

# Major current international interest



Soaring international oil prices due to Libya crisis After Egypt's civil unrest that ousted Hosni Mubarak, the long term President of Egypt and ushered in the democracy within the country, Libya, a prominent oil producing nation in Middle East, also saw the start of political crisis. On 17 February, 2011, the peaceful demonstration turned into violent upheaval in Libyan capital when the government forces opened fire and killed innocent citizens who were protesting peacefully (bbcnews, 21 February, 2011). The protestors were peacefully agitating against the dictatorship of Colonel Gaddafi. The forty years rule of Colonel Muammar Gaddafi had been associated with Islamic socialism that thrived on state sponsored terrorism. While the protests are getting more intense, Colonel Gaddafi has vowed to suppress the political unrest by using violent military crackdown techniques. Libya is 12th largest exporter of oil and supplies around 1.53 million barrels per day (cbcnews, 2011). It has significant gas reserve and is one of the largest exporters of oil and gas to the European nations like France, Germany, Spain, Italy etc. for refineries. The Libyan crisis therefore has adversely impacted the world market. The prices of crude oil have escalated tremendously, touching \$108 per barrel (Kollewe, 22 Feb. 2011). The global stocks have taken a severe battering which threatens the still fragile economic recovery across the globe. Fatih Birol, International Energy Agency's chief economist says that 'Oil prices are a serious risk for the global economic recovery' (ibid). Indeed, if the violence continues unabated in Libya, there could be huge ramifications on the global economy. In Libya, most of the foreign refineries have closed down for fear of security. The oil supplies have been curtailed and there is genuine threat to the closure of Suez Canal that is the main route for trade across Europe and America. Steven Mufson of Washington

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Post (22 February, 2011) says that Libyan crisis has impacted the financial markets and sent ' investors fleeing toward the relative safety of U. S. Treasury securities'. The long term repercussion of Middle East crisis could offset fresh wave of global financial crunch and make recovery more strenuous. Oil and gas are major fuel for wide ranging machinery and equipment and shortfall in the supply of same could be highly inflationary for the common man. But at the same time, it is also true that Libya's economy is dependent on its oil and it cannot afford to suspend its oil production and supply for indefinite period. Saudi Arabia, the prominent member of OPEC has also assured that its reserves of oil and gas would be able to keep the oil prices under control. The major condition being that the unrest does not spread to the other neighboring countries. It is therefore, expected that with major countries of the world supporting economic sanctions on present Libyan government, Colonel Gaddafi would have no alternative but to step down to pave way for peaceful transition to democratic rule. Reference BBC News. ' Libya's protest: Gaddafi's son warns of civil war'. 21 February, 2011. 28 February, 2011. CBC News. ' Libyan unrest causes oil Chaos'. 22 February, 2011. 28 February, 2011. Kollwe, Julia. ' Oil prices surge risking global recovery, says IEA chief'. 22 February, 2011. 28 February, 2011. Mufson, Steven. ' Crisis in Libya rocks world's financial markets, boosts crude-oil prices'. 21 February, 2011. 28 February, 2011.