

The Impact of the Saudi Coup on the World Oil Market and China

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While the orchestrated coup is afoot in Saudi Arabia, little attention is being paid to the potential disruption that such a fiasco may entail for the global oil markets. At the present juncture, the US's stock of power has grown as a result of the rise to power of a more US-loyal and obedient Saudi prince, Mohammad bin Salman (MBS) (image below). If the tragic prince manages to survive, the US will have in place a trigger happy and obedient anti-Iran monarch.



If he does not ascend to the throne and Saudi Arabia capsizes, US-led capital will still reap war-industry profits arising from the war-wreckage he leaves behind. Contingently upon the degree and duration of violence in cases of war, either across the strait of Hormuz and or by an internally collapsing Saudi Arabia, the levels of global oil supplies may chronically fall below demand. It so appears that no matter what happens in Saudi Arabia as a result of the coup, China may incur a loss.

However, does the rise of such a ghost/US-marioneted prince offset the recent American losses, and those of its allies, in Syria, Iraq and Yemen? Furthermore, would it not be the case that any serious disruption in Saudi Arabia, the US's protégé nation that guarantees stability in the global oil market, would hold an increasingly grudging world hostage to the global hegemon. Questions of receding American power and imperialist racketeering come to mind, as they should.

Incidentally as well, whether MBS, the vengeful prince, can pull it off-given that he has eroded many of the outstanding sources of Saudi legitimacy – or whether Saudi Arabia will fragment following in the path of neighbouring states, are issues that cloud the stability of global oil supplies. This is a risk like no other in modern history. A protracted conflict either within Saudi Arabia or with Iran, one that is different from the ongoing Saudi aerial bombing of the starving Yemeni population, would be a first in recorded history, especially as it may entail chronic shortfalls in oil supply. Although the current oil market is [buoyant partly citing political uncertainty](#) behind the higher prices, the mainstream's overrated 'hypothesis of efficient markets' cannot envisage a scenario of strategic shortfalls in oil production. Such scenarios are said to be algebraic-time incoherent (the steady state time we use to predict

the future); these would-be events are entwined with the uncertainty of history, or with the way dominant political forces undergo a *volte-face*. At some time in mid-stream, people organised and in a position of power suddenly change their minds and change the course history. Fortunately, the actuaries of the mainstream cannot grapple with real or social time events, otherwise these would be hired to predict and abort the timing of the next revolution; the hope of billions around the planet for emancipation.

Playing with oil supplies is synonymous with the politics of brinksmanship. Oil is a strategic commodity for many reasons, foremost because it provides much of the energy required for world population growth. As oil and energy from oil to sustain or improve upon production levels fall below consumption for periods that exceed the drawing down of stocked reserves, the strategic impact of oil becomes all too clear for everyone to see.

It may be as well to recall that Saudi Arabia is peculiar in the world of oil production. It provides what is called a 'production cushion' by its ability to quickly pump additional oil (around 2 million bpd) to balance abrupt global oil shortages. *Pari passu*, instability in the Saudi state infuses a higher risk premium into the oil price, which otherwise would not be necessary. Needless to say, a scenario that includes a prolonged absence of such Saudi cushion *qua* safety valve and, possibly a decrease in Saudi oil supplies, spells disaster for most oil dependent states.

Of all the oil dependent states, China is the world's biggest importer of oil. On the face of it, China may be hardest hit. In a sense, a significant drop in Saudi oil supplies may more than just dent the high Chinese rates of growth (the effect of high oil prices), it may bring a significant portion of its production capacity to a halt (the effect of oil shortages). As is already well known, China's inexorable rise is anathema to US empire. An empire is not simply a big economic power. China is a big economic power, but it is neither an empire nor imperialist. Defining imperialism by the exploitation of wage labour would make the grocery store next door imperialist. The overly analytical minds of the mainstream employ such logic to define China as imperialist.

But then again, the mainstream is paid to exonerate the imperialist or the dominant actual and ideological force in history. Imperialism is a real and historically specific form of exploitation that draws wealth from whole nations by coercion and violence. Imperialism in the monopoly age is still more ferocious because it extracts more of the conquered peoples' wealth by commodifying their lives. China, in particular, bore tremendous losses at the hands of a history ushered by western imperialism. An empire is something like the US empire, which is heir to centuries of accumulated European colonial and imperialist plunder along with, and this is a crucial point, the culture of ideas that justifies cold blooded expansion.

China, which until two centuries ago was the leading civilisation of the planet, has arisen and grown. All else remaining constant, within a decade or so and at the present rates of growth, China will even be bigger than the US in nominal dollar terms GDP. It is already bigger in terms of purchasing power parity exchange rates. A bigger China heralds a *material rupture* (a break with the past in the global balance of economic power); and as China becomes big enough, it also becomes inevitable for an *ideological rupture* to follow (a break with the past as US-dominant ideology changes).

The latter rupture, a dethronement of the dominant culture and ideology, of ways of knowledge and modes of social organisation, must follow either because of reasons related

to a rising intrinsic ideology peculiar to China or because the rift that China creates leaves open the space into which new forms of political organisation and their corresponding novel ideas would grow. In short, there will be a change of power at the top of the global pyramid in the international division of labour. The degree of these global alternations potentially bears the long awaited civilizational turnaround: the dumping of the 'kill the third-worlder and weep for him or her' ethos of the white man's burden, becomes likely. In a manner of speaking, 'the East wind would have defeated the West wind,' as per Mao Zedong.

Meanwhile, arresting the advance of China has become something of an American obsession. For those who stress that China is imperialist, they foresee a détente into which both imperialist powers (China and the US) would jointly feast on imperial tribute- a sort of super-imperialism in which the US and China cohabitate and split the spoils from the rest of the world. Even if such a hypothesis were true, that is if China was imperialist, one is also reminded that inter-imperialist rivalry motivates warring because, under capitalism, all predatory parties take their cue from fetish-like market forces that are alienated from responsible social control - people fall victim to external market forces shaped by profit making. In such a world, objective circumstances that escape the command of reasonable people *systemically* lead capital, the class in control under capitalism, into war. There were always wars, but their frequency, causes and modes of realisation vary according to the historical periods in which they occur. Even under the two-imperialisms assumption, the US and China will collide. However, the reality remains that China is not an imperialist power by any stretch of the imagination. China is still shedding the shackles of years of colonial loot and wars of depopulation.

Worse yet, the current mainstream's neurotic fixation with stymieing the ascent of China recommends a [pre-emptive nuclear strike](#) either within the intermediate term (the window of opportunity) or while the US still enjoys 'nuclear primacy' as one of the feasible political tools at the US's disposal. With Trump at the helm, there is something to sombrely ponder about an inchoate president playing the role of madman at the pinnacle of an empire that contemplates the use of nuclear weapons as a first strike option. However, Trump is no exception to the streak of past US presidents. In the early 1980's, Bush Senior would comfort himself with the thought that more Russians would die than Americans in case the US nuked the Soviet Union first.



The theory with which one may explain such presidential behaviour is called the [madman theory](#). Apart from having nothing to do with theory, this theory has little to do with the personality of the incumbent president; playing mad is more a part of the job description of all US presidents in the nuclear age. What is additionally disconcerting however, is that the liberal bent of all such presidents, including their overall cultural environments, regards as primary bourgeois rights and 'negative freedom' (national defence and defence of interests in foreign territory) and only pays lip service to social rights or human lives. The proof for this is evidenced *ex post-facto* in the

hundreds of millions of war and related deaths of the twentieth century.

As always, a western social fascism breeding in a liberal or bourgeois democratic receptacle combined with a *primacy of politics* or, the premise that imperialist aggression has primarily sociological causes, mean that no Chinese cant of 'one tide lifting all boats' can write off the prospect of outright or surrogate confrontations with the US. Placing the pursuit of power for stability of capitalist rule before instantaneous economic gains is the sociological underpinnings of imperialism. That is not to say that economics falls last; economics is determining in the last moment or after working people have been coerced or commodified by violence to extract the most value for price out of them. In most cases such a process, dubbed the law of value, involves depopulation by war, hunger or severe austerity.

Hence, the pursuit of power of which one speaks is not some psychological whim, it is the power that cements the rule of capital or the social relationship by which private gains expand by the commodification-consumption of man and the environment. In such a metabolic order (metabolic as in the making of wealth consumes more of man and nature), China cannot wiggle its way out of the US's wrath (the commodification of its own people) and all at once climb the global economic ladder by stealth. As the chief capitalist power in history, the US is being led by its own objective and alien market forces: it *necessarily* must stop China. The case may be that it is only the [reasonable view of some US strategists](#) who foresee the prospects of any nuclear disaster as mutually assured destruction (a nuclear winter), which mitigates the realisation of that abominable first strike scenario.

With nuclear confrontation being remote (but still very real), China's market-led expansion remains vulnerable so far as its trade routes fall in areas of US sponsored or instigated wars or states under the thumb of Uncle Sam, like the Gulf states. More to the point, China's energy security and circuits are weak spots. The recent coup by the Hamlet-like prince destabilises that circuit in a region that exports a fifth of global oil supplies, which flow through the Hormuz strait on daily basis. Saudi Arabia itself produces nearly a sixth of global oil. For long, oil demand and supply run tightly close to each other, as they must. So, to restate the obvious, missile-lobbing within Saudi territory or across the waters of the Gulf harms all oil dependent countries.

Although China may incur serious shortages in the short to intermediate term, other powerful emerging countries such as India or Brazil will also lose. This begs the question: Can the US regulate the sabotage of oil supply and production across the oil dependent globe? With the US being the third largest exporter of oil and with its capacity to speedily increase production via unconventional drilling methods, it can be selective in choosing the parties it wants to bail out and the parties it wants to leave behind to agonise. For the latter group, their resources will be disengaged or be put up for grab at fire sale prices, and their capital could flow North to the safety of dollar markets. Just as every global recession has been so far, a war in Saudi or with Iran *may* turn out to be a wealth and value restructuring arrangement in favour of US empire.

For the US, it is the impact of the chronic oil shortage on China's internal security that matters. China's Achilles heel may still be the loosening of the centripetal pull of the Beijing authority upon the vast stretches of the successor state to the heavenly kingdom, as per any caricature reading of Chinese history. However, modernity and its trappings have eroded distances and homogenised traditions. The heavenly kingdom has become pretty much worldly with the speediest of trains. The effect of the oil shock may not shatter China, but can it bring its working population to endure the effects of severe austerity - up to the

point of subversionary spill-over. Put differently, can the shortages of oil combined with an overstretched Chinese credit market (China's huge debts triggering a [Minsky moment](#)) precipitate a downward spiral steep enough to impel China into the sort of shock therapy and internal collapse that undermined the post-socialist Soviet republics?

The simple answer is no. To borrow from the catchphrases of the Great Recession: China is too big to fail. It is also growing in the safety of a regulated capital account – Minsky moments can be contained. At the present interval, some venture to ask [what would happen](#) if China decided to impose sanctions on the USA. China has enough partnerships for energy supply, productive capacity and financial wherewithal to withstand the shock and possibly use the opportunity to recapitalise with alternative energy sources at a rate fast enough that may become a historic landmark. The world has changed. China is the world leading auto-sufficient system of market accumulation. Short of nuclear first strike, the Chinese system is rooted in the protectionism of the socialist era and it is undefeatable. Meanwhile, apart from the US's declining market share globally (around 15 percent while China's is nearly 20 percent) and its receding hegemony, counting its recent losses in Iraq, Syria and Yemen and the hemming in of Iran and Turkey upon the northern border of historical Palestine (facetiously, the Medes and the Amorites are coming), these are the harbingers of US imperial twilight.

For long, no matter how foolish or miscalculating US empire appeared, was it right or wrong, the outcome of its actions favoured its status. The US could lose, but its very loss would be a win because there was no other power challenging its hegemony. History was American and in history there is no right and wrong. What was necessary for history, that is necessary to service the expansion of commodity production via a metabolic order auto-reproducing by value destruction and creation simultaneously (waste, wars, depopulation and environmental degradation are also production), was also borne out by the immediate politics of the Oval office. An identity or a complete reconciliation of historical necessity and immediacy in politics as chance was nearly always in evidence. The Hegelian utopia or an end of history in which *necessity became chance* materialised for a period after the fall of the Soviet Union. For instance, in 2003 the United Nations did not authorise the invasion of Iraq, but the US invaded; while there was no power to challenge its decision, the nexus of war and financial expansion played in its favour. So long as it was unchallenged, it had won whether it acted soberly or foolishly.

That ideality, the identity of necessity with coincidence, is no longer the case. The US had tried in vain to enact a no-fly zone over Syria, but was vetoed by China and Russia. More recently, the US's attempts to sacrifice the Kurds in Iraq have failed. Its Saudi sponsored coup, a fratricidal spectacle torn from the pages of a Shakespearian play, will most likely ensue because MBS has confronted *public power (the Leninist understanding of the deep state)*, the bureaucratic structure and the order of kinship and clientelism holding together the kingdom. The coup will fail also because no one is convinced that the coup is an anti-corruption campaign, when in fact the present king was [most opposed to corruption investigation](#) in the past.

The coup will decidedly fail because while the US held Saudi Arabia in a state of animated suspension to control/usurp its oil, it imposed upon that society an immutable state of consciousness re-enacted by a fabricated Islamic obscurantism; such stasis in which the colonial settlement of Palestine remained unforgiven would backfire if the gung-hoprince was to allegorically hoist the Zionist flag over Mecca. Saudi life before oil was of the typical peasant or nomadic structures in which everyone, men and women, worked and had a say

in the decisions made. It was the combination of Euro-US imperialism that imposed an identity, which promotes idleness and segregation. However, the very reactionary identity *cum* social ideology erected by imperialism will at a moment's notice reinvent itself as anti-imperialist. In Saudi Arabia, the credo of anti-Zionism was uncompromised in order to compete with the popularity of pan-Arabism. More important, the anti-Zionist struggle is contiguous to peoples' liberation struggles in the region as a whole. Such legacies instilled at the popular level are the guarantee that the pro-Zionist/imperialist putsch will fail.

Of course, the imperialist sponsored Sunni-Shiite identity schism reared by the invasion of Iraq and its [Bremer's](#) constitution is a sinkhole into which Iran had fallen, othering many into the Sunni hand-me-down imperialist rubric. But the recent gains of the multi-sectarian Arab Syrian army and the bitter victory of Yemen, a country that withstands a baleful famine in the process, had thrown a monkey wrench into the imperialist plot. The blowback from the defeat of the MBS-Zionist alliance/coup will air on the side of China. What China had sown into the Arab world, especially its long-standing support for the rights of the Palestinian people, will come to fruition.

Although the short-term impact of oil shortages on China may be dire, the boomerang effect upon a US empire auto-eroding by the practice of racism inside and outside, and the instigation of war to promote its growth by waste industry, can also be dire. However, just as there are imperialistically imposed identity-politics traps mitigating popular anti-imperialist unity in the Arab region, there are also similar hurdles of identity superseding class unity in the North. The dominant strand of Western/liberal Marxism voiding the necessity for ironclad popular organisation as undemocratic and swerving popular energy into futile academic tit-for-tats, does not bode well for the rest of the world. The results remain to be seen.

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Note

[1] Ali Kadri is author of *The Cordon Sanitaire: A Single Law Governing Development in East Asia and the Arab World*, <https://www.palgrave.com/de/book/9789811048210>

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