

Asinus Muses

Lapdog no longer

Asinus has been pleased to observe that years of loyalty to Washington have finally paid off for the UK. For surely no other country can boast influence comparable to having invented the United States' new creed, chanted across the country and the world. The source? The theme song of Britain's much loved children's television character, "Bob the Builder/Can we fix it?/Bob the Builder/YES WE CAN".

Cultivating carrots

Current geopolitics certainly could do with some fixing, and it looks like the new US President has a novel approach. Barack Obama is everybody's friend, confidant, and hero, and to oppose him just looks grumpy. While Asinus has no problem with grumpy, it is rarely a winning political strategy. World leaders used to the convenience of a hostile USA for rallying support will have to re-think their approach. In the global struggle for influence the USA is further aided by the dramatic collapse of the oil price, and here the obvious similarity between leaders of nations and the humble donkey provides the key: the US always had a bigger stick, but as we could have told you this is not always the most effective tool. Thus Asinus suspects that the decisive variable for geopolitics in 2009 is the carrot. Several of the competing nodes in the newly-multipolar world, notably Venezuela, Russia, and Iran, rely on oil money to irrigate their own carrots, which they have used to gain influence around the world. With their crop looking somewhat withered, the USA now has the perfect opportunity to show that it is the world's number one distributor of this tasty, healthy snack.

For those who doubt my proposed typology, what better example of donkey diplomacy than the gassy exchanges between Ukraine and Russia? We know

the new year has arrived by the sight of these two immovable asses playing chicken. They finally agreed to blink once they had racked up the requisite number of frozen European households, at which point President of the European Commission José Manuel Barroso declared himself 'very disappointed' with their behaviour. With the primary tools of European diplomacy appearing to be the threat of grave disappointment and heavy disapproval, while a nod and a pat on the head comprise the reward for good behaviour, Asinus feels that Europe still has not grasped the whole carrot-stick concept.

...and a hedge

The emerging spirit of co-operation may be further aided by Saudi Arabia's declaration that \$75 is a fair price for oil. It's a shame they did not say so when oil was at \$140. But Robert Mabro's ideal of a globally-shared reference price appears to be gaining recruits. Indeed, the Mexicans are so keen on the idea that they went ahead and sold 90 percent of their 2009 exports at around \$80 WTI-equivalent.

This is a rare coup. Being a neighbour to the world's richest and most powerful oil importer has always been a challenge: as it was put by the creator of the modern Mexican state, Porfirio Díaz, at the beginning of the last century, 'Poor Mexico. So far from God, so close to the United States.' So close, indeed, as to have been partly incorporated in the 1840s after the USA annexed Texas. In his less historically-rigorous moments Asinus asks himself what the world would have looked like had Mexico retained the oil reserves subsequently discovered in the Lone Star State. He is now picturing T. Boone Pickens eating not from a platter of steaks, but from an *olla* of the chocolaty and spicy Mexican *mole*.

If selling oil at \$80 a barrel looks smart, acquiring 2 million barrels of

oil for the price of a dinghy and a few rocket-propelled grenade launchers looks like real business sense. Such was the achievement of a group of Somali pirates who hijacked a Saudi oil tanker in November, and who finally released the ship and its crew in January. But even such pirates are prey to the incredible shrinking oil price, receiving a mere \$3 million in ransom, or \$1.50 per barrel. Asinus asks himself if the moment will arise when even this looks pricey.

...and how about some tulips?

The other great criminal scheme of the day we owe to Wall Street genius Bernard Madoff. He set up a classic Ponzi game in which one round of investors receives payment from the next round of investors, and everyone makes money as long as the game continues. But when the market realises that there is nothing underpinning the game, new investors dry up, and whoever is left holding the bag discovers it to be empty. Asinus grasps the idea, but is struggling to see the distinction between this and the housing bubble, the oil price bubble, and good old seventeenth-century Dutch tulips. The only difference I can find is that in the Madoff case, there was one person who wasn't fooling himself into thinking it was sustainable. Ignorance is bliss, and knowledge is criminally actionable.

Even the bursting bubble has not taken the bounce out of Shell and Exxon Mobil's step. They still managed to report the highest annual profits ever for any firms on their respective continents. But as oil company profits cruise through the crisis, Total is suffering a mini winter of discontent with workers at its Lindsey Oil Refinery in the north of England, who are angry that their 'greedy employer' is importing cheaper Italian and Portuguese workers in their place. The problem, as ever, is the distribution of the pie. Like I said, they should stick with carrots.

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