
Analysis : Oil price not only due to Turkey

By Derek Sands

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WASHINGTON, Oct. 19 (UPI) -- Record high oil prices over the past week have been attributed to the possible loss of supply from northern Iraq, but the potential for a change in the regional balance of power, as well as other events around the world -- from Alaska to Nigeria -- have also tightened the markets, according to an expert in Middle East oil policy.

Oil prices topped \$90 a barrel on Friday, a record high that comes as world headlines reported the Turkish government has authorized its military to cross the border into northern Iraq to stop terrorist attacks carried out by a Kurdish separatist group, the Kurdistan Workers' Party, or PKK.

'A Turkish incursion that weakens the Kurdish government will not only stop Iraqi oil exports from the north, but it will also change the power balance in the Middle East, worsen the relationship between Turkey and the U.S., and embolden Iran and Syria,' according to A.F. Alhajji, a professor of energy economics at Ohio Northern University and expert on Middle East energy markets.

'It is this change in the balance of power that will change the outlook for world oil markets and put pressure on prices,' Alhajji said.

The United States worsened its relations with Turkey last week when the U.S. House of Representatives moved forward with a bill that would officially refer to the killing of 1.5 million Armenians during World War I as 'genocide.' The possibility of such a bill was immediately criticized by the White House, but Turkey reacted swiftly, recalling its ambassador.

Turkey denies there was a genocide, and U.S. President George W. Bush has been sensitive to Turkish sentiments by referring to it as 'mass killings.'

Whether Turkish military incursions into northern Iraq can be stopped is still up in the air, but harsh action, or no action, by the United States and the European Union still has the potential to continue shifting power toward regional actors Iran and Syria, according to Alhajji.

The United States and the European Union have many options on the table, but it's unclear which ones would be appropriate.

'They can also retaliate by bringing the issue to the U.N. Security Council, impose economic sanction on Turkey, and eliminate foreign assistance. In the process, EU officials who oppose the inclusion of Turkey in the EU will find another reason to prevent Turkey from joining the EU. As a result, the government of Turkey and the Turkish people will turn against the West and strengthen their ties with Middle Eastern countries. In fact, the Turkish government has already sent a strong message when it hosted the Syrian president,' Alhajji said.

Although some disagree, many analysts say Iran is pursuing a policy of regional supremacy. The United States, as well as some European countries, has been very critical of Iran's civilian nuclear program, saying that it is a cover for developing atomic weapons.

Syria has long been an ally of Iran, especially when their interests converge, as in opposition to Israel and the United States.

But politics are not solely to blame for high oil prices. According to Alhajji, there were at least nine recent events across the globe that have tightened the oil market as well.

A fire at a BP oil facility in Prudhoe Bay, Alaska, caused a slump of 30,000 barrels a day for two weeks in early October. On the other side of the world, Nigerian oil workers called a strike briefly last week, causing some concern in oil markets. Also, separate reports indicated winter oil consumption in the United States, as well as U.S. economic growth, would be unexpectedly up over the winter.

Supplies may also be down due to a potential royalty increases on oil sands projects in the Canadian province of Alberta, while demand from the U.S. Strategic Petroleum Reserve is up and the International Energy Agency continues to project international demand increases, according to Alhajji.
