the "free market".

What we are dealing with is a corrupt economic system which feeds on war and destruction.

The average price of gasoline at the pump in the US is of the order of 3.80 a gallon, in excess of $4 a gallon in California.

The speculators applaud! The media casually blames the price hikes on Gaddafi… "Households are cutting back on travel, cinema visits and groceries in the UK, where prices jumped to 130.68 pence a liter ($8.06 a gallon) on March 3, … Prices set records in the Netherlands and Italy. (Record Gas Prices: $8 In Europe, $4 In California; Trichet Could Raise Interest Rates To Halt Inflation | Markets | Minyanville.com, March 4, 2011)

Average Gasoline Prices in the US (US$ per Gallon)

Source Daily Fuel Gauge Report–national, state and local average prices for gasoline, diesel and E-85. (American Automobile Association, AAA)

Source AAA

Michel Chossudovsky is an award-winning author, Professor of Economics (Emeritus) at the University of Ottawa and Director of the Centre for Research on Globalization (CRG), Montreal. He is the author of The Globalization of Poverty and The New World Order (2003) and America's "War on Terrorism" (2005). He is also a contributor to the Encyclopaedia Britannica. His writings have been published in more than twenty languages.

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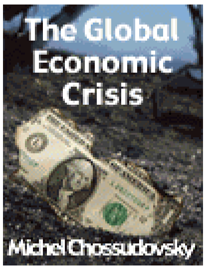

Michel Chossudovsky
Andrew G. Marshall (editors)

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About the author:

Michel Chossudovsky is an award-winning author, Professor of Economics (emeritus) at the University of Ottawa, Founder and Director of the Centre for Research on Globalization (CRG), Montreal, Editor of Global Research. He has taught as visiting professor in Western Europe, Southeast Asia, the Pacific and Latin America. He has served as economic adviser to governments of developing countries and has acted as a consultant for several international organizations. He is the author of 13 books. He is a contributor to the Encyclopaedia Britannica. His writings have been published in more than twenty languages. In 2014, he was awarded the Gold Medal for Merit of the Republic of Serbia for his writings on NATO's war of aggression against Yugoslavia. He can be reached at crgeditor@yahoo.com