

The use of the equation of oil refining Iran in exchange for strengthening the reserve power Saudi Arabia to increase production rates to maintain balance in the world oil markets

Dr Ammar Hameed¹ and Dr. Mohamed Aziz Abdul-Hassan^{2*}

¹Assistant Professor, Yasein College of Political Science, University of Baghdad research field: international studies, Al-Jadriya Complex, Baghdad, Iraq

²Assistant Professor, Al-Bayati College of Political Science, University of Baghdad research field: international studies, Al-Jadriya Complex, Baghdad, Iraq

Received 20 Feb 2019, Accepted 22 April 2019, Available online 25 April 2019, Vol.7 (March/April 2019 issue)

Abstract

Saudi Arabia is the largest oil producer with the largest volume of oil exports and the largest reserves of oil and, most importantly, has the capacity to produce and export additional unused capacity post-US sanctions related to delivery of Iranian oil exports to zero rates, The large drop or increase in oil production because it has a cautious government spending program that can be sustained by levels of oil revenues much lower than in 2018, allowing Saudi Arabia to become a more volatile producer Obey raise or reduce oil its output to influence world oil prices.

Keywords: Use of the Equation of Oil Refining Iran Exchange for Strengthening, Reserve Power, Saudi Arabia, Increase Production Rates, Maintain Balance, World Oil Markets

1. Introduction

More precisely, if Saudi Arabia's spare capacity increases beyond Iran's oil refining capacity and under these new circumstances, Saudi Arabia's ability to pump more oil if necessary and reduce prices will enable it to control OPEC member states and force them to accept Saudi Arabia's view of the levels of production and prices it deems appropriate.

For example, the increase in Saudi production rates was necessary during the Iranian revolution of 1979, when oil exports from Iran stopped, and during the 1980-1988 Iran-Iraq war, when there was a mutual target on both sides for facilities to export energy supplies, particularly oil

2. The existence of an oil product as volatile as the Kingdom of Saudi Arabia will achieve the following things

First, it makes the world oil markets less sensitive to periodic news reports about the disruption of oil supplies after Iran's oil is oiled.

Secondly, for the United States, one of the positive effects of the increase in Saudi oil production after Iran's oil refining will achieve two things:

- The crisis in the budgets of the "Diesel Axis" countries - Russia, Venezuela and Iran - are the countries that have used increasing oil revenues to challenge the authority and influence of the United States of America.
- The most important impact of the increase in Saudi oil production could be financial pressure on Iran, which might force Tehran to reconsider its nuclear programs and its clear intention to develop ballistic missiles and reduce its military and financial support to all armed factions in Iraq, Lebanon.

3. Here we can ask the following substantive questions

Can the Kingdom of Saudi Arabia, the United Arab Emirates, Iraq and other OPEC countries compensate for the difference in the oil supplies produced after the entry into force of the Iran Oil Refinement decision on 2/5/2019?

Is the Kingdom of Saudi Arabia, the United Arab Emirates and the OPEC countries really capable of compensating the rates of shortages in the world oil supply after the Iranian oil has been tapped to ensure sufficient supplies of oil to consumers to ensure that the world oil markets are not out of equilibrium?

Will the potential scenarios based on options for closing the Strait of Hormuz reflect Iran's reaction to the Saudi decision to use its "oil reserve capacity to increase production rates, or are there strategic alternatives to deal with such a decision?"

*Corresponding author's ORCID ID: 0000-0000-0000-0000

DOI: <https://doi.org/10.14741/ijmcr/v.7.2.6>

Is Iran capable of implementing the Iranian Islamic Revolutionary Guard's threats that "if Iranian oil is not exported, no other country in the region will be able to export its oil?"

What are the American military reactions if Iran carries out its escalating threats related to the closure of the strategic Strait of Hormuz, and then will we witness the deterrent capabilities of the US Fifth Fleet based in Bahrain and other elements of the US Central Force, Iran to take the escalatory measures referred to above?

The answer to these questions will help us to form a three-dimensional vision that will help us in a logical induction based on specialized academic scientific studies to understand the repercussions of the Iranian oil refining regionally and internationally according to the following context:

By virtue of its spare capacity, the Kingdom of Saudi Arabia is able to increase production levels achieved to achieve balance in the global oil market after the refining of Iranian oil. The reason is that Saudi Arabia produces more than 10 percent of the world's oil and has very low production costs, especially as it is OPEC's "swing product".

The latest statistics show that it produces more than 10 million barrels per day, while it can pump about 12.5 million barrels per day.

In times of high demand, this excess capacity allows it to increase its production volume and thereby reduce oil prices on the global market. On the other hand, after the entry into force of the Iranian oil on 2/5/2019, Saudi Arabia alone the dumping of the global oil market by 12 million barrels per day;

Because its low production costs, large financial reserves, and sovereign funds that it has employed in the framework of oil price reduction tactics against the Russian Federation means that Saudi Arabia can withstand the drop in export revenues. It has the option of subsidizing production to maintain its share of the market (exporting more oil, But at a lower price)

At the moment, it is clear that Saudi Arabia has decided to maintain its production volume and bear low prices.

In fact, Saudi Arabia is helping to lower prices by discounting its own prices in contractual sales to customers in Asia believed to be refineries in China, Japan and South Korea.

Despite rising shipping costs, Riyadh also wants to remain the largest oil exporter to the United States, given the geopolitical importance it sees in maintaining continuity of relations between the two sides. On the other hand, due to the geopolitical stakes, Saudi Arabia - the most militarily powerful and largest country in the Gulf with a population of more than 28 million - is locked in confrontations on more than one front, especially after King Salman bin Abdul Aziz assumed power in early 2015. Saudi Arabia is seeking to use its capabilities to defend its security perspective after shaking the elements of the equation of security in the Middle East, including Gulf

security. This has made it the most assertive trend in its leadership, especially by His Royal Highness Prince Mohammed bin Salman bin Abdul Aziz, Prime Minister and Minister of Defense of Saudi Arabia) with the aim of making the Gulf ranks stand out without the slightest differences in building their future visions. In particular, the Kingdom of Saudi Arabia is less tolerant of this strategic environment. Lig.

Therefore, we will find an Emirati and Gulf position in support of Saudi Arabia's decision to increase its production to 12 million barrels per day after sowing the Iranian oil imports, although this decision is under clear American pressure

Not to Saudi Arabia, but to all other Gulf states, including Kuwait and the United Arab Emirates, and Bahrain to support the contents of this resolution.

And here we must go back to the question: Is Iran able to close the Strait of Hormuz?

Iran is capable of closing the strategic Strait of Hormuz in the Gulf, "if it is forced to do so," chief of staff of the Iranian armed forces Mohammad Baqeri said.

According to the state-run Mezan newspaper, Baghari told reporters on Sunday that Iranian officials have made it clear that Iran does not want to close Hormuz, and that its freedom provides security for navigation in the Strait. But if there is more hostility from enemies, we will be able to close it. "He said.

On February 22, 2019, the Iranian Revolutionary Guards threatened to close the strategic Strait of Hormuz in the Persian Gulf, hours after news of Washington's intention to announce the cancellation of extraordinary exemptions from the eight countries that still import Iranian oil.

"The Strait of Hormuz is a maritime corridor in accordance with international laws and we close it if we are prevented from using it," said Ali Reza Tenxiri, commander of the Iranian Revolutionary Guard's naval force, in an interview with Iran's state television channel Al Alam

Reports confirm that although the Iranian regime continues to threaten to close the strategic Strait of Hormuz in the Arabian Gulf, through which most of the world's oil supplies, the energy artery to the world, pass through; Arab oil exports are being pumped into markets;

4. However, in practice, Iran cannot close the Strait of Hormuz for several reasons, including the following

First: the US presence in the intensive Gulf region
As sailing in the waters of the Arabian Gulf, the US Navy cut its first task to secure this artery

Second: Monitoring and monitoring US naval and air movements of Iran in the Gulf

The purpose is to monitor the implementation of tough sanctions on Iran, whose oil exports are close to zero after Washington canceled the exemptions it granted to some importers.

Third: Strait of Hormuz A narrow sea passage between Iran and Oman, the Arabian Gulf reaches the Gulf of Oman on the one hand, and the Arabian Sea in the Indian Ocean

On the other hand, its maximum width is 50 kilometers at a depth of 60 meters, and the entry and exit corridors are only 10.5 kilometers, and between 20 and 30 tankers pass daily

Coming from Saudi Arabia, which exports about 88% of its oil production across the strait, and higher percentages for both Iraq and the UAE, while Kuwait and Qatar export all their oil across the strait.

The Strait of Hormuz absorbs about 30 to 40 per cent of the world's oil trade by more than 17 million barrels per day. There are no alternatives available to the Gulf Cooperation Council (GCC) and Iraq to export oil from the ports of Kuwait, Qatar, Bahrain and some Saudi and Iraqi ports.

The waters of the strait in the Arabian Gulf are distinctly international, and any closure would affect international commercial navigation, not just regional ones

The United States and its allies are committed to protecting the freedom of maritime navigation and the route of global commercial water channels in the region, while preparing to face any threats to international freedom of navigation.

According to "Sky News"

Iran's implementation of its threats seems theoretically difficult because it requires a military force that, in a fleeting way, drowns ships in the narrowest strait to obstruct the movement of ships, or to deploy naval mines heavily enough to make it difficult for merchant ships to overtake them.

In practice, only one incident can answer whether Tehran is capable of tolerating the consequences of any action that poses a threat to warships or commercial vessels in the Arabian Gulf, the Prophet's Mantis process.

On April 14, 1988, USS Samuel Roberts navigated during its mission to protect oil tankers on a mission called Ernst, before hitting a sea mine with the latest explosion that nearly drowned the frigate after it struck a 4.5-inch hole Meters in its structure.

The US Navy was able to rescue the frigate and withdraw it, but a search and investigation reported that the serial numbers found on the mines indicated that they were Iranian, to begin within four days only a reprisal still remembered as an American lesson to the Iranian regime, the Americans launched the military operation "Bringing Mentos"

Conclusions

Iran can close the Strait of Hormuz easily by planting sea mines or using speedboats owned by the Revolutionary Guard as well as a number of warships to patrol the waters along the strait,

But in practice Iran has not and will not be able to maintain the current strait closed for long periods with US threats "serious" military response to any Iranian attempt to close the strait, and although

Iran's possible closure of the strait seems weak, but it could be the cause of enormous problems for the international oil system, with wide economic consequences.

And the US Energy Organization confirms that the strait passage for about 18.5 million barrels per day of oil. Crude oil and condensate flows across the strait are estimated at 17.2 million bpd in 2017 and about 17.4 million bpd in the first half of 2018.

Iran's move to close the Straits of Hormuz would lead to a significant rise in oil prices and would hurt Asian countries and European countries as well as the Gulf states that depend on this strait to export oil and gas.

The most important question remains: Will it use military force against Iran if it closes the Strait of Hormuz?

Is it coming to war with the United States and Israel?

Or is the escalation of the American escalation and the will of Iran just economic pressure and blackmail by the US (Iran) to force it to give up its nuclear program and stop the development of ballistic missiles and support for the Lebanese Hezbollah.

All scenarios are open, including the use of US military force against Iran if it effectively closed the international corridor and stopped the Gulf oil pumping to global markets, especially if we know that the daily global consumption of oil is 100 million barrels per day, a large proportion of them coming from Saudi Arabia, Kuwait and the UAE Iran and Iraq and distributed as follows:

- Iraq more than 4 million barrels Saudi Arabia exports 9.8 million barrels
- UAE nearly 3 million barrels • Kuwait daily 3 million and two hundred thousand
- Qatar 639 thousand barrels per day
- Iran 3 million and 180 thousand

References

- [1]. Silent, Abdul Qader: Iranian Foreign Policy towards the Arab Gulf, Arab League, Institute of Arab Research and Studies, Postgraduate Diploma in Political Science, (unpublished), 2004, p.45
- [2]. AJAMI beautiful structure, the potential of monetary integration between the Gulf Cooperation Council states, i. Emirates Center for Strategic Studies and Research, United Arab Emirates, 2005. P 9
- [3]. Sheikha Salim: The Regional Function of the GCC Countries in the Light of New International Transformations, University of Algiers, Faculty of Political Science and Information, Master Thesis, (unpublished), 2000/2001 p10
- [4]. Rajab Yahya Helmi, The Gulf Cooperation Council - Future Vision, i. Dar Al Oroba Bookshop for Publishing and Distribution, Kuwait, 1983. p. 21.