

## Asinus Muses

### *Money, happiness, and oil*

Asinus has at last achieved self-knowledge. His constitutionally-gloomy take on the world and its denizens has been explained by geography: he lives at the wrong end of the country. As a deep southerner – any further south and his hooves would get wet – he is not only missing out on his piece of the record investment going to our North Sea oil industry and the economic dynamism it has brought to Aberdeen. He is also as far as he could possibly be from the care-free and cheerful atmosphere of one of Britain's top-five happiest locations: Aberdeenshire is not only benefiting from record low unemployment, but in a recent survey by PricewaterhouseCoopers came in the UK's top five in response to questions on life satisfaction, and in the bottom five on anxiety.

### *Bread and circus*

Not all oil producers are in such effervescent mood. Venezuelans, having lost Chávez to cancer and voted in his anointed successor Nicolas Maduro by a narrow margin, are suffering rampant inflation and shortages of basic goods, most notably their staple, corn flour. Still, if bread is in short supply, the government at least had the political sense to provide circus: shortly after the election, which has been disputed by the opposition, legislators resorted to fisticuffs in the national assembly.

### *The USual suspects*

Few will be surprised that the US has offered comfort to the Venezuelan opposition. The US secretary of state John Kerry has supported calls for a recount of the election, which Maduro won by 1.5 percent, and President Obama has so far refused to recognise Chávez's successor as President. While Asinus will not profess faith in the purity of this most recent

expression of Venezuelan democracy, neither has he forgotten US support for the failed coup against Chávez in 2002, nor the alacrity with which the USA recognised the pro-US centre-right winner of Mexico's disputed presidential election in 2006, who beat the centre-left and rather less pro-US candidate by only 0.6 percent. While to US eyes Obama may look rather different from his predecessor, to others in their hemisphere the continuity is remarkable.

### *From failed state to Aztec tiger*

In contrast, everyone seems to be jubilant about the outcome of Mexico's most recent election. The Institutional Revolutionary Party, or PRI, has returned to power after a 12-year hiatus that may turn out just to have been a temporary pause in its decades-long domination of Mexican politics. The first of the two intervening administrations, both of them run by the centre-right Party of National Action, was headed by Vicente Fox, who became known as Latin America's answer to George W. Bush – less because of his support for the US War on Terror (TM) than for his incompetence in his own mother tongue. By half way through the second PAN administration, amid economic stagnation and ever-rising drug violence, the CIA started to speak of the country as a 'failed state'. Certain observers started to refer to the ruling cadre as the Party of National Inaction. Now, six months into the PRI government, with labour and education reforms in the bag, and a promise to open up the notoriously-closed oil industry making the world of energy investors salivate with anticipation, the country is overflowing with investment and is being described as an 'Aztec tiger'. Asinus, with his finely-honed sense of animal injustice, is not amused: no tiger has ever been seen in the Western Hemisphere outside of captivity.

Asinus notes that 'Aztec jaguar' would be more zoologically correct.

### *Corporate carnival*

If investors are eyeing-up the promised Mexican feast, they are already partying in Brazil. Petrobras has just issued \$11bn of bonds in the largest ever bond issue in an emerging market, as part of a long-term cash hunt to fund the development of their pre-salt oil fields.

### *Many happy (negative) returns*

Petrobras's neighbour, the recently-re-nationalised Argentine oil company YPF, is on the same bond bandwagon, having just made its third bond offering to the local market. The Financial Times tells readers that the nationalisation was a 'self-defeating political choice' while simultaneously reporting that its previously-terminal production decline has been virtually halted, cash flow has risen, and that the bond issue is part of a planned \$37bn of capital expenditure over the next five years. They also grumbled that the sale 'swamped the local bond market... squeezing out local issuers'. Asinus notes that those local issuers are hardly spoiling the public, with bank deposit rates of 12–15 percent compared to inflation well over 20 percent. Indeed, even YPF's 19 percent offering represents a real rate of return considerably south of nil. Though if YPF can't make money at those rates then Asinus may start to grumble along with the FT.

### *Party poop*

The core of the global economy could use some of this Latin spirit: it seems the only people not issuing bonds are those whose paper is most in demand, providing the lowest yields – governments in the rich countries whose love for the masochism of austerity is more than a match for Asinus's gloom.

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