### Oil Generic

### 

### \*\*1nc Shells\*\*

### \*Saudi Arabia Shells\*

### Generic Nuclear Terrorism Shell

#### Brent crude over $100 with an upward price pressure to sustain future increases

Goswami 7/20/12

(Manash, reporter, “Brent crude holds above $107; gains to eight-week highs spur selling”, 7/20/12, MSNBC, <http://www.msnbc.msn.com/id/48253785/ns/business-stocks_and_economy/#.UAlkxjFST-M>) aw

SINGAPORE (Reuters) - Brent crude held above $107 on Friday, edging lower after a surge of 20 percent in four weeks prompted some selling as worries about conflict in the Middle East eased slightly. Oil rose to an eight-week high in the previous session, gaining for seven straight days as escalating tension in the Middle East and disruptions in output in the North Sea stoked supply fears. A strengthening of the dollar <.DXY> after a recent slide is also supporting crude futures. Brent crude slipped 49 cents to $107.31 a barrel by 1.43 a.m. EDT. The contract settled up $2.64 and touched an intraday top of $108.18, the highest since May 22. U.S. oil fell 76 cents to $91.90. The August contract ended up $2.79 and touched a high of $92.94, also the highest since May 22. "Prices were getting stretched a little, getting a bit ahead of themselves," said Mark Pervan, senior commodities strategist at ANZ Bank. "This rally is supply driven, and supply-driven rallies tend to be very volatile because when prices go up, they threaten to hurt demand." Brent is set to gain for a fourth straight week, its longest winning streak since the end of February, while U.S. oil is poised to gain for three of the past four weeks. The most important supply threat to oil for now is from the Middle East, as global powers try to force Iran to halt its disputed nuclear program. Tension escalated after a bus carrying Israeli tourists was bombed in Bulgaria, for which Israel blamed Iran. Israel's allegation, based on suspicions that Iranian and Hezbollah agents have been trying for years to score a lethal strike on its interests abroad, triggered speculation in local media that the government might now hit back hard. Israel however signaled that it would not rush into any conflict. The Middle East supply worries will limit any further slide in prices. Apart these tensions, expectations that the U.S. Federal Reserve would announce another round of stimulus to boost growth may weaken the dollar, boosting oil and other dollar-denominated commodities. "Middle East tensions now mean that supply concerns are entering the crude oil equation which is creating an upward price pressure," Tim Waterer, senior trader at CMC Market, said in a report

#### A modernization and overhaul of our transportation infrastructure would dramatically decrease US oil demand

Podesta et al 11

(John Podesta, President and CEO of the Center for American Progress, Carl Pope, Chairman of Sierra Club, Gene Carpinski, President of the League of Conservation Voters, March 2011, “Cleaner Cars, Less Foreign Oil,” http://www.americanprogress.org/issues/2011/03/pdf/oilsavingsagenda.pdf)

Millions of Americans are locked into using their cars because of limited transportation choices. Their communities lack affordable, convenient buses; subways; or other means of transit. Some communities lack safe biking and walking areas. Workers must spend hours in congested driving nightmares. People must drive a car to get a gallon of milk where housing is separated from services and amenities. Seniors face the loss of their freedom when they are no longer able to drive a car. Businesses are also constrained by limited choices, which have real economic costs. Shipping goods is more expensive because current railroad bottlenecks force them onto trucks, which increases oil dependence and pollution. More truck freight adds to highway congestion and road wear and tear. Too much of our freight moves on trucks because we have invested too little in our rail system. Infrastructure and planning improvements are necessary to provide genuine transportation alternatives for both passengers and freight. Fortunately, public transit is popular among those Americans who have reasonable access to it. Public transportation experienced a significant increase in use over the past 15 years. According to the American Public Transit Association: From 1995 through 2009, public transportation ridership increased by 31 percent—a growth rate higher than the 15 percent increase in U.S. population and higher than the 21 percent growth in the use of the nation’s highways over the same period. Buses, subways, streetcars, and other forms of transit dramatically reduce oil use. The American Public Transit Association determined that Riding public transportation is a significant way to cut passenger transportation energy use. … transit reduces annual fuel use by the equivalent of 4.2 billion gallons of gasoline. This is about 100 million barrels of oil saved annually. Outlays for new and improved transit networks can also help speed our economic recovery. There is $4 in economic return for every $1 of investment. Every $1 billion provided for transit creates 36,000 jobs. Fix roads, bridges, and trains, and unclog transportation bottlenecks While we must increase our investment in transportation infrastructure, we must avoid wasting it. Boondoggles and pork-barrel earmarks have added to our present congestion. We must not build highways we don’t need. We must ensure the ones we have are in good repair. New capacity should be added strategically to increase the overall flexibility of the transportation system rather than simply adding lanes and increasing gridlock. America’s ports, for example, represent major bottlenecks in getting feed stocks to factories and goods to consumers. Shipping freight by railroad is three times more oil efficient compared to using trucks. Yet our outdated rail system suffers from bottlenecks that make it less attractive for businesses. For instance, the News Hour found that “Chicago has been a freight rail hub for the past 150 years, but an outdated layout often makes it a bottleneck for the country’s shipping network.” And demand for rail shipment is projected to nearly double over the next 25 years. Yet the American Society of Civil Engineers projects a 20 percent shortfall in rail investment over this time. To address these problems, there should be a national transportation policy with a prominent oil-savings goal. Such a program would first invest in transportation programs that decrease dependence on oil. The president’s outline for transportation program provides a good starting point, including increasing our investment in transit by 128 percent over six years. In addition, Congress should create an “Infrastructure Bank” that would lend money for large-scale infrastructure projects, including funds for the repair and rehabilitation of highways, transit, and railroads. These funds would be paid back over time by tolls or local dedicated taxes. The federal government would spur investment in these modes by putting in the first dollars and attracting private partners. Every federal dollar loaned to a project will be matched by as many as six private dollars.

#### Saudi Arabia needs more than $100 a barrel to sustain social spending

Peel and Blas 11

(Michael Peel, Javier Blas, writers, “Saudi budget could require high oil price”, 3/31/12, Financial Times, <http://www.ft.com/intl/cms/s/0/87d60044-5bbb-11e0-b8e7-00144feab49a.html#axzz20zLPp2yl>) aw

Saudi Arabia could need the oil price to average more than $100 a barrel by 2015 to sustain the big public spending rises it plans in an effort to forestall the political unrest sweeping the Middle East. The oil market is growing increasingly worried about Riyadh’s fiscal needs as it fears that they could force Saudi Arabia to pursue oil policies similar to those of Venezuela and Iran, traditionally the price hawks at the Opec oil cartel. The break-even oil price the Gulf kingdom requires to balance its budget will jump from $68 last year to $88 this and then $110 in 2015, according to new estimates by the Institute of International Finance, a leading industry group. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging $20-$25 a barrel. The forecast shows the scale of the task facing Saudi Arabia, the world’s largest oil producer and a crucial plank of the west’s regional security strategy, as it grapples with a growing population and increasing infrastructure problems. Crude oil prices on Thursday surged higher as Libyan rebels failed to make fresh ground against forces loyal to Muammer Gaddafi, suggesting a protracted oil supply disruption in the north African country. ICE May Brent rose to a session high of $117.70 a barrel, near a 2½-year high. It closed at $117.36 a barrel, up $2.23 on the day. Nymex May West Texas Intermediate closed at $106.72, a day’s rise of $2.45. The rise in oil prices caused by the unrest in the Middle East will help Saudi Arabia and other Opec nations to pay for the increased spending. The International Energy Agency, the western countries’ oil watchdog, believes Opec revenues will surpass $1,000bn this year for the first time. The forecasts of higher oil revenue needs come after the Saudi government announced two packages of social spending totalling $129bn aimed at averting the spread of dissent that toppled the Egyptian and Tunisian leaders. The largesse failed to satisfy activists who were angry that the package did not include reforms.

#### Social spending key to buying loyalty and quelling social unrest

Knowledge Today 11

(“To Stave Off Arab Spring Revolts, Saudi Arabia and Fellow Gulf Countries Spend $150 Billion”, 9/21/12, UPenn <http://knowledgetoday.wharton.upenn.edu/2011/09/to-stave-off-arab-spring-revolts-saudi-arabia-and-fellow-gulf-countries-spend-150-billion/>) aw

Saliba and his colleagues cautioned that the outsized spending did not address the long-term nature of the problems presented by the Arab Spring, such as high unemployment. “This [social spending] has averted potential disquiet over governance in most countries, though, over a longer-term horizon, economic reforms will be needed to buoy private sector growth and job creation.” Saudi Arabia’s generosity has been criticized as a means for the Arab world’s most populous country to make political gains and spread influence. The Merrill Lynch report also does not take into account the cost incurred by Saudi Arabia to send its troops into neighboring Bahrain to help quell a Shiite uprising there — another action to prevent revolt from reaching its own borders. But in a recent analysis of the Arab Spring for Arabic Knowledge@Wharton, Wharton legal studies and business ethics professor Stuart Diamond said the spending by the Saudis demonstrated their understanding of negotiation. “They understood that for many people, it was about Maslow’s [hierarchy of] needs triangle: that is, basic life necessities such as food, shelter and health mattered most. So the stipends that the Saudi government gave helped to quell disturbances,” he noted. Diamond added that Saudi spending bought not only continued loyalty from its citizens. “What they have mostly bought was time. For now, the populace will be satisfied with their recent bonuses. But that does not amount to structural and sustainable change, the kind that would significantly improve everyone’s quality of life on a continuing basis. The Saudi government should take this opportunity to include more people in decision-making and develop new industries that give more people a chance at a better life over the long term.”

#### Youth unemployment causes massive unrest, spreads regionally

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

“Youth unemployment is a time bomb for Saudi Arabia,” says Jean-Francois Seznec, a professor at Georgetown University’s Center for Contemporary Arab Studies in Washington. King Abdullah responded by announcing in 2011 a $130 billion plan to create jobs, build subsidized housing and support the religious establishment that had backed the government’s ban on domestic protests. Labor Minister Adel Faqih in May 2011 announced a program to reduce unemployment called Nitaqat, or Ranges, that for the first time rewards companies that employ a higher percentage of Saudis. “What they’ve done to slow any reaction to the Arab Spring is to throw money at people, with some success,” Seznec says. Persistent unemployment could have broad repercussions. Though there are some informal efforts to create activities ranging from impromptu comedy clubs to a girls’ basketball league, Saudi youth have few sanctioned outlets where they can have fun, exacerbating frustrations over unemployment. Unrest? “You are talking about the risk of this frustration going into political activism,” says David Butter, regional director for the Middle East at the London-based Economist Intelligence Unit. If political unrest got out of hand, it could threaten the oil industry and its exports, Butter says. The kingdom’s proven oil reserves of 263 billion barrels are the world’s largest. In February, the country produced 9.68 million barrels a day -- about a third of the total for the Organization of Petroleum Exporting Countries, according to data compiled by Bloomberg. Any instability in Saudi Arabia would also create ripples throughout the Middle East. As the birthplace of Islam and home to its two holiest sites, in Mecca and Medina, the country wields immense sway in the Muslim and Arab world and maintains influence in countries such as Lebanon and Bahrain and in the Israeli-Palestinian conflict.

#### **Failure to stop political unrest in Saudi Arabia will unleash nuclear weapon use and terrorism**

Joshi, 4-13 Shashank Joshi (Doctoral student at Harvard University, and a Research Fellow of the Royal United Services Institute) April 13th, 2012 *The Hindu* <http://www.thehindu.com/opinion/op-ed/article3308145.ece>

A sectarian, geopolitical and strategic cold war is unfolding between Saudi Arabia, protector of the Sunni Arab order, and Iran, a Shia Persian revolutionary power with a mission to subvert that status quo. The battlefields are Syria and Palestine, Afghanistan and Iraq. For India, the stakes are high.¶ Saudi-Iranian rivalry has ebbed and flowed for decades, but two developments — the acceleration of Iran's nuclear ambitions and the Arab Spring — have sharpened the antagonism. In the coming years, that will likely push Saudi Arabia closer to Pakistan and exacerbate threats to India.¶ THREE STRANDS¶ First, consider that the crisis over Iran's nuclear programme is unlikely to be resolved by this month's talks, given the inflexible positions held by each side. If Iran is attacked, it will respond by rushing for a bomb. If it isn't attacked, it will drift towards the threshold of weapons status (much like India in the 1970s). Either way, the Saudis will feel the need to hedge — and they will turn to Pakistan, whose nuclear programme they funded and fostered for years.¶ Both Pakistan and Saudi Arabia have reasons not to flout American concerns, and each would proceed with caution. But it is plausible that Pakistan might covertly transfer nuclear technology, engineers and even fissile material to its Saudi Arabian patrons — buying itself some diplomatic clout in return.¶ Second**,** Saudi Arabia remains shaken by the Arab Spring. The country's Shia-dominated Eastern Province is growing restive. Riyadh is also paranoid that Shia Iran is meddling there and in other Sunni Arab regimes like Bahrain.¶ That's why there are reportedly 10,000 serving and retired Pakistani military personnel in Bahrain — including a battalion of the Azad Kashmir Regiment. In the 1980s, Pakistan had tens of thousands of soldiers, sailors and airmen in Saudi Arabia — including an entire division and two armoured and two artillery brigades. These reliable Sunni forces are still seen in Riyadh as a crucial instrument of repression**.¶** Saudi Arabia is not immune from the unrest that swept the Arab world last year. If oil prices fall, it'd struggle to pay for the massive public spending programmes it introduced last year in an effort to stave off discontent. Its refusal to undertake real political reform, and the poisonous anti-Shia rhetoric it has ramped up to vilify protesters, could further radicalise young Saudis.¶ If this resulted in widespread disorder, the regime would depend on Pakistan to send manpower and military expertise.¶ In fact, it's highly likely that contingency plans are already in place.¶ Even if there's little chance of Pakistani nuclear weapons on Saudi soil, the prospect of Pakistani access to Saudi airbases and missile facilities should be cause for Indian concern.¶ Finally, there's a third strand to the Saudi-Pakistan nexus: religion. Whenever Saudi rulers have felt under threat they shore up their legitimacy by looking to the ulema. In 1979, the Iranian revolution and the siege of Mecca spooked the monarchy into giving more money and power to the clerics. That fuelled the growth of violent Sunni extremism over the subsequent decade — and in South Asia in particular. Last year, similarly anxious to bolster their Islamic credentials, the regime responded in the same fashion — funnelling a part of its $120 billion spending package to the religious establishment and reaching out to some of the most extreme strands of regional Islamist movements.¶ That will have profound and pernicious effects not just in the Middle East and North Africa, but also in the jihadist heartlands of Punjab and even within India. Sunni terrorist groups, including Pakistan-sponsored outfits like the Lashkar-e-Taiba, will have new resources and political allies. That throws up fiendishly difficult intelligence and counterterrorism challenges for Delhi.¶ Saudi Arabia's former intelligence chief once claimed that his country's relationship to Pakistan was “probably one of the closest relationships in the world between any two countries.” Whether or not that's hyperbole, it's going to get closer. Both are growing apart from the United States. Riyadh was alarmed over the way in which Washington dumped Egypt's Hosni Mubarak, and Islamabad is not blind to the growing exasperation with its policies.¶.

#### Nuclear terrorism causes nuclear war and extinction.

Guardian, 3-31-2008, Project Syndicate, “The Nuclear Risk,” http://www.guardian.co.uk/commentisfree/2008/mar/31/newnuclearrisk

Vital pillars of the old arms-control and anti-proliferation regime have either been destroyed - as was the case with the anti-ballistic missile (ABM) treaty - or substantially weakened, as with the nuclear non-proliferation treaty (NPT). Responsibility for this lies largely with the Bush administration, which, by terminating the ABM treaty, not only weakened the international control systems for nuclear weapons, but also sat on its hands when confronted with the NPT's imminent collapse. At the beginning of the 21st century, proliferation of military nuclear technology is one of the major threats to humanity, particularly if this technology falls into terrorists' hands. The use of nuclear weapons by terrorists would not only result in a major humanitarian tragedy, but also would most likely move the world beyond the threshold for actually waging a nuclear war. The consequences would be horrific.

### Bahrain Shell

#### Saudi Arabia needs more than $100 a barrel to sustain social spending

Peel and Blas 11

(Michael Peel, Javier Blas, writers, “Saudi budget could require high oil price”, 3/31/12, Financial Times, <http://www.ft.com/intl/cms/s/0/87d60044-5bbb-11e0-b8e7-00144feab49a.html#axzz20zLPp2yl>) aw

Saudi Arabia could need the oil price to average more than $100 a barrel by 2015 to sustain the big public spending rises it plans in an effort to forestall the political unrest sweeping the Middle East. The oil market is growing increasingly worried about Riyadh’s fiscal needs as it fears that they could force Saudi Arabia to pursue oil policies similar to those of Venezuela and Iran, traditionally the price hawks at the Opec oil cartel. The break-even oil price the Gulf kingdom requires to balance its budget will jump from $68 last year to $88 this and then $110 in 2015, according to new estimates by the Institute of International Finance, a leading industry group. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging $20-$25 a barrel. The forecast shows the scale of the task facing Saudi Arabia, the world’s largest oil producer and a crucial plank of the west’s regional security strategy, as it grapples with a growing population and increasing infrastructure problems. Crude oil prices on Thursday surged higher as Libyan rebels failed to make fresh ground against forces loyal to Muammer Gaddafi, suggesting a protracted oil supply disruption in the north African country. ICE May Brent rose to a session high of $117.70 a barrel, near a 2½-year high. It closed at $117.36 a barrel, up $2.23 on the day. Nymex May West Texas Intermediate closed at $106.72, a day’s rise of $2.45. The rise in oil prices caused by the unrest in the Middle East will help Saudi Arabia and other Opec nations to pay for the increased spending. The International Energy Agency, the western countries’ oil watchdog, believes Opec revenues will surpass $1,000bn this year for the first time. The forecasts of higher oil revenue needs come after the Saudi government announced two packages of social spending totalling $129bn aimed at averting the spread of dissent that toppled the Egyptian and Tunisian leaders. The largesse failed to satisfy activists who were angry that the package did not include reforms.

#### Social spending key to buying loyalty and quelling social unrest

Knowledge Today 11

(“To Stave Off Arab Spring Revolts, Saudi Arabia and Fellow Gulf Countries Spend $150 Billion”, 9/21/12, UPenn <http://knowledgetoday.wharton.upenn.edu/2011/09/to-stave-off-arab-spring-revolts-saudi-arabia-and-fellow-gulf-countries-spend-150-billion/>) aw

Saliba and his colleagues cautioned that the outsized spending did not address the long-term nature of the problems presented by the Arab Spring, such as high unemployment. “This [social spending] has averted potential disquiet over governance in most countries, though, over a longer-term horizon, economic reforms will be needed to buoy private sector growth and job creation.” Saudi Arabia’s generosity has been criticized as a means for the Arab world’s most populous country to make political gains and spread influence. The Merrill Lynch report also does not take into account the cost incurred by Saudi Arabia to send its troops into neighboring Bahrain to help quell a Shiite uprising there — another action to prevent revolt from reaching its own borders. But in a recent analysis of the Arab Spring for Arabic Knowledge@Wharton, Wharton legal studies and business ethics professor Stuart Diamond said the spending by the Saudis demonstrated their understanding of negotiation. “They understood that for many people, it was about Maslow’s [hierarchy of] needs triangle: that is, basic life necessities such as food, shelter and health mattered most. So the stipends that the Saudi government gave helped to quell disturbances,” he noted. Diamond added that Saudi spending bought not only continued loyalty from its citizens. “What they have mostly bought was time. For now, the populace will be satisfied with their recent bonuses. But that does not amount to structural and sustainable change, the kind that would significantly improve everyone’s quality of life on a continuing basis. The Saudi government should take this opportunity to include more people in decision-making and develop new industries that give more people a chance at a better life over the long term.”

#### Youth unemployment causes massive unrest, spreads regionally

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

“Youth unemployment is a time bomb for Saudi Arabia,” says Jean-Francois Seznec, a professor at Georgetown University’s Center for Contemporary Arab Studies in Washington. King Abdullah responded by announcing in 2011 a $130 billion plan to create jobs, build subsidized housing and support the religious establishment that had backed the government’s ban on domestic protests. Labor Minister Adel Faqih in May 2011 announced a program to reduce unemployment called Nitaqat, or Ranges, that for the first time rewards companies that employ a higher percentage of Saudis. “What they’ve done to slow any reaction to the Arab Spring is to throw money at people, with some success,” Seznec says. Persistent unemployment could have broad repercussions. Though there are some informal efforts to create activities ranging from impromptu comedy clubs to a girls’ basketball league, Saudi youth have few sanctioned outlets where they can have fun, exacerbating frustrations over unemployment. Unrest? “You are talking about the risk of this frustration going into political activism,” says David Butter, regional director for the Middle East at the London-based Economist Intelligence Unit. If political unrest got out of hand, it could threaten the oil industry and its exports, Butter says. The kingdom’s proven oil reserves of 263 billion barrels are the world’s largest. In February, the country produced 9.68 million barrels a day -- about a third of the total for the Organization of Petroleum Exporting Countries, according to data compiled by Bloomberg. Any instability in Saudi Arabia would also create ripples throughout the Middle East. As the birthplace of Islam and home to its two holiest sites, in Mecca and Medina, the country wields immense sway in the Muslim and Arab world and maintains influence in countries such as Lebanon and Bahrain and in the Israeli-Palestinian conflict.

#### Saudi Arabia unrest spills over to Bahrain

Abrams 7/13/12

(Elliot, Senior Fellow for Middle Eastern Studies, “Shia Unrest in Saudi Arabia”, 7/13/12, Council on Foreign Relations, <http://blogs.cfr.org/abrams/2012/07/13/shia-unrest-in-saudi-arabia/>) aw

Though there is not much Western reporting yet on this phenomenon, Shia unrest in Saudi Arabia’s Eastern Province appears to be growing. Two recent reports, including interesting amateur films of demonstrations and some violence, can be found in this Arab web site and buried in the New York Times here. The key question is whether the unrest is over or will spread among Saudi Shia. The proximate cause of the unrest is clear: Saudi security forces shot and wounded, while arresting, Shia leader Nimr al-Nimr last week after he called the death of the late Minister of the Interior and Crown Prince, Nayef, a cause for celebration. The deeper cause is Shia unhappiness with what they view as discrimination and indeed repression by the Saudi authorities. This violence will have repercussions in Bahrain. Whether or not it leads to more protests by Bahraini Shia, it will likely lead the Saudis to press the Bahraini government for more repressive measures rather than more compromise. The Saudi royal family’s harsh reaction to Nimr’s comments was predictable, and his comments were foolish and dangerous. Still, in the long run Shia complaints about second-class citizenship in both Bahrain and Saudi Arabia cannot be successfully dealt with by arrests and repression. Compromise will have to come or more violence will. But moderates in both countries face not only the inherent difficulties of negotiating such compromises; they also face extremists, Sunni and Shia, who think they benefit from confrontations and who reject compromise.

#### Bahrain social unrest expels the 5th Fleet, destabilizing the region

Goodspeed 11

(Peter, reporter, "Goodspeed Anaylsis: Unrest in Bahrain could threaten key US military outposts", 2/14/11, National Post, <http://news.nationalpost.com/2011/02/14/peter-goodspeed-unrest-in-bahrain-could-threaten-key-u-s-military-outpost/>) aw

There are concerns large-scale Shiite unrest in Bahrain might encourage similar protests among Saudi Arabia’s Shiite minority. But perhaps the biggest impact of any Shiite uprising would be renewed calls to end the significant U.S. military presence in Bahrain.The tiny oil-producing state just off the east coast of Saudi Arabia is home to the U.S. Navy’s Fifth Fleet, headquarters for a U.S. Marine Corps amphibious unit and a crucial base for U.S. Air Force jet fighter interceptors and spy planes. Bahrain gives Washington a base in the very heart of the Gulf from which it can protect and monitor the movement of 40% of the world’s oil through the Strait of Hormuz, spy on Iran and support pro-Western Gulf states from potential threats. The United States has had a naval presence in Bahrain since 1947, but that waned in 1977 when an agreement to allow Washington to dock its Middle East Fleet in Bahrain was terminated following unsuccessful Shiite attempts to end the Khalifa monarchy and expel the U.S. Navy. In the 1990s, the U.S. naval presence was renewed and expanded as a result of the First Gulf War, when Bahrain became a primary coalition naval base and the centre of air operations against Iraqi targets. The Fifth Fleet, with 15 warships and an aircraft carrier battle group, has made Bahrain its headquarters since 1991. Still, the U.S. military presence has always been a sore point in the emirate’s tumultuous politics and Washington has been sensitive to the impact its bases might have on the Muslim state. Iran, which has frequently threatened to choke off oil shipments through the Strait of Hormuz if attacked, would love to see the U.S. Navy expelled from Bahrain and can be expected to encourage the Shiite opposition. Washington would find it difficult to threaten Iran or to enforce international sanctions against Tehran’s nuclear program without its bases in Bahrain. Bahrain provides a perfect base for intelligence gathering and power projection. One can only imagine what a difference it would have made to U.S. policy in the region if Washington had its current base facilities in the region during the botched 1980 Iranian hostage rescue effort. Just last year, the Pentagon launched a US$580-million project to double the size of its naval base in Bahrain. But all those plans could be swept aside if the political storm raging elsewhere in the Arab world suddenly engulfs the emirate.

The US Navy is crucial to global stability and crisis response

Whiteneck et al 10 Daniel Whiteneck, Michael Price, Neil Jenkins,¶ Peter Svvartz (CNA senior research scientists and analysts, Ph.D) ¶ March 2010 “The Navy at a Tipping Point: Maritime¶ Dominance at Stake?”

We defined the "global navy" as one that is dominant, ready, and influential. We accept¶ these characteristics as proposed by the CNO and others throughout history as the¶ appropriate language. We base our definitions on these terms and then compare them with¶ attributes of past "global navies," to see whether they are adequate. Our list ofsuch navies¶ includes Portugal, the Netherlands, and the United Kingdom, at the heights oftheir power.¶ A dominant naval force must be compared to its potential adversaries and challengers.¶ For centuries, this meant the capability to exert sea control when and where needed, to¶ sustain operations in these areas indefinitely, to support and influence operations on land,¶ and to ensure freedom ofmovement for a nation's forces. To these long-standing¶ definitions of dominance, the U.S. Navy has added the capability to do high-performance¶ TACAIR, high-tempo submarine operations, large-scale amphibious operations, power¶ projection from the sea with precision strike (TACAIR, TLAMs), and joint and combined¶ operations.¶ These numbers of assets reveal dominance in capacity, but they do not paint the whole¶ picture. The Navy's dominance has been cemented by its continuing operations and¶ training in a range of capabilities that are unmatched by any potential challengers. The¶ Navy has been able to translate this capacity into credible maritime combat power that has¶ the following characteristics: strategic and tactical mobility; kinetic and non-kinetic options¶ for the use of forces to influence events ashore and at sea; tailorable packages of forces that¶ are sustainable at sea for long periods of time, support and enable amphibious operations;¶ assured access and protection for maritime and joint forces; and command and control of¶ international maritime coalitions across a spectrum of operations [1]. The global navy is deployed as a present force. The issue recently has been the ability of¶ the Navy to maintain its ready posture in the face of declining numbers. Despite an 18-¶ percent decrease in the size of the total battle force over the last 10 years, the percentage of¶ the fleet deployed and the number of ships deployed have remained stable. Is this¶ sustainable into the future?¶ The Navy has maintained this deployment rate with a smaller fleet by changing the Fleet¶ Response Plan (FRP) and the PERSTEMPO regulations, which has allowed for longer,¶ more frequent deployments and doubling the percentage of the fleet assigned to the Forward¶ Deployed Naval Force (FDNF) since 1998. We also note that over this time period, the¶ number of ships training and exercising outside of CONUS has decreased from around 70¶ ships in 1998 to around 20 ships today. The number of ships forward is remaining¶ constant, but the number of ships training is decreasing.¶ A global navy is a ready navy. Both its deployed and surge forces are trained, manned,¶ and equipped adequately. They are deployed globally so they can be ready to quickly¶ respond to crises. They also have the capacity to flex forces from other global deployments¶ to areas of instability and to serve as a "home fleet" that can surge for major operations.¶ CNA's study of the Navy as a flexible force and ready responder is well documented in¶ previous CNA publications [2]. The trends toward more joint and combined responses have¶ not diminished since 9/11. Responses have become routine for "shows of force" to deter¶ and reassure or to "express U.S. interest and resolve." Naval forces have also become¶ routine humanitarian assistance/disaster response (HA/DR) responders because they are¶ already deployed and ready. A global navy is influential. It exerts coalition leadership in peacetime and in war. It¶ provides a framework for allied operations. It is a visible force for reassuring allies and¶ partners that the government at home is committed to them and that it has resolved to place¶ its military forces in harm's way in support of those allies. It is a force flexible enough to¶ provide that influence at any point in the range of operations, from a show of force to deter¶ a regional threat to the imposition of a blockade, or the use of naval power to project force¶ and dominate an adversary.¶ It is influential because it can deter and reassure [3]. Maritime forces are uniquely¶ qualified as hybrid forces. They are trained, equipped, and deployed as multi-mission¶ platforms, capable of high-end war fighting performance. They know that when they¶ deploy they are not likely to engage in major combat operations, but they are trained and¶ equipped to that level. This means they can flex to that level, control escalation to that¶ level, and be a ready force to deter potential aggression to that level.

### Economy Shell

#### Saudi Arabia needs more than $100 a barrel to sustain social spending

Peel and Blas 11

(Michael Peel, Javier Blas, writers, “Saudi budget could require high oil price”, 3/31/12, Financial Times, <http://www.ft.com/intl/cms/s/0/87d60044-5bbb-11e0-b8e7-00144feab49a.html#axzz20zLPp2yl>) aw

Saudi Arabia could need the oil price to average more than $100 a barrel by 2015 to sustain the big public spending rises it plans in an effort to forestall the political unrest sweeping the Middle East. The oil market is growing increasingly worried about Riyadh’s fiscal needs as it fears that they could force Saudi Arabia to pursue oil policies similar to those of Venezuela and Iran, traditionally the price hawks at the Opec oil cartel. The break-even oil price the Gulf kingdom requires to balance its budget will jump from $68 last year to $88 this and then $110 in 2015, according to new estimates by the Institute of International Finance, a leading industry group. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging $20-$25 a barrel. The forecast shows the scale of the task facing Saudi Arabia, the world’s largest oil producer and a crucial plank of the west’s regional security strategy, as it grapples with a growing population and increasing infrastructure problems. Crude oil prices on Thursday surged higher as Libyan rebels failed to make fresh ground against forces loyal to Muammer Gaddafi, suggesting a protracted oil supply disruption in the north African country. ICE May Brent rose to a session high of $117.70 a barrel, near a 2½-year high. It closed at $117.36 a barrel, up $2.23 on the day. Nymex May West Texas Intermediate closed at $106.72, a day’s rise of $2.45. The rise in oil prices caused by the unrest in the Middle East will help Saudi Arabia and other Opec nations to pay for the increased spending. The International Energy Agency, the western countries’ oil watchdog, believes Opec revenues will surpass $1,000bn this year for the first time. The forecasts of higher oil revenue needs come after the Saudi government announced two packages of social spending totalling $129bn aimed at averting the spread of dissent that toppled the Egyptian and Tunisian leaders. The largesse failed to satisfy activists who were angry that the package did not include reforms.

#### Social spending key to buying loyalty and quelling social unrest

Knowledge Today 11

(“To Stave Off Arab Spring Revolts, Saudi Arabia and Fellow Gulf Countries Spend $150 Billion”, 9/21/12, UPenn <http://knowledgetoday.wharton.upenn.edu/2011/09/to-stave-off-arab-spring-revolts-saudi-arabia-and-fellow-gulf-countries-spend-150-billion/>) aw

Saliba and his colleagues cautioned that the outsized spending did not address the long-term nature of the problems presented by the Arab Spring, such as high unemployment. “This [social spending] has averted potential disquiet over governance in most countries, though, over a longer-term horizon, economic reforms will be needed to buoy private sector growth and job creation.” Saudi Arabia’s generosity has been criticized as a means for the Arab world’s most populous country to make political gains and spread influence. The Merrill Lynch report also does not take into account the cost incurred by Saudi Arabia to send its troops into neighboring Bahrain to help quell a Shiite uprising there — another action to prevent revolt from reaching its own borders. But in a recent analysis of the Arab Spring for Arabic Knowledge@Wharton, Wharton legal studies and business ethics professor Stuart Diamond said the spending by the Saudis demonstrated their understanding of negotiation. “They understood that for many people, it was about Maslow’s [hierarchy of] needs triangle: that is, basic life necessities such as food, shelter and health mattered most. So the stipends that the Saudi government gave helped to quell disturbances,” he noted. Diamond added that Saudi spending bought not only continued loyalty from its citizens. “What they have mostly bought was time. For now, the populace will be satisfied with their recent bonuses. But that does not amount to structural and sustainable change, the kind that would significantly improve everyone’s quality of life on a continuing basis. The Saudi government should take this opportunity to include more people in decision-making and develop new industries that give more people a chance at a better life over the long term.”

#### Youth unemployment causes massive unrest, spreads regionally

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

“Youth unemployment is a time bomb for Saudi Arabia,” says Jean-Francois Seznec, a professor at Georgetown University’s Center for Contemporary Arab Studies in Washington. King Abdullah responded by announcing in 2011 a $130 billion plan to create jobs, build subsidized housing and support the religious establishment that had backed the government’s ban on domestic protests. Labor Minister Adel Faqih in May 2011 announced a program to reduce unemployment called Nitaqat, or Ranges, that for the first time rewards companies that employ a higher percentage of Saudis. “What they’ve done to slow any reaction to the Arab Spring is to throw money at people, with some success,” Seznec says. Persistent unemployment could have broad repercussions. Though there are some informal efforts to create activities ranging from impromptu comedy clubs to a girls’ basketball league, Saudi youth have few sanctioned outlets where they can have fun, exacerbating frustrations over unemployment. Unrest? “You are talking about the risk of this frustration going into political activism,” says David Butter, regional director for the Middle East at the London-based Economist Intelligence Unit. If political unrest got out of hand, it could threaten the oil industry and its exports, Butter says. The kingdom’s proven oil reserves of 263 billion barrels are the world’s largest. In February, the country produced 9.68 million barrels a day -- about a third of the total for the Organization of Petroleum Exporting Countries, according to data compiled by Bloomberg. Any instability in Saudi Arabia would also create ripples throughout the Middle East. As the birthplace of Islam and home to its two holiest sites, in Mecca and Medina, the country wields immense sway in the Muslim and Arab world and maintains influence in countries such as Lebanon and Bahrain and in the Israeli-Palestinian conflict.

#### Protestors will halt Saudi Arabia oil production

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

Saudi authorities clamp down on the peaceful protests, and Saudi police fire at violent demonstrators largely drawn from the Shi’a minority in the oil-rich Eastern Province.[3] Protesters react by seizing oil facilities and attacking infrastructure. Saudi internal security forces, augmented by Salafist/Wahhabi zealots, who contemptuously denounce the Shi’a protesters as heretics, seek to oust the protesters. As Saudi security forces crack down on the protesters in the Eastern Province, the fighting damages or destroys key energy facilities. Iran stokes the conflict by providing the Saudi Shi’ites with money, arms, propaganda support, and training. In the ensuing internal strife, the Saudi dynasty in Riyadh is toppled, and the princes flee, are arrested, or are killed. A loose coalition of Wahhabi clerics and elements connected to al-Qaeda in the Arabian Peninsula seizes power and expels all non-Muslim foreign workers. The exodus of skilled technicians and oil workers exacerbates the situation by significantly delaying repairs of damaged infrastructure and impeding operation of oil facilities that are not damaged. As a result, nearly all Saudi oil production stops and oil exports are halted.

#### Saudi oil stoppage dooms US economy

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

The Saudi Kingdom is the largest oil producer in the world—occasionally surpassed by Russia—and essentially dominates the oil market due to its large excess production capacity, which it can ramp up to 12 mbd. A prolonged and massive disruption of Saudi oil production would significantly affect global energy markets and economic activity. However, for this economic analysis we look only at the effects on the United States. The impact in Asia, a principal customer of Saudi oil, would likely be much worse. It is difficult to calculate the magnitude of the panic in the global capital market that such a scenario would cause. We modeled total cessation of Saudi oil production, an 8.4 million-barrels-per-day reduction, for one year followed by a two-year recovery. For the purpose of this exercise, we optimistically assumed that repairing destroyed and damaged facilities and gradually restoring oil exports to the previous level would take approximately two years. In reality, the repairs and production recovery could take much longer. Even though withdrawals from strategic petroleum reserves (SPRs)—emergency oil stores in the U.S. and Europe and to a lesser degree in China and Japan—start immediately, SPRs cannot compensate for such a massive disruption. We would expect to see the following impacts over the three-year course of production loss and recovery: Gasoline prices jump to more than $6.50 per gallon, Petroleum prices jump from $100 per barrel to more than $220 per barrel, Employment losses exceed 1.5 million jobs, and Gross domestic product (GDP) drops by nearly $450 billion. Daily withdrawal of 3 mbd from the strategic petroleum reserves—half from the U.S. reserve and half from other countries as coordinated through the International Energy Agency (IEA)—would offset barely one-third of the lost Saudi production in the first quarter. These combined SPR withdrawals would drop to 2 mbd in the second quarter, 1 mbd for the third quarter, and 0.5 mbd for the fourth quarter. Saudi production recovers to an average of 2.8 mbd in the second year and 5.6 mbd in the third year. It fully recovers by the fourth year, and petroleum and gasoline prices return to the baseline. However, the initial shock of the net loss of 5.4 mbd in the petroleum market has a corresponding impact on the U.S. economy with the greatest impacts occurring in the first two years. Over the first two years, U.S. GDP loses $214 billion per year. Employment averages 1.1 million jobs below the baseline, bottoming out at more than 1.5 million lost jobs in the second quarter of the second year. Petroleum prices rise more than 120 percent in the first quarter to more than $220 per barrel. At the end of the second year, petroleum prices are still 45 percent above the baseline at $138 per barrel. The gasoline price immediately rises to over $6.50 per gallon. Although it moderates as the economy adjusts to the shock, it is still 28 percent above the baseline at the end of the second year. For the entire three-year period of loss and recovery, employment averages 900,000 fewer jobs and GDP losses total nearly $450 billion, an average loss of $150 billion per year.

#### Sharp oil spikes will derail economic recovery and cause massive inflation

Brush 11

(Michael, award-winning New York financial writer who has covered business and investing for The New York Times, Money magazine and the Economist Group. Michael studied at Columbia Business School in the Knight-Bagehot Fellowship program, “Will $200 oil kill the economy?”, 3/1/11, MSN Money, <http://money.msn.com/stock-broker-guided/will-200-dollar-oil-kill-the-economy-brush.aspx>) aw

To sum up, it wouldn't be pretty. A sustained hike in oil prices to around $200 would definitely derail the economic rebound. Here's the simple math: Because every $10 rise in oil prices reduces annual U.S. gross domestic product growth by 0.2%, a $100 increase in oil would knock down growth by at least two percentage points, says Nigel Gault, the chief U.S. economist of IHS Global Insight. With the economy growing at just 2.8%, that would put us back near recession. He says the effects of $200 oil would probably be bigger, since we would be in "unknown territory" with energy prices that high. Gault is not alone in this view. "In all likelihood, we will be back in recession if we go to $150 and stay there for a month or two," says Mark Zandi, the chief economist at Moody's Analytics. Here's another problem: A big spike in oil prices would bring more inflation at a time when the Federal Reserve doesn't have a whole lot of leeway to combat inflation by raising interest rates. Prices at the pump would shoot up to around $6 a gallon, since each $10 increase in oil prices translates into a 25-cent increase in gasoline prices. The national average is around $3.30 a gallon now. A crisis premium on top of that -- say, worry that another oil-producing nation experiences a revolt -- could take gas prices to $7 a gallon. That's not quite the $10 a gallon you might have heard talk-radio hosts fretting about last week, but it would have huge economic implications. Prices of just about all goods would go up, because shipping and manufacturing would cost more. And of course, oil touches almost every industry we have, from plastics production to agriculture. In the stock market, there would be almost nowhere to hide. Automakers, truckers, airlines, manufacturers and travel-related industries such as hotels and restaurants would get hit hardest. Most retailers, even high-end stores, would suffer, too. Consumers with moderate incomes would see their budgets hurt by higher energy costs, of course. But the stock market crash would make high-income consumers close their wallets, because they have so much of their wealth in stocks. About the only kind of stores that might benefit would be low-priced retailers like Wal-Mart Stores (WMT -1.00%, news) as consumers turn to them for discounts, trading down from more expensive retailers.

#### Economic downturn causes global war

Mead 9 (Henry, Sr fellow in U.S. Foreign Policy at the Council on Foreign Relations, The New Republic, 2/4/09, http://www.tnr.com/politics/story.html?id=571cbbb9-2887-4d81-8542-92e83915f5f8&p=2) ET

So far, such half-hearted experiments not only have failed to work; they have left the societies that have tried them in a progressively worse position, farther behind the front-runners as time goes by. Argentina has lost ground to Chile; Russian development has fallen farther behind that of the Baltic states and Central Europe. Frequently, the crisis has weakened the power of the merchants, industrialists, financiers, and professionals who want to develop a liberal capitalist society integrated into the world. Crisis can also strengthen the hand of religious extremists, populist radicals, or authoritarian traditionalists who are determined to resist liberal capitalist society for a variety of reasons. Meanwhile, the companies and banks based in these societies are often less established and more vulnerable to the consequences of a financial crisis than more established firms in wealthier societies. As a result, developing countries and countries where capitalism has relatively recent and shallow roots tend to suffer greater economic and political damage when crisis strikes--as, inevitably, it does. And, consequently, financial crises often reinforce rather than challenge the global distribution of power and wealth. This may be happening yet again. None of which means that we can just sit back and enjoy the recession. History may suggest that financial crises actually help capitalist great powers maintain their leads--but it has other, less reassuring messages as well. If financial crises have been a normal part of life during the 300-year rise of the liberal capitalist system under the Anglophone powers, so has war. The wars of the League of Augsburg and the Spanish Succession; the Seven Years War; the American Revolution; the Napoleonic Wars; the two World Wars; the cold war: The list of wars is almost as long as the list of financial crises. Bad economic times can breed wars. Europe was a pretty peaceful place in 1928, but the Depression poisoned German public opinion and helped bring Adolf Hitler to power. If the current crisis turns into a depression, what rough beasts might start slouching toward Moscow, Karachi, Beijing, or New Delhi to be born? The United States may not, yet, decline, but, if we can't get the world economy back on track, we may still have to fight.

### Soft Power Shell

#### Saudi Arabia needs more than $100 a barrel to sustain social spending

Peel and Blas 11

(Michael Peel, Javier Blas, writers, “Saudi budget could require high oil price”, 3/31/12, Financial Times, <http://www.ft.com/intl/cms/s/0/87d60044-5bbb-11e0-b8e7-00144feab49a.html#axzz20zLPp2yl>) aw

Saudi Arabia could need the oil price to average more than $100 a barrel by 2015 to sustain the big public spending rises it plans in an effort to forestall the political unrest sweeping the Middle East. The oil market is growing increasingly worried about Riyadh’s fiscal needs as it fears that they could force Saudi Arabia to pursue oil policies similar to those of Venezuela and Iran, traditionally the price hawks at the Opec oil cartel. The break-even oil price the Gulf kingdom requires to balance its budget will jump from $68 last year to $88 this and then $110 in 2015, according to new estimates by the Institute of International Finance, a leading industry group. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging $20-$25 a barrel. The forecast shows the scale of the task facing Saudi Arabia, the world’s largest oil producer and a crucial plank of the west’s regional security strategy, as it grapples with a growing population and increasing infrastructure problems. Crude oil prices on Thursday surged higher as Libyan rebels failed to make fresh ground against forces loyal to Muammer Gaddafi, suggesting a protracted oil supply disruption in the north African country. ICE May Brent rose to a session high of $117.70 a barrel, near a 2½-year high. It closed at $117.36 a barrel, up $2.23 on the day. Nymex May West Texas Intermediate closed at $106.72, a day’s rise of $2.45. The rise in oil prices caused by the unrest in the Middle East will help Saudi Arabia and other Opec nations to pay for the increased spending. The International Energy Agency, the western countries’ oil watchdog, believes Opec revenues will surpass $1,000bn this year for the first time. The forecasts of higher oil revenue needs come after the Saudi government announced two packages of social spending totalling $129bn aimed at averting the spread of dissent that toppled the Egyptian and Tunisian leaders. The largesse failed to satisfy activists who were angry that the package did not include reforms.

#### Social spending key to buying loyalty and quelling social unrest

Knowledge Today 11

(“To Stave Off Arab Spring Revolts, Saudi Arabia and Fellow Gulf Countries Spend $150 Billion”, 9/21/12, UPenn <http://knowledgetoday.wharton.upenn.edu/2011/09/to-stave-off-arab-spring-revolts-saudi-arabia-and-fellow-gulf-countries-spend-150-billion/>) aw

Saliba and his colleagues cautioned that the outsized spending did not address the long-term nature of the problems presented by the Arab Spring, such as high unemployment. “This [social spending] has averted potential disquiet over governance in most countries, though, over a longer-term horizon, economic reforms will be needed to buoy private sector growth and job creation.” Saudi Arabia’s generosity has been criticized as a means for the Arab world’s most populous country to make political gains and spread influence. The Merrill Lynch report also does not take into account the cost incurred by Saudi Arabia to send its troops into neighboring Bahrain to help quell a Shiite uprising there — another action to prevent revolt from reaching its own borders. But in a recent analysis of the Arab Spring for Arabic Knowledge@Wharton, Wharton legal studies and business ethics professor Stuart Diamond said the spending by the Saudis demonstrated their understanding of negotiation. “They understood that for many people, it was about Maslow’s [hierarchy of] needs triangle: that is, basic life necessities such as food, shelter and health mattered most. So the stipends that the Saudi government gave helped to quell disturbances,” he noted. Diamond added that Saudi spending bought not only continued loyalty from its citizens. “What they have mostly bought was time. For now, the populace will be satisfied with their recent bonuses. But that does not amount to structural and sustainable change, the kind that would significantly improve everyone’s quality of life on a continuing basis. The Saudi government should take this opportunity to include more people in decision-making and develop new industries that give more people a chance at a better life over the long term.”

#### Youth unemployment causes massive unrest, spreads regionally

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

“Youth unemployment is a time bomb for Saudi Arabia,” says Jean-Francois Seznec, a professor at Georgetown University’s Center for Contemporary Arab Studies in Washington. King Abdullah responded by announcing in 2011 a $130 billion plan to create jobs, build subsidized housing and support the religious establishment that had backed the government’s ban on domestic protests. Labor Minister Adel Faqih in May 2011 announced a program to reduce unemployment called Nitaqat, or Ranges, that for the first time rewards companies that employ a higher percentage of Saudis. “What they’ve done to slow any reaction to the Arab Spring is to throw money at people, with some success,” Seznec says. Persistent unemployment could have broad repercussions. Though there are some informal efforts to create activities ranging from impromptu comedy clubs to a girls’ basketball league, Saudi youth have few sanctioned outlets where they can have fun, exacerbating frustrations over unemployment. Unrest? “You are talking about the risk of this frustration going into political activism,” says David Butter, regional director for the Middle East at the London-based Economist Intelligence Unit. If political unrest got out of hand, it could threaten the oil industry and its exports, Butter says. The kingdom’s proven oil reserves of 263 billion barrels are the world’s largest. In February, the country produced 9.68 million barrels a day -- about a third of the total for the Organization of Petroleum Exporting Countries, according to data compiled by Bloomberg. Any instability in Saudi Arabia would also create ripples throughout the Middle East. As the birthplace of Islam and home to its two holiest sites, in Mecca and Medina, the country wields immense sway in the Muslim and Arab world and maintains influence in countries such as Lebanon and Bahrain and in the Israeli-Palestinian conflict.

#### Protestors will halt Saudi Arabia oil production

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

Saudi authorities clamp down on the peaceful protests, and Saudi police fire at violent demonstrators largely drawn from the Shi’a minority in the oil-rich Eastern Province.[3] Protesters react by seizing oil facilities and attacking infrastructure. Saudi internal security forces, augmented by Salafist/Wahhabi zealots, who contemptuously denounce the Shi’a protesters as heretics, seek to oust the protesters. As Saudi security forces crack down on the protesters in the Eastern Province, the fighting damages or destroys key energy facilities. Iran stokes the conflict by providing the Saudi Shi’ites with money, arms, propaganda support, and training. In the ensuing internal strife, the Saudi dynasty in Riyadh is toppled, and the princes flee, are arrested, or are killed. A loose coalition of Wahhabi clerics and elements connected to al-Qaeda in the Arabian Peninsula seizes power and expels all non-Muslim foreign workers. The exodus of skilled technicians and oil workers exacerbates the situation by significantly delaying repairs of damaged infrastructure and impeding operation of oil facilities that are not damaged. As a result, nearly all Saudi oil production stops and oil exports are halted.

#### Saudi oil collapse prompts an American isolationism that destroys US credibility

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

A crisis in Saudi Arabia would have drastic implications for the United States, its economy, and the whole world. The optimistic scenario modeled here presupposes a one-year cessation of production followed by a two-year recovery. In the real world, the exact length of the recovery period is difficult to predict. Gasoline prices would rise from $3.95 to more than $6.50 per gallon, petroleum prices would rise from $100 per barrel to more than $220 per barrel, employment losses would exceed 1.5 million jobs, and U.S. GDP would drop by a total of nearly $450 billion. Based on prior Heritage energy simulation exercises, in such a scenario the United States would fail to actively engage its bilateral partners to prevent its adversaries from exploiting this crisis and harming global U.S. and allied interests. This would likely lead to the loss of American credibility with its partners and adversaries around the world. U.S. allies would expect tangible actions and clear commitments from the United States, especially during a global crisis such as the collapse of Saudi oil production. A United States that lacks a proactive international policy that promptly reaches out to its allies and friends would be perceived as weak.

#### US credibility and soft power is key to mobilize action to solve all problems, including world war, disease, climate change, and terrorism.

Nye 08

(Joseph, professor of international relations at Harvard University, 2008 or later (n.d.) (“American Power After the Financial Crises,” http://www.foresightproject.net/publications/articles/article.asp?p=3533)

Power always depends on context, and in today's world, it is distributed in a pattern that resembles a complex three-dimensional chess game. On the top chessboard, military power is largely unipolar and likely to remain so for some time. But on the middle chessboard, economic power is already multi-polar, with the US, Europe, Japan and China as the major players, and others gaining in importance. The bottom chessboard is the realm of transnational relations that cross borders outside of government control, and it includes actors as diverse as bankers electronically transferring sums larger than most national budgets at one extreme, and terrorists transferring weapons or hackers disrupting Internet operations at the other. It also includes new challenges like pandemics and climate change. On this bottom board, power is widely dispersed, and it makes no sense to speak of unipolarity, multi-polarity or hegemony. Even in the aftermath of the financial crisis, the giddy pace of technological change is likely to continue to drive globalisation, but the political effects will be quite different for the world of nation states and the world of non-state actors. In inter-state politics, the most important factor will be the continuing "return of Asia". In 1750, Asia had three-fifths of the world population and three-fifths of the world's product. By 1900, after the industrial revolution in Europe and America, Asia's share shrank to one-fifth of the world product. By 2040, Asia will be well on its way back to its historical share. The "rise" in the power of China and India may create instability, but it is a problem with precedents, and we can learn from history about how our policies can affect the outcome. A century ago, Britain managed the rise of American power without conflict, but the world's failure to manage the rise of German power led to two devastating world wars. In transnational politics, the information revolution is dramatically reducing the costs of computing and communication. Forty years ago, instantaneous global communication was possible but costly, and restricted to governments and corporations. Today it is virtually free to anyone with the means to enter an internet café. The barriers to entry into world politics have been lowered, and non-state actors now crowd the stage. In 2001, a non-state group killed more Americans than the government of Japan killed at Pearl Harbor. A pandemic spread by birds or travelers on jet aircraft could kill more people than perished in the first or second world wars. This is a new world politics with which we have less experience. The problems of power diffusion (away from states) may turn out to be more difficult than power transition among states. The problem for American power in the 21st century is that there are more and more things outside the control of even the most powerful state. Although the United States does well on the traditional measures, there is increasingly more going on in the world that those measures fail to capture. Under the influence of the information revolution and globalisation, world politics is changing in a way that means Americans cannot achieve all their international goals acting alone. For example, international financial stability is vital to the prosperity of Americans, but the United States needs the cooperation of others to ensure it. Global climate change too will affect the quality of life, but the United States cannot manage the problem alone. And in a world where borders are becoming more porous than ever to everything from drugs to infectious diseases to terrorism, America must mobilise international coalitions to address shared threats and challenges. As the largest country, American leadership will remain crucial. The problem of American power after this crisis is not one of decline, but realisation that even the largest country cannot achieve its aims without the help of others.

### Iran Prolif Shell

#### Saudi Arabia needs more than $100 a barrel to sustain social spending

Peel and Blas 11

(Michael Peel, Javier Blas, writers, “Saudi budget could require high oil price”, 3/31/12, Financial Times, <http://www.ft.com/intl/cms/s/0/87d60044-5bbb-11e0-b8e7-00144feab49a.html#axzz20zLPp2yl>) aw

Saudi Arabia could need the oil price to average more than $100 a barrel by 2015 to sustain the big public spending rises it plans in an effort to forestall the political unrest sweeping the Middle East. The oil market is growing increasingly worried about Riyadh’s fiscal needs as it fears that they could force Saudi Arabia to pursue oil policies similar to those of Venezuela and Iran, traditionally the price hawks at the Opec oil cartel. The break-even oil price the Gulf kingdom requires to balance its budget will jump from $68 last year to $88 this and then $110 in 2015, according to new estimates by the Institute of International Finance, a leading industry group. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging $20-$25 a barrel. The forecast shows the scale of the task facing Saudi Arabia, the world’s largest oil producer and a crucial plank of the west’s regional security strategy, as it grapples with a growing population and increasing infrastructure problems. Crude oil prices on Thursday surged higher as Libyan rebels failed to make fresh ground against forces loyal to Muammer Gaddafi, suggesting a protracted oil supply disruption in the north African country. ICE May Brent rose to a session high of $117.70 a barrel, near a 2½-year high. It closed at $117.36 a barrel, up $2.23 on the day. Nymex May West Texas Intermediate closed at $106.72, a day’s rise of $2.45. The rise in oil prices caused by the unrest in the Middle East will help Saudi Arabia and other Opec nations to pay for the increased spending. The International Energy Agency, the western countries’ oil watchdog, believes Opec revenues will surpass $1,000bn this year for the first time. The forecasts of higher oil revenue needs come after the Saudi government announced two packages of social spending totalling $129bn aimed at averting the spread of dissent that toppled the Egyptian and Tunisian leaders. The largesse failed to satisfy activists who were angry that the package did not include reforms.

#### Social spending key to buying loyalty and quelling social unrest

Knowledge Today 11

(“To Stave Off Arab Spring Revolts, Saudi Arabia and Fellow Gulf Countries Spend $150 Billion”, 9/21/12, UPenn <http://knowledgetoday.wharton.upenn.edu/2011/09/to-stave-off-arab-spring-revolts-saudi-arabia-and-fellow-gulf-countries-spend-150-billion/>) aw

Saliba and his colleagues cautioned that the outsized spending did not address the long-term nature of the problems presented by the Arab Spring, such as high unemployment. “This [social spending] has averted potential disquiet over governance in most countries, though, over a longer-term horizon, economic reforms will be needed to buoy private sector growth and job creation.” Saudi Arabia’s generosity has been criticized as a means for the Arab world’s most populous country to make political gains and spread influence. The Merrill Lynch report also does not take into account the cost incurred by Saudi Arabia to send its troops into neighboring Bahrain to help quell a Shiite uprising there — another action to prevent revolt from reaching its own borders. But in a recent analysis of the Arab Spring for Arabic Knowledge@Wharton, Wharton legal studies and business ethics professor Stuart Diamond said the spending by the Saudis demonstrated their understanding of negotiation. “They understood that for many people, it was about Maslow’s [hierarchy of] needs triangle: that is, basic life necessities such as food, shelter and health mattered most. So the stipends that the Saudi government gave helped to quell disturbances,” he noted. Diamond added that Saudi spending bought not only continued loyalty from its citizens. “What they have mostly bought was time. For now, the populace will be satisfied with their recent bonuses. But that does not amount to structural and sustainable change, the kind that would significantly improve everyone’s quality of life on a continuing basis. The Saudi government should take this opportunity to include more people in decision-making and develop new industries that give more people a chance at a better life over the long term.”

#### Youth unemployment causes massive unrest, spreads regionally

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

“Youth unemployment is a time bomb for Saudi Arabia,” says Jean-Francois Seznec, a professor at Georgetown University’s Center for Contemporary Arab Studies in Washington. King Abdullah responded by announcing in 2011 a $130 billion plan to create jobs, build subsidized housing and support the religious establishment that had backed the government’s ban on domestic protests. Labor Minister Adel Faqih in May 2011 announced a program to reduce unemployment called Nitaqat, or Ranges, that for the first time rewards companies that employ a higher percentage of Saudis. “What they’ve done to slow any reaction to the Arab Spring is to throw money at people, with some success,” Seznec says. Persistent unemployment could have broad repercussions. Though there are some informal efforts to create activities ranging from impromptu comedy clubs to a girls’ basketball league, Saudi youth have few sanctioned outlets where they can have fun, exacerbating frustrations over unemployment. Unrest? “You are talking about the risk of this frustration going into political activism,” says David Butter, regional director for the Middle East at the London-based Economist Intelligence Unit. If political unrest got out of hand, it could threaten the oil industry and its exports, Butter says. The kingdom’s proven oil reserves of 263 billion barrels are the world’s largest. In February, the country produced 9.68 million barrels a day -- about a third of the total for the Organization of Petroleum Exporting Countries, according to data compiled by Bloomberg. Any instability in Saudi Arabia would also create ripples throughout the Middle East. As the birthplace of Islam and home to its two holiest sites, in Mecca and Medina, the country wields immense sway in the Muslim and Arab world and maintains influence in countries such as Lebanon and Bahrain and in the Israeli-Palestinian conflict.

#### Protestors will halt Saudi Arabia oil production

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

Saudi authorities clamp down on the peaceful protests, and Saudi police fire at violent demonstrators largely drawn from the Shi’a minority in the oil-rich Eastern Province.[3] Protesters react by seizing oil facilities and attacking infrastructure. Saudi internal security forces, augmented by Salafist/Wahhabi zealots, who contemptuously denounce the Shi’a protesters as heretics, seek to oust the protesters. As Saudi security forces crack down on the protesters in the Eastern Province, the fighting damages or destroys key energy facilities. Iran stokes the conflict by providing the Saudi Shi’ites with money, arms, propaganda support, and training. In the ensuing internal strife, the Saudi dynasty in Riyadh is toppled, and the princes flee, are arrested, or are killed. A loose coalition of Wahhabi clerics and elements connected to al-Qaeda in the Arabian Peninsula seizes power and expels all non-Muslim foreign workers. The exodus of skilled technicians and oil workers exacerbates the situation by significantly delaying repairs of damaged infrastructure and impeding operation of oil facilities that are not damaged. As a result, nearly all Saudi oil production stops and oil exports are halted.

#### Saudi oil cessation ensures hostile Iran proliferation

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

Iran. Based on prior Heritage simulation exercises, Iran likely takes advantage of the chaos following the turmoil in Saudi Arabia and the jump in oil prices. Iranian policy presents the appearance of behaving as a responsible actor in helping to defuse the oil crisis and maintaining a steady supply of oil while shifting international attention away from its nuclear weapons program. However, Iran conditions its cooperation with other countries on their changing their attitude toward Tehran, particularly their support for international sanctions. The Islamic Republic’s concerted actions prevent the United States and Western European countries from imposing the next round of sanctions. Tehran refuses to provided additional oil to countries that support sanctions. Thus, the Islamist takeover of Saudi Arabia and the collapse of Saudi oil production benefit the Iranian agenda of becoming the regional nuclear-armed, anti-American power.

#### Saudi Arabian protestors instigate Iran’s nuclear capabilities

Fletcher, 11

Sam Fletcher (OGJ Senior Writer) November 28th, 2011 <http://www.ogj.com/articles/2011/11/could-arab-spring-become-nuclear-winter.html>

The “Arab Spring” that ousted four authoritarian leaders—including Ali Abdullah Saleh who in late November gave up the presidency of Yemen after 33 years in power—might evolve into a grimmer period with the possibility of a nuclear winter headed into 2012.¶ The International Atomic Energy Agency report that Iran’s nuclear program is aimed at producing weapons indicates “a lethal brew when combined with a Middle East that is already in turmoil,” said analysts in the Houston office of Raymond James & Associates Inc. “If Washington will not force the issue, Israel almost certainly will.” Indeed, Israel’s air force unilaterally took out suspected nuclear facilities in Iraq back during the Regan administration, resulting in a tongue-lashing from then Vice-President George H.W. Bush. So today’s “increasingly limited timeframe to stop Iran from going nuclear means the likelihood of a major military confrontation is now a very important consideration for energy investors,” Raymond James analysts reported.¶ Iran is the biggest Middle East oil producer behind Saudi Arabia and sits on the Strait of Hormuz where it could threaten Saudi crude exports through the Persian Gulf. The US Navy suffered casualties escorting tankers through those waters during the Iran-Iraq war.¶ The French president called for an embargo on Iranian oil. But that would be a “struggle for the European southern peripheries, i.e. the same countries that are suffering the most from credit issues,” said Olivier Jakob at Petromatrix in Zug, Switzerland. “While it is relatively easy (and not very courageous) for countries that do not import Iranian crude to call for an embargo, it will be very difficult for countries that do import Iranian oil to join in such non-[United Nations] sanctions. China has joined Russia in refusing further sanctions on Iran so one can forget for now any UN-backed sanctions.”¶ Middle East unrest¶ Meanwhile, thousands of protestors have again taken to the streets in Cairo, and Saudi security forces fired on protesters, wounding several, in the Shiite region of Al-Qatif in late November.¶ However, Raymond James analysts declared, “When it comes to internal unrest, it is Iran's close ally Syria that seems to be approaching a point of no return. Similar to Libya early in its uprising, what began as peaceful protests against [Syria's President Bashar] Assad is increasingly turning into an all-out civil war.”¶ Syria is a minor oil producer, normally pumping 350,000 b/d and exporting one third of this, but these sales are a crucial source of hard currency for the regime. The European oil embargo against Syria appears to be working, with Syria's storage tanks full and the government cutting back on production, said analysts.¶ Despite a tightening market, James Zhang at Standard New York Securities Inc., the Standard Bank Group, expects no major change in production quotas at the Organization of Petroleum Exporting Countries’ Dec. 14 meeting in Vienna. “The last meeting in June ended with a fierce divide over production quotas, with Saudi Arabia and Kuwait advocating a production increase but being held back by other members. Consequently, no changes…were made. In response, the International Energy Agency released 60 million bbl [of crude and products] from member countries’ strategic reserves.” A repeat of the IEA action is not expected this time, since Saudi Arabia and Kuwait, the two OPEC members with the greatest spare capacity, have increased production to compensate for Libyan supplies halted by its civil war. “In fact, Saudi’s crude oil production has surpassed its record of 2008,” said Zhang.¶ Moreover, he said, “Global macroeconomics have deteriorated since the last OPEC meeting in June: China’s economy is slowing down, and there is a significant risk of a Euro-zone recession. China is unlikely to reverse its policy tightening in the near term, and the Euro-zone debt crisis seems interminable. Under these circumstances, OPEC would probably be unwilling to put further downward pressure on oil.”

#### **Saudi Arabia has nuclear weapons, conflict could result in nuclear war**

Burleigh, 12

Michael Burleigh (Journalist for *Daily Mail)* February 24th, 2012 *Daily Mail, UK* <http://www.dailymail.co.uk/debate/article-2105840/Never-mind-Iran-Saudi-Arabia-acquire-nuclear-bomb.html>

Both Saudi Arabia and the Gulf Cooperation Council maintain that they want a WMD-free Middle East. However, key members of the Saudi royal elite have recently signalled that if Iran develops a nuclear weapon, then Saudi Arabia will get one too. ¶ Speaking of signalling, they have also long indicated that if Israel were to overfly the desert kingdom to bomb Iranian nuclear sites, they would temporarily turn their radars off.¶ Saudi Arabia has signed nuclear technology agreements with several states**:** China, France, Argentina and South Korea, in order to address its need for research reactors, nuclear power plants and so forth. The latter will help slow domestic oil consumption, while boosting the amount of oil available for export. China alone is going to help build sixteen nuclear reactors.¶ Such projects would also enable the Saudis to enrich uranium, while they could obtain knowledge of the bomb and its relevant technologies from their Sunni allies in Pakistan. Then there is the matter of delivery systems. The Saudi Air Force could adapt its fighter jets (Typhoons and F15s) to carry nuclear warheads. The Kingdom is also seeking to replace its existing Chinese CSS-2 medium range missiles with the more accurate Donfeng-21, which is launched from mobile trailers. ¶ These weapons are already targeted on Iran's major cities, notably Tehran, home to a fifth of the entire population. It is worth noting too that Russia decided not to supply Iran with $800 million worth of S-300 PMU missiles, one of the most advanced anti-ballistic missile defence systems.¶ Unsurprisingly, many US politicians are extremely worried about a Saudi bomb. As in the case of Pakistan, Saudi Arabia had what one might call 'fluid' ties to Islamist terrorists.

#### Middle East instability and proliferation cause nuclear war

Kurtz 06

(Stan, Senior Fellow at Ethics and Public Policy Center, “Our Fallout Shelter Future” The National Review, 28 Aug 2006, LexisNexis)

Proliferation optimists, on the other hand, see reasons for hope in the record of nuclear peace during the Cold War. While granting the risks, proliferation optimists point out that the very horror of the nuclear option tends, in practice, to keep the peace. Without choosing between hawkish proliferation pessimists and dovish proliferation optimists, Rosen simply asks how we ought to act in a post-proliferation world. Rosen assumes (rightly I believe) that proliferation is unlikely to stop with Iran. Once Iran gets the bomb, Turkey and Saudi Arabia are likely to develop their own nuclear weapons, for self-protection, and so as not to allow Iran to take de facto cultural-political control of the Muslim world. (I think you’ve got to at least add Egypt to this list.) With three, four, or more nuclear states in the Muslim Middle East, what becomes of deterrence? A key to deterrence during the Cold War was our ability to know who had hit whom. With a small number of geographically separated nuclear states, and with the big opponents training satellites and specialized advance-guard radar emplacements on each other, it was relatively easy to know where a missile had come from. But what if a nuclear missile is launched at the United States from somewhere in a fully nuclearized Middle East, in the middle of a war in which, say, Saudi Arabia and Iran are already lobbing conventional missiles at one another? Would we know who had attacked us? Could we actually drop a retaliatory nuclear bomb on someone without being absolutely certain? And as Rosen asks, What if the nuclear blow was delivered against us by an airplane or a cruise missile? It might be almost impossible to trace the attack back to its source with certainty, especially in the midst of an ongoing conventional conflict. We’re familiar with the horror scenario of a Muslim state passing a nuclear bomb to terrorists for use against an American city. But imagine the same scenario in a multi-polar Muslim nuclear world. With several Muslim countries in possession of the bomb, it would be extremely difficult to trace the state source of a nuclear terror strike. In fact, this very difficulty would encourage states (or ill-controlled elements within nuclear states — like Pakistan’s intelligence services or Iran’s Revolutionary Guards) to pass nukes to terrorists. The tougher it is to trace the source of a weapon, the easier it is to give the weapon away. In short, nuclear proliferation to multiple Muslim states greatly increases the chances of a nuclear terror strike. Right now, the Indians and Pakistanis “enjoy” an apparently stable nuclear stand-off. Both countries have established basic deterrence, channels of communication, and have also eschewed a potentially destabilizing nuclear arms race. Attacks by Kashmiri militants in 2001 may have pushed India and Pakistan close to the nuclear brink. Yet since then, precisely because of the danger, the two countries seem to have established a clear, deterrence-based understanding. The 2001 crisis gives fuel to proliferation pessimists, while the current stability encourages proliferation optimists. Rosen points out, however, that a multi-polar nuclear Middle East is unlikely to follow the South Asian model. Deep mutual suspicion between an expansionist, apocalyptic, Shiite Iran, secular Turkey, and the Sunni Saudis and Egyptians (not to mention Israel) is likely to fuel a dangerous multi-pronged nuclear arms race. Larger arsenals mean more chance of a weapon being slipped to terrorists. The collapse of the world’s non-proliferation regime also raises the chances that nuclearization will spread to Asian powers like Taiwan and Japan. And of course, possession of nuclear weapons is likely to embolden Iran, especially in the transitional period before the Saudis develop weapons of their own. Like Saddam, Iran may be tempted to take control of Kuwait’s oil wealth, on the assumption that the United States will not dare risk a nuclear confrontation by escalating the conflict. If the proliferation optimists are right, then once the Saudis get nukes, Iran would be far less likely to make a move on nearby Kuwait. On the other hand, to the extent that we do see conventional war in a nuclearized Middle East, the losers will be sorely tempted to cancel out their defeat with a nuclear strike. There may have been nuclear peace during the Cold War, but there were also many “hot” proxy wars.

### Russia Military Authoritarianism Shell

#### Saudi Arabia needs more than $100 a barrel to sustain social spending

Peel and Blas 11

(Michael Peel, Javier Blas, writers, “Saudi budget could require high oil price”, 3/31/12, Financial Times, <http://www.ft.com/intl/cms/s/0/87d60044-5bbb-11e0-b8e7-00144feab49a.html#axzz20zLPp2yl>) aw

Saudi Arabia could need the oil price to average more than $100 a barrel by 2015 to sustain the big public spending rises it plans in an effort to forestall the political unrest sweeping the Middle East. The oil market is growing increasingly worried about Riyadh’s fiscal needs as it fears that they could force Saudi Arabia to pursue oil policies similar to those of Venezuela and Iran, traditionally the price hawks at the Opec oil cartel. The break-even oil price the Gulf kingdom requires to balance its budget will jump from $68 last year to $88 this and then $110 in 2015, according to new estimates by the Institute of International Finance, a leading industry group. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging $20-$25 a barrel. The forecast shows the scale of the task facing Saudi Arabia, the world’s largest oil producer and a crucial plank of the west’s regional security strategy, as it grapples with a growing population and increasing infrastructure problems. Crude oil prices on Thursday surged higher as Libyan rebels failed to make fresh ground against forces loyal to Muammer Gaddafi, suggesting a protracted oil supply disruption in the north African country. ICE May Brent rose to a session high of $117.70 a barrel, near a 2½-year high. It closed at $117.36 a barrel, up $2.23 on the day. Nymex May West Texas Intermediate closed at $106.72, a day’s rise of $2.45. The rise in oil prices caused by the unrest in the Middle East will help Saudi Arabia and other Opec nations to pay for the increased spending. The International Energy Agency, the western countries’ oil watchdog, believes Opec revenues will surpass $1,000bn this year for the first time. The forecasts of higher oil revenue needs come after the Saudi government announced two packages of social spending totalling $129bn aimed at averting the spread of dissent that toppled the Egyptian and Tunisian leaders. The largesse failed to satisfy activists who were angry that the package did not include reforms.

#### Social spending key to buying loyalty and quelling social unrest

Knowledge Today 11

(“To Stave Off Arab Spring Revolts, Saudi Arabia and Fellow Gulf Countries Spend $150 Billion”, 9/21/12, UPenn <http://knowledgetoday.wharton.upenn.edu/2011/09/to-stave-off-arab-spring-revolts-saudi-arabia-and-fellow-gulf-countries-spend-150-billion/>) aw

Saliba and his colleagues cautioned that the outsized spending did not address the long-term nature of the problems presented by the Arab Spring, such as high unemployment. “This [social spending] has averted potential disquiet over governance in most countries, though, over a longer-term horizon, economic reforms will be needed to buoy private sector growth and job creation.” Saudi Arabia’s generosity has been criticized as a means for the Arab world’s most populous country to make political gains and spread influence. The Merrill Lynch report also does not take into account the cost incurred by Saudi Arabia to send its troops into neighboring Bahrain to help quell a Shiite uprising there — another action to prevent revolt from reaching its own borders. But in a recent analysis of the Arab Spring for Arabic Knowledge@Wharton, Wharton legal studies and business ethics professor Stuart Diamond said the spending by the Saudis demonstrated their understanding of negotiation. “They understood that for many people, it was about Maslow’s [hierarchy of] needs triangle: that is, basic life necessities such as food, shelter and health mattered most. So the stipends that the Saudi government gave helped to quell disturbances,” he noted. Diamond added that Saudi spending bought not only continued loyalty from its citizens. “What they have mostly bought was time. For now, the populace will be satisfied with their recent bonuses. But that does not amount to structural and sustainable change, the kind that would significantly improve everyone’s quality of life on a continuing basis. The Saudi government should take this opportunity to include more people in decision-making and develop new industries that give more people a chance at a better life over the long term.”

#### Youth unemployment causes massive unrest, spreads regionally

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

“Youth unemployment is a time bomb for Saudi Arabia,” says Jean-Francois Seznec, a professor at Georgetown University’s Center for Contemporary Arab Studies in Washington. King Abdullah responded by announcing in 2011 a $130 billion plan to create jobs, build subsidized housing and support the religious establishment that had backed the government’s ban on domestic protests. Labor Minister Adel Faqih in May 2011 announced a program to reduce unemployment called Nitaqat, or Ranges, that for the first time rewards companies that employ a higher percentage of Saudis. “What they’ve done to slow any reaction to the Arab Spring is to throw money at people, with some success,” Seznec says. Persistent unemployment could have broad repercussions. Though there are some informal efforts to create activities ranging from impromptu comedy clubs to a girls’ basketball league, Saudi youth have few sanctioned outlets where they can have fun, exacerbating frustrations over unemployment. Unrest? “You are talking about the risk of this frustration going into political activism,” says David Butter, regional director for the Middle East at the London-based Economist Intelligence Unit. If political unrest got out of hand, it could threaten the oil industry and its exports, Butter says. The kingdom’s proven oil reserves of 263 billion barrels are the world’s largest. In February, the country produced 9.68 million barrels a day -- about a third of the total for the Organization of Petroleum Exporting Countries, according to data compiled by Bloomberg. Any instability in Saudi Arabia would also create ripples throughout the Middle East. As the birthplace of Islam and home to its two holiest sites, in Mecca and Medina, the country wields immense sway in the Muslim and Arab world and maintains influence in countries such as Lebanon and Bahrain and in the Israeli-Palestinian conflict.

#### Protestors will halt Saudi Arabia oil production

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

Saudi authorities clamp down on the peaceful protests, and Saudi police fire at violent demonstrators largely drawn from the Shi’a minority in the oil-rich Eastern Province.[3] Protesters react by seizing oil facilities and attacking infrastructure. Saudi internal security forces, augmented by Salafist/Wahhabi zealots, who contemptuously denounce the Shi’a protesters as heretics, seek to oust the protesters. As Saudi security forces crack down on the protesters in the Eastern Province, the fighting damages or destroys key energy facilities. Iran stokes the conflict by providing the Saudi Shi’ites with money, arms, propaganda support, and training. In the ensuing internal strife, the Saudi dynasty in Riyadh is toppled, and the princes flee, are arrested, or are killed. A loose coalition of Wahhabi clerics and elements connected to al-Qaeda in the Arabian Peninsula seizes power and expels all non-Muslim foreign workers. The exodus of skilled technicians and oil workers exacerbates the situation by significantly delaying repairs of damaged infrastructure and impeding operation of oil facilities that are not damaged. As a result, nearly all Saudi oil production stops and oil exports are halted.

#### Saudi crisis leads to Russian military modernization and authoritarianism

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

Russia. The increase in oil prices allows the Russian Federation to increase foreign currency reserves in the stabilization fund and the treasury, cash available for the state-owned energy companies such as Rosneft and Gazprom, and foreign asset holdings. The cash surplus allows Russia to expand its already ambitious infrastructure and military modernization plans. Surplus energy revenues are used to increase investments in the oil and gas industry and related infrastructure at home and abroad, laying the groundwork for long-term dominance of the energy market. Internationally, Moscow negotiates a number of preferred bilateral deals with China and some EU member states, particularly Germany and Italy, to secure their oil needs. Thus, the crisis helps to raise Russia’s international profile, and Russia seizes the opportunity to pose as a problem solver, willing to cooperate with principal international players in alleviating energy shortages. The Russian Federation could secure greater downstream investment leverage abroad and solidify its international position at the expense of the United States. Domestically, the Russian government continues its practice of using international crises to strengthen its control over the media and increase pressure on opposition groups to boost the standing of President-elect Vladimir Putin and his ruling United Russia party. Thus, the hypothetical Saudi crisis likely helps to consolidate and solidify authoritarian rule in Russia, while boosting the regime’s revenues.

#### Russia authoritarianism escalates to nuclear exchange

Isdraelyan 98

(Victor, former Soviet Ambassador, THE WASHINGTON QUARTERLY, Winter, p. 47)

The first and by far most dangerous possibility is what I call the power scenario. Supporters of this option would, in the name of a "united and undivided Russia," radically change domestic and foreign policies. Many would seek to revive a dictatorship and take urgent military steps to mobilize the people against the outside "enemy." Such steps would include Russia's denunciation of the commitment to nofirst-use of nuclear weapons; suspension of the Strategic Arms Reduction Treaty (START) I and refusal to ratify both START II and the Chemical Weapons Convention; denunciation of the Biological Weapons Convention; and reinstatement of a full-scale armed force, including the acquisition of additional intercontinental ballistic missiles with multiple warheads, as well as medium- and short-range missiles such as the SS-20. Some of these measures will demand substantial financing, whereas others, such as the denunciation and refusal to ratify arms control treaties, would, according to proponents, save money by alleviating the obligations of those agreements. In this scenario, Russia's military planners would shift Western countries from the category of strategic partners to the category of countries representing a threat to national security. This will revive the strategy of nuclear deterrence -- and indeed, realizing its unfavorable odds against the expanded NATO, Russia will place new emphasis on the first-use of nuclear weapons, a trend that is underway already. The power scenario envisages a hard-line policy toward the CIS countries, and in such circumstances the problem of the Russian diaspora in those countries would be greatly magnified. Moscow would use all the means at its disposal, including economic sanctions and political ultimatums, to ensure the rights of ethnic Russians in CIS countries as well as to have an influence on other issues. Of those means, even the use of direct military force in places like the Baltics cannot be ruled out. Some will object that this scenario is implausible because no potential dictator exists in Russia who could carry out this strategy. I am not so sure. Some Duma members -- such as Victor Antipov, Sergei Baburin, Vladimir Zhirinovsky, and Albert Makashov, who are leading politicians in ultranationalistic parties and fractions in the parliament -- are ready to follow this path to save a "united Russia." Baburin's "Anti-NATO" deputy group boasts a membership of more than 240 Duma members. One cannot help but remember that when Weimar Germany was isolated, exhausted, and humiliated as a result of World War I and the Versailles Treaty, Adolf Hitler took it upon himself to "save" his country. It took the former corporal only a few years to plunge the world into a second world war that cost humanity more than 50 million lives. I do not believe that Russia has the economic strength to implement such a scenario successfully, but then again, Germany's economic situation in the 1920s was hardly that strong either. Thus, I am afraid that economics will not deter the power scenario's would-be authors from attempting it. Baburin, for example, warned that any political leader who would "dare to encroach upon Russia" would be decisively repulsed by the Russian Federation "by all measures on heaven and earth up to the use of nuclear weapons." In autumn 1996 Oleg Grynevsky, Russian ambassador to Sweden and former Soviet arms control negotiator, while saying that NATO expansion increases the risk of nuclear war, reminded his Western listeners that Russia has enough missiles to destroy both the United States and Europe. Former Russian minister of defense Igor Rodionov warned several times that Russia's vast nuclear arsenal could become uncontrollable. In this context, one should keep in mind that, despite dramatically reduced nuclear arsenals -- and tensions -- Russia and the United States remain poised to launch their missiles in minutes. I cannot but agree with Anatol Lieven, who wrote, "It may be, therefore, that with all the new Russian order's many problems and weaknesses, it will for a long time be able to stumble on, until we all fall down together."

#### US-Russia war is the only existential risk

Bostrom 02

(Nick, Faculty of Philosophy, Oxford University, http://www.nickbostrom.com/existential/risks.html,) jl

A much greater existential risk emerged with the build-up of nuclear arsenals in the US and the USSR. An all-out nuclear war was a possibility with both a substantial probability and with consequences that might have been persistent enough to qualify as global and terminal. There was a real worry among those best acquainted with the information available at the time that a nuclear Armageddon would occur and that it might annihilate our species or permanently destroy human civilization.[4] Russia and the US retain large nuclear arsenals that could be used in a future confrontation , either accidentally or deliberately. There is also a risk that other states may one day build up large nuclear arsenals. Note however that a smaller nuclear exchange between India and Pakistan for instance, is not an existential risk, since it would not destroy or thwart humankind¶s potential permanently. Such a war might however be a local terminal risk for the cities most likely to be targeted. Unfortunately, we shall see that nuclear Armageddon and come to asteroid strikes are mere preludes to the existential risks that we will encounter in the 21st century

### Module – Eurozone Collapse

#### Saudi Arabia needs more than $100 a barrel to sustain social spending

Peel and Blas 11

(Michael Peel, Javier Blas, writers, “Saudi budget could require high oil price”, 3/31/12, Financial Times, <http://www.ft.com/intl/cms/s/0/87d60044-5bbb-11e0-b8e7-00144feab49a.html#axzz20zLPp2yl>) aw

Saudi Arabia could need the oil price to average more than $100 a barrel by 2015 to sustain the big public spending rises it plans in an effort to forestall the political unrest sweeping the Middle East. The oil market is growing increasingly worried about Riyadh’s fiscal needs as it fears that they could force Saudi Arabia to pursue oil policies similar to those of Venezuela and Iran, traditionally the price hawks at the Opec oil cartel. The break-even oil price the Gulf kingdom requires to balance its budget will jump from $68 last year to $88 this and then $110 in 2015, according to new estimates by the Institute of International Finance, a leading industry group. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging $20-$25 a barrel. The forecast shows the scale of the task facing Saudi Arabia, the world’s largest oil producer and a crucial plank of the west’s regional security strategy, as it grapples with a growing population and increasing infrastructure problems. Crude oil prices on Thursday surged higher as Libyan rebels failed to make fresh ground against forces loyal to Muammer Gaddafi, suggesting a protracted oil supply disruption in the north African country. ICE May Brent rose to a session high of $117.70 a barrel, near a 2½-year high. It closed at $117.36 a barrel, up $2.23 on the day. Nymex May West Texas Intermediate closed at $106.72, a day’s rise of $2.45. The rise in oil prices caused by the unrest in the Middle East will help Saudi Arabia and other Opec nations to pay for the increased spending. The International Energy Agency, the western countries’ oil watchdog, believes Opec revenues will surpass $1,000bn this year for the first time. The forecasts of higher oil revenue needs come after the Saudi government announced two packages of social spending totalling $129bn aimed at averting the spread of dissent that toppled the Egyptian and Tunisian leaders. The largesse failed to satisfy activists who were angry that the package did not include reforms.

#### Social spending key to buying loyalty and quelling social unrest

Knowledge Today 11

(“To Stave Off Arab Spring Revolts, Saudi Arabia and Fellow Gulf Countries Spend $150 Billion”, 9/21/12, UPenn <http://knowledgetoday.wharton.upenn.edu/2011/09/to-stave-off-arab-spring-revolts-saudi-arabia-and-fellow-gulf-countries-spend-150-billion/>) aw

Saliba and his colleagues cautioned that the outsized spending did not address the long-term nature of the problems presented by the Arab Spring, such as high unemployment. “This [social spending] has averted potential disquiet over governance in most countries, though, over a longer-term horizon, economic reforms will be needed to buoy private sector growth and job creation.” Saudi Arabia’s generosity has been criticized as a means for the Arab world’s most populous country to make political gains and spread influence. The Merrill Lynch report also does not take into account the cost incurred by Saudi Arabia to send its troops into neighboring Bahrain to help quell a Shiite uprising there — another action to prevent revolt from reaching its own borders. But in a recent analysis of the Arab Spring for Arabic Knowledge@Wharton, Wharton legal studies and business ethics professor Stuart Diamond said the spending by the Saudis demonstrated their understanding of negotiation. “They understood that for many people, it was about Maslow’s [hierarchy of] needs triangle: that is, basic life necessities such as food, shelter and health mattered most. So the stipends that the Saudi government gave helped to quell disturbances,” he noted. Diamond added that Saudi spending bought not only continued loyalty from its citizens. “What they have mostly bought was time. For now, the populace will be satisfied with their recent bonuses. But that does not amount to structural and sustainable change, the kind that would significantly improve everyone’s quality of life on a continuing basis. The Saudi government should take this opportunity to include more people in decision-making and develop new industries that give more people a chance at a better life over the long term.”

#### Youth unemployment causes massive unrest, spreads regionally

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

“Youth unemployment is a time bomb for Saudi Arabia,” says Jean-Francois Seznec, a professor at Georgetown University’s Center for Contemporary Arab Studies in Washington. King Abdullah responded by announcing in 2011 a $130 billion plan to create jobs, build subsidized housing and support the religious establishment that had backed the government’s ban on domestic protests. Labor Minister Adel Faqih in May 2011 announced a program to reduce unemployment called Nitaqat, or Ranges, that for the first time rewards companies that employ a higher percentage of Saudis. “What they’ve done to slow any reaction to the Arab Spring is to throw money at people, with some success,” Seznec says. Persistent unemployment could have broad repercussions. Though there are some informal efforts to create activities ranging from impromptu comedy clubs to a girls’ basketball league, Saudi youth have few sanctioned outlets where they can have fun, exacerbating frustrations over unemployment. Unrest? “You are talking about the risk of this frustration going into political activism,” says David Butter, regional director for the Middle East at the London-based Economist Intelligence Unit. If political unrest got out of hand, it could threaten the oil industry and its exports, Butter says. The kingdom’s proven oil reserves of 263 billion barrels are the world’s largest. In February, the country produced 9.68 million barrels a day -- about a third of the total for the Organization of Petroleum Exporting Countries, according to data compiled by Bloomberg. Any instability in Saudi Arabia would also create ripples throughout the Middle East. As the birthplace of Islam and home to its two holiest sites, in Mecca and Medina, the country wields immense sway in the Muslim and Arab world and maintains influence in countries such as Lebanon and Bahrain and in the Israeli-Palestinian conflict.

#### Protestors will halt Saudi Arabia oil production

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

Saudi authorities clamp down on the peaceful protests, and Saudi police fire at violent demonstrators largely drawn from the Shi’a minority in the oil-rich Eastern Province.[3] Protesters react by seizing oil facilities and attacking infrastructure. Saudi internal security forces, augmented by Salafist/Wahhabi zealots, who contemptuously denounce the Shi’a protesters as heretics, seek to oust the protesters. As Saudi security forces crack down on the protesters in the Eastern Province, the fighting damages or destroys key energy facilities. Iran stokes the conflict by providing the Saudi Shi’ites with money, arms, propaganda support, and training. In the ensuing internal strife, the Saudi dynasty in Riyadh is toppled, and the princes flee, are arrested, or are killed. A loose coalition of Wahhabi clerics and elements connected to al-Qaeda in the Arabian Peninsula seizes power and expels all non-Muslim foreign workers. The exodus of skilled technicians and oil workers exacerbates the situation by significantly delaying repairs of damaged infrastructure and impeding operation of oil facilities that are not damaged. As a result, nearly all Saudi oil production stops and oil exports are halted.

#### Saudi Arabia oil crisis cripples EU recovery

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

The European Union. In the crisis scenario, the economic crisis further undermines the EU political coherence. EU reaction is muted and fragmented because the many competing national interests prevent formulation of a coherent and truly effective response. Despite the EU’s efforts in recent years, the liberalization of its energy market is proceeding slowly and would likely stop completely during a massive Saudi oil-supply disruption as each member state tries to cut the best possible deal with other suppliers in Central Asia, the Middle East, and Russia. However, the EU is well positioned institutionally to oversee the member states while they implement oil-saving measures and share crude oil and refined products among themselves.

#### Causes global depression and runaway warming

Strahan 10/13/11

 David, an award-winning investigative journalist and documentary film-maker who specializes business and energy, reported and produced extensively for the BBC’s Money Programme and Horizon strands, author of The Last Oil Shock: A Survival Guide to the Imminent Extinction of Petroleum Man, trustee of the Oil Depletion Analysis Centre, fellow of the RSA, and an honorary researcher at the Aon Benfield UCL Hazard Research Centre, “The real Greektragedy may be the climate”,http://www.newscientist.com/article/mg21228346.800-the-real-greek-tragedy-may-be-the-climate.html%3Cbr%20/%3E

 The climate always takes a back seat when economies turn sour, but the impact of a euro breakup would be profoundand long-lasting. Any country leaving the euro would also breach the treaties of Mastricht, Lisbon and Rome, and therefore be forced to leave the single market and the European Union. So a euro breakup is likely to shatter the EU, and with it the hard won architecture of climate policy.  For a start, the Emissions Trading System would be unlikely to survive the collapse of the currency in which it is denominated. True, the EU ETS has been widely criticized for being ineffectual – with certificates currently languishing at less than €11 per tonne of CO2 – and many argue a carbon tax would be cheaper and more effective. But the system is what we have, and crucially imposes an international framework which, however weak at present, could be strengthened and expanded in future. That would all be swept away by the collapse of the EU, along with any obligation for countries to deliver their 2020 targets on emissions reduction, renewables capacity and energy efficiency.  But so what? Given the scale of the likely economic collapse, emissions would plunge too. In the 2009 recession, Europe’s GDP shrank 4% while total emissions in the EU27 dropped a little over 7%, according to the European Environment Agency. If the cost to countries leaving the euro is between 25% and 50% of GDP, as UBS suggests, in a euro breakup European emissions would fall far below any existing targets. And emissions could stay low for many years: Stephen King, the chief economist of HSBC, has said the destruction of the single currency would threaten “another Great Depression”.  On that basis, the collapse of the EU, so long in the vanguard of climate policy, could ironically be seen as the best outcome for global warming. But nothing could be further from the truth. Because while emissions would fall dramatically, so would our ability to do anything about the remainder. The IPCC’s most recent assessment says holding global temperature increase to 2C means cutting emissions by up to 85% by 2050. But that assessment does not include the impacts of so-called ‘slow feedback loops’ such as the melting ice sheets. More recent work led by James Hansen, director of the Goddard Institute at NASA, suggests we need to be carbon neutral by around the middle of the century and carbon negative thereafter. Both assessments clearly require emissions to fall far more than would be delivered by Europe’s economic ruination.  Yet achieving those kinds of reductions requires massive investment. The International Energy Agency calculates that holding temperatures to +2C means the world needs to invest $18 trillion by 2035, across transport, power generation, buildings and industry. The investment needed would presumably be lower if emissions themselves had already slumped, but even so it is hard to imagine governments could mobilize anything like enough money in the midst of a grinding depression. Not only would the wealth have been destroyed, but also the political will. Which leader, for example, would dare to raise energy prices to pay for carbon capture and storage?  There is much more riding on the outcome of the Greek crisis than the future of Europe or even the world economy. The danger is that a euro collapse could destroy the capital and European institutions needed to combat climate change for a generation. A spiralling financial crisis would then spawn an environmental catastrophe. It is bitterly ironic that the meltdown of a minor economy that has little to sell but sunshine could condemn the planet to uncontrollable global warming.

#### Extinction

Tickell, 08

Oliver, British journalist, author and campaigner on health and environment issues, and author of the *Kyoto2* climate initiative, Climate Researcher, The Gaurdian, “On a planet 4C hotter, all we can prepare for is extinction”, 8/11 <http://www.guardian.co.uk/commentisfree/2008/aug/11/climatechange>

We need to get prepared for four degrees of global warming, Bob Watson told the Guardian last week. At first sight this looks like wise counsel from the climate science adviser to Defra. But the idea that we could adapt to a 4C rise is absurd and dangerous. Global warming on this scale would be a catastrophe that would mean, in the immortal words that Chief Seattle probably never spoke, "the end of living and the beginning of survival" for humankind. Or perhaps the beginning of our extinction. The collapse of the polar ice caps would become inevitable, bringing long-term sea level rises of 70-80 metres. All the world's coastal plains would be lost, complete with ports, cities, transport and industrial infrastructure, and much of the world's most productive farmland. The world's geography would be transformed much as it was at the end of the last ice age, when sea levels rose by about 120 metres to create the Channel, the North Sea and Cardigan Bay out of dry land. Weather would become extreme and unpredictable, with more frequent and severe droughts, floods and hurricanes. The Earth's carrying capacity would be hugely reduced. Billions would undoubtedly die. Watson's call was supported by the government's former chief scientific adviser, Sir David King, who warned that "if we get to a four-degree rise it is quite possible that we would begin to see a runaway increase". This is a remarkable understatement. The climate system is already experiencing significant feedbacks, notably the summer melting of the Arctic sea ice. The more the ice melts, the more sunshine is absorbed by the sea, and the more the Arctic warms. And as the Arctic warms, the release of billions of tonnes of methane – a greenhouse gas 70 times stronger than carbon dioxide over 20 years – captured under melting permafrost is already under way. To see how far this process could go, look 55.5m years to the Palaeocene-Eocene Thermal Maximum, when a global temperature increase of 6C coincided with the release of about 5,000 gigatonnes of carbon into the atmosphere, both as CO2 and as methane from bogs and seabed sediments. Lush subtropical forests grew in polar regions, and sea levels rose to 100m higher than today. It appears that an initial warming pulse triggered other warming processes. Many scientists warn that this historical event may be analogous to the present: the warming caused by human emissions could propel us towards a similar hothouse Earth.

### \*Libya Shells\*

### Boko Haram Shell

#### Libyan economy recovering now but drop in oil prices will gut growth

**Reuters**, 7/10/**12**, “Sees Libya economic growth doubling this year”, <http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi>

Libya's economy is likely to rebound sharply this year from a deep contraction in 2011 as the country rebuilds from civil war and oil production recovers to levels last seen during Muammar Gaddafi's rule, the International Monetary [Fund](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) said on Tuesday. In a report on Libya's economy resulting from an IMF mission in May but published only now, the fund forecast growth will skyrocket 116.6 percent in 2012 following a contraction of 60 percent last year. Growth next year is likely to slow to 16.5 percent and 13.2 percent in 2014 as the effects of the war on the economy wane, the IMF added. Such [impressive](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) rebounds in growth are not unusual in countries emerging from conflict when the economy is boosted by rebuilding projects and pent-up private demand. The IMF statement on Libya comes as the country awaits the outcome of a historic vote on Saturday to elect a national assembly. While Libya's [government](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) can afford the current high rates of spending in the short term, the IMF estimated that it is not sustainable over the longer term and will push the budget into deficit from 2015. "A more thorough analysis of sustainability based on the present value of financial [assets](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) and future oil extraction indicates that from 2012, public spending will exceed the sustainable, long-term level by over 10 percent of [GDP](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi)," the fund added. http://articles.chicagotribune.com/images/pixel.gifThe IMF also warned that continued political uncertainty, insecurity and the possibility of a drop in global oil prices were all risks to Libya's economic outlook. Last week around half of Libya's oil exporting capacity was shut down and production cut by about 300,000 barrels per day (bpd) from about 1.3 million bpd after protests by groups demanding autonomy for eastern Libya, the source of most of the country's oil. The oil price at which Libya's budget is balanced is about$91 per barrel in 2012, an increase from $58 a barrel in 2010, and is set to exceed $100 a barrel from 2013, the IMF said. Brent crude prices traded at about $97 a barrel on Tuesday. A deeper crisis in the euro zone and sharper slowdown in the world economy could push global oil prices lower, which would be pose challenges for Libya's oil dependent economy, the IMF said.

**Oil revenues key to Libyan stability**

**UPI**, 1/25/**12**

“Libya boosts oil output but dangers lurk”, http://www.upi.com/Business\_News/Energy-Resources/2012/01/25/Libya-boosts-oil-output-but-dangers-lurk/UPI-28071327525246/

"Security is key to production increases but oil revenue is key to achieving stability. "While the situation in the oil fields seems to be fairly secure, in the cities it is more uncertain. Many former rebel fighters are still armed and the process of forming a national security force is moving forward slowly. "The government is in desperate need of funds to stabilize the country and has, in its oil industry, a major potential source," the analysis noted. "However, the country also has a major unemployment problem, with almost a quarter of the population out of work. "Political tensions in Libya will remain until oil revenues increase, providing the funds for infrastructure projects necessary to provide employment." Libya has oil reserves of 46.4 billion barrels, the largest in Africa. The rebel alliance that drove Gadhafi from power in an eight-month revolution in 2011 has splintered and several militias, based on particular clans and regions, remain heavily armed. They have repeatedly clashed with each other and the new interim government, the Western-backed National Transitional Council. It was plunged into crisis this week when mass protests broke out in Benghazi over the close ties some NTC officials had with Gadhafi's regime. Gadhafi loyalists have reappeared recently and fought gun battles with NTC forces. The marauding militias, vying for influence and power in the post-Gadhafi era, have become the biggest threat to security and stability as the NTC struggles to exert its authority. The militias are scaring foreign oil companies into delaying the return of their technicians who are vital to keeping the oil industry functioning. "We're now between two bitter options," NTC Chairman Mustafa Abdel Jalil declared in Benghazi recently. "We deal with these violations strictly … or we split and there will be a civil war." The combination of Libya's location on the southern shore of the Mediterranean and its "sweet" oil -- light and low in sulfur content, which makes it easy to process -- has made it attractive to consumers, particularly refineries in carbon-conscious Europe. And with Europe facing the loss of around 500,000 barrels of Iranian oil a day following the European Union's decision Monday to impose an oil embargo on Iran over its contentious nuclear program, Libyan oil is all the more attractive to EU states. "In the light of Iran's threatening stance over the Strait of Hormuz … the relative strategic value of Libyan crude is increased, given its location outside the gulf," Oxford Analytica noted. Tehran has threatened to close the narrow, 112-mile strait at the southern end of the gulf through which one-fifth of the world's oil supply passes daily, if the United States and the EU enforces the oil embargo. U.S. President Barack Obama approved a campaign to choke off Iran's oil exports, which supplies some 80 percent of its state revenues, on Dec. 31. When Gadhafi was toppled, oil production had fallen from the pre-conflict level of 1.6 million barrels per day to less than 100,000 bpd. Since then the Libyans have built that back to 1 million bpd, months earlier than expected.

Boko Haram Scenario

#### Libyan stability key to internal disarmament

Zerbe 12/8/11

Associate Professor, Department of Politics, <http://worldpoliticsblog.wordpress.com/2011/12/08/state-failure-the-security-dilemma-and-libyas-guns/>

An article in today’s New York Times describes a Libyan father’s accidental death at the hands of his son and raises an alarm about the vast arsenal of easily accessible weaponry in post-Qaddafi Libya. On the night that Qaddafi’s “loathed and feared” son Muatassim was captured by Libyan rebels, the city of Misurata erupted in celebratory gunfire. Rebel commander Hassan Nahassi, who had just returned home from the battlefront in Sirte in order to spend time with his family, acquiesced to his young boys’ request to fire a rifle in celebration. His 12-year-old son Ali lost control of the automatic weapon and accidentally shot and killed his father. Yet the surviving relatives and friends of Mr. Nahassi are not about to give up their weapons: “Guns, many Libyans say, set them free. And with the future uncertain and memories of persecution fresh, almost no one is yet sure how to give the guns up, even as they acknowledge that much of their former ruler’s arsenal would be better not loose.” Abdullah Kamal bin Hameda, a 22-year-old nephew of the deceased and now a caretaker in his uncle’s home, is quoted as saying the adults must keep the weapons out of children’s reach, but otherwise must keep them: “It is difficult to put down the guns right now, because I do not know who is my enemy and who is my friend,” Mr. Hameda said. “When we will have a new government, and it is strong and we trust it, then we will give them the guns. But not now, not to the N.T.C. [Transitional National Council, the interim Libyan government].” Political scientists have pointed out that when governments are unable to provide security (a primary symptom of state failure) people commonly take up arms to defend themselves and their kin. This frequently leads to the formation of militias along ethnic or sectarian lines, and can spark a security dilemma, whereby one group’s efforts to ensure its security (usually through an arms buildup) reduces the security of other groups, heightens tensions, and ultimately makes the original group less secure. The security dilemma is more common in international politics, where there is no world government to ensure states’ security (a condition realist scholars call anarchy). But when states fail, anarchy is produced within states. Mr. Hameda’s experience is a chilling reminder of how state failure and its attendant security dilemmas can produce tensions and arms races despite people’s best intentions. He told the New York Times that he “was eager to return to civilian life, and leave war behind.” However, ”he also said he intended to maintain a small armory at his home, where he has five automatic rifles claimed from the defeated Qaddafi forces, until he sees what comes next. ‘My house is like an army base,’ he said.

#### Loose Libyan arms pump into Boko Haram’s arsenal

**Ogbeni 12/13/11**

Kunle,Graduate of the University of Lagos, International Law and Diplomacy, <http://www.thisdaylive.com/articles/ex-envoy-raises-the-alarm-over-loose-libyan-arms/104956/>

Months before Ghaddafi was overthrown and extrajudicially killed, I predicted that Nigeria's national security will be compromised as a result of arms that will be smuggled from the destabilised North African country. How is it that our so - called leaders did not forsee this? Boko Haram terrorists will have field day. They do not need to smuggle arms from Ukraine or where ever. All they need is a trek along the desert route to Libya, and they will be back in a matter of days, loaded with ammo. God save Nigeria!

Boko Haram Scenario

#### Boko Haram makes Nigeria disintegrate and kills its leadership

Ajibola 12/31/11

Bolasodun, former Attorney-general and Minister of Justice of Nigeria, former Judge of the [International Court of Justice](http://en.wikipedia.org/wiki/International_Court_of_Justice) , <http://saharareporters.com/article/boko-haram-are-you-planning-destroy-nigeria-bola-ajibola?page=2>

Suddenly, we are now faced with a disturbance of a very serious religious dimension, the type that we have never experienced in this country before, either during the colonial era or since our independence. One horrendous aspect of it is even the international dimension that it has created for our dear country, thus alarmingly destroying the image of our nation as a peaceful giant of Africa. We now suffer being viewed as a pariah State and the name of Nigeria now stinks. But it is equally capable of destroying our whole countrywhich people like us have laboured with well meaning others to build. Religion is an emotive issue and our constitution, although not perfect, tries to make it a secular issue. However, ours is a multi religious nation and we have lived harmoniously thus for over fifty years and before. In the South West, we have pursued a civilized approach to this matter in the belief that we are all serving the same one God as perceived by the two received faiths. We should not allow the Boko Haram people to throw us back into the dark ages in the name of religion. Enough is enough! Our Head of State and all the people in government should stand up immediately to effect damage control. Security is lacking and ineffective to control the situation. It should be beefed up so that the matter will not degenerate into religious warfare. That will amount to a primitive situation and action. This world has passed that stage. We should move forward and not backward. The President should not rule out the possibility of having a dialogue on this matter. It is not impossible that the purpose of this destructive act may have some political undertone capable of disintegrating the whole nation. There is a very strong suspicion that these people waging war in the name of Boko Haram, are doing so at the instigation of certain people possibly political figures who are bent on the destruction of the nation. Indeed there is nothing like “haram” in western education which was in fact, inherited from the Muslims in the days of Islamic civilization in Anderlus, Spain. Besides, knowledge is not considered as “haram” in the Holy Qur’an and Hadith that emphasized so much about education.

#### That cracks all Africa

Fajimi 05

Babatunde Ayoola MBA and alumnus of eCornell, consults on HR Outsourcing and writes on management, leadership, education, governance and life, Managing Director of XL Management Services (Sierra Leone) Limited, <http://www.nigeriavillagesquare.com/articles/babatunde-fajimi/america-third-term-controversy-and-nigeria.html>

There is nothing wrong if America showed interest in how we govern ourselves for the sustenance of our infant democracy. It is a commendable goodwill. Nigeria with its over 300 ethnic groups of diverse culture, religion and resources is the most populous black nation in the world. Do we need to remind ourselves that one out of every six Africans on the continent is a Nigerian? It is naÃ¯ve to assume that oil is the sole reason why America is interested in Nigeria. Peace, stability, human dignity, rule of law and free enterprise are the by-products of democracy. There is hope in Africa if democracy is entrenched and thrives in Nigeria. If Nigeria disintegrates, the individual separatists regions/states/ethnic countries will go their different ways and survive anyway, but the mode and consequences of disintegration will be too titanic for the continent to absorb. Ever think of disintegration conflicts? Large-scale refugee crises? Famine? Civil unrest? Millions of children soldiers than United Nations can handle? Billions of dollars that will be sunk into provision of emergency relief materials? The hope of democracy in Africa is in the growth of Nigeriaâ€™s infantile democracy. We do not intend to sound imperialistic or messianic. Our brothers and sisters in Africa respect Nigeria for its sheer size and vast resources that have been left underdeveloped. If only they have half of the wealth that we mismanage. IfNigeria disintegrates, Africa will flatter. If democracy thrives in Nigeria, Africa will see a new dawn.

Boko Haram Scenario

#### war, AIDS, deforestation, warming, ozone depletion, pandemics, and world economic collapse

Stetter 2009

Ernst, Secretary General of Federation for European Progressive Studies, “Why Africa matters! – The economic crisis and Africa,” Contribution to the Shadow GN 2009, February 4 and 5, http://www.feps-europe.eu/fileadmin/downloads/globalisation/090204\_Stetter\_Africa.pdf)

If there is no doubt that Africa is endowed with abundant natural resources, it is also true that Africa is still struggling to address the multiple challenges facing the continent, this includes poverty, under-development, protracted conflicts, environmental degradation, HIV/AIDS pandemic, tuberculosis and malaria. It has been suggested that all over Africa, poverty is a common denominator and it is not surprising that people’s immune systems have been damaged. Reports on Africa’s HIV/AIDS pandemic have all come to the conclusion that HIV/AIDS on the continent is closely associated to poverty. It is clear that the absence of technological investment and the contemning human resource capacity has prevented Africa from making optimal use of its abundant resources for the benefit of its people. Nevertheless, the new scramble for natural resources in the continent is likely to create a new awareness of the geopolitical importance of the African region. Therefore, Africa remains a critical partner for the world’s economic viability. However, for Africa to benefit more from its vast natural resources it must be finally enabled to add value to these products rather than export them raw to Europe and elsewhere in the developed world. Africa needs to be helped in manufacturing value-added products that yield higher profit and income to African economies. In addition, there are, at least, five significant factors that provide a plausible explanation as to why Africa matters, especially concerning Europe: Firstly, it is the history of Africa and its relationship with Europe. The history of Africa has been a history of integration into the European economy and markets. Therefore, Africa has historically held a significant place in the European economy, trade and investments. If Africa matters to Europe it matters also to the globalised world. Secondly, there is also the inherent link between environment and sustainable development. While the history of Africa and its integration into the European economy is clearly defined by historical circumstances, the environmental aspects are not clearly discernible. Environmentally, Africa matters to the world because it provides the largest capacity in the world necessary for maintaining equilibrium in the biosphere and avoid further depletion of the ozone layer. At the same time the raid of depletion of Africa’s biodiversity including its tropical forests, medicinal plants remain threatened by the levels of poverty on the continent. Africa’s most prevailing source of energy is biomass which means depletion and an exponential raid of its forestation. If this is left to continue, the World will suffer serious climate change which is likely to erode its socio-economic prosperity and a consequent negative impact to its population. This is an area which needs a strong partnership with the rest of the world, to protect its environment and avoid further depletion of the ozone layer. Thirdly, Africa matters because it still provides easy market access to Europe, the US and China and can give, in some cases, extraordinary investment opportunities with high rates of return. With the changing political climate in the continent towards democracy, respect for the rule of law and protection of human and people’s rights the investment climate in Africa could rapidly change. The historical and cultural links, geographical proximity, and deep knowledge and understanding of the continent gives international European investors a comparative advantage over Northern America and Asia, including China. With these investments the average rate of growth in Africa has been increasing most significantly in most African countries ranging from 3% to 7% in many countries during recent years. The income disparities in the continent have been narrowing and the purchasing power parity increasing. This, coupled with the population of the continent, provides a market with huge potential especially for European goods. Indeed, any visitor to Africa would quickly realize that there is still a very significant quantity of European products traded in the continent. However, if you are in Europe you can hardly see the presence of African products on the market. This is mainly because Africa cannot compete in the European market either because of European subsidies or other protectionist measures that stifle Africa’s competitiveness and ability to sell in the European market. This problem needs to be addressed to ensure the sustainability of African-European partnership. Fourthly, Africa matters because of its abundance nature of human resources which provided the back-bone of industrialisation in Europe. Africa is a rich continent and not as poor as it is depicted elsewhere in the world. Africa is richly endowed with mineral reserves. The continent ranks first in terms of the amount of global reserves of bauxite, chromites, cobalt, diamond and gold. It also ranks first in terms of palladium, phosphates, platinum group metals, titanium minerals, vanadium and zircon. Africa was, and still is, among the world’s largest exporters. An ecological survey realised by the mineral industries of Africa has estimated that production in Africa alone accounts as much as 80 % of the world’s platinum group metals, 55% of chromites, 49 % of the palladium, 45% of the vanadium and up to 55 % of the world’s gold and diamond. Moreover, Africa has emerged as a critical exporter of cheap and skilled labor that has been instrumental in moving Europe’s economy forward.

### Sinai Shell

**Libyan economy recovering now but drop in oil prices will gut growth**

**Reuters**, 7/10/**12**, “Sees Libya economic growth doubling this year”, <http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi>

Libya's economy is likely to rebound sharply this year from a deep contraction in 2011 as the country rebuilds from civil war and oil production recovers to levels last seen during Muammar Gaddafi's rule, the International Monetary [Fund](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) said on Tuesday. In a report on Libya's economy resulting from an IMF mission in May but published only now, the fund forecast growth will skyrocket 116.6 percent in 2012 following a contraction of 60 percent last year. Growth next year is likely to slow to 16.5 percent and 13.2 percent in 2014 as the effects of the war on the economy wane, the IMF added. Such [impressive](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) rebounds in growth are not unusual in countries emerging from conflict when the economy is boosted by rebuilding projects and pent-up private demand. The IMF statement on Libya comes as the country awaits the outcome of a historic vote on Saturday to elect a national assembly. While Libya's [government](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) can afford the current high rates of spending in the short term, the IMF estimated that it is not sustainable over the longer term and will push the budget into deficit from 2015. "A more thorough analysis of sustainability based on the present value of financial [assets](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) and future oil extraction indicates that from 2012, public spending will exceed the sustainable, long-term level by over 10 percent of [GDP](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi)," the fund added. http://articles.chicagotribune.com/images/pixel.gifThe IMF also warned that continued political uncertainty, insecurity and the possibility of a drop in global oil prices were all risks to Libya's economic outlook. Last week around half of Libya's oil exporting capacity was shut down and production cut by about 300,000 barrels per day (bpd) from about 1.3 million bpd after protests by groups demanding autonomy for eastern Libya, the source of most of the country's oil. The oil price at which Libya's budget is balanced is about$91 per barrel in 2012, an increase from $58 a barrel in 2010, and is set to exceed $100 a barrel from 2013, the IMF said. Brent crude prices traded at about $97 a barrel on Tuesday. A deeper crisis in the euro zone and sharper slowdown in the world economy could push global oil prices lower, which would be pose challenges for Libya's oil dependent economy, the IMF said.

**Oil revenues key to Libyan stability**

**UPI**, 1/25/**12**

“Libya boosts oil output but dangers lurk”, http://www.upi.com/Business\_News/Energy-Resources/2012/01/25/Libya-boosts-oil-output-but-dangers-lurk/UPI-28071327525246/

"Security is key to production increases but oil revenue is key to achieving stability. "While the situation in the oil fields seems to be fairly secure, in the cities it is more uncertain. Many former rebel fighters are still armed and the process of forming a national security force is moving forward slowly. "The government is in desperate need of funds to stabilize the country and has, in its oil industry, a major potential source," the analysis noted. "However, the country also has a major unemployment problem, with almost a quarter of the population out of work. "Political tensions in Libya will remain until oil revenues increase, providing the funds for infrastructure projects necessary to provide employment." Libya has oil reserves of 46.4 billion barrels, the largest in Africa. The rebel alliance that drove Gadhafi from power in an eight-month revolution in 2011 has splintered and several militias, based on particular clans and regions, remain heavily armed. They have repeatedly clashed with each other and the new interim government, the Western-backed National Transitional Council. It was plunged into crisis this week when mass protests broke out in Benghazi over the close ties some NTC officials had with Gadhafi's regime. Gadhafi loyalists have reappeared recently and fought gun battles with NTC forces. The marauding militias, vying for influence and power in the post-Gadhafi era, have become the biggest threat to security and stability as the NTC struggles to exert its authority. The militias are scaring foreign oil companies into delaying the return of their technicians who are vital to keeping the oil industry functioning. "We're now between two bitter options," NTC Chairman Mustafa Abdel Jalil declared in Benghazi recently. "We deal with these violations strictly … or we split and there will be a civil war." The combination of Libya's location on the southern shore of the Mediterranean and its "sweet" oil -- light and low in sulfur content, which makes it easy to process -- has made it attractive to consumers, particularly refineries in carbon-conscious Europe. And with Europe facing the loss of around 500,000 barrels of Iranian oil a day following the European Union's decision Monday to impose an oil embargo on Iran over its contentious nuclear program, Libyan oil is all the more attractive to EU states. "In the light of Iran's threatening stance over the Strait of Hormuz … the relative strategic value of Libyan crude is increased, given its location outside the gulf," Oxford Analytica noted. Tehran has threatened to close the narrow, 112-mile strait at the southern end of the gulf through which one-fifth of the world's oil supply passes daily, if the United States and the EU enforces the oil embargo. U.S. President Barack Obama approved a campaign to choke off Iran's oil exports, which supplies some 80 percent of its state revenues, on Dec. 31. When Gadhafi was toppled, oil production had fallen from the pre-conflict level of 1.6 million barrels per day to less than 100,000 bpd. Since then the Libyans have built that back to 1 million bpd, months earlier than expected.

Sinai Scenario

**Stability key to Libyan disarmament and prevent regional arms explosion**

Conway **Waddington 12/19/11**

Pursuing a PhD through the University of Johannesburg. My thesis examines the role of resource scarcity, specifically water, in shaping normative approaches to contemporary and future warfare. I completed an MA at the University of KwaZulu-Natal, examining the potential role(s) of private military and security contractors in peacekeeping activities. I taught various business ethics related courses for the School of Management Studies at UKZN from 2005 to 2011, <http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=917:the-arms-proliferation-threat-of-post-gaddafi-libya-&catid=60:conflict-terrorism-discussion-papers&Itemid=265>

The National Transitional Council that currently governs Libya is, in fact, merely the overseer of a collection of loosely aligned committees, distributed across the country and separated by a range of geographic, ideological, religious, and tribal allegiances. At the local level then, there exists the threat that post-conflict recovery in Libya could collapse into violence; a possibility greatly enhanced by the vast amounts of unsecured weaponry scattered around the country, often in the hands of groups of fighters who are waiting to see what the post-Gadaffi future holds before they decide to hand over their weapons. Critical post-conflict processes of disarmament, demobilisation, and reintegration (DDR) are hampered by the lack of cohesion within the NTC and will not be easy to achieve without continued international support. Regional stability is also threatened by proliferation of weaponry, particularly in the Sahel region. Libya shares land borders with Algeria, Chad, Egypt, Niger, Sudan, and Tunisia. Given the enormous scale of these borders, the remote nature of the terrain, and the generally poor capabilities of the countries in the region, border security is extremely difficult to ensure. The political makeup of the region also lends itself to insurrections and allows the growth of non-state actors such as Al Qaeda in the Islamic Mahgreb (AQIM). The terrorist organisation threat taken together with the unknown status of Libya’s MANPADs has garnered the bulk of Western (media) attention. Not only does AQIM stand to gain from the availability of weapons, munitions and other material, but so too do other non-state organisations such as Al Shabaab in Somalia and Boko Haram in Nigeria. General Carter Ham of AFRICOM has suggested that Boko Haram might have begun cooperating; this is signified by declarations by AQIM leaders for support of Boko Haram, along with reports of cross-training efforts and tactical changes by Boko Haram to emulate AQIM and Al Shabaab.(14)

**Loose weapons destabilize the Sinai**

**Global Post** 10/8/**11**

“Libya's missing weapons being smuggled into Gaza”, <http://mobile.globalpost.com/dispatch/news/regions/middle-east/israel-and-palestine/111008/libya-missing-weapons-arms-smuggling-gaza-hamas>

Victoria Nuland, a spokesperson for the U.S. State Department, said at a briefing Friday in Washington that the United States was actively scouring Libya in search of conventional weapons that may have gone missing since the conflict in Libya began earlier this year. “The Libyans have asked for our help, and we have increased our support apace,” Nuland told reporters. Several hoards of weaponry incoming from Libya were caught and confiscated during the late summer and early fall by Egyptian police operating near the Libyan border. The Sinai has increasingly acquired the feel of an untamed no man’s land. With Egyptian military and police personnel occupied keeping the peace in Cairo and other urban centers, and with the military government apparently distancing itself from promises of democratic reform, it is unclear who rules the desert. A fringe group of extremists calling itself “Al Qaeda of Sinai” has taken control of growing stretches of the peninsula and appears to be attempting to cement ties to the Bedouin tribes that reside there. For love of guns: Mass proliferation of small arms worries authorities in Libya Egyptian-Israeli relations have become severely strained since the fall of President Hosni Mubarak last February, and despite the grave concern both governments express at the influx of arms, these apprehensions have not brought about renewed cooperation. Late last month, Egyptian authorities briefly closed the Rafah border crossing without consulting their Israel counterparts after another, larger than usual, cache of Libyan arms was detected on its way into Gaza. Speaking on Army Radio, Gen. (Ret.) Shlomo Gazit, a former head of military intelligence who was privy to the intelligence report, brought up the inflow of weapons from Libya as a primary reason for the urgency of establishing a new base for Israeli-Egyptian relations. “It is another reason Israel has to get itself back on track with its neighbors. I just read the study about Libyan weapons coming into Gaza, and it’s not clear we know who we can even talk to about this right now,” he said.

Sinai Scenario

#### Extinction

**Zitun 9/5/11**

Staff writer, quoting Senior IDF officer, “IDF general: Likelihood of regional war growing”, <http://www.ynetnews.com/articles/0,7340,L-4118220,00.html>

IDF general: Likelihood of regional war growing Senior IDF officer warns of 'radical Islamic winter' that may lead to regional war, could prompt use of WMDs; new, more lethal weapons discovered in hands of terrorists during latest round of fighting in Gaza, Major General Eisenberg says Recent revolutions in the Arab world and the deteriorating ties with Turkey are raising the likelihood of a regional war in the Middle East, IDF Home Front Command Chief, Major General Eyal Eisenberg warned Monday. "It looks like the Arab Spring, but it can also be a radical Islamic winter," he said in a speech at the Institute for National Security Studies in Tel Aviv. "This leads us to the conclusion that through a long-term process, the likelihood of an all-out war is increasingly growing," the IDF general said. "Iran has not abandoned its nuclear program. The opposite it true; it continues full steam ahead," he said. "In Egypt, the army is collapsing under the burden of regular security operations, and this is reflected in the loss of control in the Sinai and the turning of the border with Israel into a terror border, with the possibility that Sinai will fall under the control of an Islamic entity." IDF general: Likelihood of regional war growing Senior IDF officer warns of 'radical Islamic winter' that may lead to regional war, could prompt use of WMDs; new, more lethal weapons discovered in hands of terrorists during latest round of fighting in Gaza, Major General Eisenberg says Recent revolutions in the Arab world and the deteriorating ties with Turkey are raising the likelihood of a regional war in the Middle East, IDF Home Front Command Chief, Major General Eyal Eisenberg warned Monday. In Lebanon, Hezbollah is growing stronger within government arms, but it has not lost its desire to harm Israel, and the ties with Turkey aren't at their best," Major General Eisenberg added. Weapons of mass destruction? Referring to what he characterized as the possibility of a "radical Islamic winter," Major-General Eisenberg said: "This raises the likelihood of an all-out, total war, with the possibility of weapons of mass destruction being used." During his address, the senior IDF official revealed that new, more lethal arms surfaced in the hands of Gaza terror groups during the latest round of fighting in the area. As result of the disturbing development, Israeli civilians were instructed to adopt greater precautions, he said. "We discovered a new weapon, and as result of this we instructed the public to hide under two roofs, rather than only one," he said. Eisenberg added that some 25% of local authorities in Israel are ill prepared to face emergency situations. However, Major General Eisenberg's words infuriated some security and defense officials, who slammed the senior IDF officer for revealing classified information and provoking regional tensions. "It's unclear why an IDF general heats up tensions in the region and why he exposes secret intelligence information about new Palestinian capabilities," one official said. Notably, Eisenberg's remarks were approved for publication by censorship officials.

### Sudan Shell

**Libyan economy recovering now but drop in oil prices will gut growth**

**Reuters**, 7/10/**12**, “Sees Libya economic growth doubling this year”, <http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi>

Libya's economy is likely to rebound sharply this year from a deep contraction in 2011 as the country rebuilds from civil war and oil production recovers to levels last seen during Muammar Gaddafi's rule, the International Monetary [Fund](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) said on Tuesday. In a report on Libya's economy resulting from an IMF mission in May but published only now, the fund forecast growth will skyrocket 116.6 percent in 2012 following a contraction of 60 percent last year. Growth next year is likely to slow to 16.5 percent and 13.2 percent in 2014 as the effects of the war on the economy wane, the IMF added. Such [impressive](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) rebounds in growth are not unusual in countries emerging from conflict when the economy is boosted by rebuilding projects and pent-up private demand. The IMF statement on Libya comes as the country awaits the outcome of a historic vote on Saturday to elect a national assembly. While Libya's [government](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) can afford the current high rates of spending in the short term, the IMF estimated that it is not sustainable over the longer term and will push the budget into deficit from 2015. "A more thorough analysis of sustainability based on the present value of financial [assets](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) and future oil extraction indicates that from 2012, public spending will exceed the sustainable, long-term level by over 10 percent of [GDP](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi)," the fund added. http://articles.chicagotribune.com/images/pixel.gifThe IMF also warned that continued political uncertainty, insecurity and the possibility of a drop in global oil prices were all risks to Libya's economic outlook. Last week around half of Libya's oil exporting capacity was shut down and production cut by about 300,000 barrels per day (bpd) from about 1.3 million bpd after protests by groups demanding autonomy for eastern Libya, the source of most of the country's oil. The oil price at which Libya's budget is balanced is about$91 per barrel in 2012, an increase from $58 a barrel in 2010, and is set to exceed $100 a barrel from 2013, the IMF said. Brent crude prices traded at about $97 a barrel on Tuesday. A deeper crisis in the euro zone and sharper slowdown in the world economy could push global oil prices lower, which would be pose challenges for Libya's oil dependent economy, the IMF said.

**Oil revenues key to Libyan stability**

**UPI**, 1/25/**12**

“Libya boosts oil output but dangers lurk”, http://www.upi.com/Business\_News/Energy-Resources/2012/01/25/Libya-boosts-oil-output-but-dangers-lurk/UPI-28071327525246/

"Security is key to production increases but oil revenue is key to achieving stability. "While the situation in the oil fields seems to be fairly secure, in the cities it is more uncertain. Many former rebel fighters are still armed and the process of forming a national security force is moving forward slowly. "The government is in desperate need of funds to stabilize the country and has, in its oil industry, a major potential source," the analysis noted. "However, the country also has a major unemployment problem, with almost a quarter of the population out of work. "Political tensions in Libya will remain until oil revenues increase, providing the funds for infrastructure projects necessary to provide employment." Libya has oil reserves of 46.4 billion barrels, the largest in Africa. The rebel alliance that drove Gadhafi from power in an eight-month revolution in 2011 has splintered and several militias, based on particular clans and regions, remain heavily armed. They have repeatedly clashed with each other and the new interim government, the Western-backed National Transitional Council. It was plunged into crisis this week when mass protests broke out in Benghazi over the close ties some NTC officials had with Gadhafi's regime. Gadhafi loyalists have reappeared recently and fought gun battles with NTC forces. The marauding militias, vying for influence and power in the post-Gadhafi era, have become the biggest threat to security and stability as the NTC struggles to exert its authority. The militias are scaring foreign oil companies into delaying the return of their technicians who are vital to keeping the oil industry functioning. "We're now between two bitter options," NTC Chairman Mustafa Abdel Jalil declared in Benghazi recently. "We deal with these violations strictly … or we split and there will be a civil war." The combination of Libya's location on the southern shore of the Mediterranean and its "sweet" oil -- light and low in sulfur content, which makes it easy to process -- has made it attractive to consumers, particularly refineries in carbon-conscious Europe. And with Europe facing the loss of around 500,000 barrels of Iranian oil a day following the European Union's decision Monday to impose an oil embargo on Iran over its contentious nuclear program, Libyan oil is all the more attractive to EU states. "In the light of Iran's threatening stance over the Strait of Hormuz … the relative strategic value of Libyan crude is increased, given its location outside the gulf," Oxford Analytica noted. Tehran has threatened to close the narrow, 112-mile strait at the southern end of the gulf through which one-fifth of the world's oil supply passes daily, if the United States and the EU enforces the oil embargo. U.S. President Barack Obama approved a campaign to choke off Iran's oil exports, which supplies some 80 percent of its state revenues, on Dec. 31. When Gadhafi was toppled, oil production had fallen from the pre-conflict level of 1.6 million barrels per day to less than 100,000 bpd. Since then the Libyans have built that back to 1 million bpd, months earlier than expected.

Sudan Scenario

**Stability key to Libyan disarmament and prevent regional arms explosion**

Conway **Waddington 12/19/11**

Pursuing a PhD through the University of Johannesburg. My thesis examines the role of resource scarcity, specifically water, in shaping normative approaches to contemporary and future warfare. I completed an MA at the University of KwaZulu-Natal, examining the potential role(s) of private military and security contractors in peacekeeping activities. I taught various business ethics related courses for the School of Management Studies at UKZN from 2005 to 2011, <http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=917:the-arms-proliferation-threat-of-post-gaddafi-libya-&catid=60:conflict-terrorism-discussion-papers&Itemid=265>

The National Transitional Council that currently governs Libya is, in fact, merely the overseer of a collection of loosely aligned committees, distributed across the country and separated by a range of geographic, ideological, religious, and tribal allegiances. At the local level then, there exists the threat that post-conflict recovery in Libya could collapse into violence; a possibility greatly enhanced by the vast amounts of unsecured weaponry scattered around the country, often in the hands of groups of fighters who are waiting to see what the post-Gadaffi future holds before they decide to hand over their weapons. Critical post-conflict processes of disarmament, demobilisation, and reintegration (DDR) are hampered by the lack of cohesion within the NTC and will not be easy to achieve without continued international support. Regional stability is also threatened by proliferation of weaponry, particularly in the Sahel region. Libya shares land borders with Algeria, Chad, Egypt, Niger, Sudan, and Tunisia. Given the enormous scale of these borders, the remote nature of the terrain, and the generally poor capabilities of the countries in the region, border security is extremely difficult to ensure. The political makeup of the region also lends itself to insurrections and allows the growth of non-state actors such as Al Qaeda in the Islamic Mahgreb (AQIM). The terrorist organisation threat taken together with the unknown status of Libya’s MANPADs has garnered the bulk of Western (media) attention. Not only does AQIM stand to gain from the availability of weapons, munitions and other material, but so too do other non-state organisations such as Al Shabaab in Somalia and Boko Haram in Nigeria. General Carter Ham of AFRICOM has suggested that Boko Haram might have begun cooperating; this is signified by declarations by AQIM leaders for support of Boko Haram, along with reports of cross-training efforts and tactical changes by Boko Haram to emulate AQIM and Al Shabaab.(14)

**Destabilizes South Sudan**

Conway **Waddington 12/19/11**

Pursuing a PhD through the University of Johannesburg. My thesis examines the role of resource scarcity, specifically water, in shaping normative approaches to contemporary and future warfare. I completed an MA at the University of KwaZulu-Natal, examining the potential role(s) of private military and security contractors in peacekeeping activities. I taught various business ethics related courses for the School of Management Studies at UKZN from 2005 to 2011, <http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=917:the-arms-proliferation-threat-of-post-gaddafi-libya-&catid=60:conflict-terrorism-discussion-papers&Itemid=265>

To date, reports have surfaced in the media suggesting that arms traffickers have taken advantage of the situation in Libya to move material across the southern desert borders of Chad, Niger, and Sudan, and then on to Mali and Mauritania.(15) Algeria has noted an increase in AQIM activity and this suggests that they are now, in fact, already armed with weapons taken from Libya.(16) The relationship between Algeria and post-Gaddafi Libya is unsteady due to allegations of Algerian support for Gaddafi loyalists during the fighting, which will hamper border security cooperation.(17) There is also the threat of weapons making their way through Sudan and destabilising South Sudan, as well as Eritrea and Somalia, where Al Shabaab would certainly appreciate their use against Ethiopian and Kenyan cross-border security efforts.

**Goes regional**

**National Post 9/27/11**

<http://fullcomment.nationalpost.com/2011/09/27/peter-goodspeed-sudans-bloody-war-set-to-engulf-the-region-once-again/>

Africa’s longest-running civil war — which claimed the lives of two million people in Sudan over 22 years — may be about to re-ignite and is threatening to engulf the surrounding region. A report by the Brussels-based International Crisis Group (ICG) warns the spreading conflict could spark a new, protracted civil war. “The growing war on multiple fronts poses serious dangers for the country, for its future relationship with the Republic of South Sudan and for the stability of the region as a whole,” it says. “There is a real possibility of a new era of protracted civil war in Sudan if key international actors are not able to contain it.”

Sudan Scenario

**Extinction**

**Glick** 12/11/**07**

Caroline, deputy managing editor of The Jerusalem Post, Senior Fellow for Middle East Affairs of the Center for Security Policy, “Condi's African holiday”, http://www.rightsidenews.com/20071211309/editorial/us-opinion-and-editorial/our-world-condis-african-holiday.html

The Horn of Africa is a dangerous and strategically vital place. Small wars, which rage continuously, can easily escalate into big wars. Local conflicts have regional and global aspects. All of the conflicts in this tinderbox, which controls shipping lanes from the Indian Ocean into the Red Sea, can potentially give rise to regional, and indeed global conflagrations between competing regional actors and global powers.

### Generic Disarm Shell

#### Libyan economy recovering now but drop in oil prices will gut growth

**Reuters**, 7/10/**12**, “Sees Libya economic growth doubling this year”, <http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi>

Libya's economy is likely to rebound sharply this year from a deep contraction in 2011 as the country rebuilds from civil war and oil production recovers to levels last seen during Muammar Gaddafi's rule, the International Monetary [Fund](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) said on Tuesday. In a report on Libya's economy resulting from an IMF mission in May but published only now, the fund forecast growth will skyrocket 116.6 percent in 2012 following a contraction of 60 percent last year. Growth next year is likely to slow to 16.5 percent and 13.2 percent in 2014 as the effects of the war on the economy wane, the IMF added. Such [impressive](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) rebounds in growth are not unusual in countries emerging from conflict when the economy is boosted by rebuilding projects and pent-up private demand. The IMF statement on Libya comes as the country awaits the outcome of a historic vote on Saturday to elect a national assembly. While Libya's [government](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) can afford the current high rates of spending in the short term, the IMF estimated that it is not sustainable over the longer term and will push the budget into deficit from 2015. "A more thorough analysis of sustainability based on the present value of financial [assets](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) and future oil extraction indicates that from 2012, public spending will exceed the sustainable, long-term level by over 10 percent of [GDP](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi)," the fund added. http://articles.chicagotribune.com/images/pixel.gifThe IMF also warned that continued political uncertainty, insecurity and the possibility of a drop in global oil prices were all risks to Libya's economic outlook. Last week around half of Libya's oil exporting capacity was shut down and production cut by about 300,000 barrels per day (bpd) from about 1.3 million bpd after protests by groups demanding autonomy for eastern Libya, the source of most of the country's oil. The oil price at which Libya's budget is balanced is about$91 per barrel in 2012, an increase from $58 a barrel in 2010, and is set to exceed $100 a barrel from 2013, the IMF said. Brent crude prices traded at about $97 a barrel on Tuesday. A deeper crisis in the euro zone and sharper slowdown in the world economy could push global oil prices lower, which would be pose challenges for Libya's oil dependent economy, the IMF said.

**Oil revenues key to Libyan stability**

**UPI**, 1/25/**12**

“Libya boosts oil output but dangers lurk”, http://www.upi.com/Business\_News/Energy-Resources/2012/01/25/Libya-boosts-oil-output-but-dangers-lurk/UPI-28071327525246/

"Security is key to production increases but oil revenue is key to achieving stability. "While the situation in the oil fields seems to be fairly secure, in the cities it is more uncertain. Many former rebel fighters are still armed and the process of forming a national security force is moving forward slowly. "The government is in desperate need of funds to stabilize the country and has, in its oil industry, a major potential source," the analysis noted. "However, the country also has a major unemployment problem, with almost a quarter of the population out of work. "Political tensions in Libya will remain until oil revenues increase, providing the funds for infrastructure projects necessary to provide employment." Libya has oil reserves of 46.4 billion barrels, the largest in Africa. The rebel alliance that drove Gadhafi from power in an eight-month revolution in 2011 has splintered and several militias, based on particular clans and regions, remain heavily armed. They have repeatedly clashed with each other and the new interim government, the Western-backed National Transitional Council. It was plunged into crisis this week when mass protests broke out in Benghazi over the close ties some NTC officials had with Gadhafi's regime. Gadhafi loyalists have reappeared recently and fought gun battles with NTC forces. The marauding militias, vying for influence and power in the post-Gadhafi era, have become the biggest threat to security and stability as the NTC struggles to exert its authority. The militias are scaring foreign oil companies into delaying the return of their technicians who are vital to keeping the oil industry functioning. "We're now between two bitter options," NTC Chairman Mustafa Abdel Jalil declared in Benghazi recently. "We deal with these violations strictly … or we split and there will be a civil war." The combination of Libya's location on the southern shore of the Mediterranean and its "sweet" oil -- light and low in sulfur content, which makes it easy to process -- has made it attractive to consumers, particularly refineries in carbon-conscious Europe. And with Europe facing the loss of around 500,000 barrels of Iranian oil a day following the European Union's decision Monday to impose an oil embargo on Iran over its contentious nuclear program, Libyan oil is all the more attractive to EU states. "In the light of Iran's threatening stance over the Strait of Hormuz … the relative strategic value of Libyan crude is increased, given its location outside the gulf," Oxford Analytica noted. Tehran has threatened to close the narrow, 112-mile strait at the southern end of the gulf through which one-fifth of the world's oil supply passes daily, if the United States and the EU enforces the oil embargo. U.S. President Barack Obama approved a campaign to choke off Iran's oil exports, which supplies some 80 percent of its state revenues, on Dec. 31. When Gadhafi was toppled, oil production had fallen from the pre-conflict level of 1.6 million barrels per day to less than 100,000 bpd. Since then the Libyans have built that back to 1 million bpd, months earlier than expected.

Generic Disarm Scenario

#### Stability key to Libyan disarmament and prevent regional arms explosion

Conway **Waddington 12/19/11**

Pursuing a PhD through the University of Johannesburg. My thesis examines the role of resource scarcity, specifically water, in shaping normative approaches to contemporary and future warfare. I completed an MA at the University of KwaZulu-Natal, examining the potential role(s) of private military and security contractors in peacekeeping activities. I taught various business ethics related courses for the School of Management Studies at UKZN from 2005 to 2011, <http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=917:the-arms-proliferation-threat-of-post-gaddafi-libya-&catid=60:conflict-terrorism-discussion-papers&Itemid=265>

The National Transitional Council that currently governs Libya is, in fact, merely the overseer of a collection of loosely aligned committees, distributed across the country and separated by a range of geographic, ideological, religious, and tribal allegiances. At the local level then, there exists the threat that post-conflict recovery in Libya could collapse into violence; a possibility greatly enhanced by the vast amounts of unsecured weaponry scattered around the country, often in the hands of groups of fighters who are waiting to see what the post-Gadaffi future holds before they decide to hand over their weapons. Critical post-conflict processes of disarmament, demobilisation, and reintegration (DDR) are hampered by the lack of cohesion within the NTC and will not be easy to achieve without continued international support. Regional stability is also threatened by proliferation of weaponry, particularly in the Sahel region. Libya shares land borders with Algeria, Chad, Egypt, Niger, Sudan, and Tunisia. Given the enormous scale of these borders, the remote nature of the terrain, and the generally poor capabilities of the countries in the region, border security is extremely difficult to ensure. The political makeup of the region also lends itself to insurrections and allows the growth of non-state actors such as Al Qaeda in the Islamic Mahgreb (AQIM). The terrorist organisation threat taken together with the unknown status of Libya’s MANPADs has garnered the bulk of Western (media) attention. Not only does AQIM stand to gain from the availability of weapons, munitions and other material, but so too do other non-state organisations such as Al Shabaab in Somalia and Boko Haram in Nigeria. General Carter Ham of AFRICOM has suggested that Boko Haram might have begun cooperating; this is signified by declarations by AQIM leaders for support of Boko Haram, along with reports of cross-training efforts and tactical changes by Boko Haram to emulate AQIM and Al Shabaab.(14)

#### Libya is a flashpoint for a WWIII

Stephen **Lendman**, 7/6/**11**

Renowned author and Research Associate of the Center for Research on Globalization (CRG), “Libya - Flashpoint For World Conflict”, http://rense.com/general94/libya.htm

Scott told Progressive Radio News Hour listeners that he's warned for months about Libya being a flashpoint for escalated general war, similar to how WW I began. Global Research founder/editor Michel Chossudovsky has similar concerns, including in his new E-book titled, "Towards a World War III Scenario," calling today's world "at a critical crossroads." Citing two major incidents, Japan's Fukushima disaster and imperial war on Libya, he called "(t)hese two seemingly unrelated events....of crucial importance in understanding both the nuclear issue as well as the ongoing US-NATO sponsored war." Fukushima's implications and fallout go largely unexplained. In fact, except for occasional misreporting, America's media now entirely ignore them, including warnings from Helen Caldicott and others that every commercial reactor is a ticking time bomb "atomic bomb factory." Moreover, Chossudovsky said "(n)uclear energy is not a civilian economic activity. It is an appendage of the nuclear weapons industry which is controlled by the so-called defense contractors." In fact, secret "atomic-bomb research facilities (are) hidden inside Japan's civilian nuclear power plants," and perhaps also in America's. It may not have been coincidence that Libya's war was launched within days of Fukushima's disaster. It's now dramatically escalated as part of America's broader Middle East/North Africa/Central Asia conflict, encroaching recklessly close to China and Russia's borders. Their concerns, in fact, may trigger counter-responses that could dangerously spin things out of control. In fact, the war Obama won't call war potentially could trigger a "World War III scenario." It worries Chossudovsky, Scott and others enough to highlight it on air and in print. It's repeated in this article, citing another recent one discussing Barbara Tuchman's 1962 book, "The Guns of August," on how WW I began and its early weeks. Once started, it escalated out of control disastrously, involving dozens of countries directly and indirectly. Moreover, before it ended, over 20 million died, at least that many more were wounded, and a generation of young men were erased before nuclear and today's other mass destruction weapons and technologies existed. Over a half century ago, it worried Einstein enough to say: "I know not with what weapons World War III will be fought, but World War IV will be fought with sticks and stones" if civilizations survive to do it. Given the possibility of Libya triggering escalated general or global war, that scenario today is real, especially in light of a "1996 plan to bomb Libya using tactical nuclear weapons." It was shelved at that time, but never eliminated as a possibility against any nation. In fact, the Bush administration claimed the preemptive right to use nuclear weapons, including against non-nuclear states, based on alleged national security concerns. Obama recklessly maintains the same policy even though America hasn't had an enemy since Japan surrendered in August 1945. Nonetheless, the prospect of escalating war with nuclear or other mass destruction weapons suggests frightening possibilities, including a potential WW III scenario. It's no less implausible now than WW I seemed in early 1914.

### Polisario Shell

**Libyan economy recovering now but drop in oil prices will gut growth**

**Reuters**, 7/10/**12**, “Sees Libya economic growth doubling this year”, <http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi>

Libya's economy is likely to rebound sharply this year from a deep contraction in 2011 as the country rebuilds from civil war and oil production recovers to levels last seen during Muammar Gaddafi's rule, the International Monetary [Fund](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) said on Tuesday. In a report on Libya's economy resulting from an IMF mission in May but published only now, the fund forecast growth will skyrocket 116.6 percent in 2012 following a contraction of 60 percent last year. Growth next year is likely to slow to 16.5 percent and 13.2 percent in 2014 as the effects of the war on the economy wane, the IMF added. Such [impressive](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) rebounds in growth are not unusual in countries emerging from conflict when the economy is boosted by rebuilding projects and pent-up private demand. The IMF statement on Libya comes as the country awaits the outcome of a historic vote on Saturday to elect a national assembly. While Libya's [government](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) can afford the current high rates of spending in the short term, the IMF estimated that it is not sustainable over the longer term and will push the budget into deficit from 2015. "A more thorough analysis of sustainability based on the present value of financial [assets](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) and future oil extraction indicates that from 2012, public spending will exceed the sustainable, long-term level by over 10 percent of [GDP](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi)," the fund added. http://articles.chicagotribune.com/images/pixel.gifThe IMF also warned that continued political uncertainty, insecurity and the possibility of a drop in global oil prices were all risks to Libya's economic outlook. Last week around half of Libya's oil exporting capacity was shut down and production cut by about 300,000 barrels per day (bpd) from about 1.3 million bpd after protests by groups demanding autonomy for eastern Libya, the source of most of the country's oil. The oil price at which Libya's budget is balanced is about$91 per barrel in 2012, an increase from $58 a barrel in 2010, and is set to exceed $100 a barrel from 2013, the IMF said. Brent crude prices traded at about $97 a barrel on Tuesday. A deeper crisis in the euro zone and sharper slowdown in the world economy could push global oil prices lower, which would be pose challenges for Libya's oil dependent economy, the IMF said.

**Oil revenues key to Libyan stability**

**UPI**, 1/25/**12**

“Libya boosts oil output but dangers lurk”, http://www.upi.com/Business\_News/Energy-Resources/2012/01/25/Libya-boosts-oil-output-but-dangers-lurk/UPI-28071327525246/

"Security is key to production increases but oil revenue is key to achieving stability. "While the situation in the oil fields seems to be fairly secure, in the cities it is more uncertain. Many former rebel fighters are still armed and the process of forming a national security force is moving forward slowly. "The government is in desperate need of funds to stabilize the country and has, in its oil industry, a major potential source," the analysis noted. "However, the country also has a major unemployment problem, with almost a quarter of the population out of work. "Political tensions in Libya will remain until oil revenues increase, providing the funds for infrastructure projects necessary to provide employment." Libya has oil reserves of 46.4 billion barrels, the largest in Africa. The rebel alliance that drove Gadhafi from power in an eight-month revolution in 2011 has splintered and several militias, based on particular clans and regions, remain heavily armed. They have repeatedly clashed with each other and the new interim government, the Western-backed National Transitional Council. It was plunged into crisis this week when mass protests broke out in Benghazi over the close ties some NTC officials had with Gadhafi's regime. Gadhafi loyalists have reappeared recently and fought gun battles with NTC forces. The marauding militias, vying for influence and power in the post-Gadhafi era, have become the biggest threat to security and stability as the NTC struggles to exert its authority. The militias are scaring foreign oil companies into delaying the return of their technicians who are vital to keeping the oil industry functioning. "We're now between two bitter options," NTC Chairman Mustafa Abdel Jalil declared in Benghazi recently. "We deal with these violations strictly … or we split and there will be a civil war." The combination of Libya's location on the southern shore of the Mediterranean and its "sweet" oil -- light and low in sulfur content, which makes it easy to process -- has made it attractive to consumers, particularly refineries in carbon-conscious Europe. And with Europe facing the loss of around 500,000 barrels of Iranian oil a day following the European Union's decision Monday to impose an oil embargo on Iran over its contentious nuclear program, Libyan oil is all the more attractive to EU states. "In the light of Iran's threatening stance over the Strait of Hormuz … the relative strategic value of Libyan crude is increased, given its location outside the gulf," Oxford Analytica noted. Tehran has threatened to close the narrow, 112-mile strait at the southern end of the gulf through which one-fifth of the world's oil supply passes daily, if the United States and the EU enforces the oil embargo. U.S. President Barack Obama approved a campaign to choke off Iran's oil exports, which supplies some 80 percent of its state revenues, on Dec. 31. When Gadhafi was toppled, oil production had fallen from the pre-conflict level of 1.6 million barrels per day to less than 100,000 bpd. Since then the Libyans have built that back to 1 million bpd, months earlier than expected.

Polisario Scenario

#### Libyan instability spills over to Western Sahara through weapons to Polisario

PR Newswire 11/10/11

<http://www.moroccoboard.com/news/5490-brookings-peril-in-north-africa-from-al-qaeda-and-western-sahara-separatists->

Moroccans go to the polls Nov. 25 to elect a Parliament under the new Constitution approved by voters July 1. "Morocco's Constitution is both liberal and progressive," said Anouar Boukars, Assistant Professor, International Relations, at McDaniel College. "It constitutionalizes important freedoms and equality." "The Arab Spring has created opportunities to achieve changes that will break down old barriers to cooperation and give the region the much needed chance at economic development and political reform," said Ambassador Edward Gabriel, at the Atlantic Council forum, "Ripples Across The Sands: The Impact of the Fall of Qaddafi on Security in the Maghreb & Sahel." Gabriel noted, however, "There is also an underside to the Arab Spring." Gabriel said lack of coordination "encourages tactics by terrorists and insurgents who are well aware of the soft spots" in each nation's counterterrorism networks. "Nowhere is this more obvious than the recent abduction by AQIM of European aid workers from the Rabouni camp run by the Polisario in Algeria." Gabriel noted that Morocco's King Mohammed VI in a speech Sunday again called for greater regional cooperation, especially between Morocco and Algeria, to improve security and stability in the region. Dr. J. Peter Pham, director of the Atlantic Council's Ansari Africa Center, warned of a "growing nexus between extremism and criminality" in West Africa and the Sahel. Pham cited "new reports of Libyan arms flooding into the Sahel, while AQIM, Boko Haram, the Western Sahara Polisario group, and other militant groups are flexing their muscles." "There is a tremendous amount of weapons proliferation," said Geoffrey Porter, President, North Africa Risk Consulting, Inc., adding that this is a serious internal issue for Libya's new leadership and also "poses a threat" to Niger, Mali, and especially Algeria. "Algeria is once again a security story--that's just a cold hard reality." Fadel Lamen, President, American Libyan Council, said as Libyans rebuild relations in the region "they will look at who supported Qaddafi." He said "Libya will become very close with Morocco and Tunisia," but its Algeria relations are "frozen." "Libyans felt a lot of weapons and mercenaries came through Algeria" to support Qaddafi. Atlantic Council panelists agreed that the "continuing impasse between Morocco and Algeria over the Western Sahara" was a "major obstacle to cooperation" needed to overcome the rising security threat to the region. Lamen said "Qaddafi's departure creates an opportunity for change," as Qaddafi was "a major contributor to failed Maghreb unity, and used the Polisario and Tuaregs to divide." Lamen said this can change now, but the region could use America's help. "Libya's success creates an opportunity to improve security stability in the region," he said, but noted "there is reluctance for engagement in the US."

#### Polisario almost exhausted from lack of weapons – now key to Polisario explosion

Abenay 11

Hassan, a member of the editorial board of the Moroccan revolutionary Marxist monthly, Almounadil-a. T, <http://www.internationalviewpoint.org/spip.php?article2130>

Unless major events occur within it, or there are significant changes in relations between the Moroccan and Algerian regimes, this coming Congress will be crucial for its future and the question of Western Sahara as a whole. Polisario and the impasse of the military solution At the beginning of its armed struggle, the Popular Army inflicted some crushing defeats on the F.A.R., despite the fierce media censorship of the time, to such a point that the Moroccan regime had deny the detention of its soldiers by Polisario until recent years. Through reliance on guerrilla warfare, on a deep knowledge of the Saharan milieu, on its ability to adapt to hostile geographical conditions, on strong support in arms and training from Libya, Cuba, Algeria and the Eastern Bloc, and by counting on the combative spirit of the launch of armed struggle, the Polisario Front was able to take control of the vast majority of Western Saharan territory and threaten the Saharan towns with military attacks and incursions outside the contested area. However, the relationship of military forces was reversed when the F.A.R built military barriers which total 2.720 kms in length, and surround about 87.5% of the area of Western Sahara. These barriers number six, the fifth being the longest at 670 kms. The objectives of these walls are the following: to isolate the fighters of Polisario from the rest of the population; protect the Bougraa mines and the sea coasts; allow the F.A.R regiments to cover in defence; avoid surprise attacks from the guerrillas deploying means of radar surveillance radars and detector dogs; prevent “enemy” invasions to gain time to carry out better prepared actions by mobilizing strong resources in soldiers and equipment. These barriers are supported by more than 150,000 soldiers and seven sand belts, each three metres high. They are also reinforced by tanks, artillery, radar, barbed wire, mines, dams of sand and stone, barricades, and so on. Thus, Polisario was forced to retreat to marginal pockets of the Sahara region, whereas the areas of tension were remote from the towns. It is this military situation which explains Morocco’s mastery of the stakes of the conflict. Twenty years of ceasefire seem to have worn out Polisario’s Popular Army. Also its numbers have decreased, many of its cadres have left and its morale has weakened. Need it be recalled that in contrast to conventional armies, popular armies soften and atrophy, which is indeed the case for the army of Polisario. That being so, the question that arises is how Polisario can impose real gains when the means by which it exerts weight is decomposing? Polisario and the moral-psychological crisis In the mid-1970s, the Polisario Front was founded by young people, not exceeding thirty as an average age, in addition to a few activists from the Liberation Army against Spanish colonialism and a few members of the vanguard organization founded by Mohammed el-Basri. In the wake of the global wave of national liberation movements, the radicalization of youth and the general rise of the left, it initiated the fight against the Spanish occupier, who was forced to leave the region while manoeuvring to ensure its interests in its riches (phosphate and fishing). This merged with the interests of the Mauritanian regime in the region, and those of Morocco in the annexation of the Sahara. In this context, Polisario made the fatal mistake of carrying out its actions outside the cities and encouraging the inhabitants to desert them, brandishing the threat of the repression that the Moroccan forces deployed. This choice cost them dearly. It prompted them to use the territory of another state, so that political decisions became dependent on it. At the same time this choice deprived it of the support of the Saharawi masses in the towns. Despite the initial advances represented by the departure of the Spanish and the abandonment by Mauritania of its interests in the region specified by the "Algerian Pact" signed by the two protagonists, the impasse could not be avoided: to obtain independence by armed struggle while supported by another regional powers, was to leave themselves open to blackmail, and condemn themselves also to the loss of roots amongst the masses in the towns of the Sahara. Moreover, it should be noted that most of the refugees are educated youth, and that many of them have benefited from scholarships in various countries (Algeria, Libya, Cuba and so on). Also many people live in the camps in the expectation and the hope of work abroad. Thus, young people undergo a strong pressure because of an uncertain horizon and future. Also, they find private spaces in which they can express their aspirations given the very hostile natural conditions throughout the year and the miserable conditions of life. These young people are awaiting international aid that Polisario distributes through the Red Crescent of the Sahara, or positions in the civil service, diplomacy in particular. This situation has prompted a number of cadres to prefer not to return to settle in the camps. In sum, emigration has become the sole social outcome. This state of deterioration of conditions alters significantly the commitment and enthusiasm of the inhabitants, and their ability to support life in the camps where the most basic living conditions are absent. This state of mind has challenged the credit enjoyed by Polisario as being the sole legitimate leadership. Indeed, this is understandable if we recall how anchored phenomena of corruption are; the activities of smuggling, the apparent enrichment of a few leaders; clientelism through tribal links for the allocation of responsibilities in the absence of criteria of competence; a severe restriction on freedom to movement in a closed territory which is however open to television channels. This makes the Polisario Front a real powder keg that could explode at any time. It makes very probable the eruption of mass movements in the camps, comparable to the events of 1988 or even more so. The absence of a political outcome only reinforces this.

Polisario Scenario

#### Polisario violence spills over to jack the global phosphate supply🡪causes starvation and extinction

Pearce 6/7/11

Fred, freelance author and journalist based in the UK., serves as environmental consultant for New Scientist magazine and is the author of numerous books, including When The Rivers Run Dry and With Speed and Violence, has written about the environmental consequences of humankind’s addiction to chemical fertilizers and about how agribusiness threatens a critical African wildlife migration, <http://e360.yale.edu/feature/phosphate_a_critical_resource_misused_and_now_running_out/2423/>

If you wanted to really mess with the world’s food production, a good place to start would be Bou Craa, located in the desert miles from anywhere in the Western Sahara. They don’t grow much here, but Bou Craa is a mine containing one of the world’s largest reserves of phosphate rock. Most of us, most days, will eat some food grown on fields fertilized by phosphate rock from this mine. And there is no substitute. The Western Sahara is an occupied territory. In 1976, when Spanish colonialists left, its neighbor Morocco invaded, and has held it ever since. Most observers believe the vast phosphate deposits were the major reason that Morocco took an interest. Whatever the truth, the Polisario Front**,** a rebel movement the UN recognizes as the rightful representatives of the territory, would like it back**.**  Not many people would call phosphate a critical issue or one with serious environmental consequences. But even leaving aside the resource politics of the Sahara, it is an absolutely vital resource for feeding the world**.** It is also a resource that could start running low within a couple of decades — and one we grossly misuse, pouring it across the planet and recycling virtually none of it. The world’s food supplies are alarmingly dependent on the phosphate fertilizer that is hewn from the desert of the Western Sahara. The vast open-cast mine at Bou Craa delivers several million tons of phosphate rock every year down a 150-kilometer-long conveyor belt, the world’s longest, to the Atlantic port of El Ayoun. From there, it is distributed around the world and made into fertilizer. Morocco’s phosphate reserves are owned by the Office Cherifien des Phosphates, a Moroccan state agency. Given the almost unlimited executive powers of the Moroccan monarch, it might reasonably be said that most of the world's known reserves of phosphate are, in effect, owned by King Mohammed VI and his Alaouite dynasty, which has reigned in Morocco since the 17th century. If the people of Western Sahara ever resume their war to get their country back — or if the Arab Spring spreads and Morocco goes the way of Libya — then we may be adding phosphate fertilizer to the list of finite resources**,** such as water and land, that are constraining world food supplies sooner than we think. Phosphorus is one of the building blocks of all life. Every living cell requires it. Plants need phosphorus to grow as much as they need water. Many soils do not have enough to meet the voracious demands for phosphorus of the high-yielding crop varieties of the Green Revolution. But we can provide more by mining phosphate rock and turning it into fertilizer to spread on the land. It takes one ton of phosphate to produce every 130 tons of grain, which is why the world mines about 170 million tons of phosphate rock every year to ship around the world and keep soils fertile. Currently, only about 15 percent of that comes from mines in the Western Sahara and Morocco. But the only other large producers, the U. S. and China, mostly keep supplies for their own use. So Morocco is by far the biggest contributor to international trade, with more than half the total business. The people of India, the world’s largest importer, would be starving without Morocco’s phosphates. Brazil’s agricultural boom would never have happened otherwise. Even more critically in the longer term, the U.S. Geological Survey says that of the 65 billion tons of the world’s known phosphate rock reserves — and the estimated 16 billion tons that might be economic to mine — almost 80 percent is in Western Sahara and Morocco. Add in China’s reserves, and the figure rises to almost 90 percent. The U.S., with 1.4 billion tons, is close to running out. You can see why agronomists are starting to get worried. The world is not about to run out of phosphate. But demand is rising, most of the best reserves are gone, and those that remain are in just a handful of countries. Dana Cordell of Linkoping University in Sweden, who runs an academic group called the Global Phosphorus Research Initiative, says we could hit “peak phosphorus” production by around 2030. As domestic production wanes, the U.S. is starting to join those countries — most of the world, in fact — that import phosphate from Morocco and the Western Sahara. American imports cross the Atlantic courtesy of Potash Corp, the Canada-based fertilizer company whose hostile takeover bid by the Australian mining giant BHP Billiton was blocked by the Canadian government last year. And phosphate mining in Florida, which is home to the world’s largest phosphate mine, is being challenged by environmentalists concerned about its impact on waterways and drinking water supplies. Already, like other key commodities with once-dominant sources running low, the price of phosphate is starting to yo-yo alarmingly. Prices spiked at an 800-percent increase in 2008. A century ago, much of the world’s internationally traded phosphate came from bones (a major English import at one time) and guano, excavated from Pacific islands where birds had been defecating phosphate for millions of years. But bones are not traded much any more, and most of the guano islands are now mined out. The island state of Nauru, for instance, is nothing more than a moonscape after decades of mining it to fertilize the grain fields of Australia. The other key ingredient needed to fertilize modern high-productivity farm soils is nitrogen. We know how to “fix” nitrogen from the atmosphere. If the German chemist Fritz Haber hadn’t come up with his process in 1908, there wouldn’t have been a Green Revolution — and there wouldn’t be 7 billion people on the planet today. The nitrogen produced by this process is estimated to be directly responsible for feeding 3 billion of us. But there are no new sources of phosphate. We continue to mine the rock — or we starve.

### Refugee Shell

**Libyan economy recovering now but drop in oil prices will gut growth**

**Reuters**, 7/10/**12**, “Sees Libya economic growth doubling this year”, <http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi>

Libya's economy is likely to rebound sharply this year from a deep contraction in 2011 as the country rebuilds from civil war and oil production recovers to levels last seen during Muammar Gaddafi's rule, the International Monetary [Fund](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) said on Tuesday. In a report on Libya's economy resulting from an IMF mission in May but published only now, the fund forecast growth will skyrocket 116.6 percent in 2012 following a contraction of 60 percent last year. Growth next year is likely to slow to 16.5 percent and 13.2 percent in 2014 as the effects of the war on the economy wane, the IMF added. Such [impressive](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) rebounds in growth are not unusual in countries emerging from conflict when the economy is boosted by rebuilding projects and pent-up private demand. The IMF statement on Libya comes as the country awaits the outcome of a historic vote on Saturday to elect a national assembly. While Libya's [government](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) can afford the current high rates of spending in the short term, the IMF estimated that it is not sustainable over the longer term and will push the budget into deficit from 2015. "A more thorough analysis of sustainability based on the present value of financial [assets](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) and future oil extraction indicates that from 2012, public spending will exceed the sustainable, long-term level by over 10 percent of [GDP](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi)," the fund added. http://articles.chicagotribune.com/images/pixel.gifThe IMF also warned that continued political uncertainty, insecurity and the possibility of a drop in global oil prices were all risks to Libya's economic outlook. Last week around half of Libya's oil exporting capacity was shut down and production cut by about 300,000 barrels per day (bpd) from about 1.3 million bpd after protests by groups demanding autonomy for eastern Libya, the source of most of the country's oil. The oil price at which Libya's budget is balanced is about$91 per barrel in 2012, an increase from $58 a barrel in 2010, and is set to exceed $100 a barrel from 2013, the IMF said. Brent crude prices traded at about $97 a barrel on Tuesday. A deeper crisis in the euro zone and sharper slowdown in the world economy could push global oil prices lower, which would be pose challenges for Libya's oil dependent economy, the IMF said.

#### Oil revenues key to Libyan stability

**UPI**, 1/25/**12**

“Libya boosts oil output but dangers lurk”, http://www.upi.com/Business\_News/Energy-Resources/2012/01/25/Libya-boosts-oil-output-but-dangers-lurk/UPI-28071327525246/

"Security is key to production increases but oil revenue is key to achieving stability. "While the situation in the oil fields seems to be fairly secure, in the cities it is more uncertain. Many former rebel fighters are still armed and the process of forming a national security force is moving forward slowly. "The government is in desperate need of funds to stabilize the country and has, in its oil industry, a major potential source," the analysis noted. "However, the country also has a major unemployment problem, with almost a quarter of the population out of work. "Political tensions in Libya will remain until oil revenues increase, providing the funds for infrastructure projects necessary to provide employment." Libya has oil reserves of 46.4 billion barrels, the largest in Africa. The rebel alliance that drove Gadhafi from power in an eight-month revolution in 2011 has splintered and several militias, based on particular clans and regions, remain heavily armed. They have repeatedly clashed with each other and the new interim government, the Western-backed National Transitional Council. It was plunged into crisis this week when mass protests broke out in Benghazi over the close ties some NTC officials had with Gadhafi's regime. Gadhafi loyalists have reappeared recently and fought gun battles with NTC forces. The marauding militias, vying for influence and power in the post-Gadhafi era, have become the biggest threat to security and stability as the NTC struggles to exert its authority. The militias are scaring foreign oil companies into delaying the return of their technicians who are vital to keeping the oil industry functioning. "We're now between two bitter options," NTC Chairman Mustafa Abdel Jalil declared in Benghazi recently. "We deal with these violations strictly … or we split and there will be a civil war." The combination of Libya's location on the southern shore of the Mediterranean and its "sweet" oil -- light and low in sulfur content, which makes it easy to process -- has made it attractive to consumers, particularly refineries in carbon-conscious Europe. And with Europe facing the loss of around 500,000 barrels of Iranian oil a day following the European Union's decision Monday to impose an oil embargo on Iran over its contentious nuclear program, Libyan oil is all the more attractive to EU states. "In the light of Iran's threatening stance over the Strait of Hormuz … the relative strategic value of Libyan crude is increased, given its location outside the gulf," Oxford Analytica noted. Tehran has threatened to close the narrow, 112-mile strait at the southern end of the gulf through which one-fifth of the world's oil supply passes daily, if the United States and the EU enforces the oil embargo. U.S. President Barack Obama approved a campaign to choke off Iran's oil exports, which supplies some 80 percent of its state revenues, on Dec. 31. When Gadhafi was toppled, oil production had fallen from the pre-conflict level of 1.6 million barrels per day to less than 100,000 bpd. Since then the Libyans have built that back to 1 million bpd, months earlier than expected.

Refugee Scenario

**Instability causes broader instability and influx to Europe**

**Ulack, 11**

Chris, Doctoral candidate in the Department of Geography and the Environment at the University of Texas at Austin. focuses on refugee issues in the U.S. and the Middle East “The Arab Spring's looming refugee crisis”, <http://mideast.foreignpolicy.com/posts/2011/06/23/the_arab_spring_s_looming_refugee_crisis>

The trajectory of peaceful demonstrations in Libya and Syria has been impacted by regime violence. The result: large populations of internally displaced peoples (IDP's) have been created inside of those countries as well as great numbers of refugees fleeing to bordering countries. Furthermore, the revolutions of the Arab Spring have serious ramifications for already existing refugee populations, notably the more than one million Iraqi refugees that have settled in Syria since 2006. The possibility of increased large-scale refugee movement from Libyaand Syria will not only spur a devastating humanitarian crisis, but could also further destabilize the region. Considering that the United Nations High Commissioner for Refugees (UNHCR) is already working with insufficient funds, Western policymakers should pay attention to these imminent crises. One need only look at the social and economic repercussions of the still unresolved predicament of Iraqi refugees to see the urgency of keeping the current situations from escalating into another protracted refugee crisis. The consequences of a prolonged refugee situation could be dire**,** especially as many of the countries to which the people are fleeing allow few -- if any -- rights, benefits, or protection for refugees. The most recent numbers provided by the U.N. of the Libyan refugee crisis indicate that an estimated 1,002,982 people have fled to border countries including Tunisia, Egypt, Algeria, Niger, and Chad. The majority of Libyan refugees, however, have escaped to either Egypt or Tunisia, both countries which are struggling to cope with their own recent uprisings and have few resources for real assistance or protection. While the UNHCR has set up camps to help many of the refugees fleeing Libya, reports are mixed on whether those refugees entering border countries are fleeing to safety or to yet another dangerous situation. The Libyan refugee situation is complicated by the large number of third-country nationals who are attempting to flee to Europeby boat. As Al Jazeera reported, over 1,400 people have died at sea since the uprising in Libya began in February. This situation has become so alarming that the U.N. has even made appeals to ships in the Mediterranean to look out for crude vessels that might be carrying refugees from Libya. In addition to these issues of concern are the estimated 250,000 internally displaced people still inside of Libya. Oftentimes, the internally displaced are the most vulnerable as it is extremely difficult to provide food and supplies to those trapped inside a conflict zone. Thus, the U.N. has officially warned of an imminent humanitarian crisis inside of the already war-torn Libya. The UNHCR has responded to the situation by setting up camps for Libyans (and third-country nationals) in Tunisia and Egypt and sending "tonnes and tonnes" of goods and supplies to those locales. The UNHCR has even begun evacuating some of the refugees to resettlement hubs in Romania and Beirut where they will likely undergo further processing for resettlement in other countries. Resettling refugees from Libya to other countries may be more difficult than originally thought, however. The UN has been imploring various European countries to accept refugees from Libya, whether from the camps in Tunisia and Egypt or from Lampedusa, Italy, the destination of the vast majority of those fleeing Libya in boats. This is at a time when the prevailing atmosphere in Europe is largely anti-immigration, which is exemplified throughout the continent by the gains of right-wing parties that advocate for stricter immigration policy. As such, there was bound to be a lot of backroom discussion on the Arab Spring's effects on migration to Europe at the 2011 G-8 Summit in Deauville, France. As a senior correspondent for the New York Times stated, "there is more than a tacit link between sustaining the process of change in North Africa and avoiding a flow of refugees to the four European Union countries (including Italy) that make up the G-8 alongside the United States, Canada, Japan and Russia." It's not surprising then that António Guterres, head of the UNHCR, has complained about the "grudging" response from European countries to accept refugees from Libya.

Refugee Scenario

#### That destroys EU cohesion

The Economist 4/11/11

“The next European crisis: boat people**”,** <http://www.economist.com/blogs/charlemagne/2011/04/north_african_migration>

 FOR THE past year excessive sovereign debt has endangered the European project. For the coming year it may be north African boat people who present the greatest danger to European unity.  The turmoil over illegal migrants is a consequence of the Arab pro-democracy awakening on the far side of the Mediterranean and, perhaps, of the Western military intervention in Libya. According to UNHCR, more than 20,000 boat people have landed on the Italian island of Lampedusa this year, almost all of them from Tunisia. More than 800 have arrived in Malta, mostly from Libya.  At today's meeting of the European Union's interior ministers in Luxembourg, Italy and Malta called on the EU to activate a 2001 directive to grant temporary protection to migrants in cases of “mass influx” and to share the burden of absorbing the newcomers. But ministers flatly turned down the proposal. The European Commission described the call as “premature”, but said the EU was offering “solidarity” in other ways, including money and additional surveillance teams provided by the EU's Frontex border agency.  Malta would be helped on a voluntary basis in resettling boat people, given its small size and the fact that most of its newcomers are people fleeing war in Libya. Italy is confronted by a bigger wave, but its boat people are mainly economic migrants rather than refugees who have taken to the sea because of the economic crisis in Tunisia after its pro-democracy revolution, and because border controls have become laxer after the downfall of President Zine el-Abidine Ben Ali.  In any case, say fellow ministers, the flow of migrants to Italy is nothing like the influx of refugees into Europe (mainly Germany) during the Balkan wars, in response to which the EU directive was adopted.  Nonetheless, Roberto Maroni, the Italian interior minister, complained bitterly that the EU had abandoned Italy (video here, in Italian). “I ask myself if it makes sense to continue in this position: of continuing to be part of the European Union, an institution that is activated immediately to save banks, to declare war—but when it is a matter of expressing solidarity with a country in difficulty, such as Italy, it hides.”  He said that his country had been told: “Dear Italy. It's your business. Manage it on your own.” If this is the attitude of the EU, he declared, “we are better off alone than in bad company.”  Such comments are not entirely unexpected from a leading member of the anti-immigrant and Eurosceptic Northern League, except that Silvio Berlusconi, the Italian prime minister, had offered similar sentiments a day earlier during a visit to Lampedusa: “Either Europe is something concrete, or it would be best to part ways”.  Nobody expects Italy, a founding member of the EU, to begin proceedings to withdraw. Its lashing out at outside foes may be a sign of a political system that is in fibrillation because of the multiple legal cases against Mr Berlusconi (he was in court today, denouncing "leftist" magistrates). Yet the anti-Europe mood has been harsh enough to alarm President Giorgio Napolitano (report here, in Italian).  Italy is resorting to a ruse that other countries suspect is a blatant attempt to export its problem: granting all arrivals from Tunisia temporary protection in Italy. In theory this would allow them to travel freely throughout the passport-free Schengen area, and most can be expected to take the opportunity to slip across the Alps to other countries, above all to France.  Over the weekend, the Italian finance minister, Giulio Tremonti, seemed to issue a veiled warning: “A cheque that needs to be honoured has arrived in Italy, but it will not stop in Lampedusa. It will arrive in Germany, in the north and all over Europe.”  French authorities have already stepped up identity checks in areas near the border with Italy. Claude Guéant, the French interior minister, said about 2,800 Tunisians had been caught so far in the past month, of whom about 1,700 have been expelled back to Italy. He and Mr Maroni met last week to smoothe over their row over the handling of migrants, agreeing to conduct more joint patrols in the Mediterranean.  But Mr Guéant would not yield on the substance of the disagreement. Italy had a right to issue temporary permits, he said; France had a right to check whether Tunisians arriving from Italy had a proper passport as well as funds to support themselves, as stipulated under Schengen rules. Every country in Schengen had to bear its responsibilities, he said. Italy was not the only country with a migration problem: France had to contend with thousands of illegal Afghan and Pakistani migrants who congregate around Calais to try to slip across the Channel to Britain.  Others have been more openly critical of Italy. “I was quite dissatisfied with Italy's surprise decision to pass on its problems to all the others without prior notice,” said Gerd Leers, the Dutch minister for immigration and asylum. Austria's interior minister, Maria Fekter, said her country would investigate means of stopping migrants from crossing its borders. Similarly, the German states of Bavaria and Hesse said they might introduce border checks.  Migration is likely to be a contentious issue at June's European summit (see this paper by the Centre for European Reform). With anti-immigrant parties on the rise across Europe, the dispute has great potential to degenerate.  Like the euro, which requires mutual trust among members about their readiness to preserve sound public finances, the Schengen area relies on mutual trust about the capacity of members to control their borders and migration flows. But Italy threatens all that: rather than acting as a dam and reservoir for migrants, it would rather be a weir, allowing the human flow to pass over it.  In the euro crisis, creditors and debtors alike wondered whether they would be better off without the other. Now it is the countries of the Schengen borderless travel area that are starting to question another of Europe's great integration projects.

Refugee Scenario

#### Causes global depression and runaway warming

Strahan 10/13/11

 David, an award-winning investigative journalist and documentary film-maker who specializes business and energy, reported and produced extensively for the BBC’s Money Programme and Horizon strands, author of The Last Oil Shock: A Survival Guide to the Imminent Extinction of Petroleum Man, trustee of the Oil Depletion Analysis Centre, fellow of the RSA, and an honorary researcher at the Aon Benfield UCL Hazard Research Centre, “The real Greektragedy may be the climate”,http://www.newscientist.com/article/mg21228346.800-the-real-greek-tragedy-may-be-the-climate.html%3Cbr%20/%3E

 The climate always takes a back seat when economies turn sour, but the impact of a euro breakup would be profoundand long-lasting. Any country leaving the euro would also breach the treaties of Mastricht, Lisbon and Rome, and therefore be forced to leave the single market and the European Union. So a euro breakup is likely to shatter the EU, and with it the hard won architecture of climate policy.  For a start, the Emissions Trading System would be unlikely to survive the collapse of the currency in which it is denominated. True, the EU ETS has been widely criticized for being ineffectual – with certificates currently languishing at less than €11 per tonne of CO2 – and many argue a carbon tax would be cheaper and more effective. But the system is what we have, and crucially imposes an international framework which, however weak at present, could be strengthened and expanded in future. That would all be swept away by the collapse of the EU, along with any obligation for countries to deliver their 2020 targets on emissions reduction, renewables capacity and energy efficiency.  But so what? Given the scale of the likely economic collapse, emissions would plunge too. In the 2009 recession, Europe’s GDP shrank 4% while total emissions in the EU27 dropped a little over 7%, according to the European Environment Agency. If the cost to countries leaving the euro is between 25% and 50% of GDP, as UBS suggests, in a euro breakup European emissions would fall far below any existing targets. And emissions could stay low for many years: Stephen King, the chief economist of HSBC, has said the destruction of the single currency would threaten “another Great Depression”.  On that basis, the collapse of the EU, so long in the vanguard of climate policy, could ironically be seen as the best outcome for global warming. But nothing could be further from the truth. Because while emissions would fall dramatically, so would our ability to do anything about the remainder. The IPCC’s most recent assessment says holding global temperature increase to 2C means cutting emissions by up to 85% by 2050. But that assessment does not include the impacts of so-called ‘slow feedback loops’ such as the melting ice sheets. More recent work led by James Hansen, director of the Goddard Institute at NASA, suggests we need to be carbon neutral by around the middle of the century and carbon negative thereafter. Both assessments clearly require emissions to fall far more than would be delivered by Europe’s economic ruination.  Yet achieving those kinds of reductions requires massive investment. The International Energy Agency calculates that holding temperatures to +2C means the world needs to invest $18 trillion by 2035, across transport, power generation, buildings and industry. The investment needed would presumably be lower if emissions themselves had already slumped, but even so it is hard to imagine governments could mobilize anything like enough money in the midst of a grinding depression. Not only would the wealth have been destroyed, but also the political will. Which leader, for example, would dare to raise energy prices to pay for carbon capture and storage?  There is much more riding on the outcome of the Greek crisis than the future of Europe or even the world economy. The danger is that a euro collapse could destroy the capital and European institutions needed to combat climate change for a generation. A spiralling financial crisis would then spawn an environmental catastrophe. It is bitterly ironic that the meltdown of a minor economy that has little to sell but sunshine could condemn the planet to uncontrollable global warming.

#### Extinction

Tickell, 08

Oliver, British journalist, author and campaigner on health and environment issues, and author of the *Kyoto2* climate initiative, Climate Researcher, The Gaurdian, “On a planet 4C hotter, all we can prepare for is extinction”, 8/11 <http://www.guardian.co.uk/commentisfree/2008/aug/11/climatechange>

We need to get prepared for four degrees of global warming, Bob Watson told the Guardian last week. At first sight this looks like wise counsel from the climate science adviser to Defra. But the idea that we could adapt to a 4C rise is absurd and dangerous. Global warming on this scale would be a catastrophe that would mean, in the immortal words that Chief Seattle probably never spoke, "the end of living and the beginning of survival" for humankind. Or perhaps the beginning of our extinction. The collapse of the polar ice caps would become inevitable, bringing long-term sea level rises of 70-80 metres. All the world's coastal plains would be lost, complete with ports, cities, transport and industrial infrastructure, and much of the world's most productive farmland. The world's geography would be transformed much as it was at the end of the last ice age, when sea levels rose by about 120 metres to create the Channel, the North Sea and Cardigan Bay out of dry land. Weather would become extreme and unpredictable, with more frequent and severe droughts, floods and hurricanes. The Earth's carrying capacity would be hugely reduced. Billions would undoubtedly die. Watson's call was supported by the government's former chief scientific adviser, Sir David King, who warned that "if we get to a four-degree rise it is quite possible that we would begin to see a runaway increase". This is a remarkable understatement. The climate system is already experiencing significant feedbacks, notably the summer melting of the Arctic sea ice. The more the ice melts, the more sunshine is absorbed by the sea, and the more the Arctic warms. And as the Arctic warms, the release of billions of tonnes of methane – a greenhouse gas 70 times stronger than carbon dioxide over 20 years – captured under melting permafrost is already under way. To see how far this process could go, look 55.5m years to the Palaeocene-Eocene Thermal Maximum, when a global temperature increase of 6C coincided with the release of about 5,000 gigatonnes of carbon into the atmosphere, both as CO2 and as methane from bogs and seabed sediments. Lush subtropical forests grew in polar regions, and sea levels rose to 100m higher than today. It appears that an initial warming pulse triggered other warming processes. Many scientists warn that this historical event may be analogous to the present: the warming caused by human emissions could propel us towards a similar hothouse Earth.

### MANPAD – Afghanistan Shell

**Libyan economy recovering now but drop in oil prices will gut growth**

**Reuters**, 7/10/**12**, “Sees Libya economic growth doubling this year”, <http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi>

Libya's economy is likely to rebound sharply this year from a deep contraction in 2011 as the country rebuilds from civil war and oil production recovers to levels last seen during Muammar Gaddafi's rule, the International Monetary [Fund](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) said on Tuesday. In a report on Libya's economy resulting from an IMF mission in May but published only now, the fund forecast growth will skyrocket 116.6 percent in 2012 following a contraction of 60 percent last year. Growth next year is likely to slow to 16.5 percent and 13.2 percent in 2014 as the effects of the war on the economy wane, the IMF added. Such [impressive](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) rebounds in growth are not unusual in countries emerging from conflict when the economy is boosted by rebuilding projects and pent-up private demand. The IMF statement on Libya comes as the country awaits the outcome of a historic vote on Saturday to elect a national assembly. While Libya's [government](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) can afford the current high rates of spending in the short term, the IMF estimated that it is not sustainable over the longer term and will push the budget into deficit from 2015. "A more thorough analysis of sustainability based on the present value of financial [assets](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) and future oil extraction indicates that from 2012, public spending will exceed the sustainable, long-term level by over 10 percent of [GDP](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi)," the fund added. http://articles.chicagotribune.com/images/pixel.gifThe IMF also warned that continued political uncertainty, insecurity and the possibility of a drop in global oil prices were all risks to Libya's economic outlook. Last week around half of Libya's oil exporting capacity was shut down and production cut by about 300,000 barrels per day (bpd) from about 1.3 million bpd after protests by groups demanding autonomy for eastern Libya, the source of most of the country's oil. The oil price at which Libya's budget is balanced is about$91 per barrel in 2012, an increase from $58 a barrel in 2010, and is set to exceed $100 a barrel from 2013, the IMF said. Brent crude prices traded at about $97 a barrel on Tuesday. A deeper crisis in the euro zone and sharper slowdown in the world economy could push global oil prices lower, which would be pose challenges for Libya's oil dependent economy, the IMF said.

**Oil revenues key to Libyan stability**

**UPI**, 1/25/**12**

“Libya boosts oil output but dangers lurk”, http://www.upi.com/Business\_News/Energy-Resources/2012/01/25/Libya-boosts-oil-output-but-dangers-lurk/UPI-28071327525246/

"Security is key to production increases but oil revenue is key to achieving stability. "While the situation in the oil fields seems to be fairly secure, in the cities it is more uncertain. Many former rebel fighters are still armed and the process of forming a national security force is moving forward slowly. "The government is in desperate need of funds to stabilize the country and has, in its oil industry, a major potential source," the analysis noted. "However, the country also has a major unemployment problem, with almost a quarter of the population out of work. "Political tensions in Libya will remain until oil revenues increase, providing the funds for infrastructure projects necessary to provide employment." Libya has oil reserves of 46.4 billion barrels, the largest in Africa. The rebel alliance that drove Gadhafi from power in an eight-month revolution in 2011 has splintered and several militias, based on particular clans and regions, remain heavily armed. They have repeatedly clashed with each other and the new interim government, the Western-backed National Transitional Council. It was plunged into crisis this week when mass protests broke out in Benghazi over the close ties some NTC officials had with Gadhafi's regime. Gadhafi loyalists have reappeared recently and fought gun battles with NTC forces. The marauding militias, vying for influence and power in the post-Gadhafi era, have become the biggest threat to security and stability as the NTC struggles to exert its authority. The militias are scaring foreign oil companies into delaying the return of their technicians who are vital to keeping the oil industry functioning. "We're now between two bitter options," NTC Chairman Mustafa Abdel Jalil declared in Benghazi recently. "We deal with these violations strictly … or we split and there will be a civil war." The combination of Libya's location on the southern shore of the Mediterranean and its "sweet" oil -- light and low in sulfur content, which makes it easy to process -- has made it attractive to consumers, particularly refineries in carbon-conscious Europe. And with Europe facing the loss of around 500,000 barrels of Iranian oil a day following the European Union's decision Monday to impose an oil embargo on Iran over its contentious nuclear program, Libyan oil is all the more attractive to EU states. "In the light of Iran's threatening stance over the Strait of Hormuz … the relative strategic value of Libyan crude is increased, given its location outside the gulf," Oxford Analytica noted. Tehran has threatened to close the narrow, 112-mile strait at the southern end of the gulf through which one-fifth of the world's oil supply passes daily, if the United States and the EU enforces the oil embargo. U.S. President Barack Obama approved a campaign to choke off Iran's oil exports, which supplies some 80 percent of its state revenues, on Dec. 31. When Gadhafi was toppled, oil production had fallen from the pre-conflict level of 1.6 million barrels per day to less than 100,000 bpd. Since then the Libyans have built that back to 1 million bpd, months earlier than expected.

MANPAD – Afghanistan Scenario

**Instability allows AQIM to acquire MANPADs**

Alex **Wilner**, 11/30/**11**

Senior Researcher at ETH-Zurich and a Macdonald-Laurier Institute Fellow, “Halting al Qaeda’s African rebound”, http://www.troymedia.com/blog/2011/11/30/halting-al-qaeda%E2%80%99s-african-rebound-part-3/

For AQIM, Libya poses a unique opportunity. Numerous accounts suggest that AQIM took advantage of the civil war to help itself to Colonel Gaddafi’s weapons stockpiles that were “liberated” by anti-government forces. In April 2011, Idriss Deby, President of Chad, noted that he was “100 per cent” certain that AQIM had pillaged military caches in eastern Libya and acquired heavy weapons. His assertion was repeated by the President of Niger and various Algerian officials and later confirmed, in November 2011, by AQIM itself. Mokhtar Belmokhtar, one of AQIM’s leaders, told Mauritanian reporters that “it was perfectly natural” that AQIM had “acquired Libyan weapons.” Of greatest concern is Libya’s stockpile of shoulder-launched anti-aircraft weapons, often referred to as MANPADS (or *man-portable air defense systems*). These weapons are light-weight, transportable, and, in the wrong hands, can be used to shoot down commercial airlines. U.S. government estimates suggest that Gaddafi amassed roughly 20,000 of these rockets. Even if only a handful of these weapons reach al Qaeda, a repeat of its 2002 attack in Mombasa, Kenya, in which two shoulder-launched missiles were fired against an Israeli-owned charter plane taking off from Moi International Airport, remains a distinct possibility. And while U.S. officials have predicted that most of Libya’s unsecured MANPADS are still in the country, the Israelis are not taking any chances. In November 2011, Israeli officials said they were accelerating a program to equip *all* commercial jets flown by El Al and two other Israeli airline companies with locally made anti-missile defence systems that can “blind” heat-seeking missiles with lasers. The Israeli government is expected to foot the $1.5 million bill the program will cost.

**MANPAD prolif causes Afghan instability**

Andrew **Drwiega**, 12/6/**11**

Senior defense journalist with a particular focus on military rotorcraft, editor of *Defence Helicopter* for seven years, BA (Hons) Degree in War Studies from Sunderland University, a member of several associations including the Army Aviation Association of America (Quad-A), Royal United Services institute and the Air Power Association, “Libya’s MANPADs Legacy”, http://www.aviationtoday.com/rw/training/military/Libyas-MANPADs-Legacy\_75305.html

There is an understanding that government agencies have been working very hard behind the scenes to ensure that this kind of weapon does not make it into the hands of the Taliban or al Qaeda. There have been a variety of ‘sting’ operations to take these weapons out of the hands of arms dealers. The old stock of SAMs, especially Stingers, that were given to the Mujahideen to fight the Russians during their occupation of Afghanistan, were largely thought to have degraded in their capability. However, the ability to control the dissemination of MANPADS to terrorist groups and counter-insurgents seems to have been blown open by recent events in Libya where potentially thousands of MANPADS have been stolen and potentially shipped out of the country. According to recent media reports, Libya had an estimated 20,000 surface-to-air missiles before the February uprising began, one of the largest national stocks internationally. An untold number have reportedly already been stolen from unguarded warehouses during and immediately after the struggle for independence from Col. Gaddafi. In recent articles Con Coughlin, a writer in the *British Sunday Telegraph* newspaper, suggested that an Iranian Quds Force team (a paramilitary wing of Iran’s Revolutionary Guards) “… traveled to Libya following the overthrow of the Gaddafi regime and smuggled hundreds of surface-to-air weapons out of the country.” He cites military intelligence officers in Libya who have indicated that the stolen arms could “include sophisticated Russian-made SA-24 missiles that were sold to Libya in 2004. The missile can shoot down aircraft flying at 11,000 feet, and is regarded as the Russian equivalent of the American ‘stinger’ missiles.” While the primary threat is thought to be terrorist acts against western civilian aircraft, there is also the question of how widespread the proliferation of these weapons could be. As Iran is an ally of Sudan (where it is presumed many of the stolen weapons are being kept in the short term), and the Iranian Revolutionary Guards are suspected of training Islamic terrorist groups there, the prospect of weapons getting into the hands of terrorists is very real. Likewise, security professionals believe that al Qaeda may also have been able to organize a similar kind of theft. “I think the probability of al-Qaeda being able to smuggle some of these stinger-like missiles out of Libya is probably pretty high,” said Richard Clarke, former White House National Security Advisor, in a September 2011 interview with *ABC News*. If that turns out to be the case, and with turmoil blighting countries such as Egypt to monitor al Qaeda sympathizers there, the case of smuggling the weapons into Afghanistan can be made. If MANPADS do find their way into Afghanistan then it would rapidly change the whole operational balance and military strategy. It already looks likely that, as in Iraq, when the U.S., British and ISAF ground forces pull out of Afghanistan around the end of 2014/15, many elements of air support will have to stay behind to assist the national Afghan forces, who have none of the elements in place to be self supporting in air power. If the threat of ground-to-air missiles increases significantly, and with a corresponding reduction in the numbers of trained troops that can react to that threat, a very dangerous scenario could quickly develop where high-threat/no-fly zones begin appearing over Afghanistan. That could give al-Qaeda and the Taliban just the opportunity to strengthen and reorganize once again in the Provinces, with dire consequences for the Karzai government.

MANPAD – Afghanistan Scenario

**Afghan instability sparks conflict in the Middle East and Asia**

**Lal, ’06**

Dr. Rollie, political scientist at the Rand Corporation, a South Asia and East Asia specialist, with extensive experience analyzing the foreign relations and internal dynamics of India and Pakistan, the national interests of India and China, and the strategic relations of India, China, and Japan, "Central Asia and Its Asian Neighbors. Security and Commerce at the Crossroads,"<http://stinet.dtic.mil/cgi-bin/GetTRDoc?AD=A450305&Location=U2&doc=GetTRDoc.pdf>]

Afghanistan remains critical to the future of Central Asia and its neighbors, as instability in Afghanistan has the potential to destabilize the region (pp. 19–20). A potent combination of drugs, weapons, and militants traverse Afghanistan and cross into Central Asia and beyond. Uzbekistan, Tajikistan, and Kyrgyzstan fear that Islamic militants trained in Afghanistan may slip back across their borders (p.20). Iran remains apprehensive that hostile, anti-Shia elements may take control of Afghanistan, putting Iranian security at risk (p. 12). And Pakistan and India both compete to ensure that the Afghan regime in power is friendly to their interests (pp. 26, 29). Although the countries across Asia do not agree on how to secure Afghanistan against threats, unanimous agreement exists on the fact that a stable Afghanistan is critical to their own security interests.

**Asian instability causes extinction**

Blank 2000

Stephen,  served as the Strategic Studies Institute’s expert on the Soviet bloc and the post-Soviet world, was Associate Professor of Soviet Studies at the Center for Aerospace Doctrine, Research, and [Education](http://www.strategicstudiesinstitute.army.mil/pubs/people.cfm?authorID=21), Maxwell Air Force Base, AL; and taught at the University of Texas, San Antonio; and at the University of California, Riverside, June, pg. <http://www.milnet.com/pentagon/Russia-2000-assessment-SSI.pdf>

In 1993 Moscow even threatened World War III to deter Turkish intervention on behalf of Azerbaijan. Yet the new Russo-Armenian Treaty and Azeri-Turkish treaty suggest that Russia and Turkey could be dragged into a confrontation to rescue their allies from defeat. 72 Thus many of the conditions for conventional war or protracted ethnic conflict in which third parties intervene are present in the Transcaucasus. For example, many Third World conflicts generated by local structural factors have a great potential for unintended escalation. Big powers often feel obliged to rescue their lesser proteges and proxies. One or another big power may fail to grasp the other side’s stakes since interests here are not as clear as in Europe. Hence commitments involving the use of nuclear weapons to prevent a client’s defeat are not as well established or apparent. Clarity about the nature of the threat could prevent the kind of rapid and almost uncontrolled escalation we saw in 1993 when Turkish noises about intervening on behalf of Azerbaijan led Russian leaders to threaten a nuclear war in that case.73 Precisely because Turkey is a NATO ally, Russian nuclear threats could trigger a potential nuclear blow (not a small possibility given the erratic nature of Russia’s declared nuclear strategies). The real threat of a Russian nuclear strike against Turkey to defend Moscow’s interests and forces in the Transcaucasus makes the danger of major war there higher than almost everywhere else. As Richard Betts has observed, The greatest danger lies in areas where (1) the potential for serious instability is high; (2) both superpowers perceive vital interests; (3) neither recognizes that the other’s perceived interest or commitment is as great as its own; (4) both have the capability to inject conventional forces; and, (5) neither has willing proxies capable of settling the situation.74

**Middle East war triggers a global conflagration**

**Steinbach, ’02**

(John Steinbach, Centre for Research on Globalisation <http://www.globalresearch.ca/articles/STE203A.html>, March 2002)

Meanwhile, the existence of an arsenal of mass destruction in such an unstable region in turn has serious implications for future arms control and disarmament negotiations, and even the threat of nuclear war. Seymour Hersh warns, "Should war break out in the Middle East again,... or should any Arab nation fire missiles against Israel, as the Iraqis did, a nuclear escalation, once unthinkable except as a last resort, would now be a strong probability."(41) and Ezar Weissman, Israel's current President said "The nuclear issue is gaining momentum(and the) next war will not be conventional."(42) Russia and before it the Soviet Union has long been a major (if not the major) target of Israeli nukes. It is widely reported that the principal purpose of Jonathan Pollard's spying for Israel was to furnish satellite images of Soviet targets and other super sensitive data relating to U.S. nuclear targeting strategy. (43) (Since launching its own satellite in 1988, Israel no longer needs U.S. spy secrets.) Israeli nukes aimed at the Russian heartland seriously complicate disarmament and arms control negotiations and, at the very least, the unilateral possession of nuclear weapons by Israel is enormously destabilizing, and dramatically lowers the threshold for their actual use, if not for all out nuclear war. In the words of Mark Gaffney, "... if the familar pattern(Israel refining its weapons of mass destruction with U.S. complicity) is not reversed soon- for whatever reason- the deepening Middle East conflict could trigger a world conflagration." (44)

### MANPAD – Econ Shell

**Libyan economy recovering now but drop in oil prices will gut growth**

**Reuters**, 7/10/**12**, “Sees Libya economic growth doubling this year”, <http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi>

Libya's economy is likely to rebound sharply this year from a deep contraction in 2011 as the country rebuilds from civil war and oil production recovers to levels last seen during Muammar Gaddafi's rule, the International Monetary [Fund](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) said on Tuesday. In a report on Libya's economy resulting from an IMF mission in May but published only now, the fund forecast growth will skyrocket 116.6 percent in 2012 following a contraction of 60 percent last year. Growth next year is likely to slow to 16.5 percent and 13.2 percent in 2014 as the effects of the war on the economy wane, the IMF added. Such [impressive](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) rebounds in growth are not unusual in countries emerging from conflict when the economy is boosted by rebuilding projects and pent-up private demand. The IMF statement on Libya comes as the country awaits the outcome of a historic vote on Saturday to elect a national assembly. While Libya's [government](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) can afford the current high rates of spending in the short term, the IMF estimated that it is not sustainable over the longer term and will push the budget into deficit from 2015. "A more thorough analysis of sustainability based on the present value of financial [assets](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) and future oil extraction indicates that from 2012, public spending will exceed the sustainable, long-term level by over 10 percent of [GDP](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi)," the fund added. http://articles.chicagotribune.com/images/pixel.gifThe IMF also warned that continued political uncertainty, insecurity and the possibility of a drop in global oil prices were all risks to Libya's economic outlook. Last week around half of Libya's oil exporting capacity was shut down and production cut by about 300,000 barrels per day (bpd) from about 1.3 million bpd after protests by groups demanding autonomy for eastern Libya, the source of most of the country's oil. The oil price at which Libya's budget is balanced is about$91 per barrel in 2012, an increase from $58 a barrel in 2010, and is set to exceed $100 a barrel from 2013, the IMF said. Brent crude prices traded at about $97 a barrel on Tuesday. A deeper crisis in the euro zone and sharper slowdown in the world economy could push global oil prices lower, which would be pose challenges for Libya's oil dependent economy, the IMF said.

**Oil revenues key to Libyan stability**

**UPI**, 1/25/**12**

“Libya boosts oil output but dangers lurk”, http://www.upi.com/Business\_News/Energy-Resources/2012/01/25/Libya-boosts-oil-output-but-dangers-lurk/UPI-28071327525246/

"Security is key to production increases but oil revenue is key to achieving stability. "While the situation in the oil fields seems to be fairly secure, in the cities it is more uncertain. Many former rebel fighters are still armed and the process of forming a national security force is moving forward slowly. "The government is in desperate need of funds to stabilize the country and has, in its oil industry, a major potential source," the analysis noted. "However, the country also has a major unemployment problem, with almost a quarter of the population out of work. "Political tensions in Libya will remain until oil revenues increase, providing the funds for infrastructure projects necessary to provide employment." Libya has oil reserves of 46.4 billion barrels, the largest in Africa. The rebel alliance that drove Gadhafi from power in an eight-month revolution in 2011 has splintered and several militias, based on particular clans and regions, remain heavily armed. They have repeatedly clashed with each other and the new interim government, the Western-backed National Transitional Council. It was plunged into crisis this week when mass protests broke out in Benghazi over the close ties some NTC officials had with Gadhafi's regime. Gadhafi loyalists have reappeared recently and fought gun battles with NTC forces. The marauding militias, vying for influence and power in the post-Gadhafi era, have become the biggest threat to security and stability as the NTC struggles to exert its authority. The militias are scaring foreign oil companies into delaying the return of their technicians who are vital to keeping the oil industry functioning. "We're now between two bitter options," NTC Chairman Mustafa Abdel Jalil declared in Benghazi recently. "We deal with these violations strictly … or we split and there will be a civil war." The combination of Libya's location on the southern shore of the Mediterranean and its "sweet" oil -- light and low in sulfur content, which makes it easy to process -- has made it attractive to consumers, particularly refineries in carbon-conscious Europe. And with Europe facing the loss of around 500,000 barrels of Iranian oil a day following the European Union's decision Monday to impose an oil embargo on Iran over its contentious nuclear program, Libyan oil is all the more attractive to EU states. "In the light of Iran's threatening stance over the Strait of Hormuz … the relative strategic value of Libyan crude is increased, given its location outside the gulf," Oxford Analytica noted. Tehran has threatened to close the narrow, 112-mile strait at the southern end of the gulf through which one-fifth of the world's oil supply passes daily, if the United States and the EU enforces the oil embargo. U.S. President Barack Obama approved a campaign to choke off Iran's oil exports, which supplies some 80 percent of its state revenues, on Dec. 31. When Gadhafi was toppled, oil production had fallen from the pre-conflict level of 1.6 million barrels per day to less than 100,000 bpd. Since then the Libyans have built that back to 1 million bpd, months earlier than expected.

MANPAD – Econ Scenario

**Instability allows AQIM to acquire MANPADs**

Alex **Wilner**, 11/30/**11**

Senior Researcher at ETH-Zurich and a Macdonald-Laurier Institute Fellow, “Halting al Qaeda’s African rebound”, http://www.troymedia.com/blog/2011/11/30/halting-al-qaeda%E2%80%99s-african-rebound-part-3/

For AQIM, Libya poses a unique opportunity. Numerous accounts suggest that AQIM took advantage of the civil war to help itself to Colonel Gaddafi’s weapons stockpiles that were “liberated” by anti-government forces. In April 2011, Idriss Deby, President of Chad, noted that he was “100 per cent” certain that AQIM had pillaged military caches in eastern Libya and acquired heavy weapons. His assertion was repeated by the President of Niger and various Algerian officials and later confirmed, in November 2011, by AQIM itself. Mokhtar Belmokhtar, one of AQIM’s leaders, told Mauritanian reporters that “it was perfectly natural” that AQIM had “acquired Libyan weapons.” Of greatest concern is Libya’s stockpile of shoulder-launched anti-aircraft weapons, often referred to as MANPADS (or *man-portable air defense systems*). These weapons are light-weight, transportable, and, in the wrong hands, can be used to shoot down commercial airlines. U.S. government estimates suggest that Gaddafi amassed roughly 20,000 of these rockets. Even if only a handful of these weapons reach al Qaeda, a repeat of its 2002 attack in Mombasa, Kenya, in which two shoulder-launched missiles were fired against an Israeli-owned charter plane taking off from Moi International Airport, remains a distinct possibility. And while U.S. officials have predicted that most of Libya’s unsecured MANPADS are still in the country, the Israelis are not taking any chances. In November 2011, Israeli officials said they were accelerating a program to equip *all* commercial jets flown by El Al and two other Israeli airline companies with locally made anti-missile defence systems that can “blind” heat-seeking missiles with lasers. The Israeli government is expected to foot the $1.5 million bill the program will cost.

**MANPAD attack would devastate economy**

Rachel **Ehrenfeld**, 12/9/**11**

Director of the [American Center for Democracy](http://www.econwarfare.org) and its Economic Warfare Institute , expert on [terrorism](http://en.wikipedia.org/wiki/Terrorism) and [corruption](http://en.wikipedia.org/wiki/Political_corruption)-related topics ,writes for The Wall Street Journal, The New York Times, Newsweek, The Guardian, The Washington Times, National Review, Huffington Post and more, “Libya's missing missiles: a threat to US airline passengers”, http://www.csmonitor.com/Business/new-economy/2011/1209/Libya-s-missing-missiles-a-threat-to-US-airline-passengers

How many of Libya’s shoulder fired missiles have been stolen is unknown. However, if only a single missile – 4 to 5 feet long, weighing between 32 and 42 pounds – found its way from the [Middle East](http://www.csmonitor.com/tags/topic/Middle+East) or [Africa](http://www.csmonitor.com/tags/topic/Africa) to [Asia](http://www.csmonitor.com/tags/topic/Asia), [Europe](http://www.csmonitor.com/tags/topic/Europe), or the United States (smuggled in through, say, a tunnel from [Mexico](http://www.csmonitor.com/tags/topic/Mexico)) and brought down a passenger aircraft, the economic impact would be huge. Some estimates put the direct costs of just one downed US passenger plane at $1 billion. These days, when the US economy is struggling already, the downing of a passenger plane by a MANPAD would lead not only to the grounding of the entire nation's passenger fleet, but to the devastation of the air-travel dependent US economy. After the 9/11 terrorist attacks, for example, it took four years before US passenger traffic returned to pre-9/11 levels.

### Tel Aviv Shell

**Libyan economy recovering now but drop in oil prices will gut growth**

**Reuters**, 7/10/**12**, “Sees Libya economic growth doubling this year”, <http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi>

Libya's economy is likely to rebound sharply this year from a deep contraction in 2011 as the country rebuilds from civil war and oil production recovers to levels last seen during Muammar Gaddafi's rule, the International Monetary [Fund](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) said on Tuesday. In a report on Libya's economy resulting from an IMF mission in May but published only now, the fund forecast growth will skyrocket 116.6 percent in 2012 following a contraction of 60 percent last year. Growth next year is likely to slow to 16.5 percent and 13.2 percent in 2014 as the effects of the war on the economy wane, the IMF added. Such [impressive](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) rebounds in growth are not unusual in countries emerging from conflict when the economy is boosted by rebuilding projects and pent-up private demand. The IMF statement on Libya comes as the country awaits the outcome of a historic vote on Saturday to elect a national assembly. While Libya's [government](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) can afford the current high rates of spending in the short term, the IMF estimated that it is not sustainable over the longer term and will push the budget into deficit from 2015. "A more thorough analysis of sustainability based on the present value of financial [assets](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) and future oil extraction indicates that from 2012, public spending will exceed the sustainable, long-term level by over 10 percent of [GDP](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi)," the fund added. http://articles.chicagotribune.com/images/pixel.gifThe IMF also warned that continued political uncertainty, insecurity and the possibility of a drop in global oil prices were all risks to Libya's economic outlook. Last week around half of Libya's oil exporting capacity was shut down and production cut by about 300,000 barrels per day (bpd) from about 1.3 million bpd after protests by groups demanding autonomy for eastern Libya, the source of most of the country's oil. The oil price at which Libya's budget is balanced is about$91 per barrel in 2012, an increase from $58 a barrel in 2010, and is set to exceed $100 a barrel from 2013, the IMF said. Brent crude prices traded at about $97 a barrel on Tuesday. A deeper crisis in the euro zone and sharper slowdown in the world economy could push global oil prices lower, which would be pose challenges for Libya's oil dependent economy, the IMF said.

**Oil revenues key to Libyan stability**

**UPI**, 1/25/**12**

“Libya boosts oil output but dangers lurk”, http://www.upi.com/Business\_News/Energy-Resources/2012/01/25/Libya-boosts-oil-output-but-dangers-lurk/UPI-28071327525246/

"Security is key to production increases but oil revenue is key to achieving stability. "While the situation in the oil fields seems to be fairly secure, in the cities it is more uncertain. Many former rebel fighters are still armed and the process of forming a national security force is moving forward slowly. "The government is in desperate need of funds to stabilize the country and has, in its oil industry, a major potential source," the analysis noted. "However, the country also has a major unemployment problem, with almost a quarter of the population out of work. "Political tensions in Libya will remain until oil revenues increase, providing the funds for infrastructure projects necessary to provide employment." Libya has oil reserves of 46.4 billion barrels, the largest in Africa. The rebel alliance that drove Gadhafi from power in an eight-month revolution in 2011 has splintered and several militias, based on particular clans and regions, remain heavily armed. They have repeatedly clashed with each other and the new interim government, the Western-backed National Transitional Council. It was plunged into crisis this week when mass protests broke out in Benghazi over the close ties some NTC officials had with Gadhafi's regime. Gadhafi loyalists have reappeared recently and fought gun battles with NTC forces. The marauding militias, vying for influence and power in the post-Gadhafi era, have become the biggest threat to security and stability as the NTC struggles to exert its authority. The militias are scaring foreign oil companies into delaying the return of their technicians who are vital to keeping the oil industry functioning. "We're now between two bitter options," NTC Chairman Mustafa Abdel Jalil declared in Benghazi recently. "We deal with these violations strictly … or we split and there will be a civil war." The combination of Libya's location on the southern shore of the Mediterranean and its "sweet" oil -- light and low in sulfur content, which makes it easy to process -- has made it attractive to consumers, particularly refineries in carbon-conscious Europe. And with Europe facing the loss of around 500,000 barrels of Iranian oil a day following the European Union's decision Monday to impose an oil embargo on Iran over its contentious nuclear program, Libyan oil is all the more attractive to EU states. "In the light of Iran's threatening stance over the Strait of Hormuz … the relative strategic value of Libyan crude is increased, given its location outside the gulf," Oxford Analytica noted. Tehran has threatened to close the narrow, 112-mile strait at the southern end of the gulf through which one-fifth of the world's oil supply passes daily, if the United States and the EU enforces the oil embargo. U.S. President Barack Obama approved a campaign to choke off Iran's oil exports, which supplies some 80 percent of its state revenues, on Dec. 31. When Gadhafi was toppled, oil production had fallen from the pre-conflict level of 1.6 million barrels per day to less than 100,000 bpd. Since then the Libyans have built that back to 1 million bpd, months earlier than expected.

Tel Aviv Scenario

**Stability key to Libyan disarmament and prevent regional arms explosion**

Conway **Waddington 12/19/11**

Pursuing a PhD through the University of Johannesburg. My thesis examines the role of resource scarcity, specifically water, in shaping normative approaches to contemporary and future warfare. I completed an MA at the University of KwaZulu-Natal, examining the potential role(s) of private military and security contractors in peacekeeping activities. I taught various business ethics related courses for the School of Management Studies at UKZN from 2005 to 2011, <http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=917:the-arms-proliferation-threat-of-post-gaddafi-libya-&catid=60:conflict-terrorism-discussion-papers&Itemid=265>

The National Transitional Council that currently governs Libya is, in fact, merely the overseer of a collection of loosely aligned committees, distributed across the country and separated by a range of geographic, ideological, religious, and tribal allegiances. At the local level then, there exists the threat that post-conflict recovery in Libya could collapse into violence; a possibility greatly enhanced by the vast amounts of unsecured weaponry scattered around the country, often in the hands of groups of fighters who are waiting to see what the post-Gadaffi future holds before they decide to hand over their weapons. Critical post-conflict processes of disarmament, demobilisation, and reintegration (DDR) are hampered by the lack of cohesion within the NTC and will not be easy to achieve without continued international support. Regional stability is also threatened by proliferation of weaponry, particularly in the Sahel region. Libya shares land borders with Algeria, Chad, Egypt, Niger, Sudan, and Tunisia. Given the enormous scale of these borders, the remote nature of the terrain, and the generally poor capabilities of the countries in the region, border security is extremely difficult to ensure. The political makeup of the region also lends itself to insurrections and allows the growth of non-state actors such as Al Qaeda in the Islamic Mahgreb (AQIM). The terrorist organisation threat taken together with the unknown status of Libya’s MANPADs has garnered the bulk of Western (media) attention. Not only does AQIM stand to gain from the availability of weapons, munitions and other material, but so too do other non-state organisations such as Al Shabaab in Somalia and Boko Haram in Nigeria. General Carter Ham of AFRICOM has suggested that Boko Haram might have begun cooperating; this is signified by declarations by AQIM leaders for support of Boko Haram, along with reports of cross-training efforts and tactical changes by Boko Haram to emulate AQIM and Al Shabaab.(14)

**Libyan weapons facilitate direct rocket attacks on Tel Aviv and Jerusalem**

**Global Post 10/8/11**

“Libya's missing weapons being smuggled into Gaza”, <http://mobile.globalpost.com/dispatch/news/regions/middle-east/israel-and-palestine/111008/libya-missing-weapons-arms-smuggling-gaza-hamas>

Israel’s ambassador to Egypt, Yitzhak Levanon, has not returned to Cairo since being evacuated when the Israeli embassy was attacked and invaded by a mob three weeks ago, and with the sharp deterioration in bilateral military contacts, it is not evident who the counterparts for pressing diplomatic consultations would be. There is some concern in Israel that the new weapons may increase the range of missiles that Hamas or splinter groups have access to, possibly even allowing for attacks against the two main population centers of Tel Aviv and Jerusalem. The menace posed by Libyan arms is another in a growing heap of challenges awaiting the government of Israeli Prime Minister Benjamin Netanyahu as he embarks upon the new year of the Jewish calendar.

**Tel Aviv’s a redline – Israel nukes, extinction**

Casey **Brown-Meyers 11**

Political analyst and commentator, South Plains College, <http://caseybrownmyers.blogspot.com/2011/10/syria-threatens-to-annihilate-tel-aviv.html>

DEBKA also reported that Israeli officials have never publicly admitted that this threat is on record, but Western intelligence sources have reported that Israel reacted with a warning of its own: If a single Syrian missile explodes in Tel Aviv, Damascus will be first to pay the price, and if the missile offensive persists, one Syrian town after another will be destroyed. The Israeli message to Assad cited the warnings Defense Minister Ehud Barak and other government members addressed in the past year to Hezbollah, that if Tel Aviv comes under attack from its missiles, not only Beirut but all of Lebanon would go up in flames. Assad was given to understand that Syria would go the same way as Lebanon if it engaged in missile belligerence against Israel. It is reported that Israel may have about two hundred nuclear missiles and I would guess they would use these assets to destroy the Syrian towns if attacked

### \*Russia Shells\*

### Exxon-Roseneft Deal Shell

#### High oil prices key to making the Exxon-Roseneft deal

RT Novista April 17, 2012. <http://rt.com/business/news/rosneft-exxon-deal-arctic-301/> hs

After the landmark deal, already dubbed by many “the deal of the century”, energy experts are unanimous in their estimates of potentially huge reserves the companies are getting access to, warning however that “the money is not yet on the table”. Rosneft and Exxon will provide details of their strategic deal in New-York on Wednesday, with Exxon CEO Rex Tillerson, Rosneft president Eduard Khudainatiov and Deputy Prime Minister Igor Sechin, the man in charge of energy sector, speaking to investment analysts. By tapping new deposits in the Arctic and East Siberia, Russia is going to sustain overall output to maintain its title as the world's top crude producer. Moreover the Arctic has significant potential as the main source of oil and gas in the future and Russia needs to open up this area in order to secure new sources of oil and gas as existing production base is going to decline over the next decade. Its traditional Western Siberia fields bring the bulk of Russia’s output, holding nearly 3/4 of Russia’s reserves. Keeping production levels at 10 million barrels of oil per day until 2020 is a key priority set out by Russia’s Prime Minister. And Vladimir Putin misses no opportunity to emphasize the tremendous importance of Russia’s energy resources, saying that “without reserves Russia will be in danger”. “Now the existing Russian sources of oil are either leveled off or facing a decline. The resources are likely to decline in 2 to 3 years and to sustain the current level of production will require a great deal of money and a lot of new exploration,” says Chris Weafer, chief strategist at Troika Tialog. “The Arctic is also the only place in the planet where a company like Exxon Mobil which is the largest listed oil firm in the world, can also get access to significant new reserves”. However the cost of developing the Arctic will be very high. Analysts estimate the exploration fare alone to be standing at several billion dollars, with the total cost of eventually bringing oil and gas to surface likely to rise up to $400 bln. “Working together makes a great deal of sense for Rosneft. The US giant has a lot of expertise in exploration in hostile parts of the world in deep water. And Rosneft needs to bring in more partners, including the government in terms of tax adjustments, making it more attractive to tap into Russian reserves”, says Weafer. However, Christine Tiscareno, oil and gas equity analyst with Standard and Poors, warns that success of the project depends on different factors, including demand for oil and its price. “Just because you know how to develop natural gas or oil in Canada or West Texas doesn’t mean that you can apply the exact same technology in the Arctic. That remains to be seen. One thing that can be said for sure is that it is good for Russia to have a chance to develop its reserves when consumption is on the increase”. It’s not yet clear what investment prospects the project is opening up for Exxon though since it’s hard to predict whether high global oil prices can be sustained if demand falls in a recession. And with uncertainty of investment prospects it looks reasonable for the Russian government to be promising to abolish export duties and reduce the mineral extraction tax to just 5 % for the next 15 years. Christine Tiscareno says Exxon’s interest in the country might diverge at certain point at the time when you have different demand. “The money is not yet on the table. We are now talking about potential development, with Exxon not probably being able to develop all of the deposits there. It depends on whether oil demand will be growing or on the contrary decreasing in the future. As for Russia it remains to be seen whether they will stick just to one partner, Exxon, for the whole project or whether they will diversify”.

INSERT CASE LINK HERE

#### The deal is key to US/Russian relations.

Belton 2012

(Catherine Belton is a staff writer for the Financial Times. April 18, 2012. http://www.ft.com/intl/cms/s/0/8b0c869e-8977-11e1-85af-00144feab49a.html#axzz1yD6SGoDs) hs

ExxonMobil and Rosneft, the Russian state oil champion, unveiled a historic partnership on Wednesday that could invest more than $500bn over several decades in the development of vast offshore reserves in Russia’s Arctic and Black Seas. The deal will grant Exxon first mover access with Rosneft to develop three vast untapped fields in the Russian Arctic Kara Sea, with hydrocarbon reserves estimated at 85bn barrels of oil equivalent. In return, Rosneft will win a big boost to its bid to expand outside Russia and gain access to crucial western knowhow, winning 30 per cent minority stakes in three Exxon-led projects in North America. Both sides hailed the deal as helping cement better relations between Russia and the US. “The time has come in Russia-US relations for a step-up in the level of practical and real projects,” said Igor Sechin, the powerful Russian deputy prime minister in charge of the energy sector and the main architect of the deal as former Rosneft chairman. The huge investment needed to tap the vast reserves provides “enormous potential for US-Russia co-operation, which ought to help us overcome our over-politicised relationship”, he said. “Experts say that this project, in terms of its ambitions, exceeds sending man into outer space or flying to the moon.” The deal marks a big turnround for Exxon after its bid to buy a stake in Mikhail Khodorkovsky’s Yukos oil major ended in disaster. Yukos was dismantled and mostly taken over by Rosneft, while Mr Khodorkovsky was jailed over tax fraud charges in a politically charged case.

Exxon-Roseneft Deal Shell

#### U.S.-Russia relations check nuclear war

COHEN 2001(Stephen, Prof of Russian Studies at NYU, June 7, http://www.thenation.com/doc.mhtml?i=20010625&c=1&s=cohen)

In these and other ways, Russia has been plunging back into the nineteenth century. And, as a result, it has entered the twenty-first century with its twentieth-century systems of nuclear maintenance and control also in a state of disintegration. What does this mean? No one knows fully because nothing like this has ever happened before in a nuclear country. But one thing is certain: Because of it, we now live in a nuclear era much less secure than was the case even during the long cold war. Indeed, there are at least four grave nuclear threats in Russia today: § There is, of course, the threat of proliferation, the only one generally acknowledged by our politicians and media--the danger that Russia's vast stores of nuclear material and know-how will fall into reckless hands. § But, second, scores of ill-maintained Russian reactors on land and on decommissioned submarines--with the destructive capacity of nuclear weapons--are explosions waiting to happen. § Third, also for the first time in history, there is a civil war in a nuclear land--in the Russian territory of Chechnya, where fanatics on both sides have threatened to resort to nuclear warfare. § And most immediate and potentially catastrophic, there is Russia's decrepit early-warning system. It is supposed to alert Moscow if US nuclear missiles have been launched at Russia, enabling the Kremlin to retaliate immediately with its own warheads, which like ours remain even today on hairtrigger alert. The leadership has perhaps ten to twenty minutes to evaluate the information and make a decision. That doomsday warning system has nearly collapsed--in May, a fire rendered inoperable four more of its already depleted satellite components--and become a form of Russian nuclear roulette, a constant danger of false alarms and accidental launches against the United States. How serious are these threats? In the lifetime of this graduating class, the bell has already tolled at least four times. In 1983 a Soviet Russian satellite mistook the sun's reflection on a cloud for an incoming US missile. A massive retaliatory launch was only barely averted. In 1986 the worst nuclear reactor explosion in history occurred at the Soviet power station at Chernobyl. In 1995 Russia's early-warning system mistook a Norwegian research rocket for an American missile, and again a nuclear attack on the United States was narrowly averted. And just last summer, Russia's most modern nuclear submarine, the Kursk, exploded at sea. Think of these tollings as chimes on a clock of nuclear catastrophe ticking inside Russia. We do not know what time it is. It may be only dawn or noon. But it may already be dusk or almost midnight. The only way to stop that clock is for Washington and Moscow to acknowledge their overriding mutual security priority and cooperate fully in restoring Russia's economic and nuclear infrastructures, most urgently its early-warning system. Meanwhile, all warheads on both sides have to be taken off high-alert, providing days instead of minutes to verify false alarms. And absolutely nothing must be done to cause Moscow to rely more heavily than it already does on its fragile nuclear controls. These solutions seem very far from today's political possibilities. US-Russian relations are worse than they have been since the mid-1980s. The Bush Administration is threatening to expand NATO to Russia's borders and to abrogate existing strategic arms agreements by creating a forbidden missile defense system. Moscow threatens to build more nuclear weapons in response. Hope lies in recognizing that there are always alternatives in history and politics--roads taken and not taken. Little more than a decade ago, Soviet leader Mikhail Gorbachev, along with President Ronald Reagan and the first President George Bush, took a historic road toward ending the forty-year cold war and reducing the nuclear dangers it left behind. But their successors, in Washington and Moscow, have taken different roads, ones now littered with missed opportunities. If the current generation of leaders turns out to lack the wisdom or courage, and if there is still time, it may fall to your generation to choose the right road. Such leaders, or people to inform their vision and rally public support, may even be in this graduating class. Whatever the case, when the bell warning of impending nuclear catastrophe tolls again in Russia, as it will, know that it is tolling for you, too. And ask yourselves in the determined words attributed to Gorbachev, which remarkably echoed the Jewish philosopher Hillel, "If not now, when? If not us, who?"

### Russia Econ Shell

#### Russian economy good now – funding from oil sector key to maintain growth

Oprita 6/21

([Antonia Oprita](http://www.cnbc.com/id/15837548/cid/130727) is a Deputy News Editor for CNBC.com. 6/21/12. http://www.cnbc.com/id/47870418)hs

As participants gather in the Russian city of St. Petersburg for the St. Petersburg International Economic Forum, their debates will focus on minimizing the effects of the debt crisis that is still raging through the euro zone. However, Russia itself is more sheltered from the crisis this time than it was during the global downturn in 2008 and 2009. Its prospects are brighter than those of many other economies, despite fears that the return of Vladimir Putin to the presidency will slow the pace of structural reforms and falling oil prices could hurt the country's budget. “I think currently Russia is in a very good situation," Anton Struchenevsky, senior economist at Troika Dialog in Moscow, told CNBC.com. "The exchange rate policy is more flexible than in 2008/2009, and it helps Russia to absorb external shocks." The ruble fell 12 percent against the dollar in May, the biggest drop since January 2009, but in June it recouped most of the losses and is nearly flat year-to-date. "Having lurched given the crisis in the euro zone, [the ruble] has pretty much recovered all its losses," Liam Halligan, chief economist at Prosperity Capital RF in Moscow, told CNBC.com. "The Russian state has a very strong balance sheet," Halligan added, pointing out that Russia "hasn't printed any money." Half of the revenues to Russia's budget come from the oil and gas sector, and taxation in that area depends heavily on the oil price on international markets. When prices decline, the Russian budget gets less revenue in dollar terms. But the budget is denominated in rubles, so a decline in the national currency helps to offset falls in oil prices to a certain degree. Oil prices fell to around $83 a barrel from around $110 in February because of worries that the global economy would slow down as the euro zone debt crisis spread. "Due to the devaluation of the ruble, the fall in oil prices was somewhat compensated," Struchenevsky said. Growth Forecast Upgraded The World Bank has upgraded slightly its economic growth estimate for Russia, forecasting growth of 3.8 percent in 2012 and 4.2 percent in 2013 in its June edition of the Global Economic Prospects. In January, the estimates were 3.5 percent for this year and 3.9 percent for next year. Russia's macroeconomic data would make many euro zone politicians go green with envy. The country's economy grew by 4.3 percent last year, its sovereign debt is around 10 percent of gross domestic product, its budget had a deficit of 0.9 percent in the first three months of this year and its current account had a surplus last year. "Actually, Russia is crediting the rest of the world," said Struchenevsky. One of the biggest risks for Russia's economy is the fact that it has become too dependent on high oil prices, said Neil Shearing, chief emerging markets economist at Capital Economics.

INSERT CASE SPECIFIC LINK HERE

#### High oil prices are key to the Russian economy – provides 2/3 of all revenues

Schuman 7/5

(Michael Schuman is a staff writer for Times Business. 7/5/12. http://business.time.com/2012/07/05/why-vladimir-putin-needs-higher-oil-prices/?iid=tsmodule)hs

Falling oil prices make just about everyone happy. For strapped consumers in struggling developed nations, lower oil prices mean a smaller payout at the pump, freeing up room in strained wallets to spend on other things and boosting economic growth. In the developing world, lower oil prices mean reduced inflationary pressures, which will give central bankers more room to stimulate sagging growth. With the global economy still climbing out of the 2008 financial crisis, policymakers around the world can welcome lower oil prices as a rare piece of helpful news. But Vladimir Putin is not one of them. The economy that the Russian President has built not only runs on oil, but runs on oil priced extremely high. Falling oil prices means rising problems for Russia – both for the strength of its economic performance, and possibly, the strength of Putin himself. Despite the fact that Russia has been labeled one of the world’s most promising emerging markets, often mentioned in the same breath as China and India, the Russian economy is actually quite different from the others. While India gains growth benefits from an expanding population, Russia, like much of Europe, is aging; while economists fret over China’s excessive dependence on investment, Russia badly needs more of it. Most of all, Russia is little more than an oil state in disguise. The country is the largest producer of oil in the world (yes, bigger even than Saudi Arabia), and Russia’s dependence on crude has been increasing. About a decade ago, oil and gas accounted for less than half of Russia’s exports; in recent years, that share has risen to two-thirds. Most of all, oil provides more than half of the federal government’s revenues. What’s more, the economic model Putin has designed in Russia relies heavily not just on oil, but high oil prices. Oil lubricates the Russian economy by making possible the increases in government largesse that have fueled Russian consumption. Budget spending reached 23.6% of GDP in the first quarter of 2012, up from 15.2% four years earlier. What that means is Putin requires a higher oil price to meet his spending requirements today than he did just a few years ago. Research firm Capital Economics figures that the government budget balanced at an oil price of $55 a barrel in 2008, but that now it balances at close to $120. Oil prices today have fallen far below that, with Brent near $100 and U.S. crude less than $90. The farther oil prices fall, the more pressure is placed on Putin’s budget, and the harder it is for him to keep spreading oil wealth to the greater population through the government. With a large swath of the populace angered by his re-election to the nation’s presidency in March, and protests erupting on the streets of Moscow, Putin can ill-afford a significant blow to the economy, or his ability to use government resources to firm up his popularity. That’s why Putin hasn’t been scaling back even as oil prices fall. His government is earmarking $40 billion to support the economy, if necessary, over the next two years. He does have financial wiggle room, even with oil prices falling. Moscow has wisely stashed away petrodollars into a rainy day fund it can tap to fill its budget needs. But Putin doesn’t have the flexibility he used to have. The fund has shrunk, from almost 8% of GDP in 2008 to a touch more than 3% today. The package, says Capital Economics, simply highlights the weaknesses of Russia’s economy: This cuts to the heart of a problem we have highlighted before – namely that Russia is now much more dependent on high and rising oil prices than in the past… The fact that the share of ‘permanent’ spending (e.g. on salaries and pensions) has increased…creates additional problems should oil prices drop back (and is also a concern from the perspective of medium-term growth)…The present growth model looks unsustainable unless oil prices remain at or above $120pb.

Russia Econ Shell

#### Economic collapse in Russia leads to internal war--spills over and goes nuclear

David 99 (Steven, Proffesor of Political Science at Johns Hopkins University, “Internal War: Causes and Cures”, July, https://muse.jhu.edu/journals/world\_politics/related/v049/49.4er\_brown.html)

If internal war does strike Russia, economic deterioration will be a prime cause. From 1989 to the present, the GDP has fallen by 50 percent. In a society where, ten years ago, unemployment scarcely existed, it reached 9.5 percent in 1997 with many economists declaring the true figure to be much higher. Twenty-two percent of Russians live below the official poverty line (earning less than $ 70 a month). Modern Russia can neither collect taxes (it gathers only half the revenue it is due) nor significantly cut spending. Reformers tout privatization as the country's cure-all, but in a land without well-defined property rights or contract law and where subsidies remain a way of life, the prospects for transition to an American-style capitalist economy look remote at best. As the massive devaluation of the ruble and the current political crisis show, Russia's condition is even worse than most analysts feared. If conditions get worse, even the stoic Russian people will soon run out of patience. A future conflict would quickly draw in Russia's military. In the Soviet days civilian rule kept the powerful armed forces in check. But with the Communist Party out of office, what little civilian control remains relies on an exceedingly fragile foundation -- personal friendships between government leaders and military commanders. Meanwhile, the morale of Russian soldiers has fallen to a dangerous low. Drastic cuts in spending mean inadequate pay, housing, and medical care. A new emphasis on domestic missions has created an ideological split between the old and new guard in the military leadership, increasing the risk that disgruntled generals may enter the political fray and feeding the resentment of soldiers who dislike being used as a national police force. Newly enhanced ties between military units and local authorities pose another danger. Soldiers grow ever more dependent on local governments for housing, food, and wages. Draftees serve closer to home, and new laws have increased local control over the armed forces. Were a conflict to emerge between a regional power and Moscow, it is not at all clear which side the military would support. Divining the military's allegiance is crucial, however, since the structure of the Russian Federation makes it virtually certain that regional conflicts will continue to erupt. Russia's 89 republics, krais, and oblasts grow ever more independent in a system that does little to keep them together. As the central government finds itself unable to force its will beyond Moscow (if even that far), power devolves to the periphery. With the economy collapsing, republics feel less and less incentive to pay taxes to Moscow when they receive so little in return. Three-quarters of them already have their own constitutions, nearly all of which make some claim to sovereignty. Strong ethnic bonds promoted by shortsighted Soviet policies may motivate non-Russians to secede from the Federation. Chechnya's successful revolt against Russian control inspired similar movements for autonomy and independence throughout the country. If these rebellions spread and Moscow responds with force, civil war is likely. Should Russia succumb to internal war, the consequences for the United States and Europe will be severe. A major power like Russia -- even though in decline -- does not suffer civil war quietly or alone. An embattled Russian Federation might provoke opportunistic attacks from enemies such as China. Massive flows of refugees would pour into central and western Europe. Armed struggles in Russia could easily spill into its neighbors. Damage from the fighting, particularly attacks on nuclear plants, would poison the environment of much of Europe and Asia. Within Russia, the consequences would be even worse. Just as the sheer brutality of the last Russian civil war laid the basis for the privations of Soviet communism, a second civil war might produce another horrific regime. Most alarming is the real possibility that the violent disintegration of Russia could lead to loss of control over its nuclear arsenal. Nonuclear state has ever fallen victim to civil war, but even without a clear precedent the grim consequences can be foreseen. Russia retains some 20,000 nuclear weapons and the raw material for tens of thousands more, in scores of sites scattered throughout the country. So far, the government has managed to prevent the loss of any weapons or much material. If war erupts, however, Moscow's already weak grip on nuclear sites will slacken, making weapons and supplies available to a wide range of anti-American groups and states. Such dispersal of nuclear weapons represents the greatest physical threat America now faces. And it is hard to think of anything that would increase this threat more than the chaos that would follow a Russian civil war.

### Putin Shell

#### Russian economy good now – funding from oil sector key to maintain growth

Oprita 6/21

([Antonia Oprita](http://www.cnbc.com/id/15837548/cid/130727) is a Deputy News Editor for CNBC.com. 6/21/12. http://www.cnbc.com/id/47870418)hs

As participants gather in the Russian city of St. Petersburg for the St. Petersburg International Economic Forum, their debates will focus on minimizing the effects of the debt crisis that is still raging through the euro zone. However, Russia itself is more sheltered from the crisis this time than it was during the global downturn in 2008 and 2009. Its prospects are brighter than those of many other economies, despite fears that the return of Vladimir Putin to the presidency will slow the pace of structural reforms and falling oil prices could hurt the country's budget. “I think currently Russia is in a very good situation," Anton Struchenevsky, senior economist at Troika Dialog in Moscow, told CNBC.com. "The exchange rate policy is more flexible than in 2008/2009, and it helps Russia to absorb external shocks." The ruble fell 12 percent against the dollar in May, the biggest drop since January 2009, but in June it recouped most of the losses and is nearly flat year-to-date. "Having lurched given the crisis in the euro zone, [the ruble] has pretty much recovered all its losses," Liam Halligan, chief economist at Prosperity Capital RF in Moscow, told CNBC.com. "The Russian state has a very strong balance sheet," Halligan added, pointing out that Russia "hasn't printed any money." Half of the revenues to Russia's budget come from the oil and gas sector, and taxation in that area depends heavily on the oil price on international markets. When prices decline, the Russian budget gets less revenue in dollar terms. But the budget is denominated in rubles, so a decline in the national currency helps to offset falls in oil prices to a certain degree. Oil prices fell to around $83 a barrel from around $110 in February because of worries that the global economy would slow down as the euro zone debt crisis spread. "Due to the devaluation of the ruble, the fall in oil prices was somewhat compensated," Struchenevsky said. Growth Forecast Upgraded The World Bank has upgraded slightly its economic growth estimate for Russia, forecasting growth of 3.8 percent in 2012 and 4.2 percent in 2013 in its June edition of the Global Economic Prospects. In January, the estimates were 3.5 percent for this year and 3.9 percent for next year. Russia's macroeconomic data would make many euro zone politicians go green with envy. The country's economy grew by 4.3 percent last year, its sovereign debt is around 10 percent of gross domestic product, its budget had a deficit of 0.9 percent in the first three months of this year and its current account had a surplus last year. "Actually, Russia is crediting the rest of the world," said Struchenevsky. One of the biggest risks for Russia's economy is the fact that it has become too dependent on high oil prices, said Neil Shearing, chief emerging markets economist at Capital Economics.

INSERT LINK HERE

#### Oil prices collapse tanks Russian economy and Putin

Shuman 7/5/12

http://business.time.com/2012/07/05/why-vladimir-putin-needs-higher-oil-prices/

Tiem staff writer

But Vladimir Putin is not one of them. The economy that the Russian President has built not only runs on oil, but runs on oil priced extremely high. Falling oil prices means rising problems for Russia – both for the strength of its economic performance, and possibly, the strength of Putin himself. Despite the fact that Russia has been labeled one of the world’s most promising emerging markets, often mentioned in the same breath as China and India, the Russian economy is actually quite different from the others. While India gains growth benefits from an expanding population, Russia, like much of Europe, is aging; while economists fret over China’s excessive dependence on investment, Russia badly needs more of it. Most of all, Russia is little more than an oil state in disguise. The country is the largest producer of oil in the world (yes, bigger even than Saudi Arabia), and Russia’s dependence on crude has been increasing. About a decade ago, oil and gas accounted for less than half of Russia’s exports; in recent years, that share has risen to two-thirds. Most of all, oil provides more than half of the federal government’s revenues. (MORE: How Google Is Making Science Fiction Real) What’s more, the economic model Putin has designed in Russia relies heavily not just on oil, but high oil prices. Oil lubricates the Russian economy by making possible the increases in government largesse that have fueled Russian consumption. Budget spending reached 23.6% of GDP in the first quarter of 2012, up from 15.2% four years earlier. What that means is Putin requires a higher oil price to meet his spending requirements today than he did just a few years ago. Research firm Capital Economics figures that the government budget balanced at an oil price of $55 a barrel in 2008, but that now it balances at close to $120. Oil prices today have fallen far below that, with Brent near $100 and U.S. crude less than $90. The farther oil prices fall, the more pressure is placed on Putin’s budget, and the harder it is for him to keep spreading oil wealth to the greater population through the government. With a large swath of the populace angered by his re-election to the nation’s presidency in March, and protests erupting on the streets of Moscow, Putin can ill-afford a significant blow to the economy, or his ability to use government resources to firm up his popularity.

Putin Shell

#### Loss of cred makes Russian protests turn nationalist, prompt lashout against the FSU states

Ottens 7/10/12

http://atlanticsentinel.com/2012/07/to-putins-dismay-russian-nationalists-on-the-rise/

Nick Ottens is an historian from the Netherlands who researched Muslim revivalist movements and terrorism in nineteenth century Arabia, British India and the Sudan. He has been published in Asia Times Online and The Seoul Times and is a contributing analyst for the geostrategic consultancy Wikistrat. The Moscow Times reports an increasingly apparent nationalist streak in Russia’s street protests against the government of President Vladimir Putin. Ultranationalists are joining ranks with otherwise left leaning demonstrators. Many observers of the June 12 opposition rally noted a large presence of nationalist groups—from ones carrying the yellow and black imperial flag, the banner of the nationalist movement, to more marginal groups like Great Russia, which sported black Nazi style uniforms with armbands and garrison caps. Rather than the typically young and liberal protesters who have drawn Western media attention, Putin recognizes that this rising nationalism—which he may have fueled, at least in part—is the greater threat to his regime’s stability and that of Russia in general. Before his return to the presidency earlier this year, the Russian leader wrote in the Nezavisimaya Gazeta newspaper that after the disintegration of the Soviet Union, “we were on the edge—and in some regions over the edge—of civil war.” In Central Asia and the Caucasus, socialist republics seceded from the union in the early 1990s sometimes after years of violence. “With great effort, with great sacrifice we were able to douse these fires,” wrote Putin. But that doesn’t mean that the problem is gone.” In the Caucasus in particular, nonethnic Russians continue to fight for autonomy while in Russia proper, immigrants from the outer provinces and Central Asia are typically discriminated against and increasingly perceived as intruders. While the Kremlin has come up with plans to invest more than $1 billion in the region to create a “Caucasian Silicon Valley,” nationalist opposition figures urge the government to “stop feeding the Caucasus” and seize transfers to the Northern Caucasus republics where the Slavic population is shrinking and the Muslim population expanding.

#### Ends the world

ISRAELYAN 1998(Victor, For almost 50 years, Victor Israelyan was a Soviet ambassador, diplomat, arms control negotiator, and leading political scientistWashington Quarterly, Winter)

The first and by far most dangerous possibility is what I call the power scenario. Supporters of this option would, in the name of a "united and undivided Russia," radically change domestic and foreign policies. Many would seek to revive a dictatorship and take urgent military steps to mobilize the people against the outside "enemy." Such steps would include Russia's denunciation of the commitment to no-first-use of nuclear weapons; suspension of the Strategic Arms Reduction Treaty (START) I and refusal to ratify both START II and the Chemical Weapons Convention; denunciation of the Biological Weapons Convention; and reinstatement of a full-scale armed force, including the acquisition of additional intercontinental ballistic missiles with multiple warheads, as well as medium- and short-range missiles such as the SS-20. Some of these measures will demand substantial financing, whereas others, such as the denunciation and refusal to ratify arms control treaties, would, according to proponents, save money by alleviating the obligations of those agreements. In this scenario, Russia's military planners would shift Western countries from the category of strategic partners to the category of countries representing a threat to national security. This will revive the strategy of nuclear deterrence -- and indeed, realizing its unfavorable odds against the expanded NATO, Russia will place new emphasis on the first-use of nuclear weapons, a trend that is underway already. The power scenario envisages a hard-line policy toward the CIS countries, and in such circumstances the problem of the Russian diaspora in those countries would be greatly magnified. Moscow would use all the means at its disposal, including economic sanctions and political ultimatums, to ensure the rights of ethnic Russians in CIS countries as well as to have an influence on other issues. Of those means, even the use of direct military force in places like the Baltics cannot be ruled out. Some will object that this scenario is implausible because no potential dictator exists in Russia who could carry out this strategy. I am not so sure. Some Duma members -- such as Victor Antipov, Sergei Baburin, Vladimir Zhirinovsky, and Albert Makashov, who are leading politicians in ultranationalistic parties and fractions in the parliament -- are ready to follow this path to save a "united Russia." Baburin's "Anti-NATO" deputy group boasts a membership of more than 240 Duma members. One cannot help but remember that when Weimar Germany was isolated, exhausted, and humiliated as a result of World War I and the Versailles Treaty, Adolf Hitler took it upon himself to "save" his country. It took the former corporal only a few years to plunge the world into a second world war that cost humanity more than 50 million lives. I do not believe that Russia has the economic strength to implement such a scenario successfully, but then again, Germany's economic situation in the 1920s was hardly that strong either. Thus, I am afraid that economics will not deter the power scenario's would-be authors from attempting it. Baburin, for example, warned that any political leader who would "dare to encroach upon Russia" would be decisively repulsed by the Russian Federation "by all measures on heaven and earth up to the use of nuclear weapons." n10 In autumn 1996 Oleg Grynevsky, Russian ambassador to Sweden and former Soviet arms control negotiator, while saying that NATO expansion increases the risk of nuclear war, reminded his Western listeners that Russia has enough missiles to destroy both the United States and Europe. n11 Former Russian minister of defense Igor Rodionov warned several times that Russia's vast nuclear arsenal could become uncontrollable. In this context, one should keep in mind that, despite dramatically reduced nuclear arsenals -- and tensions -- Russia and the United States remain poised to launch their missiles in minutes. I cannot but agree with Anatol Lieven, who wrote, "It may be, therefore, that with all the new Russian order's many problems and weaknesses, it will for a long time be able to stumble on, until we all fall down together." n12 There are signs indicating that this scenario is emerging. The new military doctrine has actually reversed the pledge never to use nuclear weapons first. Earlier this year, Ivan Rybkin, secretary of Russia's Security Council, said, "Everyone must know that in case of a direct challenge our response will be fully fledged, and we are to choose the use of means." n13 Later, in an interview, he said that parliamentary ratification of START II has become "almost impossible." n14 The Duma has again postponed the ratification of the Chemical Weapons Convention, and Russian military planners are claiming that the only feasible military response to NATO expansion is the redeployment of Russian tactical nuclear weapons closer to Russia's borders.

### Russian Power Shell

#### Prices are under control now – instability causes divisions within Russia

Hulbert 5-20

(Matthew Hulbert is a staff writer for Forbes. “Riyadh's Russia Problem: Oil”. 5-20-12. <http://www.forbes.com/sites/matthewhulbert/2012/05/20/riyadhs-russia-problem-oil/>) hs

Obviously, the relatively steady market we see today will continue to mask deep divisions and divides. Despite Russian slips, prices are back ‘under control’ at the top, and despite softening in China, we’re nowhere near the depths of 2008 when prices crashed to $33/b. But investors should beware; inherent Riyadh-Russia divisions exist, and will only get deeper over the next decade as instability creeps in. Ironically when we get into the 2020s, the boot might be on the other foot. Although Riyadh has just reclaimed its oil crown, Russian Arctic production will come good at some point, and Saudi exports could slip to 7mb/d due to domestic consumption without serious policy intervention. In ballpark terms, that would make Russia the swing producer – both in the oil and gas worlds. If that doesn’t give consumers, and particularly America, serious food for thought, then little else will. Amid its new found energy riches, [Washington](http://www.forbes.com/places/dc/washington/) needs to get hold of the energy ‘rope’ first…

INSERT CASE SPECIFIC LINK HERE

#### High oil prices is key to all aspects of Russian power

Petersen and Barysch 2011

(Alexandros Petersen is an energy security advisor to the Woodrow Wilson Centre in Washington DC. Katinka Barysch is deputy director of the Centre for European Reform. November 2011. http://carnegie-mec.org/publications/?fa=47408)hs

Energy has come to symbolize the geopolitics of the 21st century, reflecting countries’ diminishing reliance on military and political power. Today, energy is an instrument of geopolitical competition, like nuclear weapons or large armies were during the Cold War. The means of international influence have become more diverse and sophisticated, but the goals remain much the same: national security, power projection, and control over resources and territory. In different ways energy is fundamental to the rise of Russia and China as great powers. For Russia, possession of vast oil and gas resources fulfils a function similar to its nuclear weapons in the Soviet era. The post-1999 boom in world oil prices has underpinned Russia’s re-emergence as a great power. The combination of the country’s abundant energy reserves and fast-growing world demand for such resources has given Russia the opportunity to play a more influential role in global politics. When Kremlin officials speak of Russia being an “energy superpower,” they are really saying that it is back as a global, multi-dimensional power. Energy is seen not simply as an instrument of influence in itself, but as underpinning other forms of power: military, political, economic, technological, cultural and soft power.

Russian Power Shell

#### Increasing Russian influence gives Russia bargaining chips to keep the US out of Central Asia

BOURTMAN 2006(Ilya, expert on Russia and has worked with the American Enterprise Institute, the Begin-Sadat Center for Strategic Studies, and the Foundation for the Defense of Democracies, MERIA, June, http://meria.idc.ac.il/journal/2006/issue2/jv10no2a1.html)

Given the new international context and the lingering personal interests within his government, Putin has had the unenviable task of steering his country's Middle East policy. While he has relied on Israel to diversify Russian economic interests and train Russia's beleaguered security apparatus, he has also used the high visibility of the Israeli-Palestinian conflict to position himself in the eyes of the international community as a key actor in the peace process. All along, Putin has tried to market Russia as an independent, unbiased party with a large role to play in solving the Israeli-Palestinian conflict. Due to the uncertainty about what Russia's future policies will be towards Israel and the rest of the Middle East, there are few high probabilities. Yet one thing is certain. Given that Russia will take its turn as President of the G-8 this year, and that the meeting with be held in St. Petersburg, Putin will feel pressure to project Russian power. For Israel, this will mean more of Russia's involvement in Israeli-Palestinian affairs as Putin tries to counterweigh the negative portrayal of his country as a leading weapons and energy supplier. Putin will also continue to sit on the proverbial two chairs. For a country whose prestige and power have declined precipitously in the last two decades, Putin has done an effective job of leveraging competing interests in one of the world's most volatile regions. The ambiguity of his two track policy causes confusion and difficulties for some of Moscow's allies in the region, but from Russia's perspective, Putin has succeeded in gaining an economic foothold, developing neutral or warm ties with all the states therein, and maintaining Russia's seat at the adults' table. A final goal of Putin's may be to use Russia's increasing influence in the Middle East as a bargaining chip with the United States. It is possible that Russia is cozying up to governments and organizations with questionable objectives in the Middle East, so as to later trade a pledge of "non-interference" with the United States--by pledging to keep out of the Middle East, Russia could demand that the U.S. keep out of the Caucasus and Central Asia.

#### Nuke war

ELAND 2008[Ivan, Nov, Sr. Fellow, Independent Inst., former Defense Analyst for Congressional Budget Office, The Independent Institute, http://www.independent.org/newsroom/article.asp?id=2363]

But the bear is now coming out of a long hibernation a bit rejuvenated. Using increased petroleum revenues from the oil price spike, the Russians will hike defense spending 26 percent next year to about $50 billion—the highest level since the collapse of the Soviet Union. Yet as the oil price declines from this historic high, Russia will have fewer revenues to increase defense spending and rebuild its military. Even the $50 billion a year has to be put in perspective. The United States is spending about $700 billion per year on defense and starting from a much higher plain of capability. After the collapse of the Soviet Union, the Russian military fell apart and was equivalent to that of a developing country. Even the traditionally hawkish U.S. military and defense leaders and analysts are not worried about Russia’s plans to buy modern arms, improve military living standards to attract better senior enlisted personnel, enhance training, and cut back the size of the bloated forces and officer corps. For example, Eugene B. Rumer of the U.S. National Defense University was quoted in the *Washington Post* as saying that Russian actions are “not a sign, really, of the Russian military being reborn, but more of a Russia being able to flex what relatively little muscle it has on the global scale, and to show that it actually matters.”[[1]](http://www.independent.org/newsroom/article.asp?id=2363" \l "_ftn1#_ftn1" \o ")In addition, the Russian military is very corrupt—with an estimated 40 percent of the money for some weapons and pay for personnel being stolen or wasted. This makes the amount of real defense spending far below the nominal $50 billion per year. U.S. analysts say, however, that increased military spending would allow Russia to have more influence over nations in its near abroad and Eastern Europe. Of course, throughout history, small countries living in the shadow of larger powers have had to make political, diplomatic, and economic adjustments to suit the larger power. Increased Russian influence in this sphere, however, should not necessarily threaten the security of the faraway United States. It does only because the United States has defined its security as requiring intrusions into Russia’s traditional sphere of influence. By expanding NATO into Eastern Europe and the former Soviet Union, the United States has guaranteed the security of these allied countries against a nuclear-armed power, in the worst case, by sacrificing its cities in a nuclear war. Providing this kind of guarantee for these non-strategic countries is not in the U.S. vital interest. Denying Russia the sphere of influence in nearby areas traditionally enjoyed by great powers (for example, the U.S. uses the Monroe Doctrine to police the Western Hemisphere) will only lead to unnecessary U.S.-Russian tension and possibly even cataclysmic war.

### \*\*\*Generic Uniqueness\*\*\*

### Prices Increasing Now

#### Oil prices rise with increasing demand.

Kahn 7-18-2012

Chris Kahn, AP Energy Writer “Oil price climbs above $90 on stronger US demand: Rise in US oil demand lifts prices above $90 a barrel for the first time since May” Associated Press http://finance.yahoo.com/news/oil-price-climbs-above-90-152245296.html

NEW YORK (AP) -- The price of oil on Wednesday briefly hit $90 per barrel for the first time since May after the government said U.S. oil demand is on the rise. The Energy Information Administration reported that average oil demand increased last week in the U.S. for the third week in a row. Oil demand had been down most of the year, when compared with 2011, as manufacturing activity slowed and drivers cut back on travel. "We keep talking about the slow economy, but the market is seeing some improved oil demand today," said Phil Flynn, an analyst at Price Futures Group. Benchmark U.S. crude rose by 65 cents to end the day at $89.87 per barrel in New York. It hit $90.04 per barrel earlier in the day, the highest since May 30. Brent crude, which sets the price for oil imported into the U.S., rose by $1.16 to end at $105.16 per barrel in London. EIA's weekly petroleum report also noted a surprise drop in gasoline supplies last week as refineries pulled back on production. Oil supplies also fell, though the drop was less than what analysts expected.

#### Oil prices rising

Kanterman 7-11-2012

Matthew Kanterman, Benzinga Staff Writer “Oil Prices Rebound After Sharp Sell-Off” http://www.benzinga.com/news/12/07/2735122/oil-prices-rebound-after-sharp-sell-off

Oil prices rebounded Wednesday in early trading, following sharp losses in trading Tuesday. Oil prices, measured by the front month WTI future, fell 2.5 percent on Tuesday and Brent crude futures fell in tandem, as global growth fears and the resolution of a labor dispute between Statoil (NYSE: STO) and its Norwegian workers was resolved. Oil prices had risen in previous sessions on fears that Statoil, the world's eighth largest producer, would shut down all production at its offshore rigs. However, the two sides were able to resolve the labor dispute, focused on pension benefits, and thus avert a shutdown. Oil prices began to rally around 2:30 pm on Tuesday and have traded higher since. WTI futures traded as low as $83.65 per barrel before rallying. The price of the front month future for WTI traded as high as $85.45 in early New York trading Wednesday.

#### Oil prices rising, US key to market.

Wall Street Journal 6-21-2012

“Oil Prices Rebound -- Ivanhoe Energy and Independence Energy Shares Jump: The Paragon Report Provides Stock Research on Ivanhoe Energy and Independence Energy” http://www.marketwatch.com/story/oil-prices-rebound-ivanhoe-energy-and-independence-energy-shares-jump-2012-06-21

Oil prices Tuesday rebounded on hopes of stimulus measures from the Federal Reserve and on a rising Euro. Oil investors have been worried about how a potential recession in Europe would affect global oil demand, Europe currently accounts for approximately 20 percent of the world's oil consumption. Any action by the Federal Reserve will provide a boost for oil prices, which on February 24 was at a yearly high of $109.77. The Paragon Report examines investing opportunities in the Independent Oil & Gas Industry and provides equity research on Ivanhoe Energy Inc. IVAN -1.91% CA:IE 0.00% and Independence Energy Corp. Investors are watching closely for any signs of stimulus from the Federal Reserve as the U.S. central bank began a two-day meeting Tuesday. "A few market participants are still waiting and hoping for the U.S. Fed to trigger a new round of something that can boost global markets," said Olivier Jakob, a Petromatrix energy analyst.

#### Oil prices rise with US demand.

Galatola 7-17-2012

Thomas Galatola, staff writer for Bloomberg BusinessWeek “Oil Rises to Seven-Week High on Inventory: Commodities at Close” http://www.businessweek.com/news/2012-07-17/oil-rises-to-seven-week-high-on-inventory-commodities-at-close

Crude oil rose to a seven-week high on speculation that petroleum inventories fell. A report showed U.S. industrial production increased in June, signaling higher energy demand. Supplies probably dropped 1.3 million barrels last week, a Bloomberg survey of analysts showed. Industrial output rose 0.4 percent. On the New York Mercantile Exchange, oil futures for August delivery climbed 0.9 percent to $89.22 a barrel, the highest settlement since May 29. Brent oil for September settlement advanced 0.6 percent to $104 a barrel on the London-based ICE Futures Europe exchange.

Generic Uniqueness

#### Oil prices rising with expectation of increased demand.

Wall Street Journal 6-29-2012

“Linn Energy and Triangle Petroleum Shares Jump as Oil Prices Rebound: The Paragon Report Provides Stock Research on Linn Energy and Triangle Petroleum” http://www.marketwatch.com/story/linn-energy-and-triangle-petroleum-shares-jump-as-oil-prices-rebound-2012-06-29

Oil stocks received a boost earlier this week as oil prices rose on positive U.S. manufacturing and housing data. Oil futures on Wednesday rallied back above $80 a barrel, the highest level in the past week. The SPDR S&P Oil & Gas Exploration & Production ETF (XOP) surged 4 percent on Wednesday. The Paragon Report examines investing opportunities in the Oil & Gas Industry and provides equity research on Linn Energy, LLC LINE -0.33% and Triangle Petroleum Corporation TPLM +0.71% . Data from the Commerce Department showed that factories received more orders for durable goods in May than previously forecasted. The National Association of Realtors also reported that pending U.S. home sales in May were at their highest levels in over two years. "The durable goods number is giving the market the sense that things aren't too bad, at least in the U.S.," said Phil Flynn, senior market analyst at the Price Futures Group. "The economic data recently seems to be raising expectations for more oil demand."

#### Prices will rise with increased demand and Iran conflict

Smith 7-3-2012

Grant Smith, Bloomberg BusinessWeek staff writer, “Oil Rebounds in New York on Global Stimuluts Speculation” http://www.businessweek.com/news/2012-07-03/oil-rebounds-in-new-york-on-global-stimulus-speculation

Oil rose in New York on speculation sanctions against Iran will curb supply and amid signs that central banks from Europe to China may ease monetary policy to spur economic growth. Iran fired several missiles as part of a three-day military exercise as the Foreign Ministry condemned the European Union ban on Iranian oil as a threat to national security. The embargo will probably have a bigger effect than previously estimated, Goldman Sachs Group Inc. said. The European Central Bank is forecast to cut interest rates this week to help resolve the region’s debt crisis. A state-owned newspaper in China said the time is right to increase liquidity in the banking sector. Brent crude surpassed $100 a barrel for the first time in three weeks. “The conflict with Iran is not over, and if there’s escalation that will drive prices higher,” said Sintje Boie, an analyst at HSH Nordbank in Hamburg who predicts Brent crude will rebound to $105 a barrel by the end of the quarter. “The world economy will improve in the coming months, oil demand will increase this year and the conflict with Iran isn’t over. So the upward path for oil prices is there.”

#### Oil prices rise as banks easy policy.

MacKillop 7-5-2012

Andrew MacKillop, energy and natural resource sector professional with over 30 years experience and writer for forexpros.com, “Oil Prices: Ever closer to the brink” http://www.forexpros.com/analysis/oil-prices:-ever-closer-to-the-brink-128678

Outside US oil markets (because of the midweek Independence Day holiday), the upward bidding war is likely to run one or two, or even 3 or 4 trading days longer. Doing this, oil bulls are certainly shifting the goalposts - they are pushing them to the proverbial cliff face. Oil has surged in serial killer style for days, starting June 29. It has surged on speculation that central banks from the US, Europe, China and even India and Brazil will ease monetary policy to spur growth. The European debt-and-deficit bailout programs, a now excruciatingly old story, rolls on as the numbers always get bigger and "federal Europe" is rolled out in the Powerpoints if not in reality, but it powerfully aids the task of talking up oil. An even older oil story - Iran nuclear sanctions - wheels itself back on stage from time to time. After a 9.3% jump on 29 June for WTI, prices gained as much as 4.4% more on 3 July as the European Central Bank is forecast to cut interest rates this week - and has almost zero choice between leaving them on hold, or "slashing" them by 0.25pc. Anything plays for higher oil prices at these moments: Obama's healthcare vote was useful for oil bulls, why that was so isn't too clear. A state-owned newspaper in China said the time is now right to help China's banking sector. Iran fired several 1970s-vintage missiles during a three-day military exercise as oil analysts remembered that Iran has threatened to block tanker traffic in the Strait of Hormuz in reprisal for oil and banking sanctions. Norway's oil workers selectively struck at some North Sea installations. The weather was so bad in Europe heating oil sales might show some unusual demand. Its all good for oil!The big driver was the easiest to identify. Oil market players, like their equity trading cousins have largely rebuilt their risk appetite, as anticipations of further monetary easing grow, almost worldwide, simply because the economic outlook is so bad, worldwide. For the European oil market players, the playact of threats to market supply, from Iran, are specially put in vogue, this time with the claim that as sanctions against Iran bite, Europe will run short of oil.

#### Oil prices rebounding—improving economies and Syrian violence.

AFP 7-18-2012

Agence France Presse “World oil prices rebound on solid earnings” Arab News http://www.arabnews.com/world-oil-prices-rebound-solid-earnings

LONDON: Global oil prices rebounded yesterday, in line with buoyant stock markets, as sentiment was bolstered by upbeat earnings, encouraging data and escalating unrest in Syria, analysts said. Brent North Sea crude for delivery in September rallied 92 cents to $104.92 a barrel in late afternoon deals in London. New York's main contract, light sweet crude for August gained 40 cents to $89.62 a barrel. European and US stock markets jumped higher on Wednesday as investors drew comfort from recent company results and economic data, and waited for more testimony on the US economy from Federal Reserve Chairman Ben Bernanke. At the same time, crude futures won support from worsening violence in Syria, stoking concerns over supplies from the Middle East. "Equity markets appear to be focussing on the positives today as earnings reports predominantly come out on the positive side," CMC Markets analyst Michael Hewson told AFP.

#### Oil demand rising and will continue to rise.

Wall Street Journal 7-20-2012

“Oil Stocks on the Upswing as Oil Prices Rebound on Rising Demand: The Paragon Report Provides Stock Research on Anadarko Petroleum and Nabors Industries” http://www.marketwatch.com/story/oil-stocks-on-the-upswing-as-oil-prices-rebound-on-rising-demand-2012-07-20

NEW YORK, NY, Jul 20, 2012 (MARKETWIRE via COMTEX) -- Oil stocks have been on the upswing recently as a result of rebounding oil prices. Oil prices rallied above $90 per barrel after the Energy Information Administration reported oil demand in the U.S. in rising. "We keep talking about the slow economy, but the market is seeing some improved oil demand today," said Phil Flynn, an analyst at Price Futures Group. The IEA, in their weekly report Wednesday, said that U.S. oil supplies decreased by 800,000 to 377.4 million barrels. While the decline was under the 1.1 million barrels projected by analysts, it marked the third consecutive week in which inventories have fallen. The IEA also reported last week that they predict global oil demand to rise by 1 million barrels a day in 2013. A report released last week showed that the IEA forecasts global oil demand in 2013 to average 90.9 barrels a day, a 1.1 percent increase. While demand is on the rise it is still "well below" the levels seen before the start of the financial crisis.

#### Improved housing and production push prices higher.

Kahn 7-16-2012

Chris Kahn, AP Energy writer “Oil prices higher on upbeat housing outlook, industrial production data” Washington Post: http://www.washingtonpost.com/world/asia\_pacific/oil-price-climbs-for-4th-day-on-hopes-for-new-round-of-economic-stimulus-from-fed/2012/07/17/gJQAJo9BqW\_story.html

NEW YORK — A brighter outlook for U.S. homebuilders and rising industrial production pushed the price of oil higher Tuesday for the fifth straight day. Benchmark U.S. crude added 79 cents to end the day at $89.22 per barrel in New York. Brent crude, which is used to set the price of oil imported into the U.S., rose by 63 cents to end at $104 per barrel in London. A survey by the housing industry showed that confidence among homebuilder soared to a five-year high on the expectation that new home sales will rise this year. Home building is a key part of the economic recovery. Every time a new home is built, it creates three jobs for a year and generates about $90,000 in tax revenue, according to the National Association of Home Builders. Meanwhile, U.S. industrial production rose in June. The Federal Reserve said factories made more cars, machines and business equipment. The manufacturing industry has struggled to maintain steady growth this year, but analysts said the news was enough to ease concerns about a slowing economy. “The economy looks a little better today,” said Phil Flynn with Price Futures Group. Oil prices were down earlier in the day after Fed Chairman Ben Bernanke gave lawmakers a dour outlook for the economy. Investors had hoped that Bernanke would discuss a new stimulus plan before the Senate Banking Committee. He didn’t. Instead, Bernanke warned that the country could be headed for another recession, if Congress doesn’t avert a looming budget crisis.

### Prices Increasing Now: Middle East

#### Mid East tension keep oil prices high.

Washington Post, 7-18-2012

Washington Post Associated Press “Oil rises above $92 for first time since May; US pump prices now up 11 cents in July” http://www.washingtonpost.com/world/asia\_pacific/rise-in-us-oil-demand-lifts-prices-above-90-a-barrel-for-the-first-time-since-may/2012/07/19/gJQA4tTyuW\_story.html

NEW YORK — Rising tensions in the Middle East have pushed oil prices sharply higher over the past three weeks, forcing drivers to pay more at the pump. Crude rose $2.66, about 3 percent, to $92.53 per barrel Thursday, crossing above $92 for the first time since late May. The price has risen about $15 per barrel since oil hit its low for the year three weeks ago. The national average price of gasoline is now $3.44 per gallon, up 11 cents since July 1. The oil market, responding to a series of events in recent days, is concerned once again that Iran will try to block oil shipments through the Strait of Hormuz, a narrow waterway in the Persian Gulf through which one-fifth of the world’s oil travels every day. On Wednesday Israel blamed Iran for an attack on Israelis in Bulgaria, and vowed to strike back. In the past few weeks, talks between Iran and the West over its nuclear program have failed, a U.S. Navy ship fired on a boat in the Persian Gulf and Iran has said it has devised a specific plan to block oil shipments. “It’s raised the fear quotient,” said Tom Kloza, chief oil analyst at the Oil Price Information Service. If oil buyers worry that oil will soon be in short supply, they buy oil futures contracts to lock in the price as insurance against future price spikes. Those purchases drive up benchmark oil prices and can eventually lead to higher prices at the pump.

#### Oil prices at 2 month high over Mid East tension.

International Business Times 7-20-2012

“Geopolitical Tensions in Middle East Sent Crude Oil to Two-Month High” http://www.ibtimes.com/articles/365246/20120720/geopolitical-tensions-middle-east-sent-crude-oil.htm?fs=d674d

Crude oil prices jumped to a 2-month high amid concerns over the situation in the Middle East. The ongoing political unrest in Syria, and Israel's accusation against Lebanon and Iran and the threat of retaliation have increased the likelihood of oil supply stoppage. Global economy remained lacklustre with US data disappointing the market. The Spanish bond auction was regarded as unsuccessful. In China, the government indicated that it would not relax property control even though economic growth slowed. Wall Street trading was choppy with both the DJIA and the S&P 500 recording modest gains only. Shares in Asia eased after rallying to the highest level since January earlier in the week. The turmoil in Syria intensified as rebels seized control of the border in Iraq. Meanwhile, Russia and China, two of the five permanent members of the UN Security Council, vetoed resolution to sanction against Syria for the third time in nine months. To China, the resolution is a tool for Western countries "to get the green light for their military intervention" while Russia warned that the sanctions, if approved, would "open the path to the pressure of sanctions and further to external military involvement in Syrian domestic affairs". The US said that the decision of Russia and China is "highly regrettable".

#### Mid East unrest ensures stable oil price.

Lawler 7-19-2012

Alex Lawler, senior correspondent for Rueters “Brent crude hits $107.48, highest since May 29” http://www.reuters.com/article/2012/07/19/markets-oil-idUSL6E8IJ7G620120719

LONDON, July 19 (Reuters) - Oil rose above $107 a barrel on Thursday to hit a seven-week high as Middle East tension brought supply concerns into focus and as more optimistic investor sentiment about the global economy bolstered the demand outlook. The killing of top Syrian security chiefs on Wednesday, and the attack on Israeli tourists in Bulgaria, which Israel accused Iran of carrying out, worsened the crisis in the Middle East, the source of more than a quarter of the world's oil. Brent crude gained for a seventh straight day, rising $1.78 to $106.94 a barrel by 1348 GMT and hitting $107.48 earlier, the highest since May 30. U.S. oil gained $1.60 to $91.47. "Within just a week, prices have climbed by more than 8 percent, primarily on the back of geopolitical risks," said Carsten Fritsch, analyst at Commerzbank. "The increase in the price of crude oil is likely to continue in the short term." Analysts said the geopolitical concerns outweighed the latest U.S. Department of Energy supply report on Wednesday, which showed crude inventories in the world's top consumer fell less than expected last week. "Overall, we are more concerned about the latest bombings in Syria and Bulgaria than about the DOE statistics," said Olivier Jakob, analyst at Petromatrix, in a report. Oil has already gained due to tension between Iran and the West over Iran's nuclear work. Sanctions on Iran have cut its exports and Iran has repeatedly threatened to close the Strait of Hormuz, a key oil transit route, unless they are revoked.

### Prices Low now

#### Prices already low because of euro debt crisis.

Ahmed 6-13-2012

Shai Ahmed, CNBC Associate Editor, “Oil Prices Hit by Euro Zone Crisis; Demand at Risk: IEA” http://www.cnbc.com/id/47793002/Oil\_Prices\_Hit\_by\_Euro\_Zone\_Crisis\_Demand\_at\_Risk\_IEA

The deepening euro zone debt crisis saw oil prices shave off around 20 percent from their 2012 highs as the supply/demand ratio narrowed, according to the latest International Energy Agency report. The report said the springtime slump in oil markets accelerated in May, coinciding with the Greek election impasse – re-elections take place on June 17 – as the euro zone debt crisis took an even more sober turn with Spain having sought its own bailout for its banking system at the weekend. However, it was not just Europe that saw downward pressure on oil prices; a slowdown in China and a better supply demand balance also helped to keep prices lower.

#### Euro debt crisis ensures low prices—recent improvements aren’t significant.

Washington Post 7-20-2012

Associated Press, Published: July 20 “Oil prices fall on renewed concern about Europe; natural gas rises above $3” http://www.washingtonpost.com/business/oil-near-92-in-asia-as-market-weighs-weak-demand-picture-against-rising-middle-east-tensions/2012/07/20/gJQAb7eIxW\_story.html

The price of oil is dropping on fresh concerns about Europe’s economy. Benchmark oil fell $1.22 on Friday to end at $91.44 per barrel in New York. Brent crude, which is used to price international varieties of crude, was down 97 cents to finish at $106.83 in London. This was the first decline after seven straight gains. The main focus for traders was Spain, where the government predicted that the country’s recession will extend into next year and the region of Valencia said it needed help from the central government to pay its bills. But Germany was also a concern as finance officials there said growth in Europe’s strongest economy likely slowed somewhat in the second quarter. Meanwhile, in the U.K. the government said it had to borrow more than expected last month. Europe’s lengthy battle with a massive government debt crisis has affected industries in other countries, such as the U.S., that do business there. It also has cut demand for oil and other energy products. Oil had risen about 10 percent over seven days on concerns that renewed tensions between the West and Iran could result in a disruption of oil supplies from the Persian Gulf. “After the long run-up in prices we’ve had the last 10 days or so, I think (events in Europe) kind of reminded people that the demand picture is still not very rosy,” said Michael Lynch, president of Strategic Energy & Economic Research.

### No Rebound

#### Bounce back temporary—demand low.

Jegarajah 7-1-2012

Sri Jegarajah, Reporter, CNBC Asia Pacific, “Oil Price Rebound May Not Signal Major Trend Reversal: Survey” http://www.cnbc.com/id/48036817

Oil prices will likely reverse last Friday's fourth-largest daily gain on record wiith traders saying the surge is unlikely to signal a major shift in the negative trend, according to CNBC's weekly survey of oil market sentiment. Friday's broader market rally after a deal by European leaders to stabilize the region's banking system sparked off a wave of buying activity in the oil pits as funds scrambled to cover short positions, or bets that prices would fall. The activity sent London Brent crude oil futures surging more than $6 a barrel to near $98 while U.S. light, sweet crude jumped by more than $7 to settle just below $85 a barrel — the fourth largest daily gains in dollar terms since the contracts were launched. But both global benchmarks posted their biggest quarterly declines since the fourth quarter of 2008 due to anemic demand, ample supply and a slowdown in business activity in Europe, the U.S. and China. This week, exactly 40 percent, or four out of the ten respondents in the sample group, expect prices to fall while three believe prices will rise and three say they will remain unchanged.

#### Gas prices low and won’t rise—little demand and lots of supply.

Washington Post, 7-18-2012

Washington Post Associated Press “Oil rises above $92 for first time since May; US pump prices now up 11 cents in July” http://www.washingtonpost.com/world/asia\_pacific/rise-in-us-oil-demand-lifts-prices-above-90-a-barrel-for-the-first-time-since-may/2012/07/19/gJQA4tTyuW\_story.html

But the rise won’t likely be dramatic — or long-lived. The growth in global demand for oil has weakened in recent months as the economies of the West have sputtered and China’s economic growth has slowed. And oil supplies remain high because output has risen in Saudi Arabia, Libya, the U.S. and elsewhere. “There’s stagnant demand, and lots of supply,” said Judith Dwarkin, chief energy economist at ITG Investment Research. That leads analysts to think that prices won’t skyrocket unless supplies are disrupted by Middle East violence or a hurricane in the Gulf of Mexico. Kloza said he doesn’t expect gasoline to rise much beyond $3.50 for the rest of the summer. And then, he says, gasoline prices could fall sharply as supplies increase and refiners switch to cheaper winter blends of fuel.

#### Poor economy ensures prices will continue to drop.

Silman 6-25-2012

Jon Silman, Staff writer for the Gainesville Sun, “Gas prices continue to fall as stockpiles hit highest levels” http://www.gainesville.com/article/20120625/ARTICLES/120629750

Oil prices continued to drop this week, according to the AAA weekly fuel report, and stockpiles are at their highest levels in 22 years, up 2.9 million barrels to a total of 387 million. Barrel oil prices also dropped below $80 for the first time in almost 10 months. A barrel of oil closed at $79.86 on the New York Mercantile Exchange -- $4.27 less than the previous week. The report said a bleak economic outlook, sliding manufacturing numbers in major countries and slow global job growth contributed to the decrease. "At this point, retail gasoline prices are forecast to continue their decline into the heart of the summer travel season," Jessica Brady, AAA spokeswoman of The Auto Club Group, said in the report. "Even if economic stimulus measures are put into place, it's going to take time for a recovery and demand numbers to rebound. While it's not good news that has caused oil and gas prices to fall, it does provide relief to motorists who expected to pay $4 or more for a gallon of gas this summer."

#### Prices won’t rebound—multiple reasons.

Young 7-11-2012

Angelo Young, staff writer for the International Business Times, “OPEC Sees Global Oil Demand Declining 11% Next Year” http://www.ibtimes.com/articles/361827/20120711/opec-world-oil-demand-prices.htm

The economic slowdown in the U.S., China and emerging markets, a rise in political tensions in the Middle East and Europe's debt crisis mean oil consumption will not rebound anytime soon, according to a monthly report issued Wednesday by the Vienna-based Organisation of the Petroleum Exporting Countries, or OPEC. Global oil demand into 2013 will remain below current production output levels. OPEC maintained its forecast of 0.9 million barrels per day for the year and predicted that next year's daily average demand would decline 11 percent to 0.8 bpd. "The oil market in 2012 has been strongly impacted by the great uncertainty in the global economy, particularly from the OECD countries," said the monthly oil market report, referring to the 34-member Organisation for Economic Co-operation and Development. "The world economy is continuing its subdued recovery, and prospects remain fragile. In the OECD, the real economy still lacks momentum, while growth levels in the emerging economies remain largely dependent on exports

### Alt Cause

#### US Demand irrelevant—emerging countries offset

Trade and Forfaiting Review 6-18-2012

“Another oil shock? What US$120 a barrel means for world growth” Trade & Forfaiting Review is a leading trade and supply chain finance information resource providing essential updates to professionals all around the globe. http://www.tfreview.com/news/commodities/another-oil-shock-what-us120-barrel-means-world-growth

On the demand side, the dynamic growth of emerging countries, whose economies are more energy-intensive than those of advanced countries, explains why the demand for oil continues to rise even while global economic growth has been slowing down. Energy intensity (i.e. energy consumption in relation to GDP) is 41% in the former Soviet Union republics and a markedly improved 19% in China compared to 16% for OECD countries. Additionally, since the beginning of the year, several new factors on the supply side have contributed to the rise in oil prices. Serious production disruptions in the non-OPEC countries have deprived the market of a million barrels a day since the beginning of the year. Falls in production in Syria and Yemen, in Sudan as well as in Canada and the United Kingdom, helped push prices to a peak of U$128 a barrel in early March 2012. The markets are anticipating the implementation from July of European sanctions against Iran as well as the impact of the American financial sanctions which took effect in March.

#### Price increases because of geopolitical issues, not demand

Yieke 7-3-2012

Lennox Yieke, commerce student, Egerton University, “Oil price hits high of $101 per barrel amid tensions from Iran” http://www.valuewalk.com/2012/07/oil-price-hits-high-of-101-per-barrel-amid-tension-from-iran/

As we reported yesterday, Iran was a melting pot of emotion and anger as it was yet again hit by another economic sanction on Sunday. The oil potent state passed on candid threats on how it would seal off access to the Hormuz Strait. Today, tensions from Iran have sparked off a lot of mixed reactions and in the process contributed to an increase in oil price. The price per barrel came in at $101- a high not recorded ever since June 11th. This comes as the big players in the global front turn against Iran threatening action for what has been deemed by many as irrational and uncalled for. All the same, Iran is not willing to back down. In fact, it has fully displayed that it is ready for anything. Today, the Middle Eastern state revealed that it had successfully tested the effectiveness of missiles capable of striking Israel in response to earlier threats of military action. While Brent crude was up by $3.86 to $101.20 a barrel, U.S crude oil recorded a steeper increase. The price per barrel in the U.S came in at $87.75- a $4 increase from previous prices.

#### Alt cause: China key

Hicks 6-24-2012

Brian Hicks, senior writer and columnist, South Carolina Journalist of the Year, “Yes, lower oil prices are good for everyone (except drillers in shale oil), but it doesn’t mean they’re permanent.” Energy and Capital's Weekend Edition

As I write this, oil has broken the $80-a-barrel mark. This is the first time crude has traded below $80 since last October. Many oil market observers are rejoicing, pronouncing "the era of high oil prices" over as new supply comes to the market from the Bakken and Eagle Ford. Some are even calling for oil to hit $40 a barrel. And who can blame their enthusiasm? This is a win-win for the economy and the consumer alike. Lower gasoline prices mean more cash available for discretionary spending! Not so fast... Yes, lower oil prices are good for everyone (except drillers in shale oil), but it doesn’t mean they’re permanent. In fact, one particular market action by the Chinese may predict where oil prices are headed in the future. According to a recent report by Bloomberg: Taking advantage of lower oil prices, China is hoarding crude at the fastest rate since the Beijing Olympics four years ago as the slump in international prices prompts it to import unprecedented volumes even as refining slows. The world's second-biggest oil consumer built up a surplus of about 90 million barrels of crude in the first five months of the year, government data show. China, which imports more than half its crude, is constructing about 200 million barrels of storage capacity in the second stage of a plan for strategic reserves to help it manage price swings. Overseas purchases rose to a record last month even as processing by refiners including China Petroleum & Chemical Corp. (600028) and PetroChina Co. slackened. China is one of the main reasons I believe oil prices will remain high. Last year China overtook the United States as the world’s largest energy consumer. China is now the world’s second largest oil consumer. In 2010, China also overtook Japan as the world’s top automaker and Germany as the world’s largest auto exporter.

Alt Cause

#### Iran conflict determines prices—demand irrelevant

Smith 7-3-2012

Grant Smith, Bloomberg BusinessWeek staff writer, “Oil Rebounds in New York on Global Stimuluts Speculation” http://www.businessweek.com/news/2012-07-03/oil-rebounds-in-new-york-on-global-stimulus-speculation

An EU embargo on Iran entered into full force on July 1 after exemptions on some contracts and insurance ended. Iran’s crude exports may drop to about 1 million barrels a day, Goldman Sachs said in a report yesterday. Iran’s parliament is working on a bill to close the Strait of Hormuz to oil tankers linked to countries applying new European Union sanctions, a lawmaker from the national security committee told Jam-e-Jam newspaper. The waterway is a transit route for a fifth of the world’s crude. According to the draft bill, Iran would block vessels carrying crude to countries that have initiated EU sanctions, Javad Karimi-Ghodousi said in an interview with the Tehran-based newspaper. “Growing political tension and potential supply disruptions will be supportive for oil prices, particularly Brent, despite macroeconomic concerns,” Mark Pervan, the head of commodity research at Australia & New Zealand Banking Group Ltd. in Melbourne, said in a note today.

### \*\*\*LINKS\*\*\*

### Generic/NIB

A modernization and overhaul of our transportation infrastructure would dramatically decrease US oil demand

Podesta et al 11 (John Podesta, President and CEO of the Center for American Progress, Carl Pope, Chairman of Sierra Club, Gene Carpinski, President of the League of Conservation Voters, March 2011, “Cleaner Cars, Less Foreign Oil,” http://www.americanprogress.org/issues/2011/03/pdf/oilsavingsagenda.pdf)

Millions of Americans are locked into using their cars because of limited transportation choices. Their communities lack affordable, convenient buses; subways; or other means of transit. Some communities lack safe biking and walking areas. Workers must spend hours in congested driving nightmares. People must drive a car to get a gallon of milk where housing is separated from services and amenities. Seniors face the loss of their freedom when they are no longer able to drive a car. Businesses are also constrained by limited choices, which have real economic costs. Shipping goods is more expensive because current railroad bottlenecks force them onto trucks, which increases oil dependence and pollution. More truck freight adds to highway congestion and road wear and tear. Too much of our freight moves on trucks because we have invested too little in our rail system. Infrastructure and planning improvements are necessary to provide genuine transportation alternatives for both passengers and freight. Fortunately, public transit is popular among those Americans who have reasonable access to it. Public transportation experienced a significant increase in use over the past 15 years. According to the American Public Transit Association: From 1995 through 2009, public transportation ridership increased by 31 percent—a growth rate higher than the 15 percent increase in U.S. population and higher than the 21 percent growth in the use of the nation’s highways over the same period. Buses, subways, streetcars, and other forms of transit dramatically reduce oil use. The American Public Transit Association determined that Riding public transportation is a significant way to cut passenger transportation energy use. … transit reduces annual fuel use by the equivalent of 4.2 billion gallons of gasoline. This is about 100 million barrels of oil saved annually. Outlays for new and improved transit networks can also help speed our economic recovery. There is $4 in economic return for every $1 of investment. Every $1 billion provided for transit creates 36,000 jobs. Fix roads, bridges, and trains, and unclog transportation bottlenecks While we must increase our investment in transportation infrastructure, we must avoid wasting it. Boondoggles and pork-barrel earmarks have added to our present congestion. We must not build highways we don’t need. We must ensure the ones we have are in good repair. New capacity should be added strategically to increase the overall flexibility of the transportation system rather than simply adding lanes and increasing gridlock. America’s ports, for example, represent major bottlenecks in getting feed stocks to factories and goods to consumers. Shipping freight by railroad is three times more oil efficient compared to using trucks. Yet our outdated rail system suffers from bottlenecks that make it less attractive for businesses. For instance, the News Hour found that “Chicago has been a freight rail hub for the past 150 years, but an outdated layout often makes it a bottleneck for the country’s shipping network.” And demand for rail shipment is projected to nearly double over the next 25 years. Yet the American Society of Civil Engineers projects a 20 percent shortfall in rail investment over this time. To address these problems, there should be a national transportation policy with a prominent oil-savings goal. Such a program would first invest in transportation programs that decrease dependence on oil. The president’s outline for transportation program provides a good starting point, including increasing our investment in transit by 128 percent over six years. In addition, Congress should create an “Infrastructure Bank” that would lend money for large-scale infrastructure projects, including funds for the repair and rehabilitation of highways, transit, and railroads. These funds would be paid back over time by tolls or local dedicated taxes. The federal government would spur investment in these modes by putting in the first dollars and attracting private partners. Every federal dollar loaned to a project will be matched by as many as six private dollars.

More efficient transportation would reduce US oil dependency

DoT 12 (Department of the Treasury with the Council of Economic Advisors, March 23, “A NEW ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT,” http://www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf)

A more efficient transportation infrastructure system will reduce our dependence on oil, saving families time and money. Traffic congestion on our roads results in 1.9 billion gallons of gas wasted per year, and costs drivers over $100 billion in wasted fuel and lost time. More efficient air traffic control systems would save three billion gallons of jet fuel a year, translating into lower costs for consumers. Finally, new research indicates that Americans who were able to live in “location efficient” housing were able to save $200 per month in lower costs, including paying less at the pump, over the past decade.

### Public Transportation

Substantial public transportation investment would decrease US oil demand by one-fifth

APTA 9 (American Public Transportation Association, Spring 2009, “Changing the Way America Moves: Creating a More Robust Economy, a Smaller Carbon Footprint, And Energy Independence,” http://www.apta.com/resources/reportsandpublications/Documents/america\_moves\_09.pdf)

At a time when America must create more jobs, reduce its dependence on foreign oil, and become more carbon efficient, public transportation can make a significant contribution quickly and cost-effectively. Public transportation already saves 4.2 billion gallons of fuel and 37 million metric tons of carbon emissions per year, while supporting 1.7 million jobs. This paper shows that with an investment of 1.6 percent of the U.S. GDP per year, public transportation could support 7.4 million jobs and, by 2020, could save the country 15.2 billion gallons of fuel annually—almost as much as we currently import from the Persian Gulf. This investment would also cut 141.9 million metric tons of carbon emissions per year—about 8 percent of the total carbon emissions from the U.S. transportation sector.

Public transportation investment would substantially decrease US oil demand

APTA 9 (American Public Transportation Association, Spring 2009, “Changing the Way America Moves: Creating a More Robust Economy, a Smaller Carbon Footprint, And Energy Independence,” http://www.apta.com/resources/reportsandpublications/Documents/america\_moves\_09.pdf)

By setting a goal of doubling ridership by 2020, tripling it before 2030, and growing it ten-fold by 2050, equivalent to a 5.5-percent annual growth rate in ridership, a significant, long-term impact on fuel savings and carbon emissions can be made. By 2020, with a 5.5 percent growth rate, public transportation would be saving the United States another 4.5 billion more gallons of fuel per year and an additional 46 million metric tons of carbon per year. By 2050, public transportation would save the United States more than 48.1 billion gallons of fuel per year— more than the amount of gasoline refined from the oil we import from OPEC countries— and cut annual carbon emissions by 449.2 million metric tons, well over one-third the carbon emissions from the gasoline used for transportation purposes today. These investments would have the added benefit of reducing the amount of land consumed for development, allowing greater efficiencies in resource use while giving tens of millions more Americans choices in how they travel. But given how far behind we are in achieving fuel and carbon emission savings from transportation, we must make a much greater effort in the next 40 years if we are to achieve a more energy-efficient, environmentally sustainable transportation sector by shifting the mobility paradigm in America. This means aggressively growing public transport services and ridership on a much greater scale—a 10-percent increase per year. With that level of growth, the energy and environmental dividends would come more quickly. By 2020 public transportation would save the United States 141.9 million metric tons of carbon emissions annually, almost 8 percent of total carbon emissions from transportation today and 15.2 billion gallons of fuel per year, almost as much as we import from the Persian Gulf today. This will have a far quicker impact than bringing more domestic oil into production, currently estimated not to happen before 2018 by the U.S. Energy Information Administration. In fact, by 2033, with a 10 percent annual ridership growth rate, public transportation use could be saving the United States the equivalent of all U.S. off-shore oil reserves estimated in the Atlantic and Pacific combined xviii . By 2040, public transportation use could be saving 97.5 billion gallons of fuel per year, almost the equivalent of what the United States consumes today of crude oil for transportation. Carbon emissions would be cut by 910 million metric tons annually, nearly 50 percent of total carbon emissions from transportation today xix .

Public transportation investment would help the US curb its demand and dependence on oil

APTA 9 (American Public Transportation Association, Spring 2009, “Changing the Way America Moves: Creating a More Robust Economy, a Smaller Carbon Footprint, And Energy Independence,” http://www.apta.com/resources/reportsandpublications/Documents/america\_moves\_09.pdf)

We have squandered opportunities to take bold steps before. In 1973, with the OPEC oil embargo, America had a wake-up call about how fragile its oil dependent economy really is and how reliant the nation is on foreign oil. Many sectors of the economy learned the lesson and became less reliant on oil. Not the transportation sector. The investment in energy intensive highway and aviation systems and the woeful underfunding of public transportation and rail systems continued. As a result, since 1973, Americans are traveling 250 percent more miles per capita each year vii and using over 36 percent more oil for transportation purposes. viii Net oil imports as a share of U.S. oil consumption went from 35.8 percent in 1975 to 58.2 percent in 2007 ix From 1970 to 2007, VMT growth has greatly outpaced population growth, 168percent to 48percent respectively. x . If we had decided to invest significantly more in public transportation services in 1973 and each year since, sustaining a 5.5 percent annual ridership increase from that point onward, we would be saving as much as 4.6 times more fuel with public transportation than we are today (19.1 billion gallons of fuel per year) and 4.8 times more carbon emissions (178 million tons per year). Tens of millions more Americans would be given a true choice in travel and commuting. A new wake-up call Today, as we use vastly more energy resources than we have at any other time in history, we are getting another wake-up call—this time not only about our economic fragility and our limited energy resources, but also about the dire situation of our environment and the survival of our planet as we know it. Transportation is one of the largest and still growing factors of our huge dependence on fossil fuel and with that, foreign oil. Ninety-five percent of all highway transportation is oil-dependent (the rest relying on natural gas, electricity and renewables). Sixtyeight percent of the oil consumed in this country is from transportation (up from 52.3 percent in 1973) and automobiles and light trucks were responsible for over 61 percent of all transportation energy use in 2006. In fact, U.S. transportation petroleum use is equivalent to almost 185 percent of U.S. petroleum production xi . At the same time, fossil fuel will inevitably become a scarcer resource and gas prices will continue to climb. We need to make big changes now to ensure Americans have viable mobility options for the future. 8 The path to energy independence is a long one and addressing oil consumption by the transportation sector is key. With a predicted increase in population of over 30 percent by 2050 xii , travel demand will only continue to increase.

### HSR

High speed rail would devastate US oil demand

USHSR 12 (US High Speed Rail Association, Energy Security information, most recently updated 2012, “Rail - The Solution to Rising Gas Prices,” http://www.ushsr.com/benefits/energysecurity.html)

A national high speed rail system ends our oil dependency quickly & permanently Building an electrically-powered national high speed rail network across America is the single most powerful thing we can do to get the nation off oil and into a secure, sustainable form of mobility. A national network of high speed trains can be powered by a combination of renewable energy sources including wind, solar, geothermal, and ocean/tidal energy. America's dependency on oil is the most severe in the world, and inevitably pulls us into costly resource wars. It also pushes us into exploring for oil in extreme locations such as 10,000 feet deep below the Gulf of Mexico. We use 25% of the entire world's oil supply, yet we only have 5% of the world's population. We use 8-10 times more oil per person per day than Europeans, and they have faster, easier and better mobility than we do. The extremely high daily oil consumption of Americans is not due to a higher standard of living, but because of the extremely inefficient nature of our national transportation system – based on individual vehicles powered by internal combustion engines, combined with our sprawling community designs that force people into cars for every trip.

Passenger rail substantially reduces US dependence on oil

Dutzik et al 10 (Tony Dutzik and Siena Kaplan, Frontier Group, a think tank, producing ideas and research to promote a cleaner environment and a fairer and more democratic society, and Phineas Baxandall, Ph.D., U.S. PIRG Education Fund, “The Right Track Building a 21 st Century High-Speed Rail System for America,” http://www.frontiergroup.org/sites/default/files/reports/The-Right-Track-vUS.pdf)

Cars and airplanes are almost exclusively powered by oil—increasing America’s dependence on a limited supply of fossil fuel largely controlled by other nations. Spikes in oil prices in recent years have had dramatic effects on Americans’ willingness to drive or fly to their destinations. Expanding and improving passenger rail service can reduce the nation’s dependence on oil and insulate travelers from the impact of fuel price spikes. America’s existing intercity passenger rail network already contributes to reducing America’s oil dependence, removing an estimated 8 million cars from the road and eliminating the need for 50,000 passenger airplane trips each year. 12 Intercity passenger rail—even when powered by diesel fuel—is more fuel-efficient than car or air travel, particularly for trips in the 100 to 500-mile range. On average, an Amtrak passenger uses 23 per cent less energy per mile than an airplane passenger, 40 percent less than a car passenger, and 57 percent less than a passenger in an SUV or pickup truck. 13 These numbers underestimate rail’s oil savings compared with airplanes. In terms of travel time, rail is most competitive against oil-intensive short airplane flights with trip distances of 500 miles or less—a traveler is much more likely to choose rail over air travel from Chicago to Minneapolis than from Chicago to Miami. Short flights use more fuel per mile than longer flights, since a plane uses much of its fuel in takeoff. A modernized passenger rail network in the future will also likely use less oil than American passenger rail service does today. As a high-speed rail network is developed in the United States, it will rely more on electricity and less on diesel fuel. Currently, about 40 percent of American intercity passenger rail is powered by electricity, while 80 percent of European rail service is electric. 14 As train service becomes faster, more reliable and more frequent it will also likely draw more passengers, further lowering per-passenger fuel usage. The more seats on a train that are filled, the less fuel that is used per passenger. Amtrak trains are typically about 50 percent full, compared with 70 percent for European high-speed trains. 15 As rail travel in America improves and draws more passengers, it is likely that trains will be carrying larger loads of travelers, raising the fuel efficiency of a trip on a train. Finally, the location of passenger rail hubs in downtown areas can encourage and support land-use patterns that reduce the need to drive, further curbing oil use. Placing a passenger rail station in a downtown area provides an inducement for businesses to locate nearby—just as airports spur development of office parks for businesses seeking close proximity to transportation and the construction of hotels and other traveler services. Unlike airports, however, passenger rail hubs would likely be located in existing downtown areas, where workers would be more likely to get to work via transit or other transportation alternatives.

High speed rail decreases US oil dependence and consumption

Langan 10 (Paul, founder of High Speed Rail Canada, Issue 31 of Corporate Knights journal, “Getting on track,” http://www.corporateknights.com/article/getting-track)

HSR is a big part of reducing our impact on the planet. Lower greenhouse gas emissions, less oil dependence, and less energy consumption can all be achieved through switching to greater train use. The 1995 Federal/Ontario/Quebec study states, “By the year 2025, annual emissions of carbon dioxide and carbon monoxide related to inter-city travel within the [Windsor-Quebec City] corridor would drop by 24 per cent and 11 per cent [respectively] with the introduction of 300kph technology.” The 2006 High-Speed Rail and Greenhouse Gas Emissions Study by the U.S. Center for Clean Air Policy and the Center for Neighborhood Technology calculated that passengers would—assuming all proposed U.S. HSR lines were built—take 112 million HSR trips in the U.S. in 2025. This would result in 29 million fewer automobile trips and nearly 500,000 fewer flights. The U.S.’s total emissions savings: over 2,700 tonnes of CO2 per year. Switching from air and auto travel will also reduce our dependence on oil. The California High-Speed Rail Authority estimates its planned line will save 12.7 million barrels of oil per year by 2030, even with future improvements in auto fuel efficiency. This is in part because high-speed trains need one-third the energy of an airplane and one-fifth the energy of an automobile trip to carry a passenger one kilometre.

### Electric Vehicles

Electric vehicles are the linchpin to reducing US oil dependency and demand

Corless 10 (James, James Corless was a senior planner for the Metropolitan Transportation Commission and is now Campaign Director, Transportation for America, June 24, “Smart Technology Means More Options,” http://transportation.nationaljournal.com/2010/06/what-should-transportation-dep.php)

Developing a smarter and cleaner transportation system that reduces greenhouse gas emissions and our dependence on oil must be the overriding vision that guides the next federal transportation bill. Part of that vision must be realized through smarter approaches to managing traffic congestion, providing more options like public transportation, vanpools, intercity buses and high speed rail and offering incentives for states and local governments to develop more walkable and livable communities that encourage shorter commutes. But if we’re serious about reducing emissions and oil dependency, that vision can only be fully realized if we make a significant investment in infrastructure that will accelerate a transition to electric vehicles.

### Hydrogen Fuel

Hydrogen fuel would end US oil demand

Roberts 4 (Paul, Winner of New York Public Library Helen Bernstein Book Award for Excellence in Journalism, renowned energy journalist, “The End of Oil,” p. 69)

At the vanguard of this energy insurrection is the hydrogen fuel cell, a 150-year-old energy technology that is clean, quiet, and nearly three times as energy-efficient as even the best internal-combustion engine, just as coal replaced wood and as oil replaced coal, the hydrogen fuel cell may at last offer the economic proposition that could end oil's hundred-year monopoly over transportation and revolutionize the economics and politics of energy. And the revolution won't stop there. Because fuel cells can be built to any scale, they can be used to power just about anything, from cell phones and cars to city buses and office buildings. Ultimately, fuel cells may provide the foundation not simply for a new mobility, but for an entirely new energy economy. In place of our sprawling and inefficient hodgepodge of pipelines, refineries, and polluting power plants, we would have thousands of interconnected yet independent Microsystems, each powered by a mix of alternative fuels and technologies, including fuel cells, and each generating energy cleanly, cheaply, and locally. Equipped with a backyard or basement fuel cell system, consumers and businesses could achieve a kind of energy independence, fueling their cars and powering their lights and machinery The Future's So Bright fig without having to worry about rolling blackouts, manipulative power traders, or monopolistic utilities. After centuries of an increasingly centralized energy economy, controlled by a tiny elite of corporations and investors and protected by government, energy might again become a very local matter.

### Short Sea Shipping

Investment in marine transportation reduces US oil demand – it curbs consumption and increases environmentally friendly development

MARAD 11 (Department of Transportation Maritime Administration, Report to congress, April 2011, “America’s Marine Highway,” http://img.marinelink.com/pdf/Americas\_Marine\_Highway-Report\_to\_Congress-April\_2011.pdf)

The U.S. Department of Energy projects that overall energy consumption by the U.S. transportation sector will continue to grow gradually for decades into the future, principally due to light- and heavy-duty highway vehicles (see Figures 2 and 3). 51 The highest growth in energy consumption as measured both in absolute and relative terms will be for heavy-duty highway vehicles, particularly freight trucks. Freight trucks are expected to account for 38 percent of the expected overall increase in energy consumption in the transportation sector by 2035, even though freight trucks currently account for less than 17 percent of total energy consumption in this sector. 52 When light-duty vehicles (e.g. cars and pickup trucks), commercial light trucks, buses, and freight trucks are counted collectively, growth in energy consumption in the highway sector will account for 78 percent of the 4.6 quadrillion BTU growth in transportation energy demand by 2035. This growth is expected to occur despite aggressive new standards established by the Energy Act of 35 miles per gallon average fuel economy for cars and light trucks. By 2035, the transportation sector is predicted to remain as the second-largest energy user in the nation after the electric power generation sector. 53 Further, the transportation sector is expected to continue to dominate petroleum and other liquid fuel consumption through 2035 (see Figure 2). There has long been recognition of the need to reduce our nation’s reliance on fossil fuels as an energy source, particularly because this reliance exposes our economy to price shocks and supply disruptions caused by foreign geopolitical events. The Federal government has made important strides in improving the fuel economy of automobiles and light duty vehicles, and the President recently announced that USDOT/National Highway Traffic Safety Administration (NHTSA) and EPA will issue fuel efficiency and GHG emissions standards for commercial medium- and heavy-duty vehicles beginning with model year 2014. 54 Even with potential improvements in truck fuel efficiency, however, policies that encourage the use of freight transportation modes that are already several times more fuel efficient than trucking per unit of freight can help reduceour nation’s overall energy consumption in the transportation sector. USDOT believes that the potential for modal shifts of domestic cargo from land-based transportation (particularly highway) to water currently exists in specific transportation markets and longer distance routes. An expanded or enhanced Marine Highway system could lead to more Marine Highway services being available to more shippers in more of these markets.Research has measured the potential benefits of using more energy-efficient transportation services. One recent study found that while trucks, on average, can carry one ton of freight for approximately 155 miles on a gallon of diesel fuel (i.e., 155 ton-miles of freight per gallon, equivalent to 842 BTU per ton-mile 55 ), rail achieves 413 ton-miles of freight per gallon (316 BTU per ton-mile), and a tug-and-barge operation can get as much as 576 ton-miles of freight to a gallon of fuel (227 BTU per ton-mile). 56 Additionally, self-propelled oceangoing vessels can have significant energy efficiencies over land-based modes, particularly in the case of larger vessel sizes. 57 Not all studies agree in their estimates of modal fuel efficiencies. 58 Differences in fuel efficiency estimates among studies can be accounted for by numerous factors, including: when the studywas conducted (engines are becoming more fuel efficient); haul distances and the availability of backhaul cargoes; the type of commodity being shipped (e.g., coal, grain, or other goods); ship size, hull shape, operating speed, engine type, fuel type, and capacity utilization; dependency on trucks for bringing cargoes to vessel or rail transfer points; assumptions about barge queuing and delays at inland waterway locks and ports; assumptions about bulk trainload and unit-train operations; assumptions about mixed freight carload traffic, trailer-on-flatcar, and container-onflatcar traffic; and other factors that will vary from market to market. Collectively, however, research supports the inherent fuel efficiencies of marine transportation services. As such, shifting cargoes from pure long-distance land movements to water transportation in certain corridors would result in energy savings. These corridors include coastal corridors and those along inland waterways and the Great Lakes. Additional research, some sponsored by MARAD, will identify specific markets and routes within these corridors where shifting from land transportation to water transportation would yield the greatest potential energy savings. Water will not be the most energy-efficient means in all travel corridors, of course, particularly where routes are more circuitous or navigable waterways are not within reasonable proximity to shippers and significant drayage is required. Similarly, origin-todestination trucking can have energy-efficiency advantages over water and rail transportation, particularly for short haul freight movements where goods must be trucked to and from vessel and rail loading facilities. Fewer than 10 percent of large trucks typically travel to places more than 200 miles away, although these trucks account for 30 percent of the large truck mileage.

Investment in the US coastal shipping industry decreases US fuel consumption and demand – decreases congestion and increases fuel efficiency

Institute for Global Maritime Studies 8 (IGMS in cooperation with The Fletcher School of Law and Diplomacy, Tufts University, September 2008, “AMERICA’S DEEP BLUE HIGHWAY,” http://www.igms.org/docs/americas\_deep\_blue\_highway\_IGMS\_report\_sept\_2008.pdf)

We concluded that the US coastal shipping industry should focus on alternative marine fuels and advanced engine designs to lower emissions of carbon dioxide, carbon monoxide, sulfur oxides, nitrogen oxides, volatile organic compounds, and particulate matter. Coastal shipping vessels powered by natural gas offer significant opportunities in this regard, while also reducing oil dependence by America’s freight transportation sector. Oil Dependence and America’s Looming Transportation Crisis The transportation sector consumes more than two-thirds of America’s oil use, devouring 13.92 million barrels per day in 2007. 27 Petroleum supplied more than 95% of transportation’s energy consumption, with natural gas a distant second at 2.3%. 28 Quenching our country’s thirst for petroleum, imports constitute about 60% of American oil consumption. 29 In comparison, we only import 16% of our natural gas, with less than 5% coming from outside North America and the Caribbean. 30 Canada is our largest natural gas supplier. In other words, America’s transportation sector relies heavily on petroleum as its chief energy source, thereby dominating the country’s oil consumption. The following graphs illustrate the transportation sector’s role in increasing American oil dependence since 1975: In the freight industry, medium and heavy trucks consume far more petroleum than do the rail and maritime sectors. In 2006, freight trucks accounted for over 18% of transportation’s oil consumption, second only to passenger cars and light trucks. 31 Today’s oil prices provide strong financial and policy incentives to increase freight transportation’s fuel efficiency. Increased coastal shipping, particularly on vessels powered by natural gas, offers a way to reduce the transportation sector’s oil dependence by shifting freight from trucks to ships. America also faces a looming transportation crisis. The Federal Highway Administration expects freight tonnage to increase by 70% between 1998 and 2020, with trucking expected to account for the majority of the projected increase. 32 The following maps illustrate the implications of this traffic growth: As this map illustrates, significant freight truck traffic already existed in 1998 along the Atlantic, Gulf, Pacific, and Great Lakes coasts. Since then, freight trucking has continued to grow, expanding faster than any other segment in the transportation sector. 33 In particular, trucks traveling along I-95 from Maine to Florida, I-5 from Washington to California, I-75 and I-10 along from Florida to Texas, and I-90 along the Great Lakes contribute to traffic congestion and longer commutes. Freight rail networks along America’s coasts also face growing capacity problems. As we say throughout this report, coastal shipping offers the most cost effective means to alleviate traffic congestion for everybody in coastal areas. As depicted above, the Federal Highway Administration expects truck traffic along the Atlantic, Gulf, Pacific, and Great Lakes coasts to increase substantially by 2020. The economic costs of America’s traffic congestion are elaborated upon in Section V of this report, but it is important to note that traffic congestion decreases the fuel efficiency of trucks and passenger cars traveling on crowded highways. Unless federal, state, and local policymakers discover a new way to increase capacity of coastal interstate highways and rail networks, increased traffic congestion will translate into reduced fuel efficiency and higher emissions of carbon dioxide, carbon monoxide, sulfur oxides, nitrogen oxides, volatile organic compounds, and particulate matter from land-based trucking and passenger cars. Unfortunately, since many coastal freight routes pass through urban and suburban areas, more traffic congestion will contribute to “air pollution hot spots” and adverse health consequences in America’s coastal communities. 34 Rising traffic congestion will also mean earlier and longer commutes along coastal interstates. Longer traffic jams reduce quality of life for commuters and for those living in neighborhoods on commuter routes. If increased coastal shipping can help reduce traffic congestion on the roads and rails, everybody benefits.

### Gas Tax

A gas tax devastate oil-exporting countries with low prices

Krauthammer 9 (Charles, American Pulitzer Prize–winning syndicated columnist, political commentator, and physician, McGill University degree in political science and economics, January 5, “The Net-Zero Gas Tax; A once-in-a-generation chance,” The Weekend Standard, Vol. 14 No. 16, http://www.weeklystandard.com/Content/Public/Articles/000/000/015/949rsrgi.asp)

So why even think about it? Because the virtues of a gas tax remain what they have always been. A tax that suppresses U.S. gas consumption can have a major effect on reducing world oil prices. And the benefits of low world oil prices are obvious: They put tremendous pressure on OPEC, as evidenced by its disarray during the current collapse; they deal serious economic damage to energy-exporting geopolitical adversaries such as Russia, Venezuela, and Iran; and they reduce the enormous U.S. imbalance of oil trade which last year alone diverted a quarter of $1 trillion abroad. Furthermore, a reduction in U.S. demand alters the balance of power between producer and consumer, making us less dependent on oil exporters. It begins weaning us off foreign oil, and, if combined with nuclear power and renewed U.S. oil and gas drilling, puts us on the road to energy independence. High gas prices, whether achieved by market forces or by government imposition, encourage fuel economy. In the short term, they simply reduce the amount of driving. In the longer term, they lead to the increased (voluntary) shift to more fuel-efficient cars. They render redundant and unnecessary the absurd CAFE standards--the ever-changing Corporate Average Fuel Economy regulations that mandate the fuel efficiency of various car and truck fleets--which introduce terrible distortions into the market.

An increased gas tax would reduce consumption and US demand for oil

Lin 12 (C.-Y. Cynthia, Assistant Professor in the Department of Agricultural and Resource Economics and in the Department of Environmental Science and Policy at the University of California at Davis, July 2, “California Should Raise its Gasoline Tax,” http://www.energydimensions.net/california-should-raise-its-gasoline-tax/)

A third reason for a higher gasoline tax is to reduce dependence on foreign oil. A higher tax on gasoline would discourage oil consumption, reducing our dependence on fossil fuels, particularly oil imported from OPEC. In a recent study, Paul Leiby from Oak Ridge National Laboratory defines three components that add to the market price to make up the full cost of petroleum imports: the cost of U.S. import demand and its (currently strong) effect on the world oil price and the market power retained by OPEC, the cost of the risk of sudden shortage in the supply of foreign oil, and the cost of active oil security policies. Apart from the necessity to account for the negative externalities from gasoline powered passenger vehicles, a tax can also provide government revenue. California net taxable gasoline sales between 2001 and 2006 averaged upwards of 15.5 billion gallons per year. A tax hike of even 10 cents per gallon would have the capacity to raise revenue of 1.5 billion dollars per year. It is important to note here that – if a gas tax is the preferred policy – there is still the question of how to deal with the tax revenue. This discussion is beyond the scope of this article. I note, however that, if there are concerns about the regressivity of a gasoline tax, tax revenue could be balanced out by reducing income taxes. A higher gasoline tax would discourage oil consumption, reducing our dependence on fossil fuels, particularly oil imported from OPEC, and increase the demand for fuel-efficient vehicles and alternative means of transportation. A higher gasoline tax would also spur research and development in alternative energy sources and energy efficient technology.

### US Demand kt Prices

Empirics prove US demand drives oil price swings

King et al 12 (Kathleen King, PhD, Principal, Bates White Economic Consulting, Washington, DC; Ai Deng, PhD, Manager, Bates White Economic Consulting, Washington, DC; David Metz, MSc, Associate, Industrial Economics, January 2012, “An Econometric Analysis of Oil Price Movements: The Role of Political Events and Economic News, Financial Trading, and Market Fundamentals,” http://www.bateswhite.com/media/pnc/4/media.444.pdf)

For example, on April 23, 2007, oil prices increased by $2.51. This increase was associated with political events that raised global supply concerns. Venezuela prepared to nationalize four large heavy oil projects to the detriment of private oil companies, and this was expected to reduce investment and lead to a decline in production. On the same day, international observers disputed election results in Nigeria, highlighting the threat of instability in the world’s eighth largest exporter after attacks by militants had shut about one-fifth of oil production. 65 By contrast, on July 31, 2008, oil prices fell by $2.69. This decline was attributed to weak economic news bolstering concerns about shrinking US energy demand. On that morning, a US Labor Department report showed a large increase in jobless claims, and a US Bureau of Economic Analysis report showed that GDP grew at a weaker-thanexpected pace in the second quarter of 2008. 66 Both of these reports were consistent with a reduction in energy demand. The events that occurred on these two days illustrate the differences between the general types of events driving oil price movements before and after July 14, 2008.

US demand is key to global prices – still trumps china

Kahn 7/18 (Chris, AP Energy Writer, July 18, 2012, “Oil price climbs above $90 on stronger US demand,” http://finance.yahoo.com/news/oil-price-climbs-above-90-152245296.html)

NEW YORK (AP) -- The price of oil on Wednesday briefly hit $90 per barrel for the first time since May after the government said U.S. oil demand is on the rise. The Energy Information Administration reported that average oil demand increased last week in the U.S. for the third week in a row. Oil demand had been down most of the year, when compared with 2011, as manufacturing activity slowed and drivers cut back on travel. "We keep talking about the slow economy, but the market is seeing some improved oil demand today," said Phil Flynn, an analyst at Price Futures Group. Benchmark U.S. crude rose by 65 cents to end the day at $89.87 per barrel in New York. It hit $90.04 per barrel earlier in the day, the highest since May 30. Brent crude, which sets the price for oil imported into the U.S., rose by $1.16 to end at $105.16 per barrel in London. EIA's weekly petroleum report also noted a surprise drop in gasoline supplies last week as refineries pulled back on production. Oil supplies also fell, though the drop was less than what analysts expected. Meanwhile, China's biggest companies warned of sharp drops in profits this year. That country's economy is still growing at a much faster clip than Western nations, including the U.S., but Premier Wen Jiabao has warned that the pace of growth will be unstable. China is the second-largest oil consumer in the world behind the U.S., and a slowdown in its economy could cut world oil demand.

US demand key to global prices

Xinhua 7/19 (Xinhua Global News on hispanicbusiness.com, July 19, 2012, “Oil Prices Climb for 6th Day on Rising US Demand,” http://www.hispanicbusiness.com/2012/7/19/oil\_prices\_climb\_for\_6th\_day.htm)

U.S. oil prices extended the winning streak to the sixth straight day on Wednesday after the latest report showed energy demand in the United States was growing. According to the Energy Information Administration, U.S. average oil demand increased for the third week in a row. U.S. crude oil inventories fell by 809,000 barrels last week while gasoline inventories dropped by 1.82 million barrels, contrary to forecasts.

US demand controls global oil prices

Bird 10 (David, Staff Writer for The Wall Street Journal, December 27, “Oil, at $91-Plus, Feeling U.S. Demand,” http://online.wsj.com/article/SB10001424052748703548604576038063610849574.html)

Crude-oil futures prices, at a two-year high above $91 a barrel, are finding support from a surprising source: U.S. oil demand. Three weeks ago, U.S. forecasters said December oil demand would dip from a year ago. That would have been par for the course for the world's biggest oil consumer this year, after gasoline consumption underwhelmed over the summer and oil and fuel supplies reached a 27-year high in September. The combination of struggling demand and an oil glut had kept prices nearly flat this year even as most other commodity markets soared. But in the latest three weeks, consumption is topping the year-earlier level by nearly one million barrels a day. Demand in the four-week period ended Dec. 17 averaged nearly 19.7 million barrels a day, the highest level since Feb. 20, 2009, according to the U.S. Energy Information Administration. Back then, gains were fueled by the oil price collapse to $40 a barrel, from the summer 2008 record high near $150 a barrel. January crude futures ended last week at a two-year high of $91.51 a barrel, up 13% in the last month. Encouraging U.S. economic data spurred prices higher on Thursday, particularly a drop in new jobless claims. U.S. oil inventories have also dropped over 5% in the last three weeks of government data. Strong demand could prove to be a mirage, but if sustained, it may provide the grounds for a run on the $100-a-barrel mark. Improving U.S. demand would add to dynamic growth in emerging economies like China, and further draw down excess supplies.

US consumption key to global demand

Moauwad 7 (Jad, airline correspondent for The New York Times, 11/9, “Rising Demand for Oil Provokes New Energy Crisis,” <http://www.nytimes.com/2007/11/09/business/worldbusiness/09oil.html?pagewanted=all>)

Today, China consumes only a third as much oil as the United States, which burns a quarter of the world’s oil each day. By 2030, India and China together will import as much oil as the United States and Japan do today. While demand is growing fastest abroad, Americans’ appetite for big cars and large houses has pushed up oil demand steadily in this country, too. Europe has managed to rein in oil consumption through a combination of high gasoline taxes, small cars and efficient public transportation, but Americans have not. Oil consumption in the United States, where gasoline is far cheaper than in Europe, has jumped to 21 million barrels a day this year, from about 17 million barrels in the early 1990s.

US demand drives up global prices

Lefton and Weiss 10 (Rebecca Lefton is a Researcher for Progressive Media and Daniel J. Weiss is a Senior Fellow and Director Climate Strategy at the Center for American Progress, January 13, <http://www.americanprogress.org/issues/2010/01/oil_imports_security.html>)

As a major contributor to the global demand for oil the United States is paying to finance and sustain unfriendly regimes. Our demand drives up oil prices on the global market, which oftentimes benefits oil-producing nations that don’t sell to us

US key to global oil demand

World Crisis 8 (Analyst of global oil supply and demand, <http://www.world-crisis.net/oil-crisis.html>)

With the demand growth at its highest level in the developing world, the United States is the world's largest consumer of petroleum. Between 1995 and 2005, US consumption grew from 17.7 million barrels a day to 20.7 million barrels a day, a 3 million barrel a day increase. China, by comparison, increased consumption from 3.4 million barrels a day to 7 million barrels a day, an increase of 3.6 million barrels a day, in the same time frame

US key to global petroleum markets

National Petroleum Council 11 (An Oil and Natural Gas Advisory Committee to the Secretary of Energy, <http://www.npchardtruthsreport.org/>)

Energy also has become a subject of urgent policy discussions. But energy is a complex subject, touching every part of daily life and the overall economy, involving a wide variety of technologies, and deeply affecting many aspects of our foreign relations. The United States is the largest participant in the global energy system—the largest consumer, the second largest producer of coal and natural gas, and the largest importer and third largest producer of oil.

US transportation sector key to global demand for oil

Fox Business News 11 (9/19/, <http://www.foxbusiness.com/markets/2011/09/19/world-oil-consumption-to-surge-27-by-2035/>)

The U.S. government on Monday said global oil consumption is likely grow by more than a quarter over the next quarter century, though proposed rules requiring automakers to improve fuel efficiency in the United States were not factored into the forecast. World oil demand is expected to climb to 112.2 million barrels per day in 2035, the U.S. Energy Information Administration said in its annual international energy outlook. That would be up 27 percent from 88.20 million bpd in 2011 and is an increase of 1.4 percent over last year's EIA forecast. ``Most of the growth in liquids use is in the transportation sector, where, in the absence of significant technological advances, liquids continue to provide much of the energy consumed,'' the EIA said. The EIA's projections were based on current government policies and do not include any proposed or potential regulations, including the recently announced U.S. fuel economy standards that would force automakers' fleets to average 54.5 miles per gallon by 2025. The United States is the world's largest consumer of crude oil.

US demand drives global prices despite geopolitical risks

Domm 12 (Patti, CNBC Executive News Editor, February 6, “Weak Demand Keeps Lid on US Oil Prices,” http://www.cnbc.com/id/46282702/Weak\_Demand\_Keeps\_Lid\_on\_US\_Oil\_Prices)

The weaker demand picture is keeping a lid on U.S. oil prices, even as geopolitical risk increases. The U.S. tightened sanctions on Iran Monday, with President Obama signing an order to freeze all property of the Central Bank of Iran, the government of Iran, and all other Iranian financial institutions. Brent crude, an international proxy for oil prices, rose more than $1 a barrel, while West Texas Intermediate (WTI) crude declined on the Nymex and was trading around $97 per barrel.

Demand drives oil prices

Green 12 (Kenneth P., staff writer for The American, The Online Magazine of the American Enterprise Institute, March 11, “Why Are Gasoline Prices High (And What Can Be Done About It)?,” http://american.com/archive/2012/march/why-are-gasoline-prices-high-and-what-can-be-done-about-it/)

Setting aside conspiracy theories about oil company collusion—a perennial favorite of politicians of all stripes—the primary reason for high gasoline prices, as any economist will tell you, is very simple: world demand for oil (from which gasoline is made) is high, and the available supply is limited. The cost of crude oil as a share of the retail price of gasoline varies over time, but in January 2012, it was 76 percent. And what drives the price of oil? Many factors, according to the Energy Information Association: Supply and demand in the world oil market are balanced through responses to price movements, and the factors underlying expectations for supply and demand are both numerous and complex. The key factors determining long-term expectations for oil supply, demand, and prices can be summarized in four broad categories: the economics of non-OPEC conventional liquids supply; OPEC investment and production decisions; the economics of unconventional liquids (such as oil from oil-sand or shale) supply; and world demand for liquids. Back in 2006, the EIA observed that prices have risen since 2000 as a result of strong demand growth in developing economies (such as China), supply disruptions, and “inadequate investment to meet demand growth.” Unrest in the Middle East is a perennial cause of worry over world oil supplies, and the recent explicit threats by Iran to close the Straits of Hormuz can’t be promoting confidence in oil consumer markets.

US oil demand determines global prices – recent china prices prove

The China Post 12 (The China Post, Taiwan's leading English-language daily newspaper in readership, Weak US demand drives oil lower,” http://www.chinapost.com.tw/business/global-markets/2012/05/11/340668/Weak-US.htm)

LONDON--Oil prices extended the week's downward trend on Thursday on signs of weakening demand for energy in the United States and amid growing tensions over the eurozone, analysts said. New York's main contract, light sweet crude for delivery in June, fell 61 cents to US$96.20 a barrel, a day after hitting a four-month low of US$95.17. Brent North Sea crude for June shed 24 cents to US$112.96, two days after striking a four-month low of US$110.53. Data released by the U.S. Energy Information Administration on Wednesday showed crude inventories rose by 3.65 million barrels last week in the world's biggest economy, higher than market expectations for a two-million-barrel gain. This indicates weakening energy demand in the United States, which is also the world's largest oil consumer.

US demand drives oil prices – most recent statistics prove

Kahn 7/17 (Chris, AP Energy Writer, 7/17/12, “Oil price climbs above $90 on stronger US demand,” http://www.mercurynews.com/breaking-news/ci\_21099603/oil-below-89-asia-amid-weak-economic-outlook)

NEW YORK—The price of oil climbed above $90 per barrel for the first time since May after the government said U.S. oil demand is on the rise. The Energy Information Administration reported Wednesday that average oil demand increased last week in the U.S. for the third week in a row. Oil demand had been down most of the year, when compared with 2011, as manufacturing activity slowed and drivers cut back on travel. Benchmark U.S. crude rose 37 cents to $89.59 per barrel in New York. It hit $90.04 per barrel earlier in the day, the highest price since May 30. Meanwhile, retail gasoline prices rose 2 cents to a national average of $3.426 per gallon (3.7 liters).

### AT: China kt Prices

The US demand is key to oil prices – it’s consumption is two and a half times greater than China’s

Krauthammer 9 (Charles, American Pulitzer Prize–winning syndicated columnist, political commentator, and physician, McGill University degree in political science and economics, January 5, “The Net-Zero Gas Tax; A once-in-a-generation chance,” The Weekend Standard, Vol. 14 No. 16, http://www.weeklystandard.com/Content/Public/Articles/000/000/015/949rsrgi.asp)

We underestimate our power. Of course, the slump in China and other rapidly growing economies has contributed to the current extreme price collapse. But China consumes only 9 percent of the world's oil. The United States consumes 24 percent. On the other hand, Saudi Arabia produces 13 percent of the world's oil. We don't generally see ourselves as the Saudi Arabia of oil consumers, but we are. The Saudis have the most effect on the world price because they are the swing producer. We are, in effect, the swing consumer. And since oil peaked earlier this year, we are consuming less. October was yet another month of record year-on-year decline of gasoline consumption in the United States. And that's just the immediate effect, before the long-term impact of changes in our automobile fleet can take hold. And that long-term change will only occur if we keep the domestic price high.

### Market Fundamentals Drive Speculation

Market fundamentals of supply and demand drive speculation and price swings

Rapier 12 (Robert, Chief Technology Officer for Merica International, a renewable energy company, April 16, “Cutting Through the Rhetoric on Speculators and Oil Prices,” http://www.consumerenergyreport.com/2012/04/16/cutting-through-the-rhetoric-on-speculators-and-oil-prices/)

Of course Aubrey McClendon is not your average person, and he isn’t likely to garner much sympathy over the decline in natural gas prices — especially since it has benefited consumers. But I use that example to illustrate the point that speculation is not a one-way street where the average consumer always loses. One of the frequently cited causes of high oil prices is from speculation. In fact, I agree that speculation is helping drive up oil prices. However, there are underlying fundamentals at work as well; otherwise the same speculators who are helping drive up oil prices would be doing the same with natural gas prices. Yet those underlying fundamentals are often overlooked in the rush to blame the speculators for spiking oil prices. Speculators Play the Game Both Ways Speculation can drive prices in either direction. If there is a widely held belief that oil prices will be higher, the price of oil will be bid up. It’s the same reason that the share price of Apple rises: Investors speculate that the company will do well in the future and they drive up the price in anticipation of future value. In the case of oil, the most recent speculation is that trouble in Iran could remove a significant quantity of oil from the market, driving prices much higher. But one has to look no further than natural gas pricing to see that this goes both ways. With natural gas below $2 per MMBTU, producers will struggle to make a profit. They are already cutting back on drilling. The sentiment is that there is a very big supply of natural gas, and so the speculators in that case have driven prices down very low — in this case saving consumers a lot of money. In the case of oil, the fear is that supplies won’t be sufficient to meet current demand. Incidentally, politicians and consumers frequently ask “Why are oil companies ripping us off by selling oil for $100 a barrel?” But ExxonMobil also happens to be the largest natural gas producer in the U.S. Rephrase the question to ask “Why are oil companies giving us a break by selling natural gas at under $2 when they were selling it for over $10 five years ago?” — and you can start to see that they really don’t have much control over pricing. That is set by how much speculators and actual end users are willing to pay on exchanges like the New York Mercantile Exchange (NYMEX). Conclusion: There Are Limits to How Much Speculation Can Affect Prices I am not suggesting that we shouldn’t limit speculation. I really don’t know the answer to that one. If you banned investment banks from participating in the oil markets, my assumption would be that it would cause somewhat lower prices when prices are high and somewhat higher prices when prices are low. It would probably knock off the extreme swings on either end. But my main point here is that speculation by itself is not to blame for high oil prices, and eliminating speculation is not going to fix the problem of high oil prices. This column was prompted by Eric Bolling’s assertions on Fox News that he has the answer to high gas prices. For weeks he has been hyping his “secret plan” which he “guarantees” will reduce gasoline prices by $1 a gallon. (Steven Colbert recently skewered Bolling’s antics over his secret plan). It turns out that “limit the speculation” was his answer for reducing gasoline prices by $1 a gallon. That answer itself certainly isn’t new and novel; many people have been pushing this long before Bolling brought it up. But it ignores the two important facts I have highlighted here: Speculation drives prices higher AND lower, and there are often fundamental issues of supply and demand that drive that speculation. And if you want to know the single biggest driver of high gasoline prices today, just look at the consumption growth in developing countries. Eliminating speculation isn’t going to address that issue. Eliminate speculation and today’s gasoline prices would still be high, just perhaps not quite as high. And natural gas prices would perhaps not be as low.

### Speculation Increases Volatility

Most recent and comprehensive studies prove speculation exacerbates price swings and volatility

Carter 12 (Zach, The Huffington Post's Senior Political Economy Reporter, March 20, “The Huffington Post's Senior Political Economy Reporter,” http://www.huffingtonpost.com/2012/03/20/wall-street-speculation-oil-price\_n\_1367896.html)

WASHINGTON -- Two economists at the St. Louis Federal Reserve have published findings that indicate that Wall Street speculation is responsible for 15 percent of the increase in oil prices over the past decade, a finding with significant implications for the recent sharp rise in gas prices. While politicians have little ability to alter the price swings of commodities like oil, regulators have both the authority and policy tools to do so. The Commodity Futures Trading Commission is responsible for overseeing the financial market for oil. The 2010 Wall Street reform bill gave the CFTC new power to limit excessive speculation, but the rule will not go into effect until later this year. According to St. Louis Fed economists Luciana Juvenal and Ivan Petrella, speculation in oil markets was the second-biggest factor behind the past decade's price run-up, behind increased global demand for oil, which accounted for 40 percent of the increase. "Speculation was the second-largest contributor to oil prices and accounted for about 15 percent of the rise," the economists wrote. "The effect that speculation had on oil prices over this period coincides closely with the dramatic rise in commodity index trading -- resulting in concerns voiced by policymakers." Commodity indexes allow speculators to bet on the price of several commodities at once, and have become very popular investment tools for both Wall Street investment companies and pension funds. Between 2004 and 2008, the total volume of trading activity in commodity indexes jumped from $13 billion to about $260 billion, according to research by Michael Masters, founder of Masters Capital Markets and the financial reform nonprofit Better Markets. Masters and others have noted that speculation can exaggerate price swings otherwise dictated by fundamental supply-and-demand dynamics, and can also force prices to move contrary to supply-and-demand predictions. During 2008, when oil prices soared to their highest level on record, they did so during a period in which global demand was low and global supply was high -- what should have been a recipe for lower prices. The most recent Fed study concludes that economic fundamentals are still the primary determinant, saying only that speculation can "exacerbate" price swings.

Speculation causes short-term price volatility

CBS 9 (CBS News, produced by Leslie Cockburn, award-winning documenter and writer on lending scandals in the US financial system, April 14, “Did Speculation Fuel Oil Price Swings?,” http://www.cbsnews.com/2100-18560\_162-4707770.html?pageNum=4&tag=contentMain;contentBody)

"Approximately 60 to 70 percent of the oil contracts in the futures markets are now held by speculative entities. Not by companies that need oil, not by the airlines, not by the oil companies. But by investors that are looking to make money from their speculative positions," Gilligan explained. Gilligan said these investors don't actually take delivery of the oil. "All they do is buy the paper, and hope that they can sell it for more than they paid for it. Before they have to take delivery." "They're trying to make money on the market for oil?" Kroft asked. "Absolutely," Gilligan replied. "On the volatility that exists in the market. They make it going up and down." He says his members in the home heating oil business, like Sean Cota of Bellows Falls, Vt., were the first to notice the effects a few years ago when prices seemed to disconnect from the basic fundamentals of supply and demand. Cota says there was plenty of product at the supply terminals, but the prices kept going up and up. "We've had three price changes during the day where we pick up products, actually don't know what we paid for it and we'll go out and we'll sell that to the retail customer guessing at what the price was," Cota remembered. "The volatility is being driven by the huge amounts of money and the huge amounts of leverage that is going in to these markets." About the same time, hedge fund manager Michael Masters reached the same conclusion. Masters' expertise is in tracking the flow of investments into and out of financial markets and he noticed huge amounts of money leaving stocks for commodities and oil futures, most of it going into index funds, betting the price of oil was going to go up. Asked who was buying this "paper oil," Masters told Kroft, "The California pension fund. Harvard Endowment. Lots of large institutional investors. And, by the way, other investors, hedge funds, Wall Street trading desks were following right behind them, putting money - sovereign wealth funds were putting money in the futures markets as well. So you had all these investors putting money in the futures markets. And that was driving the price up."

Speculation causes volatility and price spikes in the oil market that disprove typical supply and demand – studies and empirics prove

CBS 9 (CBS News, produced by Leslie Cockburn, award-winning documenter and writer on lending scandals in the US financial system, April 14, “Did Speculation Fuel Oil Price Swings?,” http://www.cbsnews.com/2100-18560\_162-4707770.html?pageNum=4&tag=contentMain;contentBody)

As it turns out, not even J.P. Morgan's chief global investment officer agreed with him. The same that day Eagles testified, an e-mail went out to clients saying "an enormous amount of speculation" ran up the price" and "140 dollars in July was ridiculous." If anyone had any doubts, they were dispelled a few days after that hearing when the price of oil jumped $25 in a single day. That day was Sept. 22. Michael Greenberger, a former director of trading for the U.S. Commodity Futures Trading Commission, the federal agency that oversees oil futures, says there were no supply disruptions that could have justified such a big increase. "Did China and India suddenly have gigantic needs for new oil products in a single day? No. Everybody agrees supply-demand could not drive the price up $25, which was a record increase in the price of oil. The price of oil went from somewhere in the 60s to $147 in less than a year. And we were being told, on that run-up, 'It's supply-demand, supply-demand, supply-demand,'" Greenberger said. A recent report out of MIT, analyzing world oil production and consumption, also concluded that the basic fundamentals of supply and demand could not have been responsible for last year's run-up in oil prices. And Michael Masters says the U.S. Department of Energy's own statistics show that if the markets had been working properly, the price of oil should have been going down, not up. "From quarter four of '07 until the second quarter of '08 the EIA, the Energy Information Administration, said that supply went up, worldwide supply went up. And worldwide demand went down. So you have supply going up and demand going down, which generally means the price is going down," Masters told Kroft. "And this was the period of the spike," Kroft noted. "This was the period of the spike," Masters agreed. "So you had the largest price increase in history during a time when actual demand was going down and actual supply was going up during the same period. However, the only thing that makes sense that lifted the price was investor demand."

Speculation drives short-term oil prices – empirics proves drops in demand trigger greater shocks

CBS 9 (CBS News, produced by Leslie Cockburn, award-winning documenter and writer on lending scandals in the US financial system, April 14, “Did Speculation Fuel Oil Price Swings?,” http://www.cbsnews.com/2100-18560\_162-4707770.html?pageNum=4&tag=contentMain;contentBody)

Asked why they wanted a deregulated market in oil futures, Greenberger said, "Because they wanted to establish their own little energy futures exchange through computerized trading. They knew that if they could get this trading engine established without the controls that had been placed on speculators, they would have the ability to drive the price of energy products in any way they wanted to take it." "When Enron failed, we learned that Enron, and its conspirators who used their trading engine, were able to drive the price of electricity up, some say, by as much as 300 percent on the West Coast," he added. "Is the same thing going on right now in the oil business?" Kroft asked. "Every Enron trader, who knew how to do these manipulations, became the most valuable employee on Wall Street," Greenberger said. But some of them may now be looking for work. The oil bubble began to deflate early last fall when Congress threatened new regulations and federal agencies announced they were beginning major investigations. It finally popped with the bankruptcy of Lehman Brothers and the near collapse of AIG, who were both heavily invested in the oil markets. With hedge funds and investment houses facing margin calls, the speculators headed for the exits. "From July 15th until the end of November, roughly $70 billion came out of commodities futures from these index funds," Masters explained. "In fact, gasoline demand went down by roughly five percent over that same period of time. Yet the price of crude oil dropped more than $100 a barrel. It dropped 75 percent."

Speculative bubbles in extreme circumstances cause volatility even if general speculation does not

Jickling and Austin 11 (Mark, Specialist in Financial Economics for the Congressional Research Service, and D. Andrew, Analyst in Economic Policy for the Congressional Research Service, June 29, “Hedge Fund Speculation and Oil Prices,” http://www.fas.org/sgp/crs/misc/R41902.pdf)

Some contend that oil speculators do not always trade on fundamental information related to supply and demand, but are nonetheless able to drive up prices by flooding the market with cash and overwhelming the influence of commercial hedgers who actually deal in physical oil. On the other hand, most empirical studies suggest that speculation does not generally increase price volatility, although the occasional emergence of speculative “bubbles,” when market prices may diverge significantly from fundamental values, is well known. Neither economists nor regulators have reached a consensus as to the causes of oil price movements in recent years—some point to the fundamentals (where both demand and supply are inelastic in the short run, and questions exist about the capacity to meet growing global demand in the long run), while others focus on financial markets. Both are possible sources of price volatility.

Speculation directly amplifies changes in oil prices

Jickling and Austin 11 (Mark, Specialist in Financial Economics for the Congressional Research Service, and D. Andrew, Analyst in Economic Policy for the Congressional Research Service, June 29, “Hedge Fund Speculation and Oil Prices,” http://www.fas.org/sgp/crs/misc/R41902.pdf)

The argument that money managers cause price movements faces certain difficulties. Any increase in a long position is equivalent to a purchase of the underlying commodity and thus tends to raise the price. However, money market long positions are a fairly small fraction of the total open interest positions. 30 That adjustments to this small market share would trigger discernible price movements might be considered surprising, especially when comparable or larger position changes by other market participants are not correlated with price swings. One hypothesis is that money managers’ trades may have a unique impact on intraday trading, which the weekly open interest data fail to capture. Short-term traders might observe and seek to copy the strategies of certain money managers who are regarded as especially capable of identifying new information that might be expected to move prices, or who simply have achieved superior returns in the past. 31 If significant numbers of short-term speculators copy money manager trades, the impact of those trades on prices would be magnified. In effect, under this scenario, money managers may have market power beyond what the size of their positions would suggest. 32 Under this interpretation of the data, it would not matter whether hedge funds trade based on relevant fundamental information or not. If their trades trigger a significant number of similar transactions by others, they become a kind of self-fulfilling prophecy. Such “herding behavior” among speculators, if it exists, would support arguments that the oil price often includes a “speculative premium” above and beyond the price justified by the fundamentals.

Speculation raises demand and prices in the status quo

Clawson 12 (Patrick, Director for Research at The Washington Institute for Near East Policy, January 24, “Analyzing the Impact of European Sanctions,” http://iranprimer.usip.org/blog/2012/jan/24/analyzing-impact-european-sanctions)

But perhaps at least as important will be the perceptions by market actors that the EU oil embargo may signal greater political tensions. Many analysts argue that world oil prices already include a "risk premium" due to concerns about potential conflict in the Gulf. That premium could rise. A contributory factor is that with world interest rates so low, the cost of holding oil stocks is not particularly high, which may make it more attractive to speculate that oil prices will go higher. Speculative or precautionary stock-building adds to demand, thereby driving prices higher in a way which confirms the speculators’ expectations about future price increases. Some commentators have argued that such self-fulfilling prophecies contributed to sharp increases in oil prices in recent years.

Speculation causes short-term price volatility

Green 12 (Kenneth P., staff writer for The American, The Online Magazine of the American Enterprise Institute, March 11, “Why Are Gasoline Prices High (And What Can Be Done About It)?,” http://american.com/archive/2012/march/why-are-gasoline-prices-high-and-what-can-be-done-about-it/)

Much more important in shaping near-term oil-price dynamics has been the nudge to investors from QE to move from safe to riskier investments. The commodity market has been one outlet for that reinvigorated search for yield. Investment flows into commodity-related vehicles has stepped up noticeably. This has been reinforced by the Fed’s policy of keeping short-term nominal interest rates near zero, which keeps it cheap to do some of that trading on borrowed funds. Such speculation neither produces nor consumes the commodity, so it should have no long lasting effect on prices. However, over short periods, it can fuel spasms of enthusiasm or angst that trigger wide swings in prices.

New investors amplify speculation and increase short-term price volatility

Johnson 11 (Toni, senior editor/staff writer for the Council on Foreign Relations, May 6, “Oil Market Volatility,” http://www.cfr.org/energy/oil-market-volatility/p15017)

Investors closely follow oil inventories to gauge supply and demand. But complicating oil markets are new kinds of investors (PDF), including corporations, hedge funds, and institutional investors like pension funds. Non-industry oil speculation, as seen in the last few years, masks the real supply and demand of present oil in favor of the supply and demand of oil futures. For example, by some estimates, speculators in 2011 own futures for six times more oil on the West Texas Intermediate exchange than can be physically stored (Fortune) at the WTI facility in Cushing, Okla. An August 2009 report (PDF) from the James Baker III Institute for Public Policy found that noncommercial players now constitute about 50 percent of the U.S. oil futures market, compared to an average of about 20 percent before 2002. "The speculative fervor is so remarkable that the big trading firms now have nearly twice as many long contracts open as they did in 2008, when oil spiked to $147 in the summer, a development that either foreshadowed or caused the global economic meltdown," wrote Fortune's Colin Barr in March 2011. But others, such as NASDQ blogger Phil Flynn, contend the oil buying driving up prices is due to some refiners and European countries being "fearful they won't be able to get oil next week," not because of non-industry speculators. D. Barry McKennitt, executive director of the U.S. National Association of Petroleum Investment Analysts, says that none of this moneymaking would be possible unless supplies were tight, but speculation on this scale magnifies price volatility. "When speculators make up too large a share of the futures market, they have the potential to upset the healthy tension between consumers and producers and resulting adherence of prices to market fundamentals," writes the University of Maryland's Michael Greenberger in a January 2010 paper (PDF). The 2009 Baker Institute report found that non-oil industry traders tend to be bullish, which encourages prices increases.

### \*\*\*Saudi Arabia Oil DA Extensions\*\*\*

### Uniqueness

#### Brent crude over $100 with an upward price pressure to sustain future increases

Goswami 7/20/12

(Manash, reporter, “Brent crude holds above $107; gains to eight-week highs spur selling”, 7/20/12, MSNBC, <http://www.msnbc.msn.com/id/48253785/ns/business-stocks_and_economy/#.UAlkxjFST-M>) aw

SINGAPORE (Reuters) - Brent crude held above $107 on Friday, edging lower after a surge of 20 percent in four weeks prompted some selling as worries about conflict in the Middle East eased slightly. Oil rose to an eight-week high in the previous session, gaining for seven straight days as escalating tension in the Middle East and disruptions in output in the North Sea stoked supply fears. A strengthening of the dollar <.DXY> after a recent slide is also supporting crude futures. Brent crude slipped 49 cents to $107.31 a barrel by 1.43 a.m. EDT. The contract settled up $2.64 and touched an intraday top of $108.18, the highest since May 22. U.S. oil fell 76 cents to $91.90. The August contract ended up $2.79 and touched a high of $92.94, also the highest since May 22. "Prices were getting stretched a little, getting a bit ahead of themselves," said Mark Pervan, senior commodities strategist at ANZ Bank. "This rally is supply driven, and supply-driven rallies tend to be very volatile because when prices go up, they threaten to hurt demand." Brent is set to gain for a fourth straight week, its longest winning streak since the end of February, while U.S. oil is poised to gain for three of the past four weeks. The most important supply threat to oil for now is from the Middle East, as global powers try to force Iran to halt its disputed nuclear program. Tension escalated after a bus carrying Israeli tourists was bombed in Bulgaria, for which Israel blamed Iran. Israel's allegation, based on suspicions that Iranian and Hezbollah agents have been trying for years to score a lethal strike on its interests abroad, triggered speculation in local media that the government might now hit back hard. Israel however signaled that it would not rush into any conflict. The Middle East supply worries will limit any further slide in prices. Apart these tensions, expectations that the U.S. Federal Reserve would announce another round of stimulus to boost growth may weaken the dollar, boosting oil and other dollar-denominated commodities. "Middle East tensions now mean that supply concerns are entering the crude oil equation which is creating an upward price pressure," Tim Waterer, senior trader at CMC Market, said in a report

Oil prices rising – Saudis need a larger budget

Carey 2/23 (Glen Carey Staffwriter February 23, 2012 “The Saudis Need Those High Oil Prices” Bloomberg Businessweek <http://www.businessweek.com/articles/2012-02-23/the-saudis-need-those-high-oil-prices>)

The world last year watched to see if Saudi Arabia would suffer the same instability that swept away other regimes in the Middle East. The question now is whether the world’s largest oil supplier needs to raise prices to sustain ramped-up spending intended to calm its citizens. Higher prices would be bad news for Western governments, which need affordable oil to nurture their economic recoveries. The Saudis rarely spell out exactly what they are thinking on the topic, but there are signs their strategy has changed, and they are increasingly willing to raise prices. Still, they seem not inclined to let prices go sky-high. A year ago Saudi oil minister Ali Al-Naimi said oil at $70 to $80 a barrel was fair. Then on Nov. 21, Al-Naimi said he was “very happy” with current crude prices; on that day oil traded close to $98 a barrel. Prices are now around $106 a barrel. The evolving price targets have everything to do with the Saudis’ “budget needs” in response to the Arab Spring, says Robin Mills, an analyst at Manaar Energy Consulting in Dubai. In February 2011, King Abdullah returned home from medical treatment in the U.S. to announce a spending plan that would quiet the restive parts of the Saudi population. By the end of 2011’s first quarter the kingdom had allocated $130 billion in additional spending to build homes and combat youth unemployment. Government spending increased 28 percent last year to 804 billion riyals ($214 billion), while government revenue surged 51 percent, to 1.1 trillion riyals, according to Ministry of Finance Data. The spending has achieved its political purpose: The House of Saud’s eight-decade rule survived unscathed as Hosni Mubarak and Muammar Qaddafi were toppled, despite sporadic protests in the Shiite areas of Saudi Arabia’s Eastern Province. The Saudi economy expanded 6.8 percent in 2011, central bank data show. Government employees were even awarded two months in bonus pay last year—an act of generosity that cost the government an extra 224 billion riyals over budgeted expenses. Oil sales make up 80 percent of Saudi government revenue, says Faisal Hasan, head of research at Kuwait-based Global Investment House. Two years ago the kingdom needed an oil price per barrel of around $70 in order to pay for its budget without tipping into deficit. For 2011, the Saudis’ break-even oil price was estimated by the International Monetary Fund to have risen to $80 a barrel, a figure that will increase to $98 a barrel by 2016. Saudi Arabia will have to keep spending heavily if it is to create 3 million jobs over the next three years, King Abdullah’s stated goal. The Saudis are spending on defense too: the U.S. has agreed to sell the country 84 F-15 fighter jets for $29.4 billion.

### Social Spending K2 Forestalling Arab Spring

#### Unemployment social spending forestalling social unrest

Martin 7/17/12

(Matthew, MEED Banking and Finance Editor, “Economic growth in Saudi Arabia drives high spending”, 7/17/12, AME, <http://www.ameinfo.com/economic-growth-saudi-arabia-drives-spending-306694>) aw

Clearly people in Saudi Arabia are feeling less threatened by economic worries in the West. While data on personal savings is unavailable, overall deposits in the kingdom's banking system have been rising over the past year, leaving banks with more money than they know what to do with. The figures for Saudi Arabia indicate that consumers are more confident than it would first appear, says Paul Gamble, chief economist and head of research at the local Jadwa Investments. He points out that last year, King Abdullah bin Abdulaziz al-Saud gave public sector workers two months' salary as a one-off gift. The move was part of a broader spending package he announced upon returning from the US for medical treatment against the backdrop of the Arab uprisings. A large number of private sector firms also subsequently felt obliged to give their workers a bonus. As a result, economists were expecting to see a spike in consumer spending around that time as Saudis spent their bonuses. Instead, spending has just been getting stronger. "Last year, we were still seeing the benefits of the pay award for public sector workers," says Gamble. "So I was surprised the recent numbers were as good as they were for May." It is not just pay awards that have encouraged Saudis to spend more. In December, the government started paying unemployed locals SR2,000 ($533) a month in unemployment benefit, the first scheme of its kind. The Labour Ministry now says that more than 1 million people are receiving payments. These are likely to give a major boost to spending as people with lower incomes tend to spend more of their money. High government spending levels and strong economic growth are helping build optimism. "The high levels of consumer spending are reflective of the strong economic position of the country, the high oil price and the extent to which government employees make up the labour market," says Gamble. Unrest in the region is also encouraging Saudis to spend more domestically. "There is probably less regional travel occurring as a result of the Arab uprisings, so people are spending more at home," says one local analyst. High spending levels also indicate that despite the threat posed by the social unrest and regional tensions with Iran, Saudis remain largely unconcerned by both issues.

Saudi oil key to stopping civilian dissent

Hollingshead 4/18 (Ann Hollingshead research analyst for ECONorthwest – economic consulting firm former economist at Global Financial Integrity April 18, 2012 Task Force <http://www.financialtaskforce.org/2012/04/18/is-saudi-arabia-immune-to-anti-corruption-movements/>)

In many ways, the Kingdom of Saudi Arabia contains one of the most unique styles of government and political culture in the world. The central institution of the government is the monarchy—headed by King Abdullah. The Holy Qur’an is the constitution of the country and the nation is governed on the basis of Islamic law or Shari’a. The reaches of the king’s power are essentially limited only by Saudi tradition, Shari’a, and consensus among the royal family and religious leaders. Saudi Arabia holds a tight grip on the nation’s government, politics, and culture in large part because the country has so much oil wealth–Saudi Arabia holds nearly 21.5 percent of the world’s proven oil reserves. The Kingdom’s ability to maintain control over this political structure depends on its ability to use oil to increase well-being in the nation and maintain a position as the leading player in the region’s power politics. When the rest of the region was rocked by anti-corruption demonstrations and regime change during the Arab Spring, Saudi Arabia, with the exception of some demonstrations by a Shia minority in the east, remained relatively calm.

#### Saudi Arabia dispelling social concerns through 130bn social spending package

Khalaf 1/30

(Roula Khalaf Middle East editor of the Financial Times “Charity begins at home for Saudi Arabia” ProQuest <http://search.proquest.com/docview/918779123>)

Executives from around the world descended on Riyadh last week, days before they moved on to the main January event in Davos. Saudi Arabia's annual Global Competitiveness Forum has become a necessary stop for those hoping to cash in on an economy flush with oil revenues at a time of financial turmoil in the west. Opened this year with an address by George Buckley, the head of US industrial group 3M, the event gave Saudi Arabia the opportunity to showcase itself when much of the world is in upheaval. Yet for all of the kingdom's need to become more integrated in the world economy, it too is looking mostly inward these days. In one of the highlights of the forum, Turki al-Faisal, a prominent royal and former ambassador to Washington, warned that Saudi Arabia and other emerging economies would not help the west during the financial crisis unless they were given more clout in the running of the global economy, including in institutions such as the International Monetary Fund. In a comment that resonated in Riyadh's financial and business circles, he stressed that the kingdom had its own challenges and would concentrate more of its resources on development at home and in the region. "We will continue to support our neighbours where we are able, including financially, but now we also face new exigencies of our own," he told the audience. Indeed, the kingdom's main economic pursuit these days is very basic: creating jobs and building affordable houses for an overwhelmingly young population. Over the past year, as youth frustrations erupted in popular uprisings elsewhere in the Arab world, Saudi Arabia's long-time social concerns rose dramatically to the surface, prompting the launch of a massive $130bn social spending package. Public employees received a bonus worth two months' salary and more young people were absorbed into an already bloated public sector. A huge SR250bn ($66.6bn) home-financing programme was launched and a new housing ministry created that is expected to carry out King Abdullah's pledge to build 500,000 homes. A recent report from Riyadh-based Jadwa research says construction, driven by housing needs, will be the fastest growing sector in the economy. Pointing to areas that foreign investors are scrambling to benefit from, the report says construction companies and producers of associated goods, raw materials and services will be the main gainers from the high level of government spending. Despite Saudi Arabia's oil wealth, it has become increasingly difficult for young families to buy their own home and many end up living with their parents long after they are married. Housing is the source of an increasingly open public debate. Part of the problem is the steep increase in land prices - one property executive says prices in parts of Riyadh have doubled during the past five years. The steep rise is blamed on land hoarding by political elites, including senior princes, who received land grants in the past and have no incentive to sell. Financing is also an impediment - a mortgage law has been in the works for years but has yet to be approved, discouraging private developers from building housing for low-income Saudis. Property companies are lobbying for a 2.5 per cent tax on undeveloped land to discourage the hoarding of vacant lots, but it is far from clear that they will get their way - or that a tax will be enough to make much more land available. Government largesse, therefore, will plug an immediate hole, but it will have to go hand in hand with serious reforms that ensure a more functioning market in future. As a study written for the ministry of housing notes, nearly 40 per cent of the Saudi population is younger than 15 and most will demand housing during the next 20 years.

#### Saudi Arabia pledging social welfare to accommodate social unrest

Knowledge Today 11

(“To Stave Off Arab Spring Revolts, Saudi Arabia and Fellow Gulf Countries Spend $150 Billion”, 9/21/12, UPenn <http://knowledgetoday.wharton.upenn.edu/2011/09/to-stave-off-arab-spring-revolts-saudi-arabia-and-fellow-gulf-countries-spend-150-billion/>) aw

Only days following the collapse of former Egyptian president Hosni Mubarak’s regime in February, for instance, Saudi Arabia announced a social welfare package for its citizens worth $10.7 billion, featuring pay raises for government employees, new jobs and loan forgiveness schemes. By the end of the month, the handouts totaled $37 billion. In March, the trend continued, as Saudi Arabia’s King Abdullah heralded an additional $93 billion in social spending. Such generosity was no coincidence, noted the Merrill Lynch Bank of America report’s authors. “The initial response of GCC policymakers [to the Arab revolt] has been to sharply increase current spending to accommodate social pressures and to pledge intra-regional fiscal transfers to less endowed members,” wrote Jean-Michel Saliba, Middle East and North Africa economist for the firm. Neg – Saudi Arabia Oil K2 Economy

#### Social spending buying loyalty and quelling social unrest

Knowledge Today 11

(“To Stave Off Arab Spring Revolts, Saudi Arabia and Fellow Gulf Countries Spend $150 Billion”, 9/21/12, UPenn <http://knowledgetoday.wharton.upenn.edu/2011/09/to-stave-off-arab-spring-revolts-saudi-arabia-and-fellow-gulf-countries-spend-150-billion/>) aw

Saliba and his colleagues cautioned that the outsized spending did not address the long-term nature of the problems presented by the Arab Spring, such as high unemployment. “This [social spending] has averted potential disquiet over governance in most countries, though, over a longer-term horizon, economic reforms will be needed to buoy private sector growth and job creation.” Saudi Arabia’s generosity has been criticized as a means for the Arab world’s most populous country to make political gains and spread influence. The Merrill Lynch report also does not take into account the cost incurred by Saudi Arabia to send its troops into neighboring Bahrain to help quell a Shiite uprising there — another action to prevent revolt from reaching its own borders. But in a recent analysis of the Arab Spring for Arabic Knowledge@Wharton, Wharton legal studies and business ethics professor Stuart Diamond said the spending by the Saudis demonstrated their understanding of negotiation. “They understood that for many people, it was about Maslow’s [hierarchy of] needs triangle: that is, basic life necessities such as food, shelter and health mattered most. So the stipends that the Saudi government gave helped to quell disturbances,” he noted. Diamond added that Saudi spending bought not only continued loyalty from its citizens. “What they have mostly bought was time. For now, the populace will be satisfied with their recent bonuses. But that does not amount to structural and sustainable change, the kind that would significantly improve everyone’s quality of life on a continuing basis. The Saudi government should take this opportunity to include more people in decision-making and develop new industries that give more people a chance at a better life over the long term.”

#### The Saudi Arabian government needs money to stop political activism

Abu-Nasr 12,

Donna Abu-Nasr (Donna Abu-Nasr is a reporter for Bloomberg News in Manama) April 2nd, 2012 “Saudis Skip Arab Spring As Nation Pours Money Into Jobs” http://www.bloomberg.com/news/2012-04-02/saudis-skip-arab-spring-as-nation-pours-money-into-jobs.html

“Youth unemployment is a time bomb for Saudi Arabia,” says Jean-Francois Seznec, a professor at Georgetown University’s Center for Contemporary Arab Studies in Washington. King Abdullah responded by announcing in 2011 a $130 billion plan to create jobs, build subsidized housing and support the religious establishment that had backed the government’s ban on domestic protests. Labor Minister Adel Faqih in May 2011 announced a program to reduce unemployment called Nitaqat, or Ranges, that for the first time rewards companies that employ a higher percentage of Saudis. “What they’ve done to slow any reaction to the Arab Spring is to throw money at people, with some success,” Seznec says. Persistent unemployment could have broad repercussions. Though there are some informal efforts to create activities ranging from impromptu comedy clubs to a girls’ basketball league, Saudi youth have few sanctioned outlets where they can have fun, exacerbating frustrations over unemployment. Unrest? “You are talking about the risk of this frustration going into political activism,” says David Butter, regional director for the Middle East at the London-based Economist Intelligence Unit. If political unrest got out of hand, it could threaten the oil industry and its exports, Butter says. The kingdom’s proven oil reserves of 263 billion barrels are the world’s largest. In February, the country produced 9.68 million barrels a day -- about a third of the total for the Organization of Petroleum Exporting Countries, according to data compiled by Bloomberg. Any instability in Saudi Arabia would also create ripples throughout the Middle East. As the birthplace of Islam and home to its two holiest sites, in Mecca and Medina, the country wields immense sway in the Muslim and Arab world and maintains influence in countries such as Lebanon and Bahrain and in the Israeli-Palestinian conflict.

### Oil K2 Saudi Budget

#### Oil price decreases throttle Saudi Arabia budget and economy

Gordon 11

(Kate, Vice President of Energy Policy at the Center for American Progress, “Confronting New Saudi Realities”, 3/3/11 Center for American Progress, <http://www.americanprogress.org/issues/2011/03/new_saudi_realities.html>) aw

Saudi Arabia is the world’s largest oil producer and exporter, with about one-fifth of the world’s proven oil reserves. Oil is key to Saudi Arabia’s internal economy, accounting for about 75 percent of its budget and 45 percent of its gross domestic product, the total output of its economy’s goods and services. The country’s dependence on oil for its economic growth has caused the kind of “resource-curse” problems that plague economies lacking diversification throughout the world: high unemployment, endemic corruption, low education rates, and the threat of acute budget and economic crises every time oil prices drop. But the world’s dependence on Saudi Arabia for oil has the potential to cause even greater problems.

### Oil K2 Social Spending

#### Saudi Arabia must have expensive oil to continue its domestic social program

Carey 12

(Glen, reporter, “The Saudis Need Those High Oil Prices”, 2/23/12, Bloomberg, <http://www.businessweek.com/articles/2012-02-23/the-saudis-need-those-high-oil-prices>) aw

Oil sales make up 80 percent of Saudi government revenue, says Faisal Hasan, head of research at Kuwait-based Global Investment House. Two years ago the kingdom needed an oil price per barrel of around $70 in order to pay for its budget without tipping into deficit. For 2011, the Saudis’ break-even oil price was estimated by the International Monetary Fund to have risen to $80 a barrel, a figure that will increase to $98 a barrel by 2016. Saudi Arabia will have to keep spending heavily if it is to create 3 million jobs over the next three years, King Abdullah’s stated goal. The Saudis are spending on defense too: the U.S. has agreed to sell the country 84 F-15 fighter jets for $29.4 billion. Raising oil prices too high could backfire. The last global economic crisis caused prices to fall from nearly $150 a barrel in July 2008 to less than $40 by the end of that year. The possibility of that happening again has the Saudis trying to keep prices high but not so high they impair global growth. Says Mills, “They don’t want prices to go above $100, and they are above $100 at the moment. Saudi Arabia pretty much is at a record production level and so is Kuwait. And the United Arab Emirates have been increasing too. So the Gulf allies are trying to maintain relative moderate prices.” The Iranians and Venezuelans, members of OPEC but traditional adversaries of the Saudis, have no interest in a lower price. The Saudis have a precarious balancing act to pull off. The bottom line: Saudi Arabia is spending at least $130 billion on a jobs and housing program at home, an effort that relies on expensive oil.

Saudi profits key to social and domestic spending

Arab News 3/23 (Arab News English language daily newspaper published in Saudi Arabia “High oil prices and ability to step up production keep Kingdom’s economy afloat” Proquest

<http://search.proquest.com/pqcentral/docview/936735310/138004B45716C14B49E/22?accountid=10422> )

March 24--Saudi Arabia continues to perform well in macroeconomic terms, largely as a result of high oil prices and the Kingdom's ability to step up production to cover for countries impacted by regional unrest. GDP (gross domestic product) growth in 2011 was estimated by the Finance Ministry to be around 6.8 percent, the fastest rate since 2003 and well above the 5.1 percent forecast made in November. However, the government also increased public expenditure during the year, to a record $214 billion, 39 percent more than originally planned, but made possible by the oil income windfall and made expedient by the pressures of the "Arab Spring" which has brought issues of social inequality sharply into focus across the region, according to a market view about Saudi Arabia prepared by the CBRE Bahrain research team. Despite the high levels of public spending and substantial government employee wage rises, the Kingdom posted a budget surplus of $81.6 billion, and inflation actually fell during the year to 4.7 percent -- down from 5.3 percent in 2010. Plans for the massive redevelopment program for central Makkah have been announced and include the compulsory acquisition and destruction of 7,000 properties during 2012. Ultimately, the project will offer a fully integrated transport system to include trams and ring roads and to incorporate expansion of the Grand Mosque. As part of the surge in infrastructure spending, the government has also committed to spending $2.9 billion on 284 road projects in 2012, including laying over 4,000 kms of new roads and studies on a further 2,000 kms

#### Saudi Arabia needs more than $100 a barrel to sustain social spending

Peel and Blas 11

(Michael Peel, Javier Blas, writers, “Saudi budget could require high oil price”, 3/31/12, Financial Times, <http://www.ft.com/intl/cms/s/0/87d60044-5bbb-11e0-b8e7-00144feab49a.html#axzz20zLPp2yl>) aw

Saudi Arabia could need the oil price to average more than $100 a barrel by 2015 to sustain the big public spending rises it plans in an effort to forestall the political unrest sweeping the Middle East. The oil market is growing increasingly worried about Riyadh’s fiscal needs as it fears that they could force Saudi Arabia to pursue oil policies similar to those of Venezuela and Iran, traditionally the price hawks at the Opec oil cartel. The break-even oil price the Gulf kingdom requires to balance its budget will jump from $68 last year to $88 this and then $110 in 2015, according to new estimates by the Institute of International Finance, a leading industry group. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging $20-$25 a barrel. The forecast shows the scale of the task facing Saudi Arabia, the world’s largest oil producer and a crucial plank of the west’s regional security strategy, as it grapples with a growing population and increasing infrastructure problems. Crude oil prices on Thursday surged higher as Libyan rebels failed to make fresh ground against forces loyal to Muammer Gaddafi, suggesting a protracted oil supply disruption in the north African country. ICE May Brent rose to a session high of $117.70 a barrel, near a 2½-year high. It closed at $117.36 a barrel, up $2.23 on the day. Nymex May West Texas Intermediate closed at $106.72, a day’s rise of $2.45. The rise in oil prices caused by the unrest in the Middle East will help Saudi Arabia and other Opec nations to pay for the increased spending. The International Energy Agency, the western countries’ oil watchdog, believes Opec revenues will surpass $1,000bn this year for the first time. The forecasts of higher oil revenue needs come after the Saudi government announced two packages of social spending totalling $129bn aimed at averting the spread of dissent that toppled the Egyptian and Tunisian leaders. The largesse failed to satisfy activists who were angry that the package did not include reforms.

#### $100 barrel is necessary for Saudi Arabia to continue public spending

Blas and Chazan 12

(Javier Blas, Guy Chazan, writers, “Saudi Arabia Targets $100 crude price”, 1/16/12, Financial Times, <http://www.ft.com/intl/cms/s/0/af13f09c-405f-11e1-9bce-00144feab49a.html>) aw

Saudi Arabia is aiming to keep oil prices at about $100 a barrel, a third above its previous public target, in a sign that Riyadh needs higher oil revenues to sustain a big rise in public spending. Ali Naimi, the Saudi oil minister, on Monday for the first time said the world’s largest oil producer aimed to keep oil prices at the triple-digit level. “Our wish and hope is we can stabilise this oil price and keep it at a level around $100 [a barrel],” Mr Naimi told CNN. “If we were able as producers and consumers to average $100 I think the world economy would be in better shape.” Brent crude oil prices rose 56 cents on Monday to $111 a barrel amid rising tension between western nations and Iran over Tehran’s nuclear programme. The new favoured price – a de facto target – is a third higher than the $75-a-barrel level that King Abdullah said was a “fair price” in November 2008. Riyadh is traditionally seen as a price moderate within the Opec oil cartel. But Mr Naimi’s comments put the kingdom in line with price hawks such as Venezuela. The revised target is in part a reflection of rising public spending in the wake of the Arab spring. “The Saudis need to spend more money to keep their citizens quiet and prevent protests,” said Carsten Fritsch, oil analyst at Commerzbank. Bill Farren-Price of consultants Petroleum Policy Intelligence added that there was a “consensus” within Opec that $100 a barrel was the appropriate price level for its members’ fiscal requirements and the need to invest to boost supply. “The context is an industry where a lot of new investment is predicated on that kind of price level.” King Abdullah announced two populist programmes of handouts and a boost to public spending last year at a cost of $129bn – equal to more than half the country’s oil revenues. The largesse failed to satisfy democracy activists who were angry that the package did not include reforms. The International Monetary Fund estimates that Riyadh needs at least $80 a barrel to balance its budget, up from about $50 a barrel in 2008. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging $20-$25.

### Oil K2 prevent unrest

#### Saudi Arabia uses oil profits to quell social unrest

The Gulf 7/1 (The Gulf newspaper published in Dubai “Saudi Arabia” ProQuest <http://search.proquest.com/docview/1022782920>)

Saudi Arabia has used its income from the oil boom well, paying down the national debt and investing heavily in infrastructure. Last year, Riyadh announced a spending package of about $130 billion to stave off discontent arising from the Arab Spring. There are several natural brakes on the speed at which the country can industrialise and diversify. The first is local availability of natural gas. The second is human resources. Saudi Arabia has a large, youthful and fast-growing population, but has yet to turn this into an asset rather than liability. Social welfare and government employment are huge drains on the national budget, and reform of the education system is of increasing urgency. A cabinet reshuffle in December 2011 was seen by some observers as an attempt to accelerate economic reform in the kingdom

#### High oil prices key to prevent Saudi Arab spring

Fitch and Pleven 4/26 (Asa Fitch reporter at Dow Jones Newswires and The WSJ, Liam Pleven reporter and staffwriter “Gulf States Keep Oil Dollars Home” Proquest

http://search.proquest.com/pqcentral/docview/1009773464/138004B45716C14B49E/82?accountid=10422)

Booming oil prices are flooding Arab countries with money, but where the lion's share of that wealth would once have been pumped into the world's financial markets, much of it is now being spent at home. Gulf states are embarking on their biggest spending spree on record as they lavish funds on domestic projects--from new housing and hospitals to mosque restoration and job creation--largely as a defensive response to the Arab Spring uprisings that toppled other Middle East governments last year. Government outlays in the region are set to reach $488.6 billion this year, according to recent Institute of International Finance estimates, up 35% from 2009's figure. The domestic focus hasn't yet eaten away at the region's external investments--net foreign assets in the Gulf region are expected to rise by around $300 billion this year alone--but the domestic focus has meant less oil money is being funneled into global capital markets than otherwise might have been. New patterns of spending are also pushing government budgets through the roof and sending money once set aside for things like increases to oil production capacity and military upgrades to social projects instead. "When the Arab Spring happened, many governments discovered that the enemy was within and not without," said Mustafa Alani, a senior adviser at the Geneva-based Gulf Research Center and an expert on regional security issues. In all, governments in the Gulf--including Saudi Arabia, the United Arab Emirates and Kuwait--have pledged $157 billion in additional spending directly following the Arab Spring uprisings, according to a Bank of AmericaMerrill Lynch report from last year. That amounts to about 13.4% of the region's 2011 GDP. To stave off any potential unrest, Gulf monarchies splurged on population-pleasing projects such as spending on higher salaries, bonuses for government employees and new houses. They've been enabled by a 93% rise in the average price of OPEC crude in the past three years. Since 2009, net oil export revenues for members of the Organization of Petroleum Exporting Countries nearly doubled to $1.03 trillion last year, without adjusting for inflation, and the Energy Information Administration expects the figure to grow again to $1.17 trillion in 2012 before tailing off slightly in 2013. The jump in domestic outlays is an acceleration of what had been a decade-long shift toward rebuilding the region's infrastructure. All told, Gulf countries have an estimated $1.8 trillion of capital investments planned or under way over the next 15 years. "The Arab Spring kicked it into high gear as all countries stepped up spending," said Rachel Ziemba, an economist at Roubini Global Economics. The shift is especially notable in Saudi Arabia, the world's biggest oil producer and the region's most populous country. Attempting to head off perceived threats to the political and social order, Saudi's King Abdullah last March announced about $70.9 billion of outlays on housing and health in the kingdom, as well as setting a minimum wage and giving bonuses to government employees. To be sure, Gulf oil producers continue to invest in international markets--and some trophy assets, like Qatar's recent deal to buy a 5% stake in Tiffany & Co.--but there has been a shift in the types of assets they pursue. The United States was one of the top three foreign targets for sovereign-wealth funds in Saudi Arabia, the U.A.E. and Kuwait from 2006 to 2009, according to data provider Dealogic, but it fell to seventh place in 2010 and 2011, as Australia--a major supplier of raw materials to China--and Spain became main focuses of interest in those years. So far this year, Brazil--a rapidly developing market--is the top destination, according to Dealogic. "More of the investments are going to emerging markets, especially Asia, but Latin America is a new focus too," Ms. Ziemba said. A development company owned by the Abu Dhabi government earlier this year invested $2 billion in Brazil's EBX Group. But bankers who deal with the wealthy emirate say it is taking longer to get deals done of late. On the domestic front, the Arab Spring-related spending is accelerating a longer-term shift toward economic diversification through domestic projects that include aluminum smelters in Saudi Arabia and the U.A.E., and an aerospace composites plant in Abu Dhabi. Mubadala Development Co., an investment company owned by the Abu Dhabi government, holds big stakes in foreign firms such as General Electric Co. and Advanced Micro Devices Inc. But it is also trying to use those investments to boost employment at home. A Mubadala subsidiary that invested in AMD's former semiconductor manufacturing business three years ago is planning to build a microchip plant in Abu Dhabi and started training and education programs for U.A.E. citizens. "It's a really good opportunity for us as young engineers to be prepared early for such a project," said Ahmed Madi, 26, an engineer from Abu Dhabi who is in a training program at a semiconductor manufacturing facility in Dresden. Ma'aden, a mining company formed by the Saudi government, in 2009 formed a partnership with Alcoa Inc., the U.S. aluminum giant, on an $11 billion smelter project in Saudi Arabia. At the same time, increased domestic spending is already straining government budgets. Saudi Arabia, whose net exports rose 40% last year, exceeded its budget targets last year and spent around $220 billion, or more than two-thirds of its net oil export revenue. In 2008, the country's spending was less than half of its net oil export revenue. Now Gulf countries like Saudi Arabia and the U.A.E. need ever-higher oil prices to help balance their budgets. Saudi needs crude oil to trade at about $80 a barrel or more, and the U.A.E. needs it to be at around $90 in order to balance their budgets at current spending levels, said George Abed, the Africa and Middle East director of the Institute of International Finance. In 2003, the figure was more like $30. "It shows that we are raising the floor of the oil price constantly because these countries are spending so much of their revenue on infrastructure, social services, expanding the civil service, investing in education and everything else," said Mr. Abed of the IIF. As spending spiked, IMF analysts last year projected Saudi's break-even would rise to $98 a barrel by 2016.

#### Saudi spending effective at stopping unrest

Carey 2/23 (Glen Carey Staffwriter February 23, 2012 “The Saudis Need Those High Oil Prices” Bloomberg Businessweek <http://www.businessweek.com/articles/2012-02-23/the-saudis-need-those-high-oil-prices>)

The evolving price targets have everything to do with the Saudis’ “budget needs” in response to the Arab Spring, says Robin Mills, an analyst at Manaar Energy Consulting in Dubai. In February 2011, King Abdullah returned home from medical treatment in the U.S. to announce a spending plan that would quiet the restive parts of the Saudi population. By the end of 2011’s first quarter the kingdom had allocated $130 billion in additional spending to build homes and combat youth unemployment. Government spending increased 28 percent last year to 804 billion riyals ($214 billion), while government revenue surged 51 percent, to 1.1 trillion riyals, according to Ministry of Finance Data. The spending has achieved its political purpose: The House of Saud’s eight-decade rule survived unscathed as Hosni Mubarak and Muammar Qaddafi were toppled, despite sporadic protests in the Shiite areas of Saudi Arabia’s Eastern Province. The Saudi economy expanded 6.8 percent in 2011, central bank data show. Government employees were even awarded two months in bonus pay last year—an act of generosity that cost the government an extra 224 billion riyals over budgeted expenses.

#### Saudi oil production key to the economy and quelling discontent

Rosenberg 6/5 (David Rosenberg Senior business correspondent at the Media Line a news organization established to enhance news coverage in the Middle East June 5,2012 “With oil below $100, Gulf starts to worry” ProQuest

<http://search.proquest.com/pqcentral/docview/1019088735/138004B45716C14B49E/98?accountid=10422>

Lavish social programs aimed at quelling discontent are now at risk. Is the Gulf's petroleum party over? That's the way it looked over the weekend, with the Saudi stock market the first guest to leave; the exchange's Tadawul index fell more than 4 percent on Saturday, its biggest one-day drop since last August, leaving investors with paper losses of $15 billion after the price of Brent crude futures fell to $99.76 a barrel. That brought the price for the benchmark crude to a two-year low, but more importantly broke the psychologically important $100 barrier. The Tadawul recovered somewhat Sunday and Monday, but the price of crude looks to be headed lower for the foreseeable future, with potentially serious implications for the Gulf economies. On Monday, Brent crude closed at $97. The economies of the Gulf Cooperation Council (GCC) countries have all worked hard to diversify their economies, but oil remains their lifeblood, paying for massive infrastructure projects, covering bloated civil service payrolls and ensuring free or low-cost health and other benefits. The GCC countriesa reliance on petroleum profits has only grown since the start of the Arab Spring, when rulers increased spending to prevent political unrest from spreading to their domains. They were helped by record-high crude prices in 2011 and the first part of this year, ironically pushed higher by nervousness in the West over the Arab Spring. But with the price of oil falling, some of the GCC countries - particularly Bahrain, which has been wracked by sectarian conflict - are going to have more trouble paying their bills. The trick is figuring out when the oil-profits inflow is insufficient to cover the government's expenses, the so-called break-even point. "Clearly there are some countries getting close to it. Some like Bahrain are dangerously close while others like Saudi Arabia have a large margin," Nael Shehadeh, an economics researcher at the Gulf Research Center, told The Media Line. The International Monetary Fund (IMF) estimates that Bahrain and Iraq (which is not a GCC member but nevertheless a major Gulf producer) need oil prices of about $100 a barrel to keep their expenditures in line with income. The United Arab Emirates is better off, with a break-even of $80, but calculating break-even is an inexact science: Emirate NDB, a local UAE bank, has put the break-even at $107. Saudi Arabia's break-even price is around $70-$80, according to bankers and analysts surveyed by the Reuters news agency. Shehadeh said for Qatar and Kuwait break-even is $50-60 as barrel, which would give the two countries considerable cushion, but the IMF has already warned Kuwait to trim government expenditures. But oil prices may well start testing those levels in the weeks and months ahead. Tensions between the West and Iran over Tehran's nuclear ambitions have helped bring down prices. More fundamentally, the supply and demand equation is starting to work in favor of buyers over sellers. Iraq has stepped up production by a fifth this year to 2.5 million barrels a day as it restores its pipeline and ports infrastructure, returning it to the ranks of the top OPEC producers. Libya, a smaller producer, has gradually restored its oil exports following last year's civil war. US energy needs are being increasingly met by shale gas, which today accounts for almost a quarter of the country's natural gas production, compared with 4% in 2005. On the demand sign, things look bearish for oil prices, too. Signs of an economic slowdown encompassing the US, Europe and China, which would reduce demand for energy, grew more ominous at the end of last week. The US reported that its economy added just 69,000 jobs in May, half the amount predicted by economists, as the unemployment rate held steady at 8.2%. In China, the Purchasing Managers' Index fell to 50.4 points in May, the slowest reading since December. Last week's drop in Brent crude prices to below $100 came after both Brent and US crude posted losses in May, their biggest since late 2008. Oman and, in particular, Bahrain are the most vulnerable of the GCC countries to the declining price of oil. They have a lifeline of a $20b. GCC aid package awarded them more than a year ago when the Arab Spring looked dangerously close to spreading to the usually placid Gulf. But analysts say few details about the timing and conditions of the aid have been released and that makes it hard to gauge its potential impact. But even for Saudi Arabia, the world's biggest oil producer, wiggle room on oil production and price is not that great. Farouk Soussa, the chief Middle East and North Africa economist at Citigroup told The National daily on Monday, that the kingdom cannot afford for political reasons to cut back spending because it needs to create jobs and ensure affordable housin g.

#### The price of oil must stay over $100 a barrel to prevent a political uprising in Saudi Arabia

Scamehorn, 12

Richard Scamehorn (Writer for Lancaster Eagle Gazette) July 15th, 2012 “When the band stops, the dance is over” *Lancaster Eagle Gazette*

In 1980, the Saudis nationalized ARAMCO, taking 100 percent ownership. Saudi Arabia always had been our largest supplier of imported oil. With the takeover, they pledgd to continue that relationship.¶ Diplomacy developed into a love-hate relationship. In 1991, the Saudis backed us and participated in Desert Storm to drive Saddam Hussein from Kuwait, but so did another dozen Arab countries. They flatly refused to allow any of our aircraft to be based in their country, causing us much longer flights in the war.¶ Environmental forces cause actions. ¶ The revolutions of the Arab Spring overtly or covertly were supported by the U.S. in every country except Yemen, whose king was a loyal ally. This action caused the Saudi royal family to wonder about the U.S. response if the Saudi citizens rebelled against the family. Would we support the rebels in our ongoing quest for democracy in the Middle East? Or, would we stand behind the kingdom?¶ Saudi Arabia's Wahhabis style of Islam prohibits women from driving or voting or many other activities which Westerners take for granted. The (relative) liberalization of women in some Arab spring countries started to cause dissent among the Saudi women.¶ King Abdullah, sensing the social unrest, decided to placate the entire country's population with a massive modernization program.¶ He authorized (a king can do this) the spending of $130 billion on public housing, education, unemployment benefits and other such public programs. With a population of just 30 million, this spending program amounts to $12.3 million per capita -- unheard of anywhere or anytime in the world.¶ What he did not do was to offer preemptive political concessions. Wahhabi restrictions still hold.¶ Royal worries continue to mount. ¶ In October 2011, the heir to the royal throne suddenly died at age 82. King Abdullah appointed a new heir, who died in May at age 86. The king appointed another -- in his 70s -- who is expected to assume the throne, since Abdullah is 89.¶ The most immediate problem is the most severe -- the price of oil.¶ Oil is the elixir of the kingdom. It allowed Abdullah to shell out $130 billion. Such expenses require large future oil exports at a favorable prices.¶ But, the global price of oil flirts around $80 per barrel. If it remains at that level, Saudi Arabia will go broke in a few years. In a few more years, they will need more than $100 or go broke and the price will keep going up, fast. (Iran needs $110 oil at their pre-embargo volumes -- they are going broke right now).¶ The dance isn't fun anymore. ¶ The price of oil will be a wedge between our two countries.¶ The shale-oil fields in the Dakotas, Ohio and Pennsylvania might become a major source of our needs. This will cause Saudi Arabian oil to lose much, perhaps all, of its importance; if that happens, OPEC no longer might set the price of oil.¶ The Saudis will act to protect their own interests -- as will we.

### Social Unrest 🡪 Instability

#### Youth unemployment causes massive unrest, spreads regionally

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

“Youth unemployment is a time bomb for Saudi Arabia,” says Jean-Francois Seznec, a professor at Georgetown University’s Center for Contemporary Arab Studies in Washington. King Abdullah responded by announcing in 2011 a $130 billion plan to create jobs, build subsidized housing and support the religious establishment that had backed the government’s ban on domestic protests. Labor Minister Adel Faqih in May 2011 announced a program to reduce unemployment called Nitaqat, or Ranges, that for the first time rewards companies that employ a higher percentage of Saudis. “What they’ve done to slow any reaction to the Arab Spring is to throw money at people, with some success,” Seznec says. Persistent unemployment could have broad repercussions. Though there are some informal efforts to create activities ranging from impromptu comedy clubs to a girls’ basketball league, Saudi youth have few sanctioned outlets where they can have fun, exacerbating frustrations over unemployment. Unrest? “You are talking about the risk of this frustration going into political activism,” says David Butter, regional director for the Middle East at the London-based Economist Intelligence Unit. If political unrest got out of hand, it could threaten the oil industry and its exports, Butter says. The kingdom’s proven oil reserves of 263 billion barrels are the world’s largest. In February, the country produced 9.68 million barrels a day -- about a third of the total for the Organization of Petroleum Exporting Countries, according to data compiled by Bloomberg. Any instability in Saudi Arabia would also create ripples throughout the Middle East. As the birthplace of Islam and home to its two holiest sites, in Mecca and Medina, the country wields immense sway in the Muslim and Arab world and maintains influence in countries such as Lebanon and Bahrain and in the Israeli-Palestinian conflict.

#### Irrepressible social unrest will plunge Saudi Arabia into chaos

Hulbert 7/9/12

(Matthew, reporter, “The political perils of low oil prices”, 7/9/12, European Energy Review, <http://www.europeanenergyreview.eu/site/pagina.php?id_mailing=295&toegang=49182f81e6a13cf5eaa496d51fea6406&id=3796>) aw

As unedifying as all that might be, the bigger problem producer states have is sthat internal repression has no guarantee of success these days. It didn't work for Gadhafi in Libya, and it's unlikely to work for Assad in Syria in the long term. As fierce as the rear-guard battles have been, they’ve not been militarily conclusive or conducive to on-going hydrocarbon production. Follow that argument through and it is clear that if the bulk of producer regimes were struggling to hang on in a $125/b world, they stand little chance of pulling through in an $80/b (or less) environment. So we reach the third step, and logical conclusion of our argument. The lower prices go, the more likely political unrest creates serious supply disruptions affecting physical supplies, with concomitant effects on paper markets. That obviously puts a radically new spin on what 'cyclical' means as far as price and political instability is concerned, but when we look across producer states, it’s hard to find any major players not sitting on a powder keg of political risk these days

Failure to stop political unrest in Saudi Arabia will unleash nuclear weapon use and terrorism

Joshi, 4-13 Shashank Joshi (Doctoral student at Harvard University, and a Research Fellow of the Royal United Services Institute) April 13th, 2012 *The Hindu* <http://www.thehindu.com/opinion/op-ed/article3308145.ece>

A sectarian, geopolitical and strategic cold war is unfolding between Saudi Arabia, protector of the Sunni Arab order, and Iran, a Shia Persian revolutionary power with a mission to subvert that status quo. The battlefields are Syria and Palestine, Afghanistan and Iraq. For India, the stakes are high.¶ Saudi-Iranian rivalry has ebbed and flowed for decades, but two developments — the acceleration of Iran's nuclear ambitions and the Arab Spring — have sharpened the antagonism. In the coming years, that will likely push Saudi Arabia closer to Pakistan and exacerbate threats to India.¶ THREE STRANDS¶ First, consider that the crisis over Iran's nuclear programme is unlikely to be resolved by this month's talks, given the inflexible positions held by each side. If Iran is attacked, it will respond by rushing for a bomb. If it isn't attacked, it will drift towards the threshold of weapons status (much like India in the 1970s). Either way, the Saudis will feel the need to hedge — and they will turn to Pakistan, whose nuclear programme they funded and fostered for years.¶ Both Pakistan and Saudi Arabia have reasons not to flout American concerns, and each would proceed with caution. But it is plausible that Pakistan might covertly transfer nuclear technology, engineers and even fissile material to its Saudi Arabian patrons — buying itself some diplomatic clout in return.¶ Second**,** Saudi Arabia remains shaken by the Arab Spring. The country's Shia-dominated Eastern Province is growing restive. Riyadh is also paranoid that Shia Iran is meddling there and in other Sunni Arab regimes like Bahrain.¶ That's why there are reportedly 10,000 serving and retired Pakistani military personnel in Bahrain — including a battalion of the Azad Kashmir Regiment. In the 1980s, Pakistan had tens of thousands of soldiers, sailors and airmen in Saudi Arabia — including an entire division and two armoured and two artillery brigades. These reliable Sunni forces are still seen in Riyadh as a crucial instrument of repression**.¶** Saudi Arabia is not immune from the unrest that swept the Arab world last year. If oil prices fall, it'd struggle to pay for the massive public spending programmes it introduced last year in an effort to stave off discontent. Its refusal to undertake real political reform, and the poisonous anti-Shia rhetoric it has ramped up to vilify protesters, could further radicalise young Saudis.¶ If this resulted in widespread disorder, the regime would depend on Pakistan to send manpower and military expertise.¶ In fact, it's highly likely that contingency plans are already in place.¶ Even if there's little chance of Pakistani nuclear weapons on Saudi soil, the prospect of Pakistani access to Saudi airbases and missile facilities should be cause for Indian concern.¶ Finally, there's a third strand to the Saudi-Pakistan nexus: religion. Whenever Saudi rulers have felt under threat they shore up their legitimacy by looking to the ulema. In 1979, the Iranian revolution and the siege of Mecca spooked the monarchy into giving more money and power to the clerics. That fuelled the growth of violent Sunni extremism over the subsequent decade — and in South Asia in particular. Last year, similarly anxious to bolster their Islamic credentials, the regime responded in the same fashion — funnelling a part of its $120 billion spending package to the religious establishment and reaching out to some of the most extreme strands of regional Islamist movements.¶ That will have profound and pernicious effects not just in the Middle East and North Africa, but also in the jihadist heartlands of Punjab and even within India. Sunni terrorist groups, including Pakistan-sponsored outfits like the Lashkar-e-Taiba, will have new resources and political allies. That throws up fiendishly difficult intelligence and counterterrorism challenges for Delhi.¶ Saudi Arabia's former intelligence chief once claimed that his country's relationship to Pakistan was “probably one of the closest relationships in the world between any two countries.” Whether or not that's hyperbole, it's going to get closer. Both are growing apart from the United States. Riyadh was alarmed over the way in which Washington dumped Egypt's Hosni Mubarak, and Islamabad is not blind to the growing exasperation with its policies.¶.

### Social Unrest 🡪 Oil Problems

#### Protestors will halt Saudi Arabia oil production

Cohen et al 12

(Ariel Cohen Ph.D., Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Kathryn and Shelby Cullom Davis Institute for International Studies, David W. Kreutzer, Ph.D, Research Fellow in Energy Economics and Climate Change, James Phillips, Senior Research Fellow for Middle Eastern Affairs, Michaela Bendikova, Research Associate for Strategic Issues, “Thinking the Unthinkable: Modeling a Collapse of Saudi Oil Production”, 4/9/12, Heritage Foundation <http://www.heritage.org/research/reports/2012/04/thinking-the-unthinkable-modeling-a-collapse-of-saudi-oil-production>) aw

Saudi authorities clamp down on the peaceful protests, and Saudi police fire at violent demonstrators largely drawn from the Shi’a minority in the oil-rich Eastern Province.[3] Protesters react by seizing oil facilities and attacking infrastructure. Saudi internal security forces, augmented by Salafist/Wahhabi zealots, who contemptuously denounce the Shi’a protesters as heretics, seek to oust the protesters. As Saudi security forces crack down on the protesters in the Eastern Province, the fighting damages or destroys key energy facilities. Iran stokes the conflict by providing the Saudi Shi’ites with money, arms, propaganda support, and training. In the ensuing internal strife, the Saudi dynasty in Riyadh is toppled, and the princes flee, are arrested, or are killed. A loose coalition of Wahhabi clerics and elements connected to al-Qaeda in the Arabian Peninsula seizes power and expels all non-Muslim foreign workers. The exodus of skilled technicians and oil workers exacerbates the situation by significantly delaying repairs of damaged infrastructure and impeding operation of oil facilities that are not damaged. As a result, nearly all Saudi oil production stops and oil exports are halted.

#### Saudi Arabia political upheaval causes skyrocketing global oil prices or total stoppage

Macalister 11

(Terry, energy editor, “Saudi Arabia protests could be calamitous for oil market”, 3/9/11, The Guardian, <http://www.guardian.co.uk/world/2011/mar/09/saudi-arabia-protests-oil-market>) aw

The officials from the state-owned Saudi Aramco oil company flatly deny this, and it has certainly increased and reduced output when it felt the world needed it – regardless of its formal commitments to stick to Opec-agreed quotas. The 1.6m barrels a day of Libyan production can be relatively easily accommodated by Saudi Arabia turning the taps on more heavily. But if Saudi Arabia descends into chaos, there is no other country that could compensate for the lost output. Even the thought of this country being hit by political upheaval is enough to send the global price of crude oil significantly higher. A total stoppage would be calamitous. Analysts at Société Générale have warned that oil could reach $200 (£124) a barrel in the event of serious unrest. That figure may be conservative.

#### Oil prices will spike after Saudi Arabia instability

Business Intelligence Middle East 11

(BIME quotes Marc Faber, Swiss fund manager and Gloom Boom & Doom editor, “Oil will go up 'ballistically' if unrest shifts to Saudi Arabia, says Marc Faber”, 3/8/11, <http://www.bi-me.com/main.php?id=51517&t=1&cg=4>) aw

Brent crude futures could hit US$200 a barrel if political unrest spreads into Saudi Arabia, Societe Generale said on Monday. Under what the bank called Geopolitical Scenario 3, "unrest spreads to Saudi Arabia and threatens Saudi crude exports and any remaining spare capacity. Brent price range of US$150-US$200 a barrel," it said in a research note. "In this most extreme, worst-case scenario for the oil markets, serious unrest spreads to Saudi Arabia. In this case, it does not really matter if Libya or any other producers are shut down or not. Saudi Arabia is OPEC's biggest producer and the world's biggest current holder of spare capacity," the bank added. Saudi Arabia is the world's top exporter of crude oil, meeting about 10% of the global oil demand.

### Saudi Arabia Oil K2 Global Oil

#### Saudi Arabia key to oil market – creates stability through excess

The Economist 3/31

(The Economist news organization March 31, 2012 http://www.economist.com/node/21551484)

EVERYONE knows why oil prices, at around $125 for a barrel of Brent crude, are so high. The long-term trends are meagre supply growth and soaring demand from China and other emerging economies. And in the short term, the market is tight, supplies have been disrupted and Iran is making everyone nervous. Saudi Arabia, the only OPEC member with enough spare capacity to make up supply shortfalls, is the best hope of keeping the market stable. The Saudis recently reiterated their pledge to keep the market well supplied as American and European Union sanctions hit Iran. Over time, other producers in the Persian Gulf may be able to pump more. Iraq—and Iran itself—have vast oilfields that could eventually provide markets with millions more barrels a day (b/d). All this is conventional wisdom. Yet these calculations do not take account of the region’s growing thirst for its own oil. Between 2000 and 2010 China increased its consumption of oil more than any other country, by 4.3m b/d, a 90% jump. It now gets through more than 10% of the world’s oil. More surprising is the country that increased its consumption by the second-largest increment: Saudi Arabia, which upped its oil-guzzling by 1.2m b/d. At some 2.8m b/d, it is now the world’s sixth-largest consumer, getting through more than a quarter of its 10m b/d output. Saudi Arabia is not the only oil-producer that chugs its own wares. The Middle East, home to six OPEC members, saw consumption grow by 56% in the first decade of the century, four times the global growth rate and nearly double the rate in Asia (see map). Energy use per head is also rising. According to BP, in 1970 in the Middle East it was half what it was in other emerging markets. By 2010 it was three times higher. Global oil consumption stayed at roughly 4.6 barrels a head annually between 2000 and 2010, but the average Iranian and Saudi was getting through roughly 30% more by the end of the decade. The Saudis consume 35.1 barrels each. Overall energy consumption per head, at 7.3 tonnes of oil equivalent, is roughly the same as in America (see chart), which is much richer. There are three explanations for this growing taste for oil. The first is demography. Populations in the Persian Gulf, and in OPEC as a whole, are growing fast. Tiny Qatar’s population trebled between 2000 and 2010. Saudi Arabia’s grew from around 20m to 27.4m, a 37% increase. Demand for power, water and petrol has risen accordingly. Saudi power-generating capacity has doubled in the past decade. Partly this is to mitigate the fearful heat: according to a report from Chatham House, a think-tank, air-conditioning units soak up half of all power generated at peak consumption periods. The second relates to economic structure. It takes energy to produce energy: pumps must be powered and vast quantities of seawater desalinated. Aramco, the Saudi state oil company, sucks up nearly 10% of the country’s energy output. Attempts to diversify the Saudi economy beyond oil, gas and petrochemicals have not gone far. The third reason for rising Gulf consumption is the inefficiency of domestic energy markets. Some 65% of Saudi electricity is generated using black gold, even as successive price shocks and the relative inefficiency of oil generation have seen it all but phased out in rich countries. Oil is used with such profligacy because domestic consumption is massively subsidised. According to the International Energy Agency, global oil subsidies added up to $192 billion in 2010. OPEC countries accounted for $121 billion of the total. Saudi Arabia has the cheapest fuel in the Gulf and dirt-cheap electricity, too. This has alleviated poverty but it has also encouraged an American-style driving culture (for men) and limited public transport. Only a third as many Saudis own cars as Americans; as they get richer many more will take to the desert highways. Many oil-producing countries (including Saudi Arabia) have pledged to cut subsidies. But this is hard to do when regimes are terrified of unrest (and often unelected). Violent protests greeted Nigeria’s attempts in January to raise the price of imported petrol. Only Iran, which had the most generous subsidy regime, has managed a big price hike—and it had a handy scapegoat in the form of sanctions. It is costing Saudi Arabia dear to burn through so much oil. With “lifting” costs of $3 to $5 a barrel the fuel is cheap but the opportunity cost, given a global price of $125, is huge. And like many Gulf oil producers Saudi Arabia has failed to use its abundant natural-gas supplies properly. Gas does now contribute 35% to power generation, but rock-bottom prices and a sniffiness about gas as oil’s poor relation mean that exploiting its bounty (Saudi Arabia apparently has the world’s fifth-largest gas reserves) has proven hard. Initiatives to attract Western oil companies to get at the gas foundered as low prices and stingy terms failed to attract bidders. Much of the “unassociated” gas that doesn’t spew out alongside oil is tough to extract, and would require prices four or five times higher than now to make it worthwhile. According to BP, oil makes up 74% of the region’s energy production. By 2030 it will have dropped only to 67%. Saudi Arabia is trying to develop nuclear and solar energy. But its fleet of oil-fired power stations will keep going for years. And as Mark Lewis of Deutsche Bank points out, two more big ones are now being built. On current trends the kingdom would become a net importer of oil by 2038 (unlikely though that is). This puts big strains on oil markets. In the short term Saudi spare capacity is an important factor in oil prices. As the year progresses seasonal Saudi demand is likely to jump. Last year the upswing between March and July was some 750,000 barrels of fuel a day, according to Barclays Capital. Much of that will be driven by air conditioners working overtime. This will put pressure on the country’s ability to maintain exports and keep oil prices stable. The longer-term picture is equally worrying. Global demand for oil is projected to rise to over 100m b/d by 2030. The Gulf states of Saudi Arabia, Iran and Iraq, which have vast and easily accessible reserves, are regarded as the obvious sources of new supply. But Iranian oil production will decline as sanctions bite and the country loses access to equipment and expertise. Iraq, currently producing 3m b/d, has the reserves to increase production significantly. But fragile politics, dodgy security and a battered oil infrastructure are deterring the investment required to boost supplies. And Saudi Arabia’s thirst for its own oil shows little sign of abating. The Gulf is usually seen as the answer to the world’s oil problems, but it looks ever more like a question-mark instead.

### Saudi Arabia controls oil prices

#### Saudi Arabia will manipulate oil exports to control prices

Rosenberg 6/5 (David Rosenberg Senior business correspondent at the Media Line a news organization established to enhance news coverage in the Middle East June 5,2012 “With oil below $100, Gulf starts to worry” ProQuest

<http://search.proquest.com/pqcentral/docview/1019088735/138004B45716C14B49E/98?accountid=10422>

But even for Saudi Arabia, the world's biggest oil producer, wiggle room on oil production and price is not that great. Farouk Soussa, the chief Middle East and North Africa economist at Citigroup told The National daily on Monday, that the kingdom cannot afford for political reasons to cut back spending because it needs to create jobs and ensure affordable housing. Nor does the kingdom want to see oil prices climb too high again, which was one of the reasons it increased production early this year when Iranian oil came under pressure from Western sanctions. In March, Saudi Arabia overtook Russia to become the world's biggest oil producer. "The trick with Saudi Arabia is the right balance of keeping prices high enough to finance domestic packages and help the GCC budget," said Soussa. "But it's not in their best interest to see oil prices too high, which would deter consumption and encourage competing oil. It will be a tough balancing act."

### Saudi Arabia wants to increase oil production

#### Saudi Arabia wants oil quota raised

Mackenzie 6/13 (Kate Mackenzie Staffwriter June 13, 2912 “Why Saudi Arabia wants to bathe the world in affordable oil” Financial Times – news and commentary service for financial market professionals <http://ftalphaville.ft.com/blog/2012/06/13/1040961/why-saudi-arabia-wants-to-bathe-the-world-in-affordable-oil/>)

Thursday’s Opec meeting is expected to be a cracker. Supply is relatively abundant right now, but Saudi Arabia wants the quota raised. Iran, Venezuela, and a bunch of other Opec members fearful for their export receipts definitely do not want that. The FT’s Guy Chazan writes that it’s expected to be a tussle that Saudi and its Gulf state allies will lose, despite their considerable power within the cartel. The point, some industry watchers maintain, is just to send a message that Saudi’s got this: that is, it won’t let high oil prices worsen the risk of a global slowdown. A message it probably sees as very necessary as the Iranian sanction deadline draws nearer, and the world economy looks more fragile. But is there more to it than just jawboning? Oil watcher and economist Phil Verleger has some reasons why Saudi Arabia’s insistence on raising production quotas is a sincere bid to keep prices under control, and would willingly risk prices falling below its own “break even” price. He summarised his reasons this way: The economy. Saudi Arabia recognizes that lower prices in 1999 were a great helping solving the Asian debt crisis. Russia: The Saudis are very upset with the situation in Syria. Lower oil prices will convince Putin to cooperate. Iran: Lower oil prices will increase pressure on Iran. Canada and the US: Lower prices will slow development of shale oil and tar sands. Conservation: lower price might just slow the move of the US to efficiency. (might) G20: Saudi Arabia likes to be considered part of the club. Lower prices would help renew their membership These arguments, although somewhat speculative, do seem to check out. On Syria, Verleger points out this report from the New York Times in February, when King Abdullah of Saudi Arabia criticised Russia and China for vetoing the UN Security Council resolution: The Saudi king rarely speaks so publicly and bluntly, and his remarks appeared to reflect new concern in Saudi Arabia about the deepening sectarian parameters of the conflict in Syria, where a majority of the population are Sunnis and the government of President Bashar al-Assad is controlled by the minority Alawites, a heterodox Muslim sect. Saudi Arabia considers itself the spiritual beacon of Sunni Islam Russia, he adds, is vulnerable to falling oil prices — well, you don’t need too look far for evidence of that. What about all those fiscal goodies promised to the Saudi population to keep everyone happy and reduce the Arab Spring-domino risk? Verleger believes Saudi Arabia could withstand even lower oil prices for six to 12 months: Earlier this year, the IMF put Saudi Arabia’s current account surplus at thirty percent of GDP. Lower oil prices would eliminate the cushion and could even create a deficit. This would not, however, be a problem for the Kingdom, given assets such as US Treasury bills it has accumulated over the past three decades. This we are not so sure about. A sovereign with large holdings of Treasuries might not want to dump a lot of them onto the market. On the other hand, the prices are good and the Opec countries have, collectively, increased their holdings by about $25bn, or more than 10 per cent in the past year. So Saudi Arabia could probably afford to sell a few without too much difficulty. Verleger also believes Saudi would have little problem bringing prices back up, when it wants to: Minister Naimi very skilfully obtained a quick price restoration by the end of 1999 following the price collapse. He and other senior Saudis recognize that other producers, including Russia, will quickly if begrudgingly fall in line if prices drop now to very low levels It is often the way that among Opec members Saudi Arabia, not having even the pretence of being democratic, employs a bit more long-sightedness than, say, Venezuela. (We’re not sure what Iran’s excuse is… except desperation.) Finally, the purported Saudi concerns over weakening demand are fairly non-controversial. The Kingdom has made no secret of its fear of demand destruction, and it’s acutely aware that lower oil prices have already acted as a “type of stimulus”, as oil minister Ali al-Naimi told the FT in May.

### Saudi exports to US increasing

#### Saudi Arabia exports to US increasing

Robinson and Saul 3/16 (Matthew Robinson Staffwriter Jonathan Saul Staffwriter “Exclusive: Iran sanctions seen as spurring more Saudi oil sales to US” Reuters <http://www.cnbc.com/id/46762821/Saudi_Arabian_Oil_Sales_to_US_Surge>)

Saudi Arabia is preparing to extend this year's unexpected jump in oil sales to the United States, adding to speculation about the response of the world's top oil exporter to sanctions against Iran and a rally in prices. The Kingdom's shipments to the United States have quietly risen 25 percent to the highest level since mid-2008, according to preliminary U.S. government data, a sizeable leap that appears at least partly related to the imminent completion of a major expansion at its joint-venture refinery in Texas. But some say the scale of the increase, plus other U.S. data showing Gulf Coast inventories are still subdued, suggest the potential for a political dimension as well, evoking comparisons to 2008 when the OPEC kingpin was driving up production to knock oil prices off record highs near $150 a barrel. The surge appears set to continue. Vela, Saudi Arabia's state oil tanker company, has booked at least nine very large crude carriers (VLCCs) capable of carrying 2 million barrels of crude each from the Middle East Gulf to the U.S. Gulf since the start of March, the biggest such wave of fixtures in years, analysts say. The pivot to the U.S. market, which bore the brunt of Saudi output curbs after 2008, is a surprise for two reasons. For one, many analysts had believed that the kingdom's modest output increase in recent months was bound for fast-growing Asian markets, particularly given the pressure on refiners there to reduce their imports from Iran.

### \*\*\*Libya Oil DA Extensions\*\*\*

**U: Libyan transition on track**

**Recent elections prove Libya is on the path to democracy but the situation is still wary**

**UPI**, 7/18/**12**

“NATO welcomes Libyan election results”, http://www.upi.com/Top\_News/Special/2012/07/18/NATO-welcomes-Libyan-election-results/UPI-55581342619363/?spt=hs&or=tn

Elections in Libya represent "an impressive step forward" in the country's post-revolutionary transition to democracy, the NATO secretary-general said. The Libyan election commission this week announced the National Forces Alliance of former interim Prime Minister Mahmoud Jibril won roughly 20 percent of the open seats in the 200-member assembly. The Muslim Brotherhood's Justice and Construction Party secured about 8 percent of the seats, taking second place, reports al-Jazeera. In a congratulatory message, NATO Secretary-General Anders Fogh Rasmussen praised the estimated 2 million Libyans who took to the polls in the first democratic election in a generation. "This election marks an impressive step forward in Libya's transition to democracy, after over 40 years of dictatorship," he said in a statement. Nine months after the death of Moammar Gadhafi, the Libyans went to vote for the first time since 1965. Most observers agree this is a major step towards a more pluralistic Libya. The elections were relatively peaceful, free, and fair. Despite forty years of dictatorship, lack of training in participatory policy, low levels of education, and a fragmented political situation, Libyans flocked to the polls ensuring the success of the elections. In the eastern provinces, supporters of federalism tried to undermine the electoral process by attacking some polling stations yet in all except one case, were turned away by security forces and voters who stood for their rights.That said, a word of caution must be said with regards to the enthusiasm of the western press surrounding the presumed victory of the secularists and liberals led by Mahmoud Jibril. As Jibril himself has stated, calling his party secularist and liberal is a mistake. It is a nationalist and ideological movement that includes all positions. In Libya, no one has campaigned defining himself or herself an Islamist or a secularist. Instead, everybody used the term Muslim for self-identification. Moreover, the results only regard the portion of the assembly that is elected through party lists, which is limited to eighty seats out of 200. The other 120 seats are reserved for independent candidates and no one knows exactly what affiliation they will align themselves with after being elected. To ascertain the exact weight of every group, we will have to wait at the least a few more weeks after meetings of the new assembly. Although many aspects of the elections are seen as the half-full part of the glass, there is also a half-empty part which should be discussed and prepared for in order to avoid the derailment of this important process of democratization. Voting is relevant but even more so is the knowledge of what one votes for. This in Libya has not been clear at all. To begin with, the roadmap established in August 2011 determined the election of a Constituent Assembly would be held within a year. This assembly was supposed to appoint a government and at the same time write the constitution for the country. After the adoption of a constitution, the people would then go to vote for a parliament or house of representatives, after which, the victorious parties would then form a definitive government and put an end to the transitional process. A few months ago the National Transitional Council (NTC), the organ that has governed Libya since the first few weeks of the revolt in 2011, decided that the assembly would not draft the constitution itself but instead appoint a sixty-member committee to draft it. The members of this committee were supposed to be chosen from outside the assembly and represent the three regions of Libya--- Tripolitania, Cyrenaica, and Fezzan--in equal numbers. Yet a few weeks ago, at the last moment, the NTC changed the rule again and declared that the members of the committee would not be appointed by the assembly but directly elected by the people at a different time. The actual holding of the elections as the most important fact to prove whether Libya was set on the right path or not has left decision of the NTC almost unnoticed. This is most likely because most believe that the new assembly would reverse any decision by the NTC and adopt new ones. This opinion is flawed. Fearing an assembly dominated by the Islamists of Sawwan, Belhaj, and others, the NTC has moved to change the rules of the game and diminish the power of the new assembly to act. This action must be rejected and the power to appoint a constitutional committee or even to reinstate the constitution making authority back to the same assembly should be undertaken. The western powers that have supported the Libyan revolt militarily and politically have to be vigilant and pay attention to these kinds of maneuvers. The same powers that are congratulating the Libyan people and the authorities for the success of the elections have to continue to pay attention to the unresolved issue of the armed militias and of the deteriorating security situation caused by the government’s feeble control of the borders. The fact that the elections have been held successfully does not mean that the militias will disarm and order at the borders will be restored. The international community should assist the new Libyan government in any possible way including training police forces and sending security support in personnel and equipment to rebuild the Libyan security forces.

**Libya is on track toward democracy but there are still potential threats to stability**

Karim **Mezran**, 7/12/**12**

Professor of Middle East and North African Studies at SAIS, Johns Hopkins University and a senior fellow at the Rafik Hariri Center for the Middle East, “Libya Is Still Fighting for Democracy”, http://www.theatlantic.com/international/archive/2012/07/libya-is-still-fighting-for-democracy/259697/#

Libya has come a long way since Qaddafi's fall, but it still hasn't been able to solve two major security problems: the armed militias that still roam the country and the state's deteriorating control of its national borders. Fortunately, this is where new assembly can step in, finding agreement among the various parties and militias and forming a government, one that is as inclusive as possible, to administer and rebuild Libya. The international community can help, including by training and equipping the police and security forces, both of which were devastated by the recent conflict. A successful election is just the start of dealing with one of Libya's most important challenges right now: national unity. Regional and local claims and jockeying for power threaten to undermine the legitimacy of and support for the national government. A few thousand inhabitants of the eastern provinces care calling for a federalist state, if not of outward secession. While this is definitely a minority position, it is a very dangerous one because it could easily, at the administration's first real difficulty, split the government and the people, thus slowing or even reversing Libya's progress toward stability. Most Libyans, as well as the interested Western nations, are rightly happy with Libya's progress toward becoming a stable, unified, democratic state. But if they want that progress to continue, they'll all have to work together.

**Recent Libyan elections prove it’s on the path to democracy**

Anthony **Manduca**, 7/15/**12**

Staff writer for the Times of Malta, “Libya’s landmark election”, http://www.timesofmalta.com/articles/view/20120715/opinion/Libya-s-landmark-election.428568

Libya’s first nationwide parlia­men­tary election in 50 years was indeed historic. The election went off re­latively peacefully, the ‘liberal’ ‘pro-business’ bloc beat the Isla­mist parties, voter turnout was a very respectable 62 per cent and international observers say the election was on the whole free and fair. Libyans have every reason to be proud of their first free election after the overthrow of Gaddafi - Anthony Manduca Significantly, sectors of the electorate thought to be hostile to the post-revolutionary scenario did not boycott the poll. The turnout in Sirte, Muammar Gaddafi’s home town, was as high as 65 per cent, while the turnout in another Gaddafi stronghold, the north-eastern Tripoli district of Abu Salim, was also high. This is indeed encouraging and augurs well for the future of democracy in Libya. Libya’s election is, in fact, nothing short of remarkable. The country has absolutely no history of free elections or democracy, and under the 42-year Gaddafi dictatorship the country made no progress whatsoever on the political front. The country had no civil society, no political parties, no trade unions, no rule of law, no respect for human rights and not even a truly professional army. Libya has had to start from scratch in building a functioning democracy and last week’s election was certainly a step in the right direction.

**Recent Libyan elections prove the general population is moving towards democracy**

Omar **Ashour**, **7/17**/12

Director of the Middle East Graduate Studies at the Institute of Arab and Islamic Studies, University of Exeter, and Visiting Fellow at the Brookings Doha Center, author of The De-Radicalization of Jihadists: Transforming Armed Islamist Movements, “Libya’s Defeated Islamists”, http://www.project-syndicate.org/commentary/libya-s-defeated-islamists

To be sure, the results will affect only 80 of the 200 seats in the constituent assembly, whose mandate is to appoint a prime minister, government, and a committee to draft the constitution. The other 120 seats are assigned to individual candidates, who are likely to be local notables, independents with strong tribal affiliations, and, to a lesser extent, a mix of Islamist and liberal politicians. Moreover, while the Islamists were soundly defeated, they performed quite well in many districts. Across Libya, they took second place in ten districts (the JCP in nine and the Salafi-leaning Originality Coalition in one). In Misrata, the JCP finished second, after the local Union for Homeland Party, but still managed to win almost three times as many votes as the NFC, which came in fourth. Nevertheless, the question remains: what happened to the Islamists? They spearheaded the opposition to Qaddafi, were advised by their Tunisian and Egyptian brethren, and larded their rhetoric with religious symbolism in a conservative Muslim country. For many, however, [this was not enough](http://www.brookings.edu/research/papers/2012/05/02-libya-ashour). A [striking difference](http://mideast.foreignpolicy.com/posts/2012/03/09/libya_s_muslim_brotherhood_faces_the_future) between Egypt’s Muslim Brotherhood and Tunisia’s Ennahda, on the one hand, and Libya’s Islamists on the other is the level of institutionalization and interaction with the masses. In Qaddafi’s four decades in power, Libya’s Islamists could not build local support networks; develop organizational structures, hierarchies, or institutions; or create a parallel system of clinics and social services, as their counterparts in Egypt, Tunisia, Morocco, and Jordan were able to do. As a result, Libya’s Islamists could not unite in a coalition as large as that of Mahmoud Jibril, the former prime minister under the National Transitional Council, who heads the NFC. Instead, their votes were divided between several parties, six of which are significant. But another reason for the strong “liberal” turnout is the “blood” factor. “I am not giving my family’s votes to the MB. Two of my cousins died because of them,” Mohamed Abdul Hakim, a voter from Benghazi, told me. He agrees that Islam should be the source for legislation, and his wife wears a *niqab*. Nonetheless, he voted liberal: his cousins were killed in a confrontation in the 1990’s, most likely between the Martyrs Movement (a small jihadist group operating in his neighborhood at the time) and Qaddafi’s forces. But many average Libyans, including Hakim, do not distinguish between Islamist organizations and their histories. For them, all Islamists are “Ikhwan” (MB). The “stain” of direct involvement in armed action, coupled with fear of Taliban-like laws or a civil war like Algeria’s in the 1990’s harmed Islamists of all brands. A third reason for the Islamists’ defeat had to do with their campaign rhetoric. “It is offensive to tell me that I have to vote for an Islamic party,” Jamila Marzouki, an Islamic studies graduate, told me. Marzouki voted liberal, despite believing that Islam should be the ultimate reference for Libyan laws. “In Libya, we are Muslims. They can’t take away my identity and claim that it’s only theirs.” Others factors had to do more with the liberal side. Jibril’s international legitimacy, his tribal affiliation (the Warfalla tribe includes about one million of Libya’s 6.4 million people), and leadership style, coupled with a broad coalition, served the country’s liberal forces well. So did a clever electoral campaign, which focused on incentives and hope (while also exaggerating the repercussions of an Islamist takeover). The result was yet another paradox of the Arab Spring: a country that seemed to meet all of the conditions for an Islamist victory produced the sort of election results that liberals in Egypt and Tunisia could only dream about.

**Libyan elections signal transition to democracy**

**UN News Service**, **7/18**/12

“Libya: With Polls Over, Libyans Must Focus On Next Steps of Democratic Transition - UN Envoy”, http://allafrica.com/stories/201207181368.html

With the successful holding of elections earlier this month, the Libyan people are on their way toward the first peaceful and democratic transfer of power in the North African nation, a top United Nations official said today, adding that the country must now agree on the formation of a new government and on the process for drawing up a new constitution. Briefing the Security Council, the Secretary-General's Special Representative and head of the UN Support Mission in Libya (UNSMIL), Ian Martin, noted that the spirit of democracy was displayed during the 7 July National Congress election in a manner which deeply impressed all observers. "Libyan men and women, young and old, amassed in queues at polling centres to cast their votes, and then displayed their inked fingers with the pride and emotion of people who had so long been denied democratic freedoms, many of whose families had suffered and sacrificed loved ones for the right they were at last able to exercise," Mr. Martin said. "Where violence threatened the poll, it was the determination and the courage of the voters themselves which successfully resisted it," he added. The envoy also noted that the organization of the polls was an "extraordinary accomplishment," considering the country's lack of electoral experience and a hugely demanding timetable. "This will be the first peaceful and democratic transfer of power in Libya," he said. "Its new political leaders must then reach agreement on the formation of a new government, and on the process for drawing up a new constitution."

**U: Libyan economy on track**

**Rising oil output is helping Libyan economy recover**

**WSJ**, 7/10/**12**, “IMF Sees Strong Libya Rebound as Oil Output Surges”, <http://online.wsj.com/article/BT-CO-20120710-711243.html>

Rising oil output amid high crude prices is helping the Libyan economy rebound strongly after a civil war that ended with the ouster last year of Moammar Gadhafi, the International Monetary Fund said Tuesday. Growth is expected to surge by nearly 117% this year following a 60% contraction last year, the IMF said in its annual economic review of the country. The pace of expansion should slow to a still-hot 16.5% next year, the IMF said. The IMF expects Libya, a member of the Organization of Petroleum Exporting Countries, to surpass its prewar crude oil production levels next year, hitting an average 1.7 million barrels a day and rising to 1.95 million barrels a day by 2015. During the conflict, output dropped to around 490,000 barrels a day on average. Production this year is expected at 1.51 million barrels a day.

**Economic growth in Libya because of oil production increases**

**Reuters**, 7/11/**12**, “IMF sees Libya growth skyrocketing 116.6% this year”, http://www.moneycontrol.com/news/world-news/imf-sees-libya-growth-skyrocketing-1166-this-year\_728563.html

Economic activity in Libya is likely to rebound this year as the country rebuilds from civil war and oil production increases to levels last seen during Muammar Gaddafi's rule, the International Monetary Fund said on Tuesday. In a report on Libya's economy conducted by an IMF mission in May but published only now, the Fund forecast growth will skyrocket 116.6% this year, following a contraction of 60% in 2011. Growth next year is expected to ease to 16.5% and 13.2% in 2014, the IMF added. Such impressive rebounds in growth are not unusual in countries emerging from conflict, as the government pours money into rebuilding projects and pent-up private demand boosts spending.

**U: Libyan oil sector on track**

#### Libyan oil industry will affect country’s stability

**Albawaba Business**, 5/20/**12**

Founded in 2000, Al Bawaba is considered one of the oldest and most pioneering online media websites in the Middle East and North Africa region, provides breaking business news and press releases on Middle East and the world, “Libyan oil industry makes startling recovery”, http://www.albawaba.com/business/libya-oil-425960

After [Libya's civil war](http://www.thenational.ae/topic/subjects/libya-unrest), experts pessimistically predicted a recovery in the country's oil industry could stretch on for as long as three years. Work camps had been looted and left bereft of phone and internet links, export terminals were damaged and at one point in the fighting, production fell to 45,000 barrels per day (bpd), less than 3 percent of the usual 1.6 million bpd. Yet, seven months later, Libya is already pumping 1.5 million bpd and expects to hit pre-war levels by next month. Its rapid recovery raises a question about the future of the nation with Africa's biggest known oil reserves, at 46 billion barrels: can Libya double its production to 3 million bpd - a level it last pumped more than 40 years ago - and launch itself into the league of Opec's major producers? "Libya has the potential to become an energy or petrochemicals hub but it was deprived for 40 years to reach its potential," says Ahmed Shawki, the head of marketing for Libya's National Oil Corporation (NOC). "The oil sector has been very scattered since its establishment - many crudes, many companies." The future of Libya's oil industry has bearing on the country's stability and international energy markets alike. The loss of Libya's prized sweet crude, which accounted for just under 2 percent of world supply before the war, sent oil prices shooting up last year to US$127. At the time, that price was a three-year high. And the [Libyan government](http://www.albawaba.com/business/libya-jordan-hotels-pays-424195) is relying upon the US$45 billion (Dh165.28bn) it expects to make from oil and gas this year for its $68bn budget to fund salaries and the development of infrastructure in sectors including health care and communications. Whether Libya can go beyond its pre-war target depends on an ongoing contract review, the willingness of international companies to enter a nation that analysts say has the potential to fracture into three, and elections next month for the national assembly that is to draft the country's new constitution.

**Libya’s oil industry is recovering post-Gaddafi**

**PBS News**, 7/6/**12**, “Libya's Oil Industry Defies Expectations”, <http://www.pbs.org/newshour/updates/world/july-dec12/libya_07-06.html>

Defying both doomsday scenarios and even modest recovery projections, Libya's oil industry is now booming. It is one the few examples of national success as Libyans head to the polls to vote in their first free elections since the fall and death of former Libyan strongman Muammar Gaddafi. The country, upended by the revolution and sudden absence of Gaddafi's iron-fisted rule, remains plagued by divisions and violence. But perhaps owing to the foresight of both the Gaddafi regime and the opposition, and their understanding that Libya's economy is almost entirely dependent on oil, the oil fields were protected, allowing the industry to recover quickly. "There was no severe damage to oil fields," said Deputy Oil Minister Omar Shakmak in an interview with GlobalPost at his office in Tripoli. "The Zawiya refinery started Sept. 25. From the first week it was running at 100 percent capacity." Many Libyans remember when Saif al-Islam, Gaddafi's son, warned at the outset of the rebellion that a civil war would lead to a collapse of the Libyan oil sector, and the country's long-term economic health. "Brothers, there are $200 billion of projects at stake now," he said on state television at the time. Oil workers feared the worst. "I was thinking it could happen like in Kuwait," said Musa Ahmed, the acting production manager for Libya's National Oil Company. "Oil wells could burn ... I expected it to take not less than two years to rebuild." Instead, Libya is already producing 1.5 million barrels of oil per day, just shy of pre-revolution numbers. More and more foreign investors, encouraged by the upcoming elections and the country's ability to get oil production back on track so fast, are now coming back to Libya. Libya's wells produce what is known as light, sweet crude, which has a low sulfur content and is therefore easier to refine into gasoline and other oil products. It is favored in European markets because of Libya's proximity. Libya owns Africa's largest proven reserves, about 46 billion barrels, and some experts believe only 30 percent of the country has been explored. The country is still a long way from its oil heyday, in the 1960s, when the oil-rich Sirte basin produced 3.5 million barrels per day. Nationalization of the oil sector, and western embargos levied against the Gaddafi regime, forced production down to 1.5 million barrels per day over the following three decades. But in 2012, with the global price of oil surging and the average cost of producing a Libyan barrel decreasing, Libyan officials expect significant profits. And they have set an ambitious goal of producing more than 2.5 million barrels a day by 2013.

**Libya is recovering international oil companies despite reluctance—another decline of oil industry will stave off all investors and damage Libyan economy**

**PBS News**, 7/6/**12**, “Libya's Oil Industry Defies Expectations”, <http://www.pbs.org/newshour/updates/world/july-dec12/libya_07-06.html>

Foreign energy companies have so far met with mixed results in post-Gaddafi Libya. Most international oil companies shuttered their operations during the revolution, leaving behind skeleton crews of locals to keep the pumps primed. Many facilities gathered dust. But as production ramped up after the war, European oil companies with big stakes quickly returned and new players began finding ways to capitalize on a more open market. The largest foreign oil company operating in Libya, Eni, an Italian multinational, signed a memorandum with the country's transitional council at the end of May 2011 to provide petroleum during the crisis. As soon as major hostilities ceased in August 2011, Eni CEO Paolo Scaroni flew to Tripoli to meet with top officials. Eni then quickly moved to re-start production at 15 Libyan wells, and re-opened its most important project - a 340-mile long Greenstream pipeline to Sicily. Italy is the largest importer of Libyan oil, accounting for about 32 percent of the total. Today, because of its close connection to the country's leadership, Eni's production in Libya is almost back to pre-revolution levels. Foreign companies, however, are still concerned about security, and have been slower to return than expected. Many of the estimated 4,000 expats in the oil sector before the war have yet to come back, officials say. And some of those who did return have faced major hurdles. Last October, Halliburton's country manager had to leave Libya after Libyan workers protested for higher wages, according to a Middle East oil sector consultant interviewed by GlobalPost. Many Libyans are demanding foreign oil companies do more for the social welfare of the people who live on the land they are using. "Oil companies have been here decades, but have spent nothing," said Mohamed Bashir, an activist and advisor to the transitional government. He said the new government should demand more from the foreign oil companies.

**Libyan oil economy recovering and attracting investors**

**Daily Times**, 7/5/**12**, “Elections to mark new start for Libya economy”, http://www.dailytimes.com.pk/default.asp?page=2012%5C07%5C05%5Cstory\_5-7-2012\_pg4\_7

For Tripoli businessman Salem Mohammed, Libya’s first elections in a generation on Saturday will pave the way for what he believes the North African country should become - a new Dubai. “We have oil, we have money, Libya can easily be just like Dubai,” the 47 year old, who works in manufacturing, said. “We just need foreign investors and hopefully they will now start coming and business will boom.” Nine months after the end of Libya’s uprising, Mohammed hopes Saturday’s election of a national assembly will mark a new start for an economy that stagnated under Muammar Gaddafi’s 42-year autocratic rule. Investors will be closely watching the outcome of the vote - with no indication of a leading contender - to see what it will mean for projects that were frozen during the fighting and for the vast opportunities likely to emerge in an oil-producing nation with the wealth to pay for construction and healthcare. Libya’s new rulers have said no major new concessions would be awarded until after the polls and are reviewing past deals. Once elected, the new 200-member assembly will appoint a government to replace an interim administration that lacked the mandate to make major decisions, and expectations are for old projects to restart and for new contracts to be signed. “There are a lot of projects (on standby), everyone wants to settle their projects from before,” said Klaus Fodinger, head of the cement division at Austria’s Asamer Holding, which resumed operations in Libya in October. “If there are no institutions, no one to talk to, how do you settle deals from the past? The elections are a crucial event.” Many international businesses came to Libya in recent years, attracted by its huge energy reserves and a population, which although numbering just 6 million, has median incomes much higher than elsewhere in the region. But the eight-month NATO-backed uprising sent foreigners fleeing. While oil companies were the first to return and have helped Libya climb back close to pre-war output levels of 1.6 million barrels per day, others have not been as fast. Government trade delegations from around the world have visited, vying for future contracts. As commercial flights have resumed, businessmen have also jetted in for short stretches. Most companies which had a foot in Libya before have mainly wanted to get their ventures back up and running as they await a clearer political and legal landscape.

**Libya looking to further increase oil prices to improve economy**

**Libya Business News**, 6/14/**12**,

Provides news locally with offices/agents in Tripoli, a means of communicating with decision makers in the Government, local agencies, embassies and major corporations,“[Libyan Oil Minister Wants Oil Price Over $100](http://www.libya-businessnews.com/2012/06/14/libyan-oil-minister-wants-oil-price/)”, <http://www.libya-businessnews.com/2012/06/14/libyan-oil-minister-wants-oil-price/>

Libya’s oil minister Abdurahman Benyezza would like to see oil prices above $100 a barrel, he said Thursday at a scheduled meeting of the Organization of the Petroleum Exporting Countries in Vienna.

“I think that price would be good for global economy” [although] the “main point is to stabilize the price,” he said.

When asked whether it’s appropriate to lift the production ceiling, Mr. Benyezza said “we will have to discuss that after this”, stressing that it’s more appropriate to discuss quotas at end of year, depending on the “supply and the prices.”

He also said the global oil market is currently over supplied by “maybe 1.8 million or 2 million” barrels a day.

**Oil prices in Libya have been on an upward rise**

Daniel J. **Graeber**, 3/28/**12**

writer for Oilprice.com and political analyst, featured in UPI and foreign media outlets, teaches at Grand Valley State University, “Did Libya's Oil Bubble Burst Already?”**,** <http://oilprice.com/Energy/Crude-Oil/Did-Libyas-Oil-Bubble-Burst-Already.html>

Libyan crude oil production has witnessed a notable uptick since major combat operations ended last year. In mid-2011, at the height of the international conflict, it looked as if the loss of Libyan crude oil could unravel any hopes of a global economic recovery. Crude oil prices have in general increased during the first four months of 2012, though some optimism was expressed because of Libya's return. With Tripoli headed for its first free election in 40 years, however, nothing is certain regarding the former OPEC giant. OPEC said in its monthly [report](http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_March_2012.pdf) for March that crude oil production was inching closer to pre-war levels of around 1.6 million barrels per day. Italian energy company Eni said that not only was oil production about 20 percent shy of the 1.6 million bpd mark but offshore exploration had [resumed](http://www.forexspace.com/live-forex-news/eni-s-bouri-offshore-oil-field-in-libya-restarts-production-3379) for the first time since Moammar Gadhafi's regime collapsed last year.

**A2: Diversification**

**Short-term oil revenues key to long-term diversification**

Lahcen **Achy**, 5/1/**12**

Nonresident scholar at the Carnegie Middle East Center in Beirut, an economist with expertise in development and institutional economics with a focus on the Middle East and North Africa, research fellow in the Economic Reform Forum and the Moroccan Academic Liaison for the Researchers’ Alliance for Development, has consulted for the World Bank, the UN Development Programme, the Organization for Economic Cooperation and Development, and the Economic Commission for Africa, “Libya’s Economy: On Path to Recovery but Facing Hard Challenges”, http://m.ceip.org/2012/05/01/libya-s-economy-on-path-to-recovery-but-facing-hard-challenges/arby

A 70 percent increase in GDP and a current account surplus of 11 percent of GDP are expected in 2012. Prices are projected to go down by 10 percent after the resumption of imports and market supply to normal level. Still, the budget deficit is expected to represent 7 percent of GDP due to a generous increase in civil servants’ wages in March of last year—an attempt by the Qaddafi regime to end popular discontent. The amount budgeted for wages now represents 20 percent of GDP, which is double the level in 2010. Egypt and Tunisia are in need of external funding, which may eventually lead them to accept costly or conditional loans; Libya with foreign reserve assets amounting to $174 billion and almost no foreign debt to repay can set its priorities and design its policies without any external pressure. But Libya’s strengths, along with burgeoning oil revenue, may become weaknesses if the government fails to restore security and stability throughout the country. This is why Libya’s current government must manage the transition to democracy according to a set timetable and build strong, efficient, and yet accountable institutions that will allow Libya to meet the major challenges its economy is facing: First, the government should manage oil revenues properly and transparently to achieve economic and social development and prevent tribal or regional conflicts over the country's resources. Second, the government needs to support economic diversification and end overdependence on the energy sector. To meet this challenge, it has to create a favorable legal and administrative environment for private investment and stimulate vibrant entrepreneurship that would bring about a transition from a primitive economy based on oil extraction and rent distribution to one based on production and competition.

### \*Internal Links\*

### Global Oil Prices key to Libyan economy

**Libyan economy recovering now but drop in oil prices will gut growth**

**Reuters**, 7/10/**12**, “Sees Libya economic growth doubling this year”, <http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi>

Libya's economy is likely to rebound sharply this year from a deep contraction in 2011 as the country rebuilds from civil war and oil production recovers to levels last seen during Muammar Gaddafi's rule, the International Monetary [Fund](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) said on Tuesday. In a report on Libya's economy resulting from an IMF mission in May but published only now, the fund forecast growth will skyrocket 116.6 percent in 2012 following a contraction of 60 percent last year. Growth next year is likely to slow to 16.5 percent and 13.2 percent in 2014 as the effects of the war on the economy wane, the IMF added. Such [impressive](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) rebounds in growth are not unusual in countries emerging from conflict when the economy is boosted by rebuilding projects and pent-up private demand. The IMF statement on Libya comes as the country awaits the outcome of a historic vote on Saturday to elect a national assembly. While Libya's [government](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) can afford the current high rates of spending in the short term, the IMF estimated that it is not sustainable over the longer term and will push the budget into deficit from 2015. "A more thorough analysis of sustainability based on the present value of financial [assets](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi) and future oil extraction indicates that from 2012, public spending will exceed the sustainable, long-term level by over 10 percent of [GDP](http://articles.chicagotribune.com/2012-07-10/news/sns-rt-imf-libya-update-2l2e8ia9ae-20120710_1_libya-imf-mission-muammar-gaddafi)," the fund added. pixelThe IMF also warned that continued political uncertainty, insecurity and the possibility of a drop in global oil prices were all risks to Libya's economic outlook. Last week around half of Libya's oil exporting capacity was shut down and production cut by about 300,000 barrels per day (bpd) from about 1.3 million bpd after protests by groups demanding autonomy for eastern Libya, the source of most of the country's oil. The oil price at which Libya's budget is balanced is about$91 per barrel in 2012, an increase from $58 a barrel in 2010, and is set to exceed $100 a barrel from 2013, the IMF said. Brent crude prices traded at about $97 a barrel on Tuesday. A deeper crisis in the euro zone and sharper slowdown in the world economy could push global oil prices lower, which would be pose challenges for Libya's oil dependent economy, the IMF said.

**Libyan economy depends on world oil prices**

Joulan Abdul **Khalek**, 1/2/**12**

Research assistant at the Carnegie Middle East Center, has analyses on the political economy of the Middle East in Carnegie's International Economic Bulletin, holds a Master of Science in International Political Economy from the London School of Economics and Political Science, “Libya's new struggle: overcoming Gheddafi's economic system”, http://www.aspeninstitute.it/aspenia-online/article/libyas-new-struggle-overcoming-gheddafis-economic-system

The Libyan economy is fully dependent on the hydrocarbon sector – specifically oil. According to data from the International Monetary Fund and the Arab Monetary Fund statistical bulletins, the proceeds from oil make up more than 88% of total government revenue, 98% of total exports and around half of the country's GDP. In 2009, the services sector made up around 31% of nominal GDP with 7% for the manufacturing sector and 3.2% for agriculture. Two factors are of paramount importance. First Libya's GDP exhibits a very high level of volatility, with growth rates ranging from -36% to 60% in the last 20 years. Second, the performance of the country's GDP clearly trails that of world oil prices, which leaves the country open to a great deal of external risk and uncertainty.

**Oil is key to economic recovery in Libya post-civil war**

**Libya Business News**, 1/31/**12**,

Provides news locally with offices/agents in Tripoli, a means of communicating with decision makers in the Government, local agencies, embassies and major corporations, “[Restoring oil output key to Libya’s recovery: IMF](http://www.libya-businessnews.com/2012/01/31/restoring-oil-output-key-to-libyas-recovery-imf/)”, <http://www.libya-businessnews.com/2012/01/31/restoring-oil-output-key-to-libyas-recovery-imf/>

Restoring oil and gas production in Libya is key to rebuilding the country and reviving the economy after an eight-month civil war, the International Monetary Fund said on Monday, while it warned the government’s finances remained “precarious.” The IMF forecast that Libya’s economic activity would recover in 2012 as more oil production comes on stream and the government’s cash crunch eases. In a report on the Libyan economy, the IMF said gross domestic product in 2011 contracted by a massive 60 percent as crude output cratered to 22,000 barrels a day in July 2011 from 1.77 million barrels a day in 2010. As of the end of November, around $3 billion in Libya’s foreign assets were unfrozen and made available to Libya, the IMF said. The government is financing itself by borrowing from the central bank and printing money. After the rebellion that broke out a year ago against Muammar Gaddafi, the UN froze Libyan assets abroad, estimated at $150 billion. Gaddafi’s 42-year rule collapsed when his forces fled Tripoli. He was captured and killed by rebels in October. “Restoration of hydrocarbon production is well advanced at over half of pre-revolution levels and remains critical to economic recovery, and reconstruction will boost non-hydrocarbon economic activity,” the IMF said, following discussions with the authorities. Libya holds Africa’s largest oil reserves. Libya’s National Oil Corporation said on Monday oil output had climbed to 1.3 million barrels a day.

**Oil industry provides foundation for economic recovery in Libya**

Angus **Minns**, 12/7/**11**

Writes for the Australia Arab Chamber of Commerce & Industry, “Market Update – Libya”, p. 1

The cessation of open hostilities in Libya and the emergence of the National Transitional Council (NTC) in November as the nation’s preeminent governing body are clear signals that Libya is returning to normalcy. This has already begun ushering in an influx of foreign investment seeking to capitalise on the opportunities present in a post-Gaddafi era. Hence, it is vital that Australian investors and companies capitalise on these opportunities immediately or risk being sidelined as other foreign companies take advantage of these prospects. As a result of the conflict, which has engulfed Libya for most of 2011, there is very little economic data available that would allow an accurate assessment of the Libyan economy as it stands. Nevertheless, the unfreezing of foreign cash assets, which run into billions of US dollars, along with Libya’s vast oil and gas reserves provides a stable foundation from which the Libyan economy can be revived. The prospect of Libya restarting its hydrocarbon industry has excited potential foreign investors. Overseas investors were particularly reassured when the NTC’s former Infrastructure Minister, Dr Ahmad al-Jehani, stated that he expected Libya to be producing at least 1.5 million barrels of oil per day within 12 months.

**Libyan state revenues will depend on oil**

**Libya Business News**, 3/3/**12**,

Provides news locally with offices/agents in Tripoli, a means of communicating with decision makers in the Government, local agencies, embassies and major corporations, “[Oil in Libya 2012 budget](http://www.libya-businessnews.com/2012/03/03/oil-in-libya-2012-budget/" \o "Permanent Link to Oil in Libya 2012 budget)”, http://www.libya-businessnews.com/2012/03/03/oil-in-libya-2012-budget/

Libya’s 2012 proposed budget draws heavily on oil revenues, forecast to reach about $54 billion or 41 billion euros, to compensate for the loss of corporate tax revenues in last year’s conflict. “Libyan state revenues for this year will depend heavily on oil revenues,” a senior official was quoted as saying late on Thursday. The interim government said in a report that the budget was heavily reliant on the oil sector to compensate for losses in corporate tax revenues, as both private and public firms had suffered financial losses in 2011 unrest. Libya’s interim government has proposed a 2012 budget of $55 billion as the country undertakes reconstruction efforts and gears up for its elections. The proposed budget must be approved by the ruling National Transitional Council.

**Recovery in oil industry in Libya offsets other economic problems like inflation**

**Reuters**, 7/10/**12**, “The Libyan economy is growing this year, according to a new IMF report”, http://www.globalpost.com/dispatch/news/regions/africa/120710/libya-economy-growing-year-imf

Economic activity in Libya is likely to rebound this year as the country rebuilds from civil war and oil production increases to levels last seen during Muammar Gaddafi's rule, the International Monetary Fund said on Tuesday. In a report on Libya's economy conducted in May but only published on Tuesday, the IMF forecasts growth will skyrocket to 116.6 percent this year following a contraction of 60 percent in 2011. Growth next year is expected to reach 16.5 percent, the IMF added. As imports start returning to normal, consumer price inflation should be contained at 10 percent despite pressure on prices from supply bottlenecks in housing and transportation, the IMF added.

**Libyan economy key to stable transition**

**Bad Libyan economy will affect humanitarian development**

**CFR, 2011**

Center for Foreign Relations, “Post-Qaddafi Instability in Libya”, p. 4

General shortages of fuel, food, water, or electricity should ring loud alarm bells. These will be evident from price spikes, black market activity, and hoarding. Also important are difficulties supplying vulnerable populations with humanitarian relief. The Libyan Red Crescent and international nongovernmental organizations will know quickly if such difficulties arise. Deterioration of the economic situation would affect the need for humanitarian assistance. Collapse of the Libyan dinar or of the banking system, which is currently limiting withdrawals, could increase dramatically the number of destitute people. Local hospitals will often be the first to know that mines, booby traps, and unexploded ordnance are a problem. Former Qaddafi regime forces may be able to provide guidance on their whereabouts, but may also require incentives to do so.

**Oil revenues key to Libyan stability**

**UPI**, 1/25/**12**

“Libya boosts oil output but dangers lurk”, http://www.upi.com/Business\_News/Energy-Resources/2012/01/25/Libya-boosts-oil-output-but-dangers-lurk/UPI-28071327525246/

"Security is key to production increases but oil revenue is key to achieving stability. "While the situation in the oil fields seems to be fairly secure, in the cities it is more uncertain. Many former rebel fighters are still armed and the process of forming a national security force is moving forward slowly. "The government is in desperate need of funds to stabilize the country and has, in its oil industry, a major potential source," the analysis noted. "However, the country also has a major unemployment problem, with almost a quarter of the population out of work. "Political tensions in Libya will remain until oil revenues increase, providing the funds for infrastructure projects necessary to provide employment." Libya has oil reserves of 46.4 billion barrels, the largest in Africa. The rebel alliance that drove Gadhafi from power in an eight-month revolution in 2011 has splintered and several militias, based on particular clans and regions, remain heavily armed. They have repeatedly clashed with each other and the new interim government, the Western-backed National Transitional Council. It was plunged into crisis this week when mass protests broke out in Benghazi over the close ties some NTC officials had with Gadhafi's regime. Gadhafi loyalists have reappeared recently and fought gun battles with NTC forces. The marauding militias, vying for influence and power in the post-Gadhafi era, have become the biggest threat to security and stability as the NTC struggles to exert its authority. The militias are scaring foreign oil companies into delaying the return of their technicians who are vital to keeping the oil industry functioning. "We're now between two bitter options," NTC Chairman Mustafa Abdel Jalil declared in Benghazi recently. "We deal with these violations strictly … or we split and there will be a civil war." The combination of Libya's location on the southern shore of the Mediterranean and its "sweet" oil -- light and low in sulfur content, which makes it easy to process -- has made it attractive to consumers, particularly refineries in carbon-conscious Europe. And with Europe facing the loss of around 500,000 barrels of Iranian oil a day following the European Union's decision Monday to impose an oil embargo on Iran over its contentious nuclear program, Libyan oil is all the more attractive to EU states. "In the light of Iran's threatening stance over the Strait of Hormuz … the relative strategic value of Libyan crude is increased, given its location outside the gulf," Oxford Analytica noted. Tehran has threatened to close the narrow, 112-mile strait at the southern end of the gulf through which one-fifth of the world's oil supply passes daily, if the United States and the EU enforces the oil embargo. U.S. President Barack Obama approved a campaign to choke off Iran's oil exports, which supplies some 80 percent of its state revenues, on Dec. 31. When Gadhafi was toppled, oil production had fallen from the pre-conflict level of 1.6 million barrels per day to less than 100,000 bpd. Since then the Libyans have built that back to 1 million bpd, months earlier than expected.

#### Libyan oil industry key to economic reform and stability

Barah Mikail, January 2012

“The multiple challenges of Libya's reconstruction”, Policy Brief No. 114, senior researcher at FRIDE, was senior researcher on Middle East and North Africa and on Water Issues at the Institut de Relations Internationales et Stratégiques (IRIS) in Paris (2002-2010). Barah has been lecturer at the Collège Interarmées de Défense at the French Ministry of Defence (2005-2007); at the Université Paris-8 Saint-Denis (since 2005); and at Sciences-Po Lille (2004-2005). In 2003, he also worked as an analyst on Middle East issues at the French Ministry of Defence, holds a PhD in Political Science from the Université Paris 8 Saint-Denis; an MA in Political Science from the Université Paris Dauphine; and an MA in International Relations and an MA in Arab and Islamic Civilisations from the Université Marc Bloch.

In many respects, Libya’s economy requires reform to start from scratch. Gaddafi’s regime was able to rely on oil as its main source of income, but the oil sector is not labour-intensive and is poorly linked to the broader economy. In order to foster growth and create jobs, new ways of generating revenue must now be devised. The transition towards a modern and efficient economy will require Libya’s oil revenues to be invested in long-term projects and infrastructure. In order to do this, however, the first step must be the adoption of a comprehensive roadmap for economic reform. While Libya’s energy infrastructure requires improvement, it nevertheless already performs well and guarantees substantial revenue. Relying on this alone and becoming a rentier state, however, would be a fatal mistake. The Libyan population has contributed its part to bringing about a radical political change in 2011. Now it is waiting for concrete initiatives and projects by the government to indicate a positive path towards the future. The absence of any industrial activity, the limited number of private businesses, the high rates of unemployment and the lack of employment opportunities all threaten the country’s cohesion and stability.

### Libyan economy key to democratization/avoid radicalization

**Stable Libyan economy key to prevent anarchy and secession**

**Pack and Joshi, 2011**

Jason, researches Libyan history at St Catherine's College, Cambridge, and is president of Libya-Analysis.com, Shashank, Graduate Student International Relations Security studies at Harvard University, and is associate fellow at the Royal United Services Institute, “Winning The Peace Collectively”, <http://www.chathamhouse.org/sites/default/files/TWT1011p4Lib.pdf>

Now that Gaddafi is out of power it is unlikely that the TNC will seek to utilise African migrants as political tools. Yet it is a certainty that only a strong and stable Libya will be able to adequately police its borders. If Libya’s economy is slow to improve or, even worse, descends into anarchy, Libyans will join Africans in trying their luck fleeing northward to Europe. Should the NTC ask for training of its border guards, as Gaddafi had begun to do in the wake of the Italo-Libyan Friendship Treaty of 2008, the international community should provide the best capacity building assistance possible. When it comes to migrants and to restoring oil production, Libya’s transition phase is a perfect example of the importance of preventative action. The country has the highest proven oil reserves in Africa - at 44 billion barrels - and it exports a particularly desirable form of sweet crude oil. Both make it far more consequential than its pre-conflict two percent share of world output suggests. There are at least three reasons why promptly restoring security, and therefore oil production, is so critical. First, Libya’s oil has a high wax content, which means that it can damage equipment in which it remains for long periods. Any oil stuck in the pipes for months makes restarting the flow challenging. Second, the TNC can only establish its legitimacy if it can pay wages and provide services. Though Libya in theory is a wealthy country, it has a cash flow problem while oil output is stalled. Third, Libya is the most important source of European oil behind Saudi Arabia, Russia and Norway. As Europe teeters economically, a fall in its input prices would give a fillip to growth.

### A2: Political Stability key to Econ

#### Political instability hasn’t impacted economic growth

Yadllah Ijtehadi, 6/3/12

Yadllah, seasoned international journalist, has worked in Dubai, Karachi, London and now Toronto. He has a special interest in international markets and the Mideast region and blogs for [alifarabia.com](http://alifarabia.com/), apart from working for a Canadian national newspaper

"Libya's civil war hugely disrupted the economy by cutting oil output, the primary source of revenue, to virtually zero," noted the African Development Bank Group (ADBG) in a new report on the continent. "As a result, the economy contracted 41.8% in 2011 but as oil production recovers, it should expand 20.1% in 2012 as reconstruction takes holds, followed by a gain of 9.5% in 2013."Currently, Libya's current political dysfunctional nature has not impacted its economic growth, primarily due to its rising crude production. Oil output in April rose a further 50,000 barrels per day to 1.4 million bpd compared to March, as Libyan production edges closer to its pre‐civil war average of 1.6 million bpd in 2010. This is a remarkable turnaround given that the country's average production in 2011 stood at 460,000 bpd during a bloody civil war which ended with the killing of Colonel Moammer Gaddafi.

### \*Libya Impact Scenarios\*

### Libyan Collapse = Weapons dispersal

**Instability allows AQIM to acquire MANPADs**

Alex **Wilner**, 11/30/**11**

Senior Researcher at ETH-Zurich and a Macdonald-Laurier Institute Fellow, “Halting al Qaeda’s African rebound”, http://www.troymedia.com/blog/2011/11/30/halting-al-qaeda%E2%80%99s-african-rebound-part-3/

For AQIM, Libya poses a unique opportunity. Numerous accounts suggest that AQIM took advantage of the civil war to help itself to Colonel Gaddafi’s weapons stockpiles that were “liberated” by anti-government forces. In April 2011, Idriss Deby, President of Chad, noted that he was “100 per cent” certain that AQIM had pillaged military caches in eastern Libya and acquired heavy weapons. His assertion was repeated by the President of Niger and various Algerian officials and later confirmed, in November 2011, by AQIM itself. Mokhtar Belmokhtar, one of AQIM’s leaders, told Mauritanian reporters that “it was perfectly natural” that AQIM had “acquired Libyan weapons.” Of greatest concern is Libya’s stockpile of shoulder-launched anti-aircraft weapons, often referred to as MANPADS (or *man-portable air defense systems*). These weapons are light-weight, transportable, and, in the wrong hands, can be used to shoot down commercial airlines. U.S. government estimates suggest that Gaddafi amassed roughly 20,000 of these rockets. Even if only a handful of these weapons reach al Qaeda, a repeat of its 2002 attack in Mombasa, Kenya, in which two shoulder-launched missiles were fired against an Israeli-owned charter plane taking off from Moi International Airport, remains a distinct possibility. And while U.S. officials have predicted that most of Libya’s unsecured MANPADS are still in the country, the Israelis are not taking any chances. In November 2011, Israeli officials said they were accelerating a program to equip *all* commercial jets flown by El Al and two other Israeli airline companies with locally made anti-missile defence systems that can “blind” heat-seeking missiles with lasers. The Israeli government is expected to foot the $1.5 million bill the program will cost.

**MANPAD prolif causes Afghan instability**

Andrew **Drwiega**, 12/6/**11**

Senior defense journalist with a particular focus on military rotorcraft, editor of *Defence Helicopter* for seven years, BA (Hons) Degree in War Studies from Sunderland University, a member of several associations including the Army Aviation Association of America (Quad-A), Royal United Services institute and the Air Power Association, “Libya’s MANPADs Legacy”, http://www.aviationtoday.com/rw/training/military/Libyas-MANPADs-Legacy\_75305.html

There is an understanding that government agencies have been working very hard behind the scenes to ensure that this kind of weapon does not make it into the hands of the Taliban or al Qaeda. There have been a variety of ‘sting’ operations to take these weapons out of the hands of arms dealers. The old stock of SAMs, especially Stingers, that were given to the Mujahideen to fight the Russians during their occupation of Afghanistan, were largely thought to have degraded in their capability. However, the ability to control the dissemination of MANPADS to terrorist groups and counter-insurgents seems to have been blown open by recent events in Libya where potentially thousands of MANPADS have been stolen and potentially shipped out of the country. According to recent media reports, Libya had an estimated 20,000 surface-to-air missiles before the February uprising began, one of the largest national stocks internationally. An untold number have reportedly already been stolen from unguarded warehouses during and immediately after the struggle for independence from Col. Gaddafi. In recent articles Con Coughlin, a writer in the *British Sunday Telegraph* newspaper, suggested that an Iranian Quds Force team (a paramilitary wing of Iran’s Revolutionary Guards) “… traveled to Libya following the overthrow of the Gaddafi regime and smuggled hundreds of surface-to-air weapons out of the country.” He cites military intelligence officers in Libya who have indicated that the stolen arms could “include sophisticated Russian-made SA-24 missiles that were sold to Libya in 2004. The missile can shoot down aircraft flying at 11,000 feet, and is regarded as the Russian equivalent of the American ‘stinger’ missiles.” While the primary threat is thought to be terrorist acts against western civilian aircraft, there is also the question of how widespread the proliferation of these weapons could be. As Iran is an ally of Sudan (where it is presumed many of the stolen weapons are being kept in the short term), and the Iranian Revolutionary Guards are suspected of training Islamic terrorist groups there, the prospect of weapons getting into the hands of terrorists is very real. Likewise, security professionals believe that al Qaeda may also have been able to organize a similar kind of theft. “I think the probability of al-Qaeda being able to smuggle some of these stinger-like missiles out of Libya is probably pretty high,” said Richard Clarke, former White House National Security Advisor, in a September 2011 interview with *ABC News*. If that turns out to be the case, and with turmoil blighting countries such as Egypt to monitor al Qaeda sympathizers there, the case of smuggling the weapons into Afghanistan can be made. If MANPADS do find their way into Afghanistan then it would rapidly change the whole operational balance and military strategy. It already looks likely that, as in Iraq, when the U.S., British and ISAF ground forces pull out of Afghanistan around the end of 2014/15, many elements of air support will have to stay behind to assist the national Afghan forces, who have none of the elements in place to be self supporting in air power. If the threat of ground-to-air missiles increases significantly, and with a corresponding reduction in the numbers of trained troops that can react to that threat, a very dangerous scenario could quickly develop where high-threat/no-fly zones begin appearing over Afghanistan. That could give al-Qaeda and the Taliban just the opportunity to strengthen and reorganize once again in the Provinces, with dire consequences for the Karzai government.

**Afghan instability sparks conflict in the Middle East and Asia**

**Lal, ’06**

Dr. Rollie, political scientist at the Rand Corporation, a South Asia and East Asia specialist, with extensive experience analyzing the foreign relations and internal dynamics of India and Pakistan, the national interests of India and China, and the strategic relations of India, China, and Japan, "Central Asia and Its Asian Neighbors. Security and Commerce at the Crossroads,"<http://stinet.dtic.mil/cgi-bin/GetTRDoc?AD=A450305&Location=U2&doc=GetTRDoc.pdf>]

Afghanistan remains critical to the future of Central Asia and its neighbors, as instability in Afghanistan has the potential to destabilize the region (pp. 19–20). A potent combination of drugs, weapons, and militants traverse Afghanistan and cross into Central Asia and beyond. Uzbekistan, Tajikistan, and Kyrgyzstan fear that Islamic militants trained in Afghanistan may slip back across their borders (p.20). Iran remains apprehensive that hostile, anti-Shia elements may take control of Afghanistan, putting Iranian security at risk (p. 12). And Pakistan and India both compete to ensure that the Afghan regime in power is friendly to their interests (pp. 26, 29). Although the countries across Asia do not agree on how to secure Afghanistan against threats, unanimous agreement exists on the fact that a stable Afghanistan is critical to their own security interests.

**Asian instability causes extinction**

Blank 2000

Stephen,  served as the Strategic Studies Institute’s expert on the Soviet bloc and the post-Soviet world, was Associate Professor of Soviet Studies at the Center for Aerospace Doctrine, Research, and [Education](http://www.strategicstudiesinstitute.army.mil/pubs/people.cfm?authorID=21), Maxwell Air Force Base, AL; and taught at the University of Texas, San Antonio; and at the University of California, Riverside, June, pg. <http://www.milnet.com/pentagon/Russia-2000-assessment-SSI.pdf>

In 1993 Moscow even threatened World War III to deter Turkish intervention on behalf of Azerbaijan. Yet the new Russo-Armenian Treaty and Azeri-Turkish treaty suggest that Russia and Turkey could be dragged into a confrontation to rescue their allies from defeat. 72 Thus many of the conditions for conventional war or protracted ethnic conflict in which third parties intervene are present in the Transcaucasus. For example, many Third World conflicts generated by local structural factors have a great potential for unintended escalation. Big powers often feel obliged to rescue their lesser proteges and proxies. One or another big power may fail to grasp the other side’s stakes since interests here are not as clear as in Europe. Hence commitments involving the use of nuclear weapons to prevent a client’s defeat are not as well established or apparent. Clarity about the nature of the threat could prevent the kind of rapid and almost uncontrolled escalation we saw in 1993 when Turkish noises about intervening on behalf of Azerbaijan led Russian leaders to threaten a nuclear war in that case.73 Precisely because Turkey is a NATO ally, Russian nuclear threats could trigger a potential nuclear blow (not a small possibility given the erratic nature of Russia’s declared nuclear strategies). The real threat of a Russian nuclear strike against Turkey to defend Moscow’s interests and forces in the Transcaucasus makes the danger of major war there higher than almost everywhere else. As Richard Betts has observed, The greatest danger lies in areas where (1) the potential for serious instability is high; (2) both superpowers perceive vital interests; (3) neither recognizes that the other’s perceived interest or commitment is as great as its own; (4) both have the capability to inject conventional forces; and, (5) neither has willing proxies capable of settling the situation.74

**Middle East war triggers a global conflagration**

**Steinbach, ’02**

(John Steinbach, Centre for Research on Globalisation <http://www.globalresearch.ca/articles/STE203A.html>, March 2002)

Meanwhile, the existence of an arsenal of mass destruction in such an unstable region in turn has serious implications for future arms control and disarmament negotiations, and even the threat of nuclear war. Seymour Hersh warns, "Should war break out in the Middle East again,... or should any Arab nation fire missiles against Israel, as the Iraqis did, a nuclear escalation, once unthinkable except as a last resort, would now be a strong probability."(41) and Ezar Weissman, Israel's current President said "The nuclear issue is gaining momentum(and the) next war will not be conventional."(42) Russia and before it the Soviet Union has long been a major (if not the major) target of Israeli nukes. It is widely reported that the principal purpose of Jonathan Pollard's spying for Israel was to furnish satellite images of Soviet targets and other super sensitive data relating to U.S. nuclear targeting strategy. (43) (Since launching its own satellite in 1988, Israel no longer needs U.S. spy secrets.) Israeli nukes aimed at the Russian heartland seriously complicate disarmament and arms control negotiations and, at the very least, the unilateral possession of nuclear weapons by Israel is enormously destabilizing, and dramatically lowers the threshold for their actual use, if not for all out nuclear war. In the words of Mark Gaffney, "... if the familar pattern(Israel refining its weapons of mass destruction with U.S. complicity) is not reversed soon- for whatever reason- the deepening Middle East conflict could trigger a world conflagration." (44)

### MANPAD – Econ Impact

**MANPAD attack would devastate economy**

Rachel **Ehrenfeld**, 12/9/**11**

Director of the [American Center for Democracy](http://www.econwarfare.org) and its Economic Warfare Institute , expert on [terrorism](http://en.wikipedia.org/wiki/Terrorism) and [corruption](http://en.wikipedia.org/wiki/Political_corruption)-related topics ,writes for The Wall Street Journal, The New York Times, Newsweek, The Guardian, The Washington Times, National Review, Huffington Post and more, “Libya's missing missiles: a threat to US airline passengers”, http://www.csmonitor.com/Business/new-economy/2011/1209/Libya-s-missing-missiles-a-threat-to-US-airline-passengers

How many of Libya’s shoulder fired missiles have been stolen is unknown. However, if only a single missile – 4 to 5 feet long, weighing between 32 and 42 pounds – found its way from the [Middle East](http://www.csmonitor.com/tags/topic/Middle+East) or [Africa](http://www.csmonitor.com/tags/topic/Africa) to [Asia](http://www.csmonitor.com/tags/topic/Asia), [Europe](http://www.csmonitor.com/tags/topic/Europe), or the United States (smuggled in through, say, a tunnel from [Mexico](http://www.csmonitor.com/tags/topic/Mexico)) and brought down a passenger aircraft, the economic impact would be huge. Some estimates put the direct costs of just one downed US passenger plane at $1 billion. These days, when the US economy is struggling already, the downing of a passenger plane by a MANPAD would lead not only to the grounding of the entire nation's passenger fleet, but to the devastation of the air-travel dependent US economy. After the 9/11 terrorist attacks, for example, it took four years before US passenger traffic returned to pre-9/11 levels.

### MANPAD – Link XTN

**Specifically MANPADS prolif**

**Christian Science Monitor 12/9/11**

“Libya's missing missiles: a threat to US airline passengers”,<http://www.csmonitor.com/Business/new-economy/2011/1209/Libya-s-missing-missiles-a-threat-to-US-airline-passengers>

If terrorists get hold of some of Qaddafi's 20,000 shoulder-fired missiles and manage to bring down an airliner in the United States, the economic repercussions would be huge. Antimissile systems exist, but so far US airlines have balked at the expense. Are air passengers in the United States at risk from shoulder-fired missiles stolen from Libya? The Obama administration has assured Americans that most of Muammar Qaddafi's cache of 20,000 shoulder-fired missiles (man-portable air defense systems or MANPADs) is still in Libya. However, House Intelligence Committee chairman Mike Rogers is not so sure. In a CNN interview Nov. 14, the Michigan Republican expressed doubt that “very undisciplined” Libyan troops “will be able to secure the weapons sites” until the country is stable.

### MANPADs—Boko Haram

**Loose Libyan arms pump into Boko Haram’s arsenal**

**Ogbeni 12/13/11**

Kunle,Graduate of the University of Lagos, International Law and Diplomacy, <http://www.thisdaylive.com/articles/ex-envoy-raises-the-alarm-over-loose-libyan-arms/104956/>

Months before Ghaddafi was overthrown and extrajudicially killed, I predicted that Nigeria's national security will be compromised as a result of arms that will be smuggled from the destabilised North African country. How is it that our so - called leaders did not forsee this? Boko Haram terrorists will have field day. They do not need to smuggle arms from Ukraine or where ever. All they need is a trek along the desert route to Libya, and they will be back in a matter of days, loaded with ammo. God save Nigeria!

**Boko Haram would use Libyan MANPADS to down a US flight over Nigeria**

**PR Newswire 11/30/11**

<http://www.breitbart.com/article.php?id=xprnw.20111130.DC15203&show_article=1>

Testifying at the panel, Peter Pham, Director, Ansari Africa Center, Atlantic Council, said "the fact that Boko Haram in recent months has been able to simultaneously expand its operations beyond its base in northern Nigeria and dramatically upgrade its tactical capabilities ought to be a wake-up call to both the Nigerian government and the international community." Of reported Boko Haram-AQIM links, Pham said "AQIM has a history of contracting out kidnappings to mercenary groups and disaffected groups in the region, including Polisario fighters." He cited Boko Haram, AQIM, al-Shabaab, and the Polisario as the most problematic militant groups in the region. Lauren Ploch, Specialist in African Affairs, at the Congressional Research Service told the panel that "Boko Haram or AQIM may try to acquire weapons systems from former Libyan stockpiles, including surface-to-air missiles, which some reports indicate may be flowing south through Niger" and into Nigeria. She noted that Nigeria is one of only a few West African countries with direct flights by U.S. airlines to and from the U.S

#### Boko Haram makes Nigeria disintegrate and kills its leadership

Ajibola 12/31/11

Bolasodun, former Attorney-general and Minister of Justice of Nigeria, former Judge of the [International Court of Justice](http://en.wikipedia.org/wiki/International_Court_of_Justice) , <http://saharareporters.com/article/boko-haram-are-you-planning-destroy-nigeria-bola-ajibola?page=2>

Suddenly, we are now faced with a disturbance of a very serious religious dimension, the type that we have never experienced in this country before, either during the colonial era or since our independence. One horrendous aspect of it is even the international dimension that it has created for our dear country, thus alarmingly destroying the image of our nation as a peaceful giant of Africa. We now suffer being viewed as a pariah State and the name of Nigeria now stinks. But it is equally capable of destroying our whole countrywhich people like us have laboured with well meaning others to build. Religion is an emotive issue and our constitution, although not perfect, tries to make it a secular issue. However, ours is a multi religious nation and we have lived harmoniously thus for over fifty years and before. In the South West, we have pursued a civilized approach to this matter in the belief that we are all serving the same one God as perceived by the two received faiths. We should not allow the Boko Haram people to throw us back into the dark ages in the name of religion. Enough is enough! Our Head of State and all the people in government should stand up immediately to effect damage control. Security is lacking and ineffective to control the situation. It should be beefed up so that the matter will not degenerate into religious warfare. That will amount to a primitive situation and action. This world has passed that stage. We should move forward and not backward. The President should not rule out the possibility of having a dialogue on this matter. It is not impossible that the purpose of this destructive act may have some political undertone capable of disintegrating the whole nation. There is a very strong suspicion that these people waging war in the name of Boko Haram, are doing so at the instigation of certain people possibly political figures who are bent on the destruction of the nation. Indeed there is nothing like “haram” in western education which was in fact, inherited from the Muslims in the days of Islamic civilization in Anderlus, Spain. Besides, knowledge is not considered as “haram” in the Holy Qur’an and Hadith that emphasized so much about education.

#### That cracks all Africa

Fajimi 05

Babatunde Ayoola MBA and alumnus of eCornell, consults on HR Outsourcing and writes on management, leadership, education, governance and life, Managing Director of XL Management Services (Sierra Leone) Limited, <http://www.nigeriavillagesquare.com/articles/babatunde-fajimi/america-third-term-controversy-and-nigeria.html>

There is nothing wrong if America showed interest in how we govern ourselves for the sustenance of our infant democracy. It is a commendable goodwill. Nigeria with its over 300 ethnic groups of diverse culture, religion and resources is the most populous black nation in the world. Do we need to remind ourselves that one out of every six Africans on the continent is a Nigerian? It is naÃ¯ve to assume that oil is the sole reason why America is interested in Nigeria. Peace, stability, human dignity, rule of law and free enterprise are the by-products of democracy. There is hope in Africa if democracy is entrenched and thrives in Nigeria. If Nigeria disintegrates, the individual separatists regions/states/ethnic countries will go their different ways and survive anyway, but the mode and consequences of disintegration will be too titanic for the continent to absorb. Ever think of disintegration conflicts? Large-scale refugee crises? Famine? Civil unrest? Millions of children soldiers than United Nations can handle? Billions of dollars that will be sunk into provision of emergency relief materials? The hope of democracy in Africa is in the growth of Nigeriaâ€™s infantile democracy. We do not intend to sound imperialistic or messianic. Our brothers and sisters in Africa respect Nigeria for its sheer size and vast resources that have been left underdeveloped. If only they have half of the wealth that we mismanage. IfNigeria disintegrates, Africa will flatter. If democracy thrives in Nigeria, Africa will see a new dawn.

#### war, AIDS, deforestation, warming, ozone depletion, pandemics, and world economic collapse

Stetter 2009

Ernst, Secretary General of Federation for European Progressive Studies, “Why Africa matters! – The economic crisis and Africa,” Contribution to the Shadow GN 2009, February 4 and 5, http://www.feps-europe.eu/fileadmin/downloads/globalisation/090204\_Stetter\_Africa.pdf)

If there is no doubt that Africa is endowed with abundant natural resources, it is also true that Africa is still struggling to address the multiple challenges facing the continent, this includes poverty, under-development, protracted conflicts, environmental degradation, HIV/AIDS pandemic, tuberculosis and malaria. It has been suggested that all over Africa, poverty is a common denominator and it is not surprising that people’s immune systems have been damaged. Reports on Africa’s HIV/AIDS pandemic have all come to the conclusion that HIV/AIDS on the continent is closely associated to poverty. It is clear that the absence of technological investment and the contemning human resource capacity has prevented Africa from making optimal use of its abundant resources for the benefit of its people. Nevertheless, the new scramble for natural resources in the continent is likely to create a new awareness of the geopolitical importance of the African region. Therefore, Africa remains a critical partner for the world’s economic viability. However, for Africa to benefit more from its vast natural resources it must be finally enabled to add value to these products rather than export them raw to Europe and elsewhere in the developed world. Africa needs to be helped in manufacturing value-added products that yield higher profit and income to African economies. In addition, there are, at least, five significant factors that provide a plausible explanation as to why Africa matters, especially concerning Europe: Firstly, it is the history of Africa and its relationship with Europe. The history of Africa has been a history of integration into the European economy and markets. Therefore, Africa has historically held a significant place in the European economy, trade and investments. If Africa matters to Europe it matters also to the globalised world. Secondly, there is also the inherent link between environment and sustainable development. While the history of Africa and its integration into the European economy is clearly defined by historical circumstances, the environmental aspects are not clearly discernible. Environmentally, Africa matters to the world because it provides the largest capacity in the world necessary for maintaining equilibrium in the biosphere and avoid further depletion of the ozone layer. At the same time the raid of depletion of Africa’s biodiversity including its tropical forests, medicinal plants remain threatened by the levels of poverty on the continent. Africa’s most prevailing source of energy is biomass which means depletion and an exponential raid of its forestation. If this is left to continue, the World will suffer serious climate change which is likely to erode its socio-economic prosperity and a consequent negative impact to its population. This is an area which needs a strong partnership with the rest of the world, to protect its environment and avoid further depletion of the ozone layer. Thirdly, Africa matters because it still provides easy market access to Europe, the US and China and can give, in some cases, extraordinary investment opportunities with high rates of return. With the changing political climate in the continent towards democracy, respect for the rule of law and protection of human and people’s rights the investment climate in Africa could rapidly change. The historical and cultural links, geographical proximity, and deep knowledge and understanding of the continent gives international European investors a comparative advantage over Northern America and Asia, including China. With these investments the average rate of growth in Africa has been increasing most significantly in most African countries ranging from 3% to 7% in many countries during recent years. The income disparities in the continent have been narrowing and the purchasing power parity increasing. This, coupled with the population of the continent, provides a market with huge potential especially for European goods. Indeed, any visitor to Africa would quickly realize that there is still a very significant quantity of European products traded in the continent. However, if you are in Europe you can hardly see the presence of African products on the market. This is mainly because Africa cannot compete in the European market either because of European subsidies or other protectionist measures that stifle Africa’s competitiveness and ability to sell in the European market. This problem needs to be addressed to ensure the sustainability of African-European partnership. Fourthly, Africa matters because of its abundance nature of human resources which provided the back-bone of industrialisation in Europe. Africa is a rich continent and not as poor as it is depicted elsewhere in the world. Africa is richly endowed with mineral reserves. The continent ranks first in terms of the amount of global reserves of bauxite, chromites, cobalt, diamond and gold. It also ranks first in terms of palladium, phosphates, platinum group metals, titanium minerals, vanadium and zircon. Africa was, and still is, among the world’s largest exporters. An ecological survey realised by the mineral industries of Africa has estimated that production in Africa alone accounts as much as 80 % of the world’s platinum group metals, 55% of chromites, 49 % of the palladium, 45% of the vanadium and up to 55 % of the world’s gold and diamond. Moreover, Africa has emerged as a critical exporter of cheap and skilled labor that has been instrumental in moving Europe’s economy forward.

### Sinai Instability

**Loose weapons destabilize the Sinai**

**Global Post** 10/8/**11**

“Libya's missing weapons being smuggled into Gaza”, <http://mobile.globalpost.com/dispatch/news/regions/middle-east/israel-and-palestine/111008/libya-missing-weapons-arms-smuggling-gaza-hamas>

Victoria Nuland, a spokesperson for the U.S. State Department, said at a briefing Friday in Washington that the United States was actively scouring Libya in search of conventional weapons that may have gone missing since the conflict in Libya began earlier this year. “The Libyans have asked for our help, and we have increased our support apace,” Nuland told reporters. Several hoards of weaponry incoming from Libya were caught and confiscated during the late summer and early fall by Egyptian police operating near the Libyan border. The Sinai has increasingly acquired the feel of an untamed no man’s land. With Egyptian military and police personnel occupied keeping the peace in Cairo and other urban centers, and with the military government apparently distancing itself from promises of democratic reform, it is unclear who rules the desert. A fringe group of extremists calling itself “Al Qaeda of Sinai” has taken control of growing stretches of the peninsula and appears to be attempting to cement ties to the Bedouin tribes that reside there. For love of guns: Mass proliferation of small arms worries authorities in Libya Egyptian-Israeli relations have become severely strained since the fall of President Hosni Mubarak last February, and despite the grave concern both governments express at the influx of arms, these apprehensions have not brought about renewed cooperation. Late last month, Egyptian authorities briefly closed the Rafah border crossing without consulting their Israel counterparts after another, larger than usual, cache of Libyan arms was detected on its way into Gaza. Speaking on Army Radio, Gen. (Ret.) Shlomo Gazit, a former head of military intelligence who was privy to the intelligence report, brought up the inflow of weapons from Libya as a primary reason for the urgency of establishing a new base for Israeli-Egyptian relations. “It is another reason Israel has to get itself back on track with its neighbors. I just read the study about Libyan weapons coming into Gaza, and it’s not clear we know who we can even talk to about this right now,” he said.

**Extinction**

**Zitun 9/5/11**

Staff writer, quoting Senior IDF officer, “IDF general: Likelihood of regional war growing”, <http://www.ynetnews.com/articles/0,7340,L-4118220,00.html>

IDF general: Likelihood of regional war growing Senior IDF officer warns of 'radical Islamic winter' that may lead to regional war, could prompt use of WMDs; new, more lethal weapons discovered in hands of terrorists during latest round of fighting in Gaza, Major General Eisenberg says Recent revolutions in the Arab world and the deteriorating ties with Turkey are raising the likelihood of a regional war in the Middle East, IDF Home Front Command Chief, Major General Eyal Eisenberg warned Monday. "It looks like the Arab Spring, but it can also be a radical Islamic winter," he said in a speech at the Institute for National Security Studies in Tel Aviv. "This leads us to the conclusion that through a long-term process, the likelihood of an all-out war is increasingly growing," the IDF general said. "Iran has not abandoned its nuclear program. The opposite it true; it continues full steam ahead," he said. "In Egypt, the army is collapsing under the burden of regular security operations, and this is reflected in the loss of control in the Sinai and the turning of the border with Israel into a terror border, with the possibility that Sinai will fall under the control of an Islamic entity." IDF general: Likelihood of regional war growing Senior IDF officer warns of 'radical Islamic winter' that may lead to regional war, could prompt use of WMDs; new, more lethal weapons discovered in hands of terrorists during latest round of fighting in Gaza, Major General Eisenberg says Recent revolutions in the Arab world and the deteriorating ties with Turkey are raising the likelihood of a regional war in the Middle East, IDF Home Front Command Chief, Major General Eyal Eisenberg warned Monday. In Lebanon, Hezbollah is growing stronger within government arms, but it has not lost its desire to harm Israel, and the ties with Turkey aren't at their best," Major General Eisenberg added. Weapons of mass destruction? Referring to what he characterized as the possibility of a "radical Islamic winter," Major-General Eisenberg said: "This raises the likelihood of an all-out, total war, with the possibility of weapons of mass destruction being used." During his address, the senior IDF official revealed that new, more lethal arms surfaced in the hands of Gaza terror groups during the latest round of fighting in the area. As result of the disturbing development, Israeli civilians were instructed to adopt greater precautions, he said. "We discovered a new weapon, and as result of this we instructed the public to hide under two roofs, rather than only one," he said. Eisenberg added that some 25% of local authorities in Israel are ill prepared to face emergency situations. However, Major General Eisenberg's words infuriated some security and defense officials, who slammed the senior IDF officer for revealing classified information and provoking regional tensions. "It's unclear why an IDF general heats up tensions in the region and why he exposes secret intelligence information about new Palestinian capabilities," one official said. Notably, Eisenberg's remarks were approved for publication by censorship officials.

### Tel Aviv Rocket Prolif

**Libyan weapons facilitate direct rocket attacks on Tel Aviv and Jerusalem**

**Global Post 10/8/11**

“Libya's missing weapons being smuggled into Gaza”, <http://mobile.globalpost.com/dispatch/news/regions/middle-east/israel-and-palestine/111008/libya-missing-weapons-arms-smuggling-gaza-hamas>

Israel’s ambassador to Egypt, Yitzhak Levanon, has not returned to Cairo since being evacuated when the Israeli embassy was attacked and invaded by a mob three weeks ago, and with the sharp deterioration in bilateral military contacts, it is not evident who the counterparts for pressing diplomatic consultations would be. There is some concern in Israel that the new weapons may increase the range of missiles that Hamas or splinter groups have access to, possibly even allowing for attacks against the two main population centers of Tel Aviv and Jerusalem. The menace posed by Libyan arms is another in a growing heap of challenges awaiting the government of Israeli Prime Minister Benjamin Netanyahu as he embarks upon the new year of the Jewish calendar.

**Tel Aviv’s a redline – Israel nukes, extinction**

Casey **Brown-Meyers 11**

Political analyst and commentator, South Plains College, <http://caseybrownmyers.blogspot.com/2011/10/syria-threatens-to-annihilate-tel-aviv.html>

DEBKA also reported that Israeli officials have never publicly admitted that this threat is on record, but Western intelligence sources have reported that Israel reacted with a warning of its own: If a single Syrian missile explodes in Tel Aviv, Damascus will be first to pay the price, and if the missile offensive persists, one Syrian town after another will be destroyed. The Israeli message to Assad cited the warnings Defense Minister Ehud Barak and other government members addressed in the past year to Hezbollah, that if Tel Aviv comes under attack from its missiles, not only Beirut but all of Lebanon would go up in flames. Assad was given to understand that Syria would go the same way as Lebanon if it engaged in missile belligerence against Israel. It is reported that Israel may have about two hundred nuclear missiles and I would guess they would use these assets to destroy the Syrian towns if attacked

### Libyan Instability =/= Disarm

**Stability key to Libyan disarmament and prevent regional arms explosion**

Conway **Waddington 12/19/11**

Pursuing a PhD through the University of Johannesburg. My thesis examines the role of resource scarcity, specifically water, in shaping normative approaches to contemporary and future warfare. I completed an MA at the University of KwaZulu-Natal, examining the potential role(s) of private military and security contractors in peacekeeping activities. I taught various business ethics related courses for the School of Management Studies at UKZN from 2005 to 2011, <http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=917:the-arms-proliferation-threat-of-post-gaddafi-libya-&catid=60:conflict-terrorism-discussion-papers&Itemid=265>

The National Transitional Council that currently governs Libya is, in fact, merely the overseer of a collection of loosely aligned committees, distributed across the country and separated by a range of geographic, ideological, religious, and tribal allegiances. At the local level then, there exists the threat that post-conflict recovery in Libya could collapse into violence; a possibility greatly enhanced by the vast amounts of unsecured weaponry scattered around the country, often in the hands of groups of fighters who are waiting to see what the post-Gadaffi future holds before they decide to hand over their weapons. Critical post-conflict processes of disarmament, demobilisation, and reintegration (DDR) are hampered by the lack of cohesion within the NTC and will not be easy to achieve without continued international support. Regional stability is also threatened by proliferation of weaponry, particularly in the Sahel region. Libya shares land borders with Algeria, Chad, Egypt, Niger, Sudan, and Tunisia. Given the enormous scale of these borders, the remote nature of the terrain, and the generally poor capabilities of the countries in the region, border security is extremely difficult to ensure. The political makeup of the region also lends itself to insurrections and allows the growth of non-state actors such as Al Qaeda in the Islamic Mahgreb (AQIM). The terrorist organisation threat taken together with the unknown status of Libya’s MANPADs has garnered the bulk of Western (media) attention. Not only does AQIM stand to gain from the availability of weapons, munitions and other material, but so too do other non-state organisations such as Al Shabaab in Somalia and Boko Haram in Nigeria. General Carter Ham of AFRICOM has suggested that Boko Haram might have begun cooperating; this is signified by declarations by AQIM leaders for support of Boko Haram, along with reports of cross-training efforts and tactical changes by Boko Haram to emulate AQIM and Al Shabaab.(14)

#### Libyan stability key to internal disarmament

Zerbe 12/8/11

Associate Professor, Department of Politics, <http://worldpoliticsblog.wordpress.com/2011/12/08/state-failure-the-security-dilemma-and-libyas-guns/>

An article in today’s New York Times describes a Libyan father’s accidental death at the hands of his son and raises an alarm about the vast arsenal of easily accessible weaponry in post-Qaddafi Libya. On the night that Qaddafi’s “loathed and feared” son Muatassim was captured by Libyan rebels, the city of Misurata erupted in celebratory gunfire. Rebel commander Hassan Nahassi, who had just returned home from the battlefront in Sirte in order to spend time with his family, acquiesced to his young boys’ request to fire a rifle in celebration. His 12-year-old son Ali lost control of the automatic weapon and accidentally shot and killed his father. Yet the surviving relatives and friends of Mr. Nahassi are not about to give up their weapons: “Guns, many Libyans say, set them free. And with the future uncertain and memories of persecution fresh, almost no one is yet sure how to give the guns up, even as they acknowledge that much of their former ruler’s arsenal would be better not loose.” Abdullah Kamal bin Hameda, a 22-year-old nephew of the deceased and now a caretaker in his uncle’s home, is quoted as saying the adults must keep the weapons out of children’s reach, but otherwise must keep them: “It is difficult to put down the guns right now, because I do not know who is my enemy and who is my friend,” Mr. Hameda said. “When we will have a new government, and it is strong and we trust it, then we will give them the guns. But not now, not to the N.T.C. [Transitional National Council, the interim Libyan government].” Political scientists have pointed out that when governments are unable to provide security (a primary symptom of state failure) people commonly take up arms to defend themselves and their kin. This frequently leads to the formation of militias along ethnic or sectarian lines, and can spark a security dilemma, whereby one group’s efforts to ensure its security (usually through an arms buildup) reduces the security of other groups, heightens tensions, and ultimately makes the original group less secure. The security dilemma is more common in international politics, where there is no world government to ensure states’ security (a condition realist scholars call anarchy). But when states fail, anarchy is produced within states. Mr. Hameda’s experience is a chilling reminder of how state failure and its attendant security dilemmas can produce tensions and arms races despite people’s best intentions. He told the New York Times that he “was eager to return to civilian life, and leave war behind.” However, ”he also said he intended to maintain a small armory at his home, where he has five automatic rifles claimed from the defeated Qaddafi forces, until he sees what comes next. ‘My house is like an army base,’ he said.

[insert card from “Libyan Instability = global terror haven”

### Libyan Instability = Sudan War

**Stability key to Libyan disarmament and regional arms explosion**

Conway **Waddington 12/19/11**

Pursuing a PhD through the University of Johannesburg. My thesis examines the role of resource scarcity, specifically water, in shaping normative approaches to contemporary and future warfare. I completed an MA at the University of KwaZulu-Natal, examining the potential role(s) of private military and security contractors in peacekeeping activities. I taught various business ethics related courses for the School of Management Studies at UKZN from 2005 to 2011, <http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=917:the-arms-proliferation-threat-of-post-gaddafi-libya-&catid=60:conflict-terrorism-discussion-papers&Itemid=265>

The National Transitional Council that currently governs Libya is, in fact, merely the overseer of a collection of loosely aligned committees, distributed across the country and separated by a range of geographic, ideological, religious, and tribal allegiances. At the local level then, there exists the threat that post-conflict recovery in Libya could collapse into violence; a possibility greatly enhanced by the vast amounts of unsecured weaponry scattered around the country, often in the hands of groups of fighters who are waiting to see what the post-Gadaffi future holds before they decide to hand over their weapons. Critical post-conflict processes of disarmament, demobilisation, and reintegration (DDR) are hampered by the lack of cohesion within the NTC and will not be easy to achieve without continued international support. Regional stability is also threatened by proliferation of weaponry, particularly in the Sahel region. Libya shares land borders with Algeria, Chad, Egypt, Niger, Sudan, and Tunisia. Given the enormous scale of these borders, the remote nature of the terrain, and the generally poor capabilities of the countries in the region, border security is extremely difficult to ensure. The political makeup of the region also lends itself to insurrections and allows the growth of non-state actors such as Al Qaeda in the Islamic Mahgreb (AQIM). The terrorist organisation threat taken together with the unknown status of Libya’s MANPADs has garnered the bulk of Western (media) attention. Not only does AQIM stand to gain from the availability of weapons, munitions and other material, but so too do other non-state organisations such as Al Shabaab in Somalia and Boko Haram in Nigeria. General Carter Ham of AFRICOM has suggested that Boko Haram might have begun cooperating; this is signified by declarations by AQIM leaders for support of Boko Haram, along with reports of cross-training efforts and tactical changes by Boko Haram to emulate AQIM and Al Shabaab.(14)

**Destabilizes South Sudan**

Conway **Waddington 12/19/11**

Pursuing a PhD through the University of Johannesburg. My thesis examines the role of resource scarcity, specifically water, in shaping normative approaches to contemporary and future warfare. I completed an MA at the University of KwaZulu-Natal, examining the potential role(s) of private military and security contractors in peacekeeping activities. I taught various business ethics related courses for the School of Management Studies at UKZN from 2005 to 2011, <http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=917:the-arms-proliferation-threat-of-post-gaddafi-libya-&catid=60:conflict-terrorism-discussion-papers&Itemid=265>

To date, reports have surfaced in the media suggesting that arms traffickers have taken advantage of the situation in Libya to move material across the southern desert borders of Chad, Niger, and Sudan, and then on to Mali and Mauritania.(15) Algeria has noted an increase in AQIM activity and this suggests that they are now, in fact, already armed with weapons taken from Libya.(16) The relationship between Algeria and post-Gaddafi Libya is unsteady due to allegations of Algerian support for Gaddafi loyalists during the fighting, which will hamper border security cooperation.(17) There is also the threat of weapons making their way through Sudan and destabilising South Sudan, as well as Eritrea and Somalia, where Al Shabaab would certainly appreciate their use against Ethiopian and Kenyan cross-border security efforts.

**Goes regional**

**National Post 9/27/11**

<http://fullcomment.nationalpost.com/2011/09/27/peter-goodspeed-sudans-bloody-war-set-to-engulf-the-region-once-again/>

Africa’s longest-running civil war — which claimed the lives of two million people in Sudan over 22 years — may be about to re-ignite and is threatening to engulf the surrounding region. A report by the Brussels-based International Crisis Group (ICG) warns the spreading conflict could spark a new, protracted civil war. “The growing war on multiple fronts poses serious dangers for the country, for its future relationship with the Republic of South Sudan and for the stability of the region as a whole,” it says. “There is a real possibility of a new era of protracted civil war in Sudan if key international actors are not able to contain it.”

**Extinction**

**Glick** 12/11/**07**

Caroline, deputy managing editor of The Jerusalem Post, Senior Fellow for Middle East Affairs of the Center for Security Policy, “Condi's African holiday”, http://www.rightsidenews.com/20071211309/editorial/us-opinion-and-editorial/our-world-condis-african-holiday.html

The Horn of Africa is a dangerous and strategically vital place. Small wars, which rage continuously, can easily escalate into big wars. Local conflicts have regional and global aspects. All of the conflicts in this tinderbox, which controls shipping lanes from the Indian Ocean into the Red Sea, can potentially give rise to regional, and indeed global conflagrations between competing regional actors and global powers.

Impact: Chinese Econ

#### North South Sudan conflicts wreck Chinese economy

ICFI, 11

International Committee of the Fourth International, Susan Garth, Partition of Sudan prepares way for further conflicts, July 18, 2011

<http://www.wsws.org/articles/2011/jul2011/suda-j12.shtml>

Potentially, the conflicts that are now developing in Sudan may even have global implications. Most of the oil fields in South Sudan have been developed by Chinese companies. Beijing has invested $20 billion in the Sudanese oil industry. Half a million barrels of oil a day are pumped mainly by the Chinese National Petroleum Company, with Malaysia’s Petronas and Indian companies responsible for a smaller share. China buys between 55 and 60 percent of Sudan’s oil, which accounts for 30 percent of China’s imports. By world and even African standards Sudan is not a major producer, with only 5 billion barrels of proved reserves of oil. It comes fifth in Africa, behind Angola, which is the world’s eighth biggest oil producer, Equatorial Guinea, Nigeria and the Republic of Congo. But it is China’s most successful investment in the continent. Beijing has offered to provide loans to South Sudan while it builds a new pipeline that will take the oil to the Kenyan coast and give it an alternative to the now vulnerable northern pipeline. The fuel that powers Chinese industry is at stake. A dispute between North and South Sudan over the use of the present pipeline raises the possibility of major disruption to the Chinese and the world economy.

#### Extinction

Sharavin 1

Alexander, Director of the Political and Military Analysis Institute, October 1, What The Papers Say (Russia), Nezavisimoe Voennoe Obozrenie, No. 28, “The Third Threat,” Translated by Andrei Ryabochkin

Now, a few words about the third type of war. A real military threat to Russia from China has not merely been ignored; it has been denied by Russia’s leaders and nearly all of the political forces. Let’s see some statistic figures at first. The territory of Siberia and the Russian Far East comprises 12,765,900 square kilometers (75% of Russia’s entire area), with a population of 40,553,900 people (28% of Russia’s population). The territory of China is 9,597,000 square kilometers and its population is 1.265 billion (which is 29 times greater than the population of Siberia and the Russian Far East). China’s economy is among the fastest-growing economies in the world. It remains socialistic in many aspects, i.e. extensive and highly expensive, demanding more and more natural resources. China’s natural resources are rather limited, whereas the depths of Siberia and the Russian Far East are almost inexhaustible. Chinese propaganda has constantly been showing us skyscrapers in free trade zones in southeastern China. It should not be forgotten, however, that some 250 to 300 million people live there, i.e. at most a quarter of China’s population. A billion Chinese people are still living in misery. For them, even the living standards of a backwater Russian town remain inaccessibly high. They have absolutely nothing to lose. There is every prerequisite for “the final throw to the north.” The strength of the Chinese People’s Liberation Army (CPLA) has been growing quicker than the Chinese economy. A decade ago the CPLA was equipped with inferior copies of Russian arms from late 1950s to the early 1960s. However, through its own efforts Russia has nearly managed to liquidate its most significant technological advantage. Thanks to our zeal, from antique MiG-21 fighters of the earliest modifications and S-75 air defense missile systems the Chinese antiaircraft defense forces have adopted Su-27 fighters and S-300 air defense missile systems. China’s air defense forces have received Tor systems instead of anti-aircraft guns which could have been used during World War II. The shock air force of our “eastern brethren” will in the near future replace antique Tu-16 and Il-28 airplanes with Su-30 fighters, which are not yet available to the Russian Armed Forces! Russia may face the “wonderful” prospect of combating the Chinese army, which, if full mobilization is called, is comparable in size with Russia’s entire population, which also has nuclear weapons (even tactical weapons become strategic if states have common borders) and would be absolutely insensitive to losses (even a loss of a few million of the servicemen would be acceptable for China). Such a war would be more horrible than the World War II. It would require from our state maximal tension, universal mobilization and complete accumulation of the army military hardware, up to the last tank or a plane, in a single direction (we would have to forget such “trifles” like Talebs and Basaev, but this does not guarantee success either). Massive nuclear strikes on basic military forces and cities of China would finally be the only way out, what would exhaust Russia’s armament completely. We have not got another set of intercontinental ballistic missiles and submarine-based missiles, whereas the general forces would be extremely exhausted in the border combats. In the long run, even if the aggression would be stopped after the majority of the Chinese are killed, our country would be absolutely unprotected against the “Chechen” and the “Balkan” variants both, and even against the first frost of a possible nuclear winter. An aforementioned prospect is, undoubtedly, rather disagreeable and we would not like to believe it can be true. However, it is a realistic prospect - just like a war against NATO or Islamic extremists.

**Libyan Instability = Global Terror Haven!**

**Nuclear weapons in Libya are likeliest scenario for nuclear war**

**The** **Guardian**, 8/25/**11**

“Picking up the pieces in Libya”, http://www.guardian.co.uk/world/2011/aug/25/picking-up-pieces-in-libya

But we also hear real worries from former UN weapons inspectors to [Libya](http://www.guardian.co.uk/world/libya) of the possibility of nuclear materials and blueprints from its cancelled nuclear weapons programme being taken from their purpose-built facility in Tripoli in the current chaos. The possibility of such information or materials getting into the hands of those who would use it for a terror device must remain the likeliest scenario for a nuclear attack on a large city. Only by working collectively can we build on the positive developments for a nuclear weapon-free world. The need for a Middle East nuclear weapon-free zone is now more pressing than ever. Otherwise we are all under threat of the real danger from a nuclear attack on one of our great cities – a scenario that our organisation and the Hiroshima-led Mayors for Peace were set up to campaign against.

#### Libya is a flashpoint for a WWIII

Stephen **Lendman**, 7/6/**11**

Renowned author and Research Associate of the Center for Research on Globalization (CRG), “Libya - Flashpoint For World Conflict”, http://rense.com/general94/libya.htm

Scott told Progressive Radio News Hour listeners that he's warned for months about Libya being a flashpoint for escalated general war, similar to how WW I began. Global Research founder/editor Michel Chossudovsky has similar concerns, including in his new E-book titled, "Towards a World War III Scenario," calling today's world "at a critical crossroads." Citing two major incidents, Japan's Fukushima disaster and imperial war on Libya, he called "(t)hese two seemingly unrelated events....of crucial importance in understanding both the nuclear issue as well as the ongoing US-NATO sponsored war." Fukushima's implications and fallout go largely unexplained. In fact, except for occasional misreporting, America's media now entirely ignore them, including warnings from Helen Caldicott and others that every commercial reactor is a ticking time bomb "atomic bomb factory." Moreover, Chossudovsky said "(n)uclear energy is not a civilian economic activity. It is an appendage of the nuclear weapons industry which is controlled by the so-called defense contractors." In fact, secret "atomic-bomb research facilities (are) hidden inside Japan's civilian nuclear power plants," and perhaps also in America's. It may not have been coincidence that Libya's war was launched within days of Fukushima's disaster. It's now dramatically escalated as part of America's broader Middle East/North Africa/Central Asia conflict, encroaching recklessly close to China and Russia's borders. Their concerns, in fact, may trigger counter-responses that could dangerously spin things out of control. In fact, the war Obama won't call war potentially could trigger a "World War III scenario." It worries Chossudovsky, Scott and others enough to highlight it on air and in print. It's repeated in this article, citing another recent one discussing Barbara Tuchman's 1962 book, "The Guns of August," on how WW I began and its early weeks. Once started, it escalated out of control disastrously, involving dozens of countries directly and indirectly. Moreover, before it ended, over 20 million died, at least that many more were wounded, and a generation of young men were erased before nuclear and today's other mass destruction weapons and technologies existed. Over a half century ago, it worried Einstein enough to say: "I know not with what weapons World War III will be fought, but World War IV will be fought with sticks and stones" if civilizations survive to do it. Given the possibility of Libya triggering escalated general or global war, that scenario today is real, especially in light of a "1996 plan to bomb Libya using tactical nuclear weapons." It was shelved at that time, but never eliminated as a possibility against any nation. In fact, the Bush administration claimed the preemptive right to use nuclear weapons, including against non-nuclear states, based on alleged national security concerns. Obama recklessly maintains the same policy even though America hasn't had an enemy since Japan surrendered in August 1945. Nonetheless, the prospect of escalating war with nuclear or other mass destruction weapons suggests frightening possibilities, including a potential WW III scenario. It's no less implausible now than WW I seemed in early 1914.

### Libyan Instability = Polisario

#### Libyan instability spills over to Western Sahara through weapons to Polisario

PR Newswire 11/10/11

<http://www.moroccoboard.com/news/5490-brookings-peril-in-north-africa-from-al-qaeda-and-western-sahara-separatists->

Moroccans go to the polls Nov. 25 to elect a Parliament under the new Constitution approved by voters July 1. "Morocco's Constitution is both liberal and progressive," said Anouar Boukars, Assistant Professor, International Relations, at McDaniel College. "It constitutionalizes important freedoms and equality." "The Arab Spring has created opportunities to achieve changes that will break down old barriers to cooperation and give the region the much needed chance at economic development and political reform," said Ambassador Edward Gabriel, at the Atlantic Council forum, "Ripples Across The Sands: The Impact of the Fall of Qaddafi on Security in the Maghreb & Sahel." Gabriel noted, however, "There is also an underside to the Arab Spring." Gabriel said lack of coordination "encourages tactics by terrorists and insurgents who are well aware of the soft spots" in each nation's counterterrorism networks. "Nowhere is this more obvious than the recent abduction by AQIM of European aid workers from the Rabouni camp run by the Polisario in Algeria." Gabriel noted that Morocco's King Mohammed VI in a speech Sunday again called for greater regional cooperation, especially between Morocco and Algeria, to improve security and stability in the region. Dr. J. Peter Pham, director of the Atlantic Council's Ansari Africa Center, warned of a "growing nexus between extremism and criminality" in West Africa and the Sahel. Pham cited "new reports of Libyan arms flooding into the Sahel, while AQIM, Boko Haram, the Western Sahara Polisario group, and other militant groups are flexing their muscles." "There is a tremendous amount of weapons proliferation," said Geoffrey Porter, President, North Africa Risk Consulting, Inc., adding that this is a serious internal issue for Libya's new leadership and also "poses a threat" to Niger, Mali, and especially Algeria. "Algeria is once again a security story--that's just a cold hard reality." Fadel Lamen, President, American Libyan Council, said as Libyans rebuild relations in the region "they will look at who supported Qaddafi." He said "Libya will become very close with Morocco and Tunisia," but its Algeria relations are "frozen." "Libyans felt a lot of weapons and mercenaries came through Algeria" to support Qaddafi. Atlantic Council panelists agreed that the "continuing impasse between Morocco and Algeria over the Western Sahara" was a "major obstacle to cooperation" needed to overcome the rising security threat to the region. Lamen said "Qaddafi's departure creates an opportunity for change," as Qaddafi was "a major contributor to failed Maghreb unity, and used the Polisario and Tuaregs to divide." Lamen said this can change now, but the region could use America's help. "Libya's success creates an opportunity to improve security stability in the region," he said, but noted "there is reluctance for engagement in the US."

#### Polisario almost exhausted from lack of weapons – now key to Polisario explosion

Abenay 11

Hassan, a member of the editorial board of the Moroccan revolutionary Marxist monthly, Almounadil-a. T, <http://www.internationalviewpoint.org/spip.php?article2130>

Unless major events occur within it, or there are significant changes in relations between the Moroccan and Algerian regimes, this coming Congress will be crucial for its future and the question of Western Sahara as a whole. Polisario and the impasse of the military solution At the beginning of its armed struggle, the Popular Army inflicted some crushing defeats on the F.A.R., despite the fierce media censorship of the time, to such a point that the Moroccan regime had deny the detention of its soldiers by Polisario until recent years. Through reliance on guerrilla warfare, on a deep knowledge of the Saharan milieu, on its ability to adapt to hostile geographical conditions, on strong support in arms and training from Libya, Cuba, Algeria and the Eastern Bloc, and by counting on the combative spirit of the launch of armed struggle, the Polisario Front was able to take control of the vast majority of Western Saharan territory and threaten the Saharan towns with military attacks and incursions outside the contested area. However, the relationship of military forces was reversed when the F.A.R built military barriers which total 2.720 kms in length, and surround about 87.5% of the area of Western Sahara. These barriers number six, the fifth being the longest at 670 kms. The objectives of these walls are the following: to isolate the fighters of Polisario from the rest of the population; protect the Bougraa mines and the sea coasts; allow the F.A.R regiments to cover in defence; avoid surprise attacks from the guerrillas deploying means of radar surveillance radars and detector dogs; prevent “enemy” invasions to gain time to carry out better prepared actions by mobilizing strong resources in soldiers and equipment. These barriers are supported by more than 150,000 soldiers and seven sand belts, each three metres high. They are also reinforced by tanks, artillery, radar, barbed wire, mines, dams of sand and stone, barricades, and so on. Thus, Polisario was forced to retreat to marginal pockets of the Sahara region, whereas the areas of tension were remote from the towns. It is this military situation which explains Morocco’s mastery of the stakes of the conflict. Twenty years of ceasefire seem to have worn out Polisario’s Popular Army. Also its numbers have decreased, many of its cadres have left and its morale has weakened. Need it be recalled that in contrast to conventional armies, popular armies soften and atrophy, which is indeed the case for the army of Polisario. That being so, the question that arises is how Polisario can impose real gains when the means by which it exerts weight is decomposing? Polisario and the moral-psychological crisis In the mid-1970s, the Polisario Front was founded by young people, not exceeding thirty as an average age, in addition to a few activists from the Liberation Army against Spanish colonialism and a few members of the vanguard organization founded by Mohammed el-Basri. In the wake of the global wave of national liberation movements, the radicalization of youth and the general rise of the left, it initiated the fight against the Spanish occupier, who was forced to leave the region while manoeuvring to ensure its interests in its riches (phosphate and fishing). This merged with the interests of the Mauritanian regime in the region, and those of Morocco in the annexation of the Sahara. In this context, Polisario made the fatal mistake of carrying out its actions outside the cities and encouraging the inhabitants to desert them, brandishing the threat of the repression that the Moroccan forces deployed. This choice cost them dearly. It prompted them to use the territory of another state, so that political decisions became dependent on it. At the same time this choice deprived it of the support of the Saharawi masses in the towns. Despite the initial advances represented by the departure of the Spanish and the abandonment by Mauritania of its interests in the region specified by the "Algerian Pact" signed by the two protagonists, the impasse could not be avoided: to obtain independence by armed struggle while supported by another regional powers, was to leave themselves open to blackmail, and condemn themselves also to the loss of roots amongst the masses in the towns of the Sahara. Moreover, it should be noted that most of the refugees are educated youth, and that many of them have benefited from scholarships in various countries (Algeria, Libya, Cuba and so on). Also many people live in the camps in the expectation and the hope of work abroad. Thus, young people undergo a strong pressure because of an uncertain horizon and future. Also, they find private spaces in which they can express their aspirations given the very hostile natural conditions throughout the year and the miserable conditions of life. These young people are awaiting international aid that Polisario distributes through the Red Crescent of the Sahara, or positions in the civil service, diplomacy in particular. This situation has prompted a number of cadres to prefer not to return to settle in the camps. In sum, emigration has become the sole social outcome. This state of deterioration of conditions alters significantly the commitment and enthusiasm of the inhabitants, and their ability to support life in the camps where the most basic living conditions are absent. This state of mind has challenged the credit enjoyed by Polisario as being the sole legitimate leadership. Indeed, this is understandable if we recall how anchored phenomena of corruption are; the activities of smuggling, the apparent enrichment of a few leaders; clientelism through tribal links for the allocation of responsibilities in the absence of criteria of competence; a severe restriction on freedom to movement in a closed territory which is however open to television channels. This makes the Polisario Front a real powder keg that could explode at any time. It makes very probable the eruption of mass movements in the camps, comparable to the events of 1988 or even more so. The absence of a political outcome only reinforces this.

#### Polisario violence spills over to jack the global phosphate supply🡪causes starvation and extinction

Pearce 6/7/11

Fred, freelance author and journalist based in the UK., serves as environmental consultant for New Scientist magazine and is the author of numerous books, including When The Rivers Run Dry and With Speed and Violence, has written about the environmental consequences of humankind’s addiction to chemical fertilizers and about how agribusiness threatens a critical African wildlife migration, <http://e360.yale.edu/feature/phosphate_a_critical_resource_misused_and_now_running_out/2423/>

If you wanted to really mess with the world’s food production, a good place to start would be Bou Craa, located in the desert miles from anywhere in the Western Sahara. They don’t grow much here, but Bou Craa is a mine containing one of the world’s largest reserves of phosphate rock. Most of us, most days, will eat some food grown on fields fertilized by phosphate rock from this mine. And there is no substitute. The Western Sahara is an occupied territory. In 1976, when Spanish colonialists left, its neighbor Morocco invaded, and has held it ever since. Most observers believe the vast phosphate deposits were the major reason that Morocco took an interest. Whatever the truth, the Polisario Front**,** a rebel movement the UN recognizes as the rightful representatives of the territory, would like it back**.**  Not many people would call phosphate a critical issue or one with serious environmental consequences. But even leaving aside the resource politics of the Sahara, it is an absolutely vital resource for feeding the world**.** It is also a resource that could start running low within a couple of decades — and one we grossly misuse, pouring it across the planet and recycling virtually none of it. The world’s food supplies are alarmingly dependent on the phosphate fertilizer that is hewn from the desert of the Western Sahara. The vast open-cast mine at Bou Craa delivers several million tons of phosphate rock every year down a 150-kilometer-long conveyor belt, the world’s longest, to the Atlantic port of El Ayoun. From there, it is distributed around the world and made into fertilizer. Morocco’s phosphate reserves are owned by the Office Cherifien des Phosphates, a Moroccan state agency. Given the almost unlimited executive powers of the Moroccan monarch, it might reasonably be said that most of the world's known reserves of phosphate are, in effect, owned by King Mohammed VI and his Alaouite dynasty, which has reigned in Morocco since the 17th century. If the people of Western Sahara ever resume their war to get their country back — or if the Arab Spring spreads and Morocco goes the way of Libya — then we may be adding phosphate fertilizer to the list of finite resources**,** such as water and land, that are constraining world food supplies sooner than we think. Phosphorus is one of the building blocks of all life. Every living cell requires it. Plants need phosphorus to grow as much as they need water. Many soils do not have enough to meet the voracious demands for phosphorus of the high-yielding crop varieties of the Green Revolution. But we can provide more by mining phosphate rock and turning it into fertilizer to spread on the land. It takes one ton of phosphate to produce every 130 tons of grain, which is why the world mines about 170 million tons of phosphate rock every year to ship around the world and keep soils fertile. Currently, only about 15 percent of that comes from mines in the Western Sahara and Morocco. But the only other large producers, the U. S. and China, mostly keep supplies for their own use. So Morocco is by far the biggest contributor to international trade, with more than half the total business. The people of India, the world’s largest importer, would be starving without Morocco’s phosphates. Brazil’s agricultural boom would never have happened otherwise. Even more critically in the longer term, the U.S. Geological Survey says that of the 65 billion tons of the world’s known phosphate rock reserves — and the estimated 16 billion tons that might be economic to mine — almost 80 percent is in Western Sahara and Morocco. Add in China’s reserves, and the figure rises to almost 90 percent. The U.S., with 1.4 billion tons, is close to running out. You can see why agronomists are starting to get worried. The world is not about to run out of phosphate. But demand is rising, most of the best reserves are gone, and those that remain are in just a handful of countries. Dana Cordell of Linkoping University in Sweden, who runs an academic group called the Global Phosphorus Research Initiative, says we could hit “peak phosphorus” production by around 2030. As domestic production wanes, the U.S. is starting to join those countries — most of the world, in fact — that import phosphate from Morocco and the Western Sahara. American imports cross the Atlantic courtesy of Potash Corp, the Canada-based fertilizer company whose hostile takeover bid by the Australian mining giant BHP Billiton was blocked by the Canadian government last year. And phosphate mining in Florida, which is home to the world’s largest phosphate mine, is being challenged by environmentalists concerned about its impact on waterways and drinking water supplies. Already, like other key commodities with once-dominant sources running low, the price of phosphate is starting to yo-yo alarmingly. Prices spiked at an 800-percent increase in 2008. A century ago, much of the world’s internationally traded phosphate came from bones (a major English import at one time) and guano, excavated from Pacific islands where birds had been defecating phosphate for millions of years. But bones are not traded much any more, and most of the guano islands are now mined out. The island state of Nauru, for instance, is nothing more than a moonscape after decades of mining it to fertilize the grain fields of Australia. The other key ingredient needed to fertilize modern high-productivity farm soils is nitrogen. We know how to “fix” nitrogen from the atmosphere. If the German chemist Fritz Haber hadn’t come up with his process in 1908, there wouldn’t have been a Green Revolution — and there wouldn’t be 7 billion people on the planet today. The nitrogen produced by this process is estimated to be directly responsible for feeding 3 billion of us. But there are no new sources of phosphate. We continue to mine the rock — or we starve.

#### Starvation is only threat of extinction

Klare, 6

Michael, a [Five Colleges](http://en.wikipedia.org/wiki/Five_Colleges_(Massachusetts)) [professor](http://en.wikipedia.org/wiki/Professor) of Peace and World Security Studies, whose department is located at [Hampshire College](http://en.wikipedia.org/wiki/Hampshire_College), defense correspondent of [The Nation](http://en.wikipedia.org/wiki/The_Nation) serves on the boards of directors of [Human Rights Watch](http://en.wikipedia.org/wiki/Human_Rights_Watch), and the [Arms Control Association](http://en.wikipedia.org/wiki/Arms_Control_Association), magazine, and author of Resource Wars and Blood and Oil: The Dangers and Consequences of America's Growing Petroleum Dependency, <http://www.waterconserve.org/shared/reader/welcome.aspx?linkid=53710&keybold=water%20land%20conflict>

"As famine, disease, and weather-related disasters strike due to abrupt climate change," the Pentagon report notes, "many countries' needs will exceed their carrying capacity" -- that is, their ability to provide the minimum requirements for human survival. This "will create a sense of desperation, which is likely to lead to offensive aggression" against countries with a greater stock of vital resources. "Imagine eastern European countries, struggling to feed their populations with a falling supply of food, water, and energy, eyeing Russia, whose population is already in decline, for access to its grain, minerals, and energy supply." Similar scenarios will be replicated all across the planet, as those without the means to survival invade or migrate to those with greater abundance -- producing endless struggles between resource "haves" and "have-nots." It is this prospect, more than anything, that worries John Reid. In particular, he expressed concern over the inadequate capacity of poor and unstable countries to cope with the effects of climate change, and the resulting risk of state collapse, civil war and mass migration. "More than 300 million people in Africa currently lack access to safe water," he observed, and "climate change will worsen this dire situation" -- provoking more wars like Darfur. And even if these social disasters will occur primarily in the developing world, the wealthier countries will also be caught up in them, whether by participating in peacekeeping and humanitarian aid operations, by fending off unwanted migrants or by fighting for access to overseas supplies of food, oil, and minerals. When reading of these nightmarish scenarios, it is easy to conjure up images of desperate, starving people killing one another with knives, staves and clubs -- as was certainly often the case in the past, and could easily prove to be so again. But these scenarios also envision the use of more deadly weapons. "In this world of warring states," the 2003 Pentagon report predicted, "nuclear arms proliferation is inevitable." As oil and natural gas disappears, more and more countries will rely on nuclear power to meet their energy needs -- and this "will accelerate nuclear proliferation as countries develop enrichment and reprocessing capabilities to ensure their national security." Although speculative, these reports make one thing clear: when thinking about the calamitous effects of global climate change, we must emphasize its social and political consequences as much as its purely environmental effects. Drought, flooding and storms can kill us, and surely will -- but so will wars among the survivors of these catastrophes over what remains of food, water and shelter. As Reid's comments indicate, no society, however affluent, will escape involvement in these forms of conflict.

Link XTN

#### Libyan arms proliferation spills to Western Sahara’s Polisario

Morocco Tomorrow 12/22/11

<http://moroccotomorrow.org/2011/12/22/morocco-to-join-sahel-meetings/>

“Morocco is facing terrorist strikes and has intelligence, military and cultural information that it can share in the war on terror. This step has been delayed, but it is of extreme importance at this timing. It gives the impression that much can be done in combating terrorist groups,” he said. Noureddine Dharif, a member of Morocco’s Royal Advisory Council for Sahara Affairs (CORCAS), told Elaph that the shift in Algeria’s position follows the kidnapping of three aid workers from a Polisario-run refugee camp in Rabuni. He said the terror attack “made Algeria soften its position from Morocco, especially as these camps lie under its security responsibility”. Another factor, according to Dharif, it is the intensive proliferation of Libyan weapons which were looted from Kadhafi’s depots following the fall of his regime. He said Algeria and other Sahel states need Morocco to participate to confront this new security challenge.

Impact XTN

#### Polisario jacks the global phosphate supply

Chandra 3

Dr. Ramesh, currently Principal Scientist & Head. Crop Improvement & Production Division at Central Institute for Sub Tropical Horticulture, Lucknow, has over 30 years of experience in micropropagation, in vitro conservation & molecular biology of potato, mango, guava, papaya, litchi etc., has almost 125 research publications including a book on Comprehensive Potato Biotechnology to his credit, participated in various national and international conference, “Terrorism in Europa and European strategies”

POLISARIO has been consistent throughout the conflict in its efforts to stop foreign exploitation of the Western Sahara's national resources. This has been taken to justify hostilities against the foreign fishing fleets. On land, an effective exclusion zone may limit POLISARIO to frontal attacks on the wall, which it must penetrate if it is to renew efforts to disrupt phosphate mining. Future targets could include production and transportation facilities: in April 1984 POLISARIO claimed a successful commando raid on La'youn port, the phosphate rock outlet within the defensive earthworks. Attacks could again spill over into the state of Morocco where, as in the past, military garrisons would be attacked rather than civilian or business establishments. So long as Algeria continues to support POLISARIO there will be no need for the movement to resort to attempted abductions of businessmen for ransom or to levy so-called revolutionary taxes on business anxious to avoid bomb attacks on premises. Morocco's refusal to acknowledge the validity of the SADR claim to the territory or to negotiate with POLISARIO will ensure a continuation of the conflict. For the immediate future, POLISARICs main supporter, Algeria, is not seeking to accelerate the conflict and will not tangle militarily with Morocco; looking further ahead the pressures that the dispute imposes on regional relationships could cause wider conflict but the damage inflicted is likely to be sudden and over a short period: national frontiers will not be modified.

### Libya Collapse = Refugee Crisis

**Instability causes broader instability and influx to Europe**

**Ulack, 11**

Chris, Doctoral candidate in the Department of Geography and the Environment at the University of Texas at Austin. focuses on refugee issues in the U.S. and the Middle East “The Arab Spring's looming refugee crisis”, <http://mideast.foreignpolicy.com/posts/2011/06/23/the_arab_spring_s_looming_refugee_crisis>

The trajectory of peaceful demonstrations in Libya and Syria has been impacted by regime violence. The result: large populations of internally displaced peoples (IDP's) have been created inside of those countries as well as great numbers of refugees fleeing to bordering countries. Furthermore, the revolutions of the Arab Spring have serious ramifications for already existing refugee populations, notably the more than one million Iraqi refugees that have settled in Syria since 2006. The possibility of increased large-scale refugee movement from Libyaand Syria will not only spur a devastating humanitarian crisis, but could also further destabilize the region. Considering that the United Nations High Commissioner for Refugees (UNHCR) is already working with insufficient funds, Western policymakers should pay attention to these imminent crises. One need only look at the social and economic repercussions of the still unresolved predicament of Iraqi refugees to see the urgency of keeping the current situations from escalating into another protracted refugee crisis. The consequences of a prolonged refugee situation could be dire**,** especially as many of the countries to which the people are fleeing allow few -- if any -- rights, benefits, or protection for refugees. The most recent numbers provided by the U.N. of the Libyan refugee crisis indicate that an estimated 1,002,982 people have fled to border countries including Tunisia, Egypt, Algeria, Niger, and Chad. The majority of Libyan refugees, however, have escaped to either Egypt or Tunisia, both countries which are struggling to cope with their own recent uprisings and have few resources for real assistance or protection. While the UNHCR has set up camps to help many of the refugees fleeing Libya, reports are mixed on whether those refugees entering border countries are fleeing to safety or to yet another dangerous situation. The Libyan refugee situation is complicated by the large number of third-country nationals who are attempting to flee to Europeby boat. As Al Jazeera reported, over 1,400 people have died at sea since the uprising in Libya began in February. This situation has become so alarming that the U.N. has even made appeals to ships in the Mediterranean to look out for crude vessels that might be carrying refugees from Libya. In addition to these issues of concern are the estimated 250,000 internally displaced people still inside of Libya. Oftentimes, the internally displaced are the most vulnerable as it is extremely difficult to provide food and supplies to those trapped inside a conflict zone. Thus, the U.N. has officially warned of an imminent humanitarian crisis inside of the already war-torn Libya. The UNHCR has responded to the situation by setting up camps for Libyans (and third-country nationals) in Tunisia and Egypt and sending "tonnes and tonnes" of goods and supplies to those locales. The UNHCR has even begun evacuating some of the refugees to resettlement hubs in Romania and Beirut where they will likely undergo further processing for resettlement in other countries. Resettling refugees from Libya to other countries may be more difficult than originally thought, however. The UN has been imploring various European countries to accept refugees from Libya, whether from the camps in Tunisia and Egypt or from Lampedusa, Italy, the destination of the vast majority of those fleeing Libya in boats. This is at a time when the prevailing atmosphere in Europe is largely anti-immigration, which is exemplified throughout the continent by the gains of right-wing parties that advocate for stricter immigration policy. As such, there was bound to be a lot of backroom discussion on the Arab Spring's effects on migration to Europe at the 2011 G-8 Summit in Deauville, France. As a senior correspondent for the New York Times stated, "there is more than a tacit link between sustaining the process of change in North Africa and avoiding a flow of refugees to the four European Union countries (including Italy) that make up the G-8 alongside the United States, Canada, Japan and Russia." It's not surprising then that António Guterres, head of the UNHCR, has complained about the "grudging" response from European countries to accept refugees from Libya.

**New Libya war causes refugee flood to Europe**

**Panarian** 11/2/**11**

Igor, Doctor of Political Sciences, graduated from the Higher Military Command School of Telecommunications of the KGB, 2011

http://rt.com/politics/global-crisis-wave-panarin-345/

Another adverse factor for the social and economic situation in Europe has been the military conflict in Libya. NATO has officially declared its campaign in Libya accomplished, but the war in that country is likely to rage on. The alliance assumed command of all air and naval operations over Libya on 31 March, 2011, titling the war effort Operation Unified Protector. From that day on, NATO air forces (mainly comprised of British and French jets) conducted over 26,000 sorties, including 9,600 air strikes. Needless to say, every single one of those missiles and every gallon of fuel and every day of fighting had a very hefty price tag attached to them. Meanwhile, most allied nations’ budgets for 2011 were not designed to accommodate multi-billion war costs. The expenses assumed by the main sponsors of NATO’s Libya campaign (i.e. Britain and France) make a full-blown European crisis all the more likely – and such a crisis could spark a second global meltdown. Bound to aggravate the European Union’s economic woes are illegal immigrants from Africa, who have already arrived in their thousands through the infamous Italian island of Lampedusa. Refugees from Libya and Tunisia may soon be followed by hundreds of thousands of people from Sub-Saharan Africa funneling through war-torn Libya. Then again, a recurrence of the war in Libya would also mean another influx of refugees. Such an onslaught of illegal immigrants is sure to destabilize Italy and then France, to be followed by the rest of Europe.

**Libyan states success key to avoid waves of new refugees to Europe**

**Bloomberg View** 10/22/**11**

“No More Qaddafi, Plenty of Worries for New Libya Leaders: View”, http://www.bloomberg.com/news/2011-10-20/no-more-qaddafi-plenty-of-worries-for-new-libya-leaders-view.html

Libyans are rejoicing at the death of their former dictator Muammar Qaddafi, but the party can’t last long. The hard business of creating a modern state lies ahead. As a first step, the ruling National Transitional Council needs to quickly form an interim government that will include representatives of the country’s various regional and tribal factions. Contrary to the oft-repeated claim from Western pundits that “we don’t know who they are,” we have a great deal of knowledge about the transitional council, and much of it impresses. Chairman Mustafa Abdel Jalil served as justice minister in the Qaddafi regime, and his efforts to change the system from within earned respect from average Libyans and garnered accolades from groups such as Human Rights Watch. Finance chief Ali Tarhouni, who had been teaching economics at the University of Washington before returning to his native country in February, hatched a plan to have wealthy nations open a line of credit, backed by Libya’s frozen foreign assets, to finance the insurgency. The challenge for the council will be to keep basic services running and prepare for a democratic transition without getting bogged down in past resentments. This will mean compromise -- with other rebel factions, with pro-democracy Islamist groups, with some Qaddafi loyalists and with groups like the Berbers in the south that have never had a stake in national governance. It’s in nobody’s interest for the country to dissolve along tribal lines or for its three regions -- Tripolitania, Fezzan and Cyrenaica -- to seek independent statehood. Just as Western airpower made possible the rebels’ victory, it will fall on wealthy countries to provide assistance and expertise for the fledgling state. Here are some of the many tasks ahead: -- Money: The Qaddafi regime stashed away an estimated $132 billion in foreign assets, held mostly by its central bank and sovereign wealth fund. Foreign governments were right to freeze this money during the conflict, but it now should be fully released to the interim government. -- Oil: Although pre-conflict Libya produced only 2 percent of the world’s supply, its low-sulfur sweet crude is prized, and the vast majority goes to Europe. The transitional government needs to revive the income stream, and has wisely said it will honor most existing contracts with foreign companies. Unfortunately, Qaddafi’s forces littered the oil fields with land mines before retreating; a United Nations-led task force that has been helping the rebels clear the fields needs enlarging. Also, wells and submersible pumps have probably deteriorated after months of disuse; technical help from Western and Persian Gulf states could speed up restoration. -- Weapons: Any country emerging from civil war is flooded with weapons, and little can be done about small arms other than the new government providing effective security. Libya is a special case, however, in that Qaddafi had a vast arsenal, including an estimated 20,000 surface-to-air missiles that can bring down a jetliner. In Tripoli on Tuesday, U.S. Secretary of State Hillary Clinton pledged to increase support for a program that sends former U.S. military personnel to help track down and secure the missiles. That will be money well spent. -- Refugees: There are at least 250,000 internally displaced Libyans, and tens of thousands more in Tunisia and other neighboring states. The new government and nongovernmental groups will need international assistance to supply the population with adequate shelter, medical care and sustenance (Libya imports more than 80 percent of its food supply). -- Water: Libya’s population is overwhelmingly urban, and the water for its major coastal cities is supplied by the massive Great Man-Made River, a monument to Qaddafi’s megalomania that will actually pay dividends. It came through the war largely intact, but the water pumps that supply Tripoli were put out of commission during fighting Oct. 17 in Bani Walid. The transitional government may need help to secure the water and electricity networks and keep them running. -- Security: The rebels have done a remarkable job of keeping the public peace as they freed areas from the regime. Let’s hope that, in the absence of a common enemy, this stability continues. The last thing European nations and the U.S. want is to send peacekeepers to Libya, so it is in their interests to provide money and trainers to create a professional police force. There’s a lot to do, and some may wonder, at a time of economic hardship, why the U.S. and European Union need to get further involved. There are plenty of good reasons. Getting Libyan oil back online is essential to stabilizing global prices, and will provide new business opportunities for Western companies. A humanitarian emergency in Libya could well lead to a flood of refugees across the Mediterranean to Europe. An influx of Libyan weaponry onto the global arms market would be a boon for terrorist groups. And, considering the risk NATO members took in backing the rebels, it would be senseless to squander a chance at a lasting victory.

**Failure triggers escalating refugee flows**

Daniel **Serwer, 11**

Professorial lecturer and senior fellow at the Johns Hopkins University School of Advanced International Studies and a scholar at the Middle East Institute, “Post-Qaddafi Instability in Libya”

A failed transition leading to chaos, breakup of the Libyan state that sets an unwelcome precedent elsewhere, or restoration of a dictatorship would all damage American and allied credibility and likely also cause major problems for the United States’ European allies, including shortfalls in energy supplies, loss of major investments, and a continuing refugee flow. Refugees could also cause problems in Tunisia, Egypt, and the rest of the Mediterranean. Failure could thus have indirect but unwelcome effects on the United States. Failure could also produce a state prepared to harbor international terrorists, as Qaddafi himself once did, but there is little indication thus far that those supporting the rebellion would be inclined in that direction.

**Libyan stability key to avoid a new wave of refugees to the EU**

**International business times** 10/22/**11**

http://www.ibtimes.com/articles/235873/20111022/moammar-gadhafi-libya-obama-foreign-policy.htm

If that president had sat on the sidelines, the Libyan war might have dragged on for years, Miniter wrote. "The result would have been a failed state, mountains of dead civilians, and a tsunami of refugees flooding into Europe -- as we saw during the Lebanese civil war in the 1970s. Thanks to Obama's action, that nightmare was averted."

**Major threat**

**NPR** 8/25/**11**, "What Should The U.S. Do Next In Libya?," www.npr.org/2011/08/25/139921476/what-should-the-u-s-do-next-in-libya

There's a possibility that European nations will invest more. Libya lies just across the Mediterranean Sea from Italy, and refugee flows will be an ongoing concern. Europe also relies more on Libyan oil than does the U.S. "It's in their backyard, essentially," says Wehrey, the RAND analyst.

**Libyan Collapse = Failure of Regional Democratization [spillover]**

**Aftermath of Qaddafi’s overthrow proves Libyan instability spills over**

Abdullah M. **Al-saidi**, 6/12/**12**

Senior fellow at International Peace Institute, Former Permanent Representative of Yemen to the United Nations, was Vice Minister for Foreign Affairs and member of the National Arbitration Committee with Eritrea over the Hanish Islands, “Spillover of the Arab Spring”, http://www.theglobalobservatory.org/analysis/302-spillover-of-the-arab-spring.html

The spillover from Libya is devastating. The demise of the hated Qaddafi regime and the ensuing anarchy in Libya is wrecking havoc in the Sahel region. No country is, however, more affected by the turmoil than the now-truncated Mali. Veteran Tuareg fighters of the Qaddafi regime whose last stand against Libyan revolutionary forces was in the southern city of Bani Walid. Emboldened by their dazzling military arsenal, looted from Libyan military barracks, they have returned to northern Mali and declared war on the Bamako government and defeated its corrupt army. The current Tuareg revolt is, indeed, the fourth since Mali gained its independence from France in 1960, but it is the first revolt in which they demanded separation. It is true that government control of northern Mali was tenuous at best; it was an area in which jihadists from al-Qaeda in the Islamic Maghreb (AQIM), Nigeria’s Boko Haram and marauders of different stripes were operating almost unimpeded under prevailing conditions. Fighters of the National pour la Liberation de l’Azawad (MNLA), better armed and trained and better led, managed to easily displace the Malian army and declare the “Azawad State” in northern Mali. Shortly thereafter, the MNLA was displaced from Mali’s historic city of Timbuktu and other towns by a more radical jihadist movement called Ansar Eddine, which is a close ally of the AQIM. It has the wherewithal that the Tuareg movement lacks, namely money. A new alliance, sponsored by AQIM, was consummated whereby Ansar Eddine will no longer oppose an independent state in the north and the MNLA will not insist on a secular state. Balance of power and the nature of the prevailing alliance between militants in northern Mali compelled the MNLA to temporarily accommodate the jihadists’ demand for an Islamic state. Certainly, resentment among Tuareg fighters over giving up their dream for a secular state of their own will be a cause for future military conflict with Ansar Eddine’s fighters. As a consequence of the upheaval in northern Mali, streams of refugees—approximately 20,000 —fled to the Niger, which is already reeling from problems associated with returnees from Libya. The country, deprived of badly needed remittances, was already in economic straits. Niamey was concerned lest an influx of refugees from northern Mali could reignite Tuareg grievances in the Niger, which have already been managed and defused by a policy of inclusion. Niamey has other worries: smuggled weapons from Libya. Niger’s president Mahamadou Issoufou, [told an audience](http://www.ctc.usma.edu/posts/preventing-terrorism-and-conflict-in-libya-an-innovative-role-for-the-united-nations) in Geneva “there have been concerns for security because weapons have been circulating in the country and were concerned those will fall into the wrong hands”. The government of Niger also told a UN mission that in one border operation its forces captured 645 kilogram of Semtex explosive and 445 detonators. Economically, the crisis in Libya has led to massive return of African migrant workers to their countries in the Sahel region, depriving 3 million poor people of the remittances necessary for subsistence. The recent UN interagency mission to the Sahel [reported that](http://www.ctc.usma.edu/posts/preventing-terrorism-and-conflict-in-libya-an-innovative-role-for-the-united-nations) “States in the region are already confronting a vast development challenges that predate the Libyan conflict…they are concerned that outpouring of returnees from Libya, including fighters and workers either from the regular Libyan armed forces or mercenaries previously employed by Qaddafi, could further strain national resources, reignite conflicts and upset carefully balanced sociopolitical dynamics, which could exacerbate the terrorist threat.” Tunisia was the country that ushered in the 2011 Arab Uprisings; it was equally the main inspiration. Interestingly, however, no spillover from Tunisia to other countries has been discerned. On the contrary, it is a recipient of Salafist spillover from Libya. In February, the Tunisian army engaged a group of Tunisian Salafisst who fought with the Qaddafi forces and returned to Tunisia well trained and armed. The Salafist in Tunisia are pent on reversing social advances, particularly ones related to Tunisian women, and are agitating against what they call *radhilah*—vice in society. A branch of the Salafists coalesced into a group called Ansar-ul-Sharia, mirrored on the Yemeni al-Qaeda-affiliated group. Despite harassing people and espousing extremist views, they operate unmolested because some in the predominant party in the governing coalition, Ennahda, are sympathetic to the views of the Salafist. The issue of how to deal with the extreme Salafists is threatening to unravel the cohesion of Ennahda; it is, however, expected to deal with this issue in its next national conference. Spillover to other countries is not endemic to all the Arab countries that witnessed the 2011 uprisings. No one can with certainty speculate why that was the case, but there are indications why some countries managed to contain the tremors of the revolt to the confines of their territories while others were not as successful. It seems to be the case that the longer and more violent the uprising, the more likely that state institutions, including the armed forces, will succumb to exhaustion and collapse. Subsequently, states lose effective control over its territories. This was the case in Libya, Yemen, and it seems Syria is now heading in the same direction. Likewise, weak neighbors are prone to catch the brush fires of the spillover. This is the case in African countries of the Sahel. Lebanon, on the other hand, is economically prosperous but lack strong social cohesion.

### Libyan Stability Key to US heg/leadership signal

**Failed transition in Libya will destroy American and allied credibility and increase risk of terrorism**

**CFR, 2011**

Center for Foreign Relations, “Post-Qaddafi Instability in Libya”, p. 5

A failed transition leading to chaos, breakup of the Libyan state that sets an unwelcome precedent elsewhere, or restoration of a dictatorship would all damage American and allied credibility and likely also cause major problems for the United States’ European allies, including shortfalls in energy supplies, loss of major investments, and a continuing refugee flow. Refugees could also cause problems in Tunisia, Egypt, and the rest of the Mediterranean. Failure could thus have indirect but unwelcome effects on the United States. Failure could also produce a state prepared to harbor international terrorists, as Qaddafi himself once did, but there is little indication thus far that those supporting the rebellion would be inclined in that direction.

### Libyan Economic Collapse T/ Economy

**Collapse of Libyan oil causes European economic decline**

Jason **Pack**, 3/18/**11**

researches Libyan history at St Catherine's College, Cambridge, and is president of Libya-Analysis.com, writes for Foreign Policy.com, “Libya is Too Big To Fail”, <http://www.foreignpolicy.com/articles/2011/03/18/libya_is_too_big_to_fail>

Much as we might pretend otherwise, oil is unquestionably part of the equation here. In the words of Armand Hammer, the late founder of Occidental Petroleum, Libya's oil is "the world's only irreplaceable oil." What makes Libyan oil irreplaceable is its proximity to Europe, the ease of its extraction, and the sweetness of its crude. Because many refineries in Italy and elsewhere are built to deal with sweet Libyan crude, they cannot easily process the heavier Saudi crude that would inevitably replace a Libyan production shortfall. Since détente with Libya began in 2003, Western companies in the form of Repsol, Wintershall, Total, Eni, OMV, Shell, the Oasis Group, Chevron, Marathon, ExxonMobil, and BP have either rushed into Libya or intensified their existing operations. Those with political connections to the Libyan regime that predate sanctions have tended to fare better than others. All have an enormous stake in not losing their vast investments and being replaced by the Chinese, Indians, and Russians, were Libya to become a pariah state. Most crucially, though Europe would be hit hardest if Libyan production were to vastly diminish due to ongoing unrest or stagnate due to a lack of future investment, low production totals would have sustained negative effects on both the fragile world economy and the Libyan people.

### \*\*\*Russia Oil DA Extensions\*\*\*

### Economy good now

#### Russian economy good now – funding from oil sector key to maintain growth

Oprita 6/21

([Antonia Oprita](http://www.cnbc.com/id/15837548/cid/130727) is a Deputy News Editor for CNBC.com. 6/21/12. http://www.cnbc.com/id/47870418)hs

As participants gather in the Russian city of St. Petersburg for the St. Petersburg International Economic Forum, their debates will focus on minimizing the effects of the debt crisis that is still raging through the euro zone. However, Russia itself is more sheltered from the crisis this time than it was during the global downturn in 2008 and 2009. Its prospects are brighter than those of many other economies, despite fears that the return of Vladimir Putin to the presidency will slow the pace of structural reforms and falling oil prices could hurt the country's budget. “I think currently Russia is in a very good situation," Anton Struchenevsky, senior economist at Troika Dialog in Moscow, told CNBC.com. "The exchange rate policy is more flexible than in 2008/2009, and it helps Russia to absorb external shocks." The ruble fell 12 percent against the dollar in May, the biggest drop since January 2009, but in June it recouped most of the losses and is nearly flat year-to-date. "Having lurched given the crisis in the euro zone, [the ruble] has pretty much recovered all its losses," Liam Halligan, chief economist at Prosperity Capital RF in Moscow, told CNBC.com. "The Russian state has a very strong balance sheet," Halligan added, pointing out that Russia "hasn't printed any money." Half of the revenues to Russia's budget come from the oil and gas sector, and taxation in that area depends heavily on the oil price on international markets. When prices decline, the Russian budget gets less revenue in dollar terms. But the budget is denominated in rubles, so a decline in the national currency helps to offset falls in oil prices to a certain degree. Oil prices fell to around $83 a barrel from around $110 in February because of worries that the global economy would slow down as the euro zone debt crisis spread. "Due to the devaluation of the ruble, the fall in oil prices was somewhat compensated," Struchenevsky said. Growth Forecast Upgraded The World Bank has upgraded slightly its economic growth estimate for Russia, forecasting growth of 3.8 percent in 2012 and 4.2 percent in 2013 in its June edition of the Global Economic Prospects. In January, the estimates were 3.5 percent for this year and 3.9 percent for next year. Russia's macroeconomic data would make many euro zone politicians go green with envy. The country's economy grew by 4.3 percent last year, its sovereign debt is around 10 percent of gross domestic product, its budget had a deficit of 0.9 percent in the first three months of this year and its current account had a surplus last year. "Actually, Russia is crediting the rest of the world," said Struchenevsky. One of the biggest risks for Russia's economy is the fact that it has become too dependent on high oil prices, said Neil Shearing, chief emerging markets economist at Capital Economics.

#### Russian economy good enough to avoid political meltdown now

Admonis 5/25/12

http://www.forbes.com/sites/markadomanis/2012/05/24/russias-economy-is-still-growing-and-why-this-matters/

A native Philadelphian and reluctant Washingtonian, I have been lucky enough to be educated first at Harvard and then at Oxford (though one should not judge those fine educational institutions for the inevitable typos in my posts) and received instruction from some of the finest teachers one could ask for. I've written for True/Slant, INOSMI, and Salon, and occasionally dispense wisdom on RT. In addition to all of that, I frequently make pronouncements of great importance on Twitter (@MarkAdomanis). I agree that there are serious and growing tensions between Putin’s electoral base (“real Russians” if we apply the hackneyed formulation so often used in American politics) and the oligarchs who dominate the highest levels of the “vertical of power.” I even agree with the article’s contention that these tensions are, at a basic level, irreconcilable: the sorts of policies that boost the oligarchs harm the working class and the sorts of politics which benefit the working class harm the oligarchs. But is the economic pie actually shrinking? No, it’s clearly not shrinking. Indeed it’s not only growing, it’s growing more quickly than in most of Russia’s neighbors. This all might seem like a minor technicality or an unduly legalistic reading of a simple blog post, but as I’ve tried to explain above it’s actually of the utmost importance. Russia’s political stability is predicated on a growing economy, and the economy is currently growing at a healthy (if not overwhelming) clip. This is not to say that Russia’s economy will grow forever or that it won’t be adversely impacted by the increasingly chaotic and dangerous crisis in the Eurozone, it’s simply to say that, at the moment, the system is not being forced to deal with a shrinking economic pie. The current pace of growth seems sufficient to preserve the broad continuity of the current political arrangement. This will not always be the case, but if I were forced to wager I would say that the Kremlin will muddle through for at least another few years.

Economy good now

#### Russia economy good – can pay debt now

Aris 7/5

(Ben Aris is a staff writer for The Moscow Times. 7/5/12 <http://www.themoscowtimes.com/blogs/434424/post/russian-economy-showing-signs-of-overheating/461657.html>) hs

Kolya is back in Moscow to interview for jobs. A Russian national, he has just graduated from Liverpool University, where he majored in business but has a long-standing interest in aviation software and has even sold some of his software to Russian carrier Transaero. So far Kolya has had eight interviews and received eight offers, despite the fact that he graduated with a third-class degree from Liverpool (the grade above fail in the British system). Apart from his obvious skill in programming, which is a sellable skill in any market, Kolya would struggle to get a job in Britain with a third from Liverpool, even in a boom. But God forbid that he went looking in Spain or Portugal, where youth unemployment is now at 50 percent and even students with a starred first in PPE from Oxbridge would struggle to find a job. Russia's economy is booming even if its businessmen remain glum and nervous about the future, thanks to the never-ending eurozone crisis story. Unemployment is down to a historical low of 5.4 percent of the working population, which, as President Vladimir Putin pointed out at the St. Petersburg International Economic Forum in June, means that all the production capacity is used up. The tight labor market is already sending wages up, which were rising 14 percent at the end of the first quarter on an annualized basis. And this has fed through into rising confidence and robust growth of retail borrowing, which was up a whopping 43 percent in May. Indeed, the Kremlin released a whole bunch of economic data this week that show the economy is in robust health (for the moment). The reserve fund was supposed to be emptied by the end of 2010 but is now at just under 2 trillion rubles ($60 billion), and the national welfare fund used to support social spending is over 2.8 trillion rubles. Russia's external debt is up slightly to $585 billion, slightly more than the gross international reserves of $513 billion as of the end of June, but this still means that Russia can cover its debt nearly dollar-for-dollar with cash, unlike most Western economies that have national debts of about 100 percent of gross domestic product these days. And even capital outflow is finally slowing and is expected to drop to $9.5 billion in the second quarter, following a $43 billion outflow in the first quarter.

#### Russian economy improving now – 4.4% increase

RIA Novosti. 7/13/12. <http://en.ria.ru/business/20120717/174645510.html> hs

Russia’s economy grew by an estimated 4.4 percent in the first six months of the year, the Economic Development Ministry said on Tuesday. “We’ll register a growth of 3.9 percent according to the results of the second quarter and this growth for the first six months will be over 4 percent, most likely, 4.4 percent,” Economic Development Minister Andrei Belousov said. Russia’s State Statistics Service Rosstat previously reported the country’s GDP grew by 4.9 percent in the first quarter of 2012, year on year, to 13.491 trillion rubles ($414.87 billion) in current prices. Russia’s economic growth rates proved higher than projected and the ministry intends to upgrade its economic growth forecast for this year, Belousov said. The economic growth was facilitated by the quick rise in investment and rapid output expansion in manufacturing industries, he said.

#### Russian economy good now

Market Watch 7/17/12 <http://www.marketwatch.com/story/russia-may-raise-gdp-outlook-as-1st-half-tops-goal-2012-07-17> hs

Russia's economy may expand at a faster pace than expected this year, after growth in the first half topped the government's forecast, the country's economic development minister Andrei Belousov said Tuesday. "There are a number of signs that the economy is really growing somewhat faster than we had planned -- the rapid growth of investment and decent figures for the manufacturing industry," Mr. Belousov told reporters, the Interfax news agency reported. Preliminary data show that gross domestic product increased 3.9% in the second quarter, and 4.4% overall in the first half. Growth slowed somewhat in the second quarter from the 4.9% pace seen in the first. Still, growth over the first six months is above the Moscow's forecast of 3.4% in all of 2012. "By year end, we expect slightly better growth than predicted, but I don't want to give an exact estimate at the moment," he added. In June, Mr. Belousov said growth may reach 3.7% or 4% for the year. Mr. Belousov also said that figures released Monday by the Russian Federal Statistics Service that showed industrial production stagnated in June, were simply a seasonal anomaly.

Economy good now

#### Russian economy improving now – high oil prices key to maintain

**World Bank 2012**.

(The report was prepared by a World Bank core team consisting of Sergei Ulatov (Economist), Karlis Smits (Senior Economist), Stepan Titov (Senior Economist), Victor Sulla (Economist), Kate Mansfi eld (Consultant), and Olga Emelyanova (Research Analyst), under the direction of Kaspar Richter (Lead Economist and Country Sector Coordinator for economic policy and public sector in Russia). David Tarr (consultant) authored the focus note on WTO accession, Shane Streifel (Consultant) provided the box on the global oil market, and Dilek Aykut (Senior Economist) provided the assessment on the global outlook. April 2012. http://www.worldbank.org/content/dam/Worldbank/document/rer-27-march2012-eng.pdf)hs

Half a year ago, Russia’s economic prospects looked uncertain. The global economy was losing momentum, the expansion in the euro area was grinding to a halt and commodity prices were beginning to fall. Yet, while output growth is slowing this year in line with weaker growth in Europe and elsewhere, Russia’s latest economy performance has been solid, though aided by favorable oil prices. The economy returned to the pre-crisis peak towards the end of last year, supported by strong consumption, as growth held steady at the same rate as in 2010. In 2011, measured in current dollars, Russia’s economy was the ninth biggest in the world, compared to the eleventh biggest in 2007. This year, Russia’s output might exceed US$2 trillion. Equalizing for prices difference with purchasing power parity, Russia’s economy is already the sixth biggest today. The current account looks strong thanks to a large surplus in the trade balance, and the Central Bank of Russia added again in 2011 to its stock of foreign reserves. Employment returned to pre-crisis levels even earlier than output, and wages grew at a solid pace. Infl ation reached its lowest level in two decades. Inequality declined and consumption levels of low-income households improved. The fi scal balance returned to a surplus. And while average public debt levels in advanced economies exceeded 100 percent of GDP in 2011, Russia’s public debt was no more than 10 percent of GDP. However, a fair share of the recent accomplishments is tied to high oil prices. Boosted by supply constraints rather than strong global demand, the price of Urals crossed US$125/barrel in early March 2012, the fi rst time since July 2008. High oil prices have translated into strong export receipts, buoyant fi scal revenues, and a bullish stock market. Nevertheless, in spite of high oil prices, Russia’s economic expansion remains subdued. Indeed, Russia’s recovery from the 2008 crisis was slow compared to its recovery from the 1998 crisis, as well as compared to the recovery of many other economies in the last few years.

### Oil Prices high now

#### Oil price high now price needs to be at $120 a barrel to stop collapse

Oprita 6/21

([Antonia Oprita](http://www.cnbc.com/id/15837548/cid/130727) is a Deputy News Editor for CNBC.com. 6/21/12. http://www.cnbc.com/id/47870418)hs

In 2007, according to Capital Economics' calculations, Russia needed the oil price on international markets to be around $40 per barrel to balance its budget — that is, for the state's revenue to match expenditure. However, because of a big fiscal stimulus in 2008-2009 and increasing government spending on welfare, pensions and public sector salaries, it now needs an oil price of around $120 a barrel to incur no budget deficit, Shearing said. "If oil prices continue to fall, the economy is likely to suffer," he said. "They can cope with oil prices being a bit lower for a while, but that could quickly wrap up I think." Russia's Finance Minister Anton Siluanov said in an interview with the Financial Times that the country had earmarked around $40 billion for this year and the next to shore up the economy in case the euro debt crisis spreads. Part of it could be spent on making up for any shortfall to the budget should oil prices stay below $117 a barrel. Halligan pointed out that oil prices are still high, despite the fears about the global slowdown, as the oil market is tighter, with supply issues at the fore. "Year to date, the oil price is actually higher than the annual average in 2011, which was the highest ever," Halligan said. SPIEF 2012 Struchenevsky said Russia's flexible exchange rate policy — with the ruble nearly floating freely — would help it cope with lower oil prices and would not trigger major fiscal imbalances. "Even if the oil price goes down to $80 a barrel, the [budget] deficit would not exceed 3 percent of gross domestic product," he said.

#### Prices are under control now – instability causes divisions within Russia

Hulbert 5-20

(Matthew Hulbert is a staff writer for Forbes. “Riyadh's Russia Problem: Oil”. 5-20-12. <http://www.forbes.com/sites/matthewhulbert/2012/05/20/riyadhs-russia-problem-oil/>) hs

Obviously, the relatively steady market we see today will continue to mask deep divisions and divides. Despite Russian slips, prices are back ‘under control’ at the top, and despite softening in China, we’re nowhere near the depths of 2008 when prices crashed to $33/b. But investors should beware; inherent Riyadh-Russia divisions exist, and will only get deeper over the next decade as instability creeps in. Ironically when we get into the 2020s, the boot might be on the other foot. Although Riyadh has just reclaimed its oil crown, Russian Arctic production will come good at some point, and Saudi exports could slip to 7mb/d due to domestic consumption without serious policy intervention. In ballpark terms, that would make Russia the swing producer – both in the oil and gas worlds. If that doesn’t give consumers, and particularly America, serious food for thought, then little else will. Amid its new found energy riches, [Washington](http://www.forbes.com/places/dc/washington/) needs to get hold of the energy ‘rope’ first…

### OPEC Fails

#### OPEC cant change any production

Mably 6/25

Richard Mably is a staff writer for Reuters. 6/25/12 <http://in.reuters.com/article/2012/06/25/saudi-oil-idINL5E8HJGHB20120625> hs

Delegates who attended the OPEC meeting say Saudi Oil Minister Ali al-Naimi quizzed his counterparts in the 12-member cartel about what contribution they would be making to the cut. "He went round one by one and there was silence -- no-one was willing to volunteer a cut," said one delegate. Asked if Saudi Arabia would be cutting back, an OPEC delegate gave a one word answer: "No". Unable to agree individual quota allocations under its collective limit, OPEC has no way of policing output. "It's highly dysfunctional because most of the countries within OPEC have not been investing enough, so they have little spare capacity. Saudi Arabia is the central bank of oil, much more than it ever was, and that's the reality," said Leo Drollas at the Centre for Global Energy Studies in London. Underscoring its intentions around what Saudi oil minister has called a "type of stimulus" for the world economy, Riyadh increased its exports in June from May by about 150,000 bpd, an industry source with knowledge of Saudi supply said. Assuming steady Saudi domestic demand, that would push its output close to 10 million bpd again in June after a dip in May to 9.8 million.

### AT Saudi Arabia floods the market

#### Saudi Arabia won’t flood the market

Mably 6/25

Richard Mably is a staff writer for Reuters. 6/25/12 <http://in.reuters.com/article/2012/06/25/saudi-oil-idINL5E8HJGHB20120625> hs

Saudi Arabia is showing no sign of changing its policy of high oil output to support global economic growth, despite a fall in crude prices below $90 a barrel for the first time in 18 months. Gulf and Western government sources in contact with Saudi officials said the OPEC power can tolerate oil at $90 or below for months, price levels that hurt Iran and Russia as they face off against Riyadh over the conflict in Syria. Saudi Arabia has a built up a revenue surplus in the first half of the year and requires a much lower oil price to balance its budget than most of its fellow OPEC members and leading non-OPEC producer Russia. "If we keep producing at roughly the same rate, we're not flooding the market," said a senior oil official from a Gulf producer. "And we want to act responsibly for the sake of the world economy." Strong supporters of fellow Sunni Syrian rebels seeking to oust Syrian President Bashar al-Assad, Saudi leaders have criticised Russia for defending him. With Iran, Russia is Syria's main ally, providing most of its arms. Both Moscow and Tehran need crude at $115 a barrel to meet budget requirements.

### \*\*IMPACTS\*\*

### \*Putin Scenario\*

### Econ Fail Tanks Putin

#### Economic failure causes mass discontent, Putin credibility vanishes

Adonamis 3/11/12

http://www.forbes.com/sites/paulroderickgregory/2012/03/11/much-too-early-to-say-putin-has-won-understanding-the-big-lie/3/ A native Philadelphian and reluctant Washingtonian, I have been lucky enough to be educated first at Harvard and then at Oxford (though one should not judge those fine educational institutions for the inevitable typos in my posts) and received instruction from some of the finest teachers one could ask for. I've written for True/Slant, INOSMI, and Salon, and occasionally dispense wisdom on RT. In addition to all of that, I frequently make pronouncements of great importance on Twitter (@MarkAdomanis).

“Any failure of the Russian economy now rests at Putin’s doorstep, and economic failure affects everyone except the Kremlin elite. Falling incomes, rising prices, or just a failure to keep up with other countries build general resentment. It begins as general grumbling and discontent and eventually boils over into demands to throw those incompetent rascals out. When this happens, protesters have the whole population on their side, not just the Moscow middle class.” This would be very dangerous indeed if Russia’s economy was actually failing. But, unless I’ve really missed something, after performing abysmally during the 2008-09 crisis, Russia’s economy has actually been doing OK – growing at a little over 4% a year. Initial expectations are that growth will be between 3.5 and 4% in 2012, hardly world beating but not altogether awful when you consider the parlous state of the global economy.

#### High oil prices and a good economy key to Putin credibility

Bush 7/2

(Jason Bush is a staff writer for Reuters. July 2 2012. uk.reuters.com/article/2012/07/02/uk-russia-oil-idUKLNE86102820120702)hs

MOSCOW (Reuters) - Falling oil prices could trigger a prolonged slump in Russia that would lay bare the growing fiscal risks, threatening President Vladimir Putin's election promise to increase wages and fanning public discontent. The world's largest oil producer is well-placed in the short run to withstand sliding prices, thanks to sizeable cash reserves and a flexible rouble. And Putin, who returned to the Kremlin after March's election, is still widely popular. But the oil price has fallen by over $30 dollars in the last three months, to close to $90 per barrel, and may fall further, narrowing his room for budgetary maneuver just as mass protests have underscored dissatisfaction with the government. "This is not the best start for the new government," said Peter Westin, chief strategist Aton brokerage in Moscow. "If the oil price is temporarily at these levels, or even lower, it's not a huge problem. The issue is whether it stays there." Oil and gas taxes account for around half of revenues raised by the federal budget, which Putin, as prime minister, used to boost public sector pay and pensions as a way of overcoming the 2009 economic slump. Putin, who has taken a more populist approach to dealing with his declining popularity, promised even more public sector pay rises as part of his election campaign. While that would cushion the immediate blow of any slowdown, running down the fiscal reserves to maintain high social spending would only increase Russia's long-term vulnerability to yet another oil price shock. "In the short term they can sustain a very low oil price, but they need to address the structural problems in health, education and pensions," said Ivan Tchakarov, chief Russia economist at Renaissance Capital. "This is not a sustainable fiscal policy, there's no question about it." DEPENDENCY The last time oil prices fell so precipitously, in 2009, Russia's economy slumped by a dramatic 8 percent. Collapsing oil was also a catalyst for Russia's 1998 economic crisis that ended in devaluation and default. Putin, in his annual statement on the budget on Thursday, acknowledged that Russia's reliance on energy prices was one of its biggest policy headaches. "The Russian budgetary system is highly dependent on the situation on world commodity markets," he said. "This limits the opportunities for budget maneuver." For now, Finance Minister Anton Siluanov has earmarked $6 billion that could be spent in 2012 from a budget rainy-day fund should a deteriorating global economy drag on growth in Russia. "We hope we don't have to make use of these measures, because the steps being taken by the government and central bank are sufficient," Siluanov said. He trimmed his 2013 budget deficit forecast to 1.5 percent of gross domestic product, assuming an average oil price of $97 per barrel. The fiscal plan will help keep the national debt, now around 10 percent of GDP, manageably low.

#### Oil prices collapse tanks Russian economy and Putin

Shuman 7/5/12

http://business.time.com/2012/07/05/why-vladimir-putin-needs-higher-oil-prices/

Tiem staff writer

But Vladimir Putin is not one of them. The economy that the Russian President has built not only runs on oil, but runs on oil priced extremely high. Falling oil prices means rising problems for Russia – both for the strength of its economic performance, and possibly, the strength of Putin himself. Despite the fact that Russia has been labeled one of the world’s most promising emerging markets, often mentioned in the same breath as China and India, the Russian economy is actually quite different from the others. While India gains growth benefits from an expanding population, Russia, like much of Europe, is aging; while economists fret over China’s excessive dependence on investment, Russia badly needs more of it. Most of all, Russia is little more than an oil state in disguise. The country is the largest producer of oil in the world (yes, bigger even than Saudi Arabia), and Russia’s dependence on crude has been increasing. About a decade ago, oil and gas accounted for less than half of Russia’s exports; in recent years, that share has risen to two-thirds. Most of all, oil provides more than half of the federal government’s revenues. (MORE: How Google Is Making Science Fiction Real) What’s more, the economic model Putin has designed in Russia relies heavily not just on oil, but high oil prices. Oil lubricates the Russian economy by making possible the increases in government largesse that have fueled Russian consumption. Budget spending reached 23.6% of GDP in the first quarter of 2012, up from 15.2% four years earlier. What that means is Putin requires a higher oil price to meet his spending requirements today than he did just a few years ago. Research firm Capital Economics figures that the government budget balanced at an oil price of $55 a barrel in 2008, but that now it balances at close to $120. Oil prices today have fallen far below that, with Brent near $100 and U.S. crude less than $90. The farther oil prices fall, the more pressure is placed on Putin’s budget, and the harder it is for him to keep spreading oil wealth to the greater population through the government. With a large swath of the populace angered by his re-election to the nation’s presidency in March, and protests erupting on the streets of Moscow, Putin can ill-afford a significant blow to the economy, or his ability to use government resources to firm up his popularity.

### Legitimacy Crisis kills relations

#### Russian legitimacy crisis for Putin destroys relations

Kobzova 3/22/12

http://ecfr.eu/content/entry/commentary\_fog\_in\_moscow Jana Kobzova is ECFR's Wider Europe Programme co-ordinator and Policy Fellow. She covers the EU’s relations with its eastern neighbours including Russia, works on increasing ECFR's profile in this area and expanding the programme's activities.

However, many other aspects of Russia’s foreign policy have been far less constant. Most importantly for Europe, EU-Russia relations have calmed down. Russia is no longer seen as such a challenge, and is no longer the main issue dividing member states. Some, including Poland, have rethought their relations with Moscow and softened their tone. Most importantly, while five years ago the member states could not agree whether to engage or contain Russia, now a new (albeit soft) consensus seems to be emerging that the EU should try to work with Moscow rather than against it. Meanwhile the Kremlin seems to have finally come to terms with the existence of the EU as an entity and has reached out to a number of member states, rather than just its ‘traditional allies’ such as France or Germany. In the last three years, Russia signed 18 bilateral agreements on economic cooperation with EU members. Equally importantly, the majority of the political and business elite in Russia realise that if Russia’s economy is to modernise and diversify, there is simply no better partner than Europe. These are all good omens, but this relative calm will not necessarily last when Vladimir Putin returns. Domestic politics in Russia are certain to have foreign policy implications. One objective will be to protect the domestic political system from outside interference. While the opposition momentum has (at least temporarily) faded, if the leadership suffers another crisis of legitimacy, and if the opposition also mounts a real challenge, the Kremlin may try to tighten the screws. During Mr Putin’s first two presidential terms, NGOs were closed down, political parties were deregistered and political freedoms circumvented under the pretext of fighting terrorism, reimposing rule of law or resisting foreign-supported 'colour revolutions'. Moscow frequently criticised the West for supporting ‘instability’ or trying to ‘undermine’ Russia's political order. Earlier this year Putin began accusing Washington of being the ‘puppet master’ behind popular protests. If Russia becomes more restless, the EU, which has also expressed support for the opposition, may also end up in the Kremlin’s firing line.

#### Russia will compensate for falling oil prices with revannchism

Taheri 6/15/12<http://www.asharq-e.com/news.asp?section=2&id=29992> He was Executive Editor-in-Chief of the daily Kayhan in Iran (1972-79). In 1980-84, he was Middle East Editor for the Sunday Times. In 1984-92, he served as member of the Executive Board of the International Press Institute (IPI).. He has written for the Wall Street Journal, the New York Post, the New York Times, the London Times, and the German weekly Focus. Between 1989 and 2005, he was editorial writer for the German daily Die Welt.

After years of indecision regarding Russia’s strategic choices, President Vladimir Putin appears to be developing a Cold War-style foreign policy as his best option. Putin’s new strategy is inspired by a genuine fear and moderated by a problematic hope. The fear is that Russia may have become the target of one of those “velvet revolutions” that led to regime change in several countries in the former Soviet sphere of influence before spreading to North Africa and the Middle East. Since Putin’s disputed re-election as president, Russia has witnessed almost daily protests that continue to grow in size. Initially, anti-Putin marches were confined to Saint Petersburg and Moscow. In the past few weeks, however, they have spread to a number of other regions, notably the country’s third largest city Yekaterinburg. Until now, the only serious form of protest that Putin has faced consisted of armed uprisings and terrorist attacks in Chechnya and parts of Daghestan. It was easy for Putin to mobilise Russian nationalist sentiments against ethnic minorities such as the Chechen, the Ingush and the Daghestanis. But protest in the Russian heartland is something quite different. To be sure, the protests have not yet secured a large popular base while Putin is still politically strong enough not to feel threatened. Nevertheless, the slow burning flames of low intensity revolt could easily get out of control. Putin knows that he is vulnerable. Many Russians who admired his iron-fist policy against the Chechens are beginning to question his brutal tactics. The last presidential election marked a sharp drop in Putin’s popularity across Russia. At the same time, Putin can no longer surf on the economic success produced by rising energy prices. Oil and gas prices have been on a sliding curve for more than a year and, with global recession deeper than many thought, may not recover anytime soon. At the same time, the Kremlin’s shock tactics are driving away some foreign investors. Right now, British Petroleum is trying to get rid of its Russian operations. A second plank of Putin’s economic miracle may also be in danger. This consists of massive investment by China, especially in infrastructure projects in Siberia and the Far East where Vladivostok is being developed as a hub of trade and industry for Russia, China, South Korea and Japan. However, China’s own economy is slowing down, making it harder to sustain high levels of foreign investments. According to the best estimates, the Russian economy is heading for a recession with an average of 3,000 jobs lost each day. Putin’s promise of increasing military expenditure by a whopping 21 percent is no longer likely to be fulfilled. Countering the fear of a “velvet revolution” is the hope of creating a new power bloc with Russia in a leadership role. Putin’s analysis suffers from a contradiction at its heart. On the one hand, he believes that the United States is behind “plots” that have brought regime change in so many countries. A spook by training and career, Putin cannot conceive of major events happening without some degree of conspiracy at their source. On the other hand, Putin also believes that the United States, led by President Barack Obama, has embarked on a historic retreat that will leave behind vast empty spaces that Russia could hope to fill. If Obama were re-elected, Russia would have four more years in which to assert its leadership in Transcaucasia, Central Asia and the Middle East. It is in that context that Russia is determined to have a leadership role in shaping Syria’s future. However, Putin’s attempts at creating a Moscow-Tehran-Beijing axis are not aimed at keeping Bashar al-Assad in power. The aim is to make sure that al-Assad’s inevitable demise does not lead to Russia’s exclusion from Syria. There was a time when Russia, in its Soviet version, posed as the principal big power presence in North Africa and the Middle East. Over the past 20 years, however, Russia has lost virtually all its positions in a region that forms a key segment of its geopolitical habitat. Putin is unable to prevent regime change in Syria. Under any configuration, President al-Assad has already scripted himself out of Syria’s future. However, Putin could significantly slow down the inevitable change in Syria, increasing the price that the Syrian people would have to pay to secure their freedom. Even if the future of Syria were not at stake, the Western democracies and their Arab allies would still face the problem of how to weave Russia into the new geo-strategic pattern that is emerging in North Africa and the Middle East. The Russian people, either in another election or in a popular uprising, will ultimately decide Putin’s fate. For the time being, however, chaos in Russia is in no one’s interest. Russia is not the Soviet Union. It may be an adversary but it cannot be regarded as an enemy posing an existential threat. As a major regional power, Russia is demanding a seat at the high table. There is no reason why it should not be accommodated where and when possible. Left to its own devices, Russia will be unable to make a positive contribution to regional peace and stability. On the contrary, it may ally itself with adventureist regimes such as the one in Tehran with the aim of making mischief.

### Legitimacy Crisis = Russian Radicalism

#### Economic crisis = Russian devolution

Msocow Times 5/25/12

http://www.themoscowtimes.com/mobile/article/459191.html

Dmitriyev's think tank, the Center for Strategic Research, conducted the polling and analysis in the past three months and produced the study for Kudrin's group of political and economic experts, the Committee of Civic Initiatives. Things could spiral down into violence and chaos if the government responds too harshly to the ongoing street demonstrations or if the Russian economy slows or dips in the wake of Europe's mounting woes, the study said. Kudrin described those options as "realistic" in comments at the study's presentation. Police have been detaining protesters who established roving camps around the city center in recent weeks. A bloody clash took place during the May 6 opposition march that ended at Bolotnaya Ploshchad. "After the dispersal of the rally at Bolotnaya, the aggression of the protesters and their determination to carry on are on the rise," the study concluded. A further crackdown on the protests would put at their head the more extreme members, such as radical leftists, anarchists and nationalists, the study said. It said another wave of the global economic crisis, if triggered by the Greek debt crisis, would slash energy prices that are key to filling the Russian budget. Coupled with the protests, the need for austerity would undermine the government and prompt its hasty "transformation."

### Oil price Drop=Provinces Collapse

#### Oil price drop spreads protest beyond Moscow to provinces

Associated Press 7/2/12

http://ap-gfkpoll.com/uncategorized/our-latest-poll-findings-5

The success and possible future undoing of President Vladimir Putin lies in the contrast between people like provincial housewife Yekaterina Arsentyeva and Moscow student Kirill Guskov. In the southern city of Rostov-on-Don, Arsentyeva sees Putin as the only man who can ensure her children have a decent future. In the capital, Guskov can’t hide his contempt for Russia’s leader and the culture of corruption he has overseen: “A fish rots from its head,” he fumes. An Associated Press-GfK poll released Monday reveals a stark divide between Moscow and the rest of Russia over the man who has ruled the country for the past 12 years. A total of 60 percent of Russians maintain a favorable opinion of the president as he begins his third term. In contrast, only 38 percent in the capital — where tens of thousands have joined anti-Putin protests — have a favorable view of him. The division extends to views on the fairness of elections and the state of the economy, while almost all agree that corruption is among the most serious problems facing Russia today. The split promises to have profound, albeit still unknown, consequences for the future of the protest movement and of Putin himself. The outcome depends in large part on the economy, which the poll shows is the primary concern of most Russians. While anger over the trampling of democratic rights has brought Muscovites out to protest in droves, any deterioration in living standards could prove the catalyst for protests in the provinces. Pending hikes in utilities prices have the potential to cause broad discontent. The mood in the hinterlands may also change as more people gain access to the Internet and the social networks that have been crucial to the rise of the protest movement in Moscow and other large cities. For now, people like the 39-year-old Arsentyeva have no sympathy for the protest movement and the educated, urban professionals who have been its driving force. ”If they don’t like our country, why do they live here? Let them go to Europe or America and express their dissatisfaction there,” she said. Her hopes are pinned firmly on Putin. ”My husband works in a good company that is growing, we have a stable income, I can easily buy diapers, soap, anything my children need and I don’t have to stand in line or run around in search of goods in short supply,” said Arsentyeva, who is expecting her second child. Her views reflect a deep-seated fear of social upheaval and of a return to the turmoil of the 1990s, the decade following the Soviet collapse, when salaries often went unpaid for months and store shelves were thinly stocked. Nikolai Petrov, who studies Russian regional politics at the Carnegie Moscow Center, said that Putin’s popularity should be considered support for the existing order and not for Putin himself. “The majority of Russians are still not ready to change the whole system,” Petrov said. Putin’s approval rating hit a high of 81 percent as he wrapped up his second term in 2008, according to the Levada Center, which measures his current overall rating at 60 percent, about the same as the 58 percent registered in the AP-GfK poll. Putin handed over the presidency to his junior partner, Dmitry Medvedev, but as prime minister he remained the dominant player in Russian politics. Putin’s decision in September to reclaim the presidency, followed by his party’s victory in a December parliamentary election through what observers said was widespread fraud, set off protests across Russia. After Putin won the March presidential election with 64 percent of the vote, the protests died away in much of the country except for Moscow and St. Petersburg. The AP-GfK poll indicates that Putin retains broad support, although only 18 percent expressed a strongly favorable view of him. At the other end of the spectrum, 14 percent expressed a somewhat or strongly unfavorable view. The majority falls in between, passively supportive but some increasingly cynical. Magomed Abakarov, who works for the government in the North Caucasus city of Makhachkala, voted for Putin, but his support is tepid at best. ”I consider him a liar and a fake,” Abakarov said. “Someday we’ll know who the real Mr. Putin is, but under the current circumstances he is the best candidate for president. He can talk tough with the leader of any country.” The majority of Russians see their country as a stronger international power than it was before Putin became president in 2000, according to the poll. Like many Russians, Abakarov said he voted for Putin because there was no viable alternative in a country where only Kremlin-approved candidates are allowed to run for president. Putin has centralized control over the political system, preventing the emergence of independent political leaders and reducing parliament to a rubber stamp. The presidency is now the only institution that at least half of Russians feel can be trusted to do what is right, according to the AP-GfK poll. The military, still manned by conscripts, comes next with the trust of 41 percent. The parliament only has the trust of about a quarter of the people and the same goes for the courts, which have been compromised by corrupt judges. Just 18 percent say they trust the police, who are notorious for shaking down motorists. Corruption is among Russians’ biggest concerns, with 91 percent of those surveyed in Moscow calling it a serious problem and almost as many, 85 percent, of those outside the capital saying the same. Even though Putin has failed to deliver on repeated pledges to crack down on corrupt officials, most Russians don’t hold him responsible. Grigory Mikheyev, a 28-year-old systems administrator in the far eastern town of Dalnegorsk, complained of a system of double standards. ”The laws seem fine, but they only apply to the selected few,” he said. “The simple people get punished, while the bureaucrats get rich.” Still, Mikheyev said he generally approves of Putin. In keeping with the disparity between the capital and the rest of the country, Muscovites are far more likely to see election fraud as a serious problem: 56 percent compared with 37 percent elsewhere. Guskov, the 21-year-old Moscow student, expressed frustration over what he sees as one-man rule. ”He is still a czar and Russia is the kind of country where a lot depends on a single person,” Guskov said. “But we as a people are trying to do something, so we go to protests and demonstrate our discontent.” A major factor behind the divergence between Moscow and the rest of Russia is that about half of those surveyed live in small towns and rural areas, where most people still get their news from the Kremlin-controlled national television networks. Half of the respondents outside the capital said they do not use the Internet, compared with only 10 percent in Moscow. Without access to the Internet, they have not seen the flood of videos purporting to show blatant vote rigging or read about alleged corruption in political and business circles close to Putin. Without the Internet, many Russians are unlikely to know much about Alexei Navalny, a charismatic corruption fighter and blogger who is a leader of the anti-Putin protest movement. In Moscow, only 15 percent said they had no opinion of Navalny, compared with 46 percent in the rest of the country. This may change, however, as the number of Internet users rises steadily. The Public Opinion Foundation said 38 percent of Russians now use the Internet daily, up from 22 percent just two years ago. Residents of Moscow also differ from the rest of their countrymen with their far more pessimistic view of Russia’s oil-based economy, perhaps because they are more aware of the challenges ahead. To consolidate his base ahead of the election, Putin promised higher wages and benefits to soldiers, police, doctors and teachers. He pledged to pump billions of dollars into ailing industrial plants and the military. But economists warn that the additional spending is unsustainable if oil prices remain low. Russia is able to balance its budget if the Urals blend of oil stays above $115, but it is currently trading at closer to $90. Sergei Mikheyev, an analyst with the Center for Political Technologies, said the economic troubles would have to be lasting and deep to drive people in the region out onto the streets. ”To make the regions rise up in a revolt, the oil price will need to take a dramatic toll on living standards, for example by making millions of people jobless,” he said.

### Econ Crisis = Russia Meltdown

#### Russian protests turn nationalist, prompt lashout against the FSU states

Ottens 7/10/12

http://atlanticsentinel.com/2012/07/to-putins-dismay-russian-nationalists-on-the-rise/

Nick Ottens is an historian from the Netherlands who researched Muslim revivalist movements and terrorism in nineteenth century Arabia, British India and the Sudan. He has been published in Asia Times Online and The Seoul Times and is a contributing analyst for the geostrategic consultancy Wikistrat. The Moscow Times reports an increasingly apparent nationalist streak in Russia’s street protests against the government of President Vladimir Putin. Ultranationalists are joining ranks with otherwise left leaning demonstrators. Many observers of the June 12 opposition rally noted a large presence of nationalist groups—from ones carrying the yellow and black imperial flag, the banner of the nationalist movement, to more marginal groups like Great Russia, which sported black Nazi style uniforms with armbands and garrison caps. Rather than the typically young and liberal protesters who have drawn Western media attention, Putin recognizes that this rising nationalism—which he may have fueled, at least in part—is the greater threat to his regime’s stability and that of Russia in general. Before his return to the presidency earlier this year, the Russian leader wrote in the Nezavisimaya Gazeta newspaper that after the disintegration of the Soviet Union, “we were on the edge—and in some regions over the edge—of civil war.” In Central Asia and the Caucasus, socialist republics seceded from the union in the early 1990s sometimes after years of violence. “With great effort, with great sacrifice we were able to douse these fires,” wrote Putin. But that doesn’t mean that the problem is gone.” In the Caucasus in particular, nonethnic Russians continue to fight for autonomy while in Russia proper, immigrants from the outer provinces and Central Asia are typically discriminated against and increasingly perceived as intruders. While the Kremlin has come up with plans to invest more than $1 billion in the region to create a “Caucasian Silicon Valley,” nationalist opposition figures urge the government to “stop feeding the Caucasus” and seize transfers to the Northern Caucasus republics where the Slavic population is shrinking and the Muslim population expanding.

### Instability Impact

#### Loss of Putin power could result in instability

Travin 12 (Dmitry Travin is Research Director at the European University in St. Petersburg's Centre of Modernization Studies)

<http://www.opendemocracy.net/od-russia/dmitri-travin/crisis-planning-which-way-forward-for-putin%E2%80%99s-regime>

If Putin loses his popularity and the elites are unable to hold on to their power, 'tough guy Putin' will turn into something we could call 'powerless Putin'. Russia has recently seen the protest of the well-fed: people disgusted by the government's cynicism and its open disregard for the dignity of the voter who wanted free and fair elections. Protests on a full stomach do not usually present the regime with sudden, catastrophic problems, as long as that regime is not rotten through and through. Well-fed people do not set out to wreck and cause havoc, or to throw up barricades across the streets. They obviously have more to lose than just the chains of the Putin regime, so they are wary of submitting to the truncheons of the Russian police. The danger of this kind of protest for the government would be a protest by the hungry. The outraged elites would not come to the aid of the regime. On the contrary, they would use all their strength, their financial and intellectual resources to help those desperate people, prepared to take on the police and their truncheons, to get rid of the regime as quickly as possible. When the hungry will rise up is, therefore, an extremely important issue for the government.

#### Putins response to the economic issues will ultimately have a negative effect on the economy

Travin 12 (Dmitry Travin is Research Director at the European University in St. Petersburg's Centre of Modernization Studies)

<http://www.opendemocracy.net/od-russia/dmitri-travin/crisis-planning-which-way-forward-for-putin%E2%80%99s-regime>

Theoretically Putin has 3 possible ways of responding to a serious economic crisis. The first is to increase government borrowing, which in relation to GDP is at the moment not too high. The second is to increase the tax burden, which was significantly [reduced at the beginning of Putin's reign](http://www.russiablog.org/2007/03/russias_good_fortune_the_tax_r.php). The third is to increase the supply of money i.e. impose an inflation tax on the country, as happened in the first half of the 90s. All three solutions are possible, but the first has the fewest disadvantages. It would permit Putin to keep going for quite a long time and to carry on feeding Russia – more or less. But, in view of events in Greece, Italy, Portugal etc, financial markets are unlikely to make funds available to Russia on acceptable terms without demanding relevant measures to reduce budget expenditure. This is currently ballooning and severe cuts could be disastrous for the regime, so it is difficult to think that Putin would decide to proceed along that route. Loans will not save the regime. The second option would be fatal for the economy long-term, as it would undermine those few incentives for business development that still exist in Russia. In the short-term, however, it could rescue the regime. The crisis means that Putin will not be thinking long-term, so he would probably be prepared to choose the option to increase the tax burden, but this is not the way out to get out of a crisis. Russian business has considerable experience of tax avoidance. The third route is the most detrimental — but most likely — response. The government will essentially print more money to get funds into the budget. Inflation tax is a simple way of raising money from the people, but it is a terrible thing, destroying all in its path, like a hurricane or an earthquake and would lead to the rapid impoverishment of the whole country. At first people will not realise what is happening, but in the end Putin's popularity will mirror Yeltsin's in the early 90s. The only difference will be that, whereas Yeltsin always had plenty of supporters keen on keeping the communists out, Putin will be faced with a rapidly-developing split in the elites, competing to be the first to betray their erstwhile national leader. If events do indeed take this turn, the current elites will be extremely unlikely to be able to retain their power.

Instability Impact

#### The loss of “tough guy” Putin could result in revolution

Travin 12 (Dmitry Travin is Research Director at the European University in St. Petersburg's Centre of Modernization Studies)

<http://www.opendemocracy.net/od-russia/dmitri-travin/crisis-planning-which-way-forward-for-putin%E2%80%99s-regime>

This will in all probability depend on the scale of the economic crisis in Europe and how it affects Russia. So far the difficulties in Europe have not brought about a reduction in the oil price, so Putin's regime has not encountered any economic problems. Were the situation to change, however, none of the possible responses to the crisis I have set out would be the best way of saving the regime. The well-fed and the hungry could rise up together, which would present the regime with considerable difficulties. If Putin is powerless when confronted with the masses and the elite united in hatred of him, the regime will indeed fall and the resulting situation will be extremely dangerous. The elites will probably quickly realise that they can reinforce the protest, but they cannot effectively control any positive development. This is roughly the scenario of the Russian Revolution in 1917: it began with the democratisation of society and ended with Lenin and the Bolsheviks coming to power and establishing a totalitarian regime. The people generally have no problem in accepting that the ruling clique is corrupt and stealing money from the state budget, and that there are too many immigrants etc. But they have no wish to understand any necessity for cutting back government expenditure, strengthening private property and the market or attracting foreign inward investment. ‘If remoulding the system was down to the grass-roots, we would most probably see a reincarnation of the authoritarian regime. Democratic transformation usually is a matter for the elites, who carefully prepare the way and just as carefully brought ordinary citizens on board.’ I do not think that Russia's possible way forward along the 'powerless Putin' road will necessarily end in revolution, pogroms and extended bloody confrontations. That said, it is not a completely impossible turn of events were things to develop in a particularly unfortunate way. More likely is that democracy of some form will be reestablished, but it will bring to power another populist politician, probably someone as yet completely unknown. If we look at Yeltsin, Putin, Aleksandr Lukashenka in Belarus and Yulia Tymoshenko in Ukraine, we see that a new leader can very rapidly be transformed from someone no one knows to a national idol. This could happen in the near future in Russia, too. If remoulding the system was down to the grass-roots, we would most probably see a reincarnation of the authoritarian regime. Democratic transformation usually is a matter for the elites, who carefully prepare the way and just as carefully brought ordinary citizens on board. This could be Russia's way forward, but only if Putin does not insist on a hard line, and instead decides to make important changes to the regime. To do this he will have to talk to the opposition and its leaders who bring such huge numbers of people to the demonstrations. Putin has to realise that his success today is very shaky and too dependent on the economic situation.

### Anti-Americanism/Relations Impact

#### Putin uses Anti Americanism to bolster his regime

Aslund 12 (Anders Åslund has been a senior fellow at the Peterson Institute since 2006. He is also an adjunct professor at Georgetown University. He examines the economies of Russia, Ukraine, and Eastern Europe, as well as focuses on the broader implications of economic transition.)

<http://www.foreignpolicy.com/articles/2012/02/08/putin_without_putinism?page=0,3>

As he surrounds himself with loyalists, Putin has also increasingly relied on anti-Americanism to bolster his regime. He recently appointed two of Russia's most vocally anti-U.S. politicians to top foreign-policy positions: Dmitry Rogozin became deputy prime minister for the defense industry, and Alexei Pushkov was named chairman of the foreign-policy committee of the Duma. Simultaneously, Putin launched an anti-American campaign that blamed the protests on the U.S. State Department -- a hackneyed charge that seems old-fashioned and irrelevant.

#### Anti Americanism threatens to cripple Russian relations with the US

Laly 12 (Kathy Lally was a Washington Post editor before becoming Moscow bureau chief in September 2010. Earlier she worked in Moscow for The Baltimore Sun and witnessed the coup and fall of the Soviet Union. She covers the 15 republics of the former Soviet Union.) <http://www.washingtonpost.com/world/in-russia-putin-allies-sharpen-anti-american-attacks-ahead-of-elections/2012/02/14/gIQA1s6DIR_story.html>

A nasty spate of anti-Americanism set off by Vladimir V. Putin has grown into waves of attacks aimed at the new American ambassador and Russian opposition leaders, raising questions about the future of U.S.-Russian relations. The [attacks](http://www.washingtonpost.com/world/russia-targets-us-linked-election-monitor/2011/11/30/gIQAlqzcDO_story.html) started just before the December parliamentary elections and have intensified as the March 4 presidential vote approaches. Although widely viewed as aimed primarily at a domestic audience, they have grown shriller and more aggressive, provoking debate about whether Russia is deliberately giving a cold shoulder to President Obama’s effort to promote more productive relations. [290](http://www.washingtonpost.com/world/in-russia-putin-allies-sharpen-anti-american-attacks-ahead-of-elections/2012/02/14/gIQA1s6DIR_allComments.html#comments)A main target of the attacks is Michael McFaul, the new ambassador, a longtime democracy advocate and Russia expert who as a top aide to Obama has been an architect of what the White House calls a “reset’’ with Moscow. The anti-American campaign bears trademark Soviet and KGB thinking, reflecting the mindset of many of the high-level officials appointed by Putin as well as their efforts to protect their power and privileges from the gathering opposition. U.S. officials say that they understand internal politics are behind the fusillade but that the effect remains worrying, raising concern about whether Russia recognizes the extent of the possible damage, simply doesn’t care or is foreshadowing a change in foreign policy. “It’s getting to the point where it’s going to be hard to undo,” said one administration official in Washington who spoke on the condition of anonymity because he was not authorized to discuss the issue publicly. Among recent incidents was a confrontation outside the U.S. Embassy shortly after McFaul arrived in Moscow on Jan. 14. Opposition leaders who visited the embassy for an unannounced meeting with McFaul and visiting Deputy Secretary of State William Burns were accosted by a group of young people identifying themselves as television reporters demanding to know the purpose of the visit. The [exchange](http://www.washingtonpost.com/world/europe/not-quite-a-foe-us-looms-large-in-russian-world-view/2012/01/18/gIQA5Lp47P_story.html)was shown on the main television channel and on the Internet with the suggestion that the Russian opposition was receiving its orders from the Americans. Opposition leaders say they suspect the incident was a setup facilitated by Russian government surveillance. More recent Russian television broadcasts have included attacks describing McFaul as a promoter of revolution. The barrage reached a new level of offensiveness a few days ago when a video posted on the Internet drew comparisons between photos of the ambassador and those of a notorious pedophile. “Putin is choosing worse relations with the West to keep himself in power,” says Dmitri Oreshkin, a political analyst and writer who says that Putin is thinking short-term tactics rather than long-term strategy. “Of course it’s a KGB mentality.” Putin unleashed the assault Nov. 27 in a nationally televised address as he accepted the presidential nomination, suggesting that the independent election monitor Golos, which gets financing from the United States and Europe, was a U.S. vehicle for influencing the elections here. Since then, Golos has been turned out of its Moscow office and its Samara branch has come under tax investigation. Duma deputies are considering banning all foreign grants to Russian organizations.

#### Anti Americanism cripples democracy efforts and our relations with Russia

Laly 12 (Kathy Lally was a Washington Post editor before becoming Moscow bureau chief in September 2010. Earlier she worked in Moscow for The Baltimore Sun and witnessed the coup and fall of the Soviet Union. She covers the 15 republics of the former Soviet Union.) <http://www.washingtonpost.com/world/in-russia-putin-allies-sharpen-anti-american-attacks-ahead-of-elections/2012/02/14/gIQA1s6DIR_story.html>

The attacks against American efforts to promote democracy bear some similarities to those underway in Egypt, where democracy-building organizations financed by the United States are being prosecuted. But the Russian version comes with greater ambivalence; in Moscow, the lines at McDonald’s are always long and an iPhone is a dearly sought prize. Paul Hollander, a sociologist and expert on anti-Americanism, described the tactics as old-style Soviet propaganda that still resonates because as the remaining superpower America is easy to resent. “Putin probably doesn’t believe it himself,” he said, “but probably many Russians do.” The anti-American onslaught has made it difficult to keep up any momentum in the relationship between the two countries, said Fiona Hill, director of the Center on the United States and Europe at the Brookings Institution. “In a way it seems like a low-cost option to play the anti-American card,” she said. “They probably figure if Obama comes back they can patch it up and if the Republicans return to the White House it doesn’t matter anyway. Although I think that’s questionable.” Before he became Obama’s adviser on Russia, McFaul was an academic writing about [democracy promotion](http://www.state.gov/secretary/rm/2012/01/180402.htm). He joined Stanford University in 1995 and for two years before that worked in Moscow at the Carnegie Endowment for International Peace. “He’s a fantastic target because of his writings,” Hill said.

### Revanchism Impact

#### Putin will use Revanchism to distract from the economy

Diehl 12 (Jackson Diehl is deputy editorial page editor of The Post. He is an editorial writer specializing in foreign affairs and writes a biweekly column that appears on Mondays. Diehl joined The Post in June 1978 as a reporter on the Metro staff. He joined the foreign desk in 1981, working as a correspondent from January 1982 until July 1992 in three of The Post’s bureaus: Buenos Aires, Warsaw and Jerusalem. From October 1992 until November 2000 Diehl worked in several newsroom management positions, including assistant managing editor/foreign and assistant managing editor/national. He became deputy editorial page editor in February, 2001. Diehl was awarded the Inter-American Press Association Award for Interpretive Journalism in 1984 for his coverage of South America, and the Bob Considine Award of the Overseas Press Association in 1990 for his coverage of the 1989 revolution in Eastern Europe. He was a[finalist for the Pulitzer Prize for Editorial Writing](http://www.washingtonpost.com/linksets/2010/07/06/AB48q7D_linkset.html) in 2011. He is a graduate of Yale University.)

<http://www.washingtonpost.com/opinions/putins-future-in-doubt-in-russia/2012/03/01/gIQAm0cWrR_story.html>

No one in Russia was in doubt about the outcome of Sunday’s presidential election. Vladi­mir Putin’s triumph was assumed. But there is feverish speculation, and great uncertainty, about what will happen beginning Monday, when Putin prepares to begin a new six-year term. The question of the moment in Moscow is: How long will he last? Not long, according to some of the more fevered spokesmen of the surging opposition, who predict the swelling of [post-election demonstrations](http://blogs.wsj.com/emergingeurope/2012/03/01/russian-opposition-gets-permit-for-anti-putin-rally/?mod=google_news_blog). More sober analysts figure the strongman and his circle might hang on for a couple of more years, provided they choose to appease a disgruntled public with political and economic reforms. The pessimists think Putin may survive for a full six years as president — but not for the second six he was clearly counting on when he announced his return to the job last September. Russians I spoke to in the past several weeks voiced a common refrain: The autocracy that dominated the country for the last decade is already dead. The only question is what will follow it, and when. A similar observation can be made about another big and seemingly stable dictatorship: China. The [well-orchestrated visit](http://www.washingtonpost.com/world/asia_pacific/chinese-vice-president-xi-jinpings-us-trip-plays-well-back-home/2012/02/18/gIQAhsWkLR_story.html)to the United States last month of [ruler-in-waiting Xi Jinping](http://www.bbc.co.uk/news/world-asia-17022763)was in keeping with the regime’s plan for [a smooth transition of power](http://www.washingtonpost.com/world/asia_pacific/in-china-will-transition-bring-real-change/2012/02/10/gIQABrkd6Q_story.html)over the next year — and a decade-long reign of Xi. Yet even China’s own government planners say that the political stasis this implies is unworkable. In a remarkable [new report](http://www.worldbank.org/en/news/2012/02/27/china-2030-executive-summary) co-written with the World Bank and released last week, technocrats at the Development Research Center of the State Council concluded that to sustain its economic growth in the next 20 years, “it is imperative that China adjusts its development strategy,” including by allowing free debate, establishing the rule of law and opening up the political process. Since the beginning of the century, Russia and China have been constants in the world: autocratic, resistant to the spread of freedom, occasionally belligerent toward their neighbors and increasingly prosperous. Their rulers have supposed this will continue for another decade. But it’s becoming evident they are wrong. Interestingly, Putin and his counterparts in Beijing have a common understanding of the source of the rising pressure on them. “Our society is completely different from what it was at the turn of the 20th century,” [Putin wrote in an op-ed T](http://www.washingtonpost.com/opinions/vladimir-putin-my-vision-for-a-better-russia/2012/02/07/gIQAdLlZzQ_story.html)he Post published last month. “People are becoming more affluent, educated and demanding. The results of our efforts are new demands on the government and the advance of the middle class above the narrow objective of guaranteeing their own prosperity.” Says “China 2030,” the World Bank-state planners collaboration: “The rising ranks of the middle class and higher education levels will inevitably increase the demand for better social governance and greater opportunities for participation in public policy debate and implementation. Unmet, these demands could raise social tensions.” In other words, the emerging middle classes in China and Russia won’t tolerate exclusion from political decision making for another 10 years. In Moscow, the proof is already visible, in the [crowds of tens of thousands](http://www.bbc.co.uk/news/world-europe-16122524)who have turned out to denounce fraud in December’s parliamentary elections. In China, the evidence is all over [Sina Weibo](http://www.weibo.com/), the micro blogging site where people flock to sound off. For these two big countries and the world around them, the big question is whether the inevitable change will come from inside or outside the current system. Putin could be another Gorbachev — or another Mubarak. Some people believe that he will slowly allow liberalization. But his conduct of the election campaign — founded on excluding opponents and bad-mouthing the United States — suggests otherwise. Xi has yet to take office, but has shown no sign of receptiveness to the reforms proposed by China 2030. [Repression of pro-democracy dissidents](http://www.aljazeera.com/news/asia-pacific/2012/01/2012119112437488805.html) has increased in the past several years. Like the Arab Spring of the past year, the crumbling of the autocratic status quo in Russia and China will pose major challenges for the United States — the first of which is to recognize what is coming. For the past decade, U.S. policy toward the two countries has been based on acceptance of their denial of human rights, with occasional and pro-forma grumbles. To continue that regime-centered policy would be to make the same mistake that the Obama administration committed in clinging to the autocrats of the Middle East. So as Putin and Xi take office, the question the administration should be pondering is not how to build — or “reset” — relations with them. It should be the point people are debating in Moscow: How long can he last?

### Nationalism Impact

#### The biggest threat to Russia is nationalism – leads to the dissolution of the Russian Federation

Adomanis 11

(Mark Adomanis is a staff writer for Forbes. 12/1/11 http://www.forbes.com/sites/markadomanis/2011/12/01/putin-russian-nationalism-and-the-future-of-the-opposition/)hs

The issue of ethnicity in Russia has been highly problematic since the early days of the Russian empire when a bare majority of the empire’s citizens were actually ethnically Russian. Despite the crowing of people like Leon Aron that the end of the Soviet Union saw the “end of “empire,” the present arrangement of the Russian Federation is far more similar to an empire than to a West European nation-state. Indeed there are large areas outside the Russian Federation that are more linguistically, ethnically, and historically “Russian” than areas that are inside of it, particularly the North Caucasus. When Medvedev and Putin say that ethnic Russian nationalism could, as the article says, “trigger the dissolution of the Russian Federation much as the Soviet Union fell apart” they are really not exaggerating. If some future Russian nationalist actually tried to govern the Russian Federation explicitly based on ethnicity, things would get outstandingly ugly in a hurry. If you “stop feeding the Caucasus,” because the residents there are not “Russian,” the next logical question would be “well what do we about the ethnically Russian areas of Ukraine and Kazakhstan?” And once that genie got out of the bottle, God only knows how one would get it back in. One of the very few things that Yeltsin can be given real credit for is not stirring up ethnic Russians living outside the formal borders of the Russian Federation: a Milosevic-like figure in early 1990′s Russia could have caused almost incalculable harm, but Yeltsin resolutely insisted on the supremacy of a pan-ethnic “Rossisski” identity. 3) This article also, at least in my mind, quite conclusively demonstrates the utter bankruptcy of Russia’s liberal opposition. The groups that now clearly pose the biggest threat to Putin and the vertical of power are various sorts of (rather scary) ethnic Russian nationalists. These groups are quite obviously not openly supported by the government, but are given some toleration and freedom of action. Why? Well it’s not because they support the Kremlin (I am quite thankful for the way in which the article shows the utter contempt with which actual Russian nationalists, and not Western caricatures of Russian nationalists, react to “the tandem”) but because they have a large, committed, and persistent group of supporters.

#### Russian nationalism spurs nuclear force modernization, collapsing the US deterrent and causing allied prolif

Sheridan 8 – foreign editor of The Australian (10/25/2008, Greg, “Beware Rushing Bear”, Weekend Australian, Lexis) MGM

Russia's political leadership has undergone a total ideological transformation over the past decade. Long gone is its co-operation with the US and the EU. Instead, its leadership now emphasises its ideological hostility to the West. Somewhat like China, ultra-nationalism, suspicion of foreigners and a restoration of state power have become the regime ideology. This is evident in Russia's military actions. Since 2000, its military budget has increased by nearly 500 per cent. Officially, Russia is now the world's second largest military spender, but this is only because China radically understates its true military budget. The things Russia is spending its money on are disturbing. Like China, it is engaging in a comprehensive modernisation of its nuclear arsenal. This is the subject of an important paper by Bradley Thayer and Thomas Skypek, two arms control experts, in the US journal The National Interest. They argue that while the US has a preponderance of strategic nuclear weapons today, Russia will reverse that situation over the next decade. Moscow, they say, is systematically modernising its nuclear bombers, nuclear submarines and its inter-continental ballistic missiles, while the US is doing nothing. Russia is building new missiles and new classes of missiles and consistently carries out Cold War scale military exercises involving strategic weapons. They write: ``[Russia] has the world's largest nuclear weapons production complex, with two plants for nuclear weapons assembly and one plant for plutonium and uranium pit production.'' Russia is actively developing new nuclear delivery systems, especially new missiles. Some may think this is all pretty harmless: more fool the Russians for spending so much money on nuclear weapons that can never be used. But Thayer and Skypek argue that the trend is profoundly dangerous, because if left unchecked it will ultimately erode the power of the US nuclear deterrent.And, they further argue, if the US nuclear deterrent lacks credibility in any part of the world, then nations that today shelter under the US nuclear umbrella, such as Japan, South Korea and Saudi Arabia, could decide they need their own independent nuclear deterrent. This also shows the foolishness of analysis that puts the US at the heart of the failure of nuclear disarmament or even counter-proliferation. The US has greatly reduced its nuclear arsenal since the end of the Cold War. But while the US is doing nothing to keep its nuclear arsenal contemporary and reliable, every other nuclear weapons state is engaged in active development of more modern weapons. The former foreign minister, Gareth Evans, the head of Rudd's Commission on Nuclear Disarmament, gave a pathetic press conference in Sydney recently in which he committed the gross faux pas of saying how much better he thought Obama would be than John McCain for the prospects of nuclear disarmament. This is Evans as pure motormouth. Surely in his position he should be bipartisan about imminent elections in fellow democracies. But more than that, apart from comments on Iran and North Korea, he gave the impression the US was the key stumbling block on the road to nuclear disarmament, without a word about the big nuclear weapons expansion programs of Russia and China. It could even be, as Thayer and Skypek argue, that US complacency on nuclear weapons will ultimately harm the cause of nuclear disarmament and non-proliferation. In any event, Russian nationalism and militarism, and the country's vast arsenal of ever more modern nuclear weapons, will be a big part of all geo-strategic equations in the decade ahead.

### AT Russian Protests Good

#### Russian protests destroy modernization

Dmiteriev 6/11/12

http://www.fes.de/international/moe/PPT/Dmitriev-Berlin-11June2012.pdf Mikhail Dmitriev President of the Center for Strategic Research POLITICAL CHANGE AND THE RISE OF THE MIDDLE CLASS IN RUSSIA

A further crackdown on the protests would cause reshuffles in the government, strengthening the positions of the siloviki (law enforcement agencies) and opponents of modernization; •Should protests turn violent, the anti-modernization position would also be strengthened; •If the protests become violent, this would move the political vector toward a political reaction; •A return of the protests to a peaceful course is very unlikely. •To prevent the aggravation of street violence and a further slide in political reaction, dialogue between advocates of modernization in the leadership and the opposition is necessary, as well as a partial cooptation of the protesters into the government

### AT Protests Now

#### Protests haven’t yet reached critical mass

Rapoza 6/14/12

http://www.forbes.com/sites/kenrapoza/2012/06/14/protesters-powerful-but-putin-even-more-so/

I covered Brazil pre-Lula and post-Lula and spent the last five years covering all aspects of the country for Dow Jones, Wall Street Journal and Barron's. Meanwhile, for an undetermined amount of time, and with a little help from my friends, I will be parachuting into Russia, India and China. (I figure if Anderson Cooper can parachute, I can parachute.) The anti-Putin movement’s effect on national-level politics is likely to remain limited, for three main reasons, Kliment says. Vladimir Putin - World Economic Forum Annual M... Vladimir Putin. Most powerful man in Russia. “First, while opposition to Putin is high in Moscow, where he garnered just 49% of the vote in the presidential election, he still commands the support of a majority of Russians, either because they genuinely support him and his policies, or because they see no credible alternative,” he wrote in a report published on Wednesday. United Russia has well over 200 seats in the Russian parliament to the No. 2 Communist Party’s 90. Second, sources in Moscow as well as field research by Eurasia Group suggest that views of Putin differ by socioeconomic class. While Putin has lost support among much of the urban upper middle class, he still enjoys significant support from lower middle class and working class segments of the population. While those segments of the population have growing economic and social grievances, they have yet to hold Putin himself broadly responsible for these problems. Moreover, Putin has room, at least in the short term, to increase social spending to keep discontent at bay. “In a weakly institutionalized, semi-authoritarian political system such as Russia’s, the coherence of elites around the leadership and the loyalty of key power institutions is crucial. So far there is scant evidence that key elites are considering defection from Putin’s circle altogether, despite tensions surrounding key economic policy questions,” Kliment says, adding that there is no sign that loyalty among key security groups or institutions is eroding. To have a greater impact at the national level, the opposition groups — whether the street opposition of Moscow, or the parties that are forming to contest local elections — must consolidate around several credible leaders, and they must link the aims of the upper middle class intellectual opposition with the grievances of broader socioeconomic strata of the population, according to Kliment’s view. Russia’s protest movement is gathering steam, but their adherents will have to convince other segments of the population that an alternative to Putin is possible and will not — as Putin has charged successfully — return Russia to the gray days of Communist rule.

### AT: Impact D-“Putin Resilient”

#### Russian collapse is a real risk

Hanson et al 12

http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/r0212\_putin.pdf

Philip Hanson is an Associate Fellow of the Russia and Eurasia Programme at Chatham House and an Emeritus Professor of Birmingham University, where he also served as Director of the Centre for Russian and East European Studies.

The central message of this report is a warning: Russia’s stability is at increased risk now that the 2011–12 electoral cycle is coming to an end. The overriding objective of Vladimir Putin and his team is to preserve the narrow and personalized ruling system that they have built over the past twelve years. The instruments of government, not least the security forces, are corrupted and unreliable, but they have a clear interest in maintaining the system that sustains them.

#### Russia could spin into revolution

StratRisk 6/13/12

http://stratrisks.com/geostrat/6445

Michael Vail, a political-science analyst, and communications consultant found through close friends that he had a unique personality which fit perfectly in communications. Ever the constant student he started a talk radio career to share his insights with others in the world. Michael Vail has interviewed leaders and experts of every field such as Alvin Toffler, Thomas P.M. Barnett, Joseph S. Nye Jr., Hazel Henderson, John Perkins, James Bamford, Parag Khanna, Peter Singer, Charles Ostman, and countless others during his tenure as a syndicated radio host. or example, Kryshtanovskaya says that when Putin turned the Kremlin over to Medvedev in 2008, 45 percent of Russia’s senior officials were security service veterans. Medvedev cut that figure in half: Putin was very careful. He didn’t want there to be a large number of dissatisfied people in the elite. He was careful about who was dismissed and who didn’t get what they wanted. Medvedev may have the reputation of being softer and more liberal but from the perspective of the elite he was more strict and many more people had the ground fall out from under their feet. They are not satisfied. The number of dissatisfied people in the elite sometimes reaches critical mass. Kryshtanovskaya also sees the fledgling opposition as a source of instability. Some in the movement, she says, are sincerely trying to improve the situation. But some are also seeking to use the current discontent to destabilize the country and seize power. “It is important to understand who the leaders are. Some are above ground and some are underground. The ones underground are the most dangerous,” she said. Kryshtanovskaya’s bleak assessment came on the heels of a report by the highly respected Center for Strategic Research that warned Russia could descend into violence and chaos if the authorities continued to crack down on opposition protesters or if the economy slides. (You can read the report in Russian here and read my blog post on it here.) Writing on his blog “In Moscow’s Shadows,” New York University’s Mark Galeotticompared the study to the 1983 Novosibirsk Report, which warned of fundamental weaknesses in the Soviet economy and became one of the foundations for Mikhail Gorbachev’s perestroika program. What Kryshtanovskaya’s dire warnings and the Center for Strategic Research report have in common — other than their conclusions — is that both assessments come from inside the system. Kryshtanovskaya has always been close to the elite and joined United Russia in 2009. And the Center for Strategic Research report was commissioned by former Finance Minister Aleksei Kudrin’s newly formed Committee of Civic Initiatives. When the insiders are nervous, and they clearly are, it is time to pay attention. It looks like Russia could be in for a very hot summer.

### AT: Alt Cause: Only Economy

#### ONLY the economy determines Putin legitimacy

Admonis 5/25/12

http://www.forbes.com/sites/markadomanis/2012/05/24/russias-economy-is-still-growing-and-why-this-matters/

A native Philadelphian and reluctant Washingtonian, I have been lucky enough to be educated first at Harvard and then at Oxford (though one should not judge those fine educational institutions for the inevitable typos in my posts) and received instruction from some of the finest teachers one could ask for. I've written for True/Slant, INOSMI, and Salon, and occasionally dispense wisdom on RT. In addition to all of that, I frequently make pronouncements of great importance on Twitter (@MarkAdomanis). Russia's Economy is Still Growing, and Why This Matters I’ve long been of the opinion that a regime like Putin’s that is so clearly based on “performance legitimacy,” growing wages and generally improved standards of living, is extremely vulnerable to a genuine economic downturn.\* A good deal of Putin’s popularity is due to the fact that, because of sustained, long-term growth in the prices of oil and natural gas, he’s been in a position to dispense an awful lot of largess in the form of higher wages for public sector workers, larger pensions for retirees, subsidies for families with young children, and a virtually endless list of loans, credits, tax write-offs, and “targeted” investments. In very simple terms, the economic pie has been growing, the state still has control over a healthy portion of it, and Putin has therefore been in a position to throw a lot of money at any problem. This sort of politics is only sustainable so long as the economic pie is actually growing: the minute that growth stagnates, much less turns negative, the government finds it impossible to please all of the competing interests at the same time. Hard decisions have to be made about which group benefits and which has to suffer, and the groups on the wrong side of the calculation are obviously not going to be pleased about it. Indeed depending on just how angry the losers in the resource allocation game get, they can easily transform from group that was easily co-opted with carrots into one that has to be actively repressed with sticks. So one of the most important questions that about Russia, likely the single most important question about the country’s long-term trajectory as well as its immediate political future, is “is the economy growing?” If the economy is in fact growing, then current system’s internal logic will keep it operating. Perhaps awkwardly, perhaps brutally, perhaps even unsustainably, but operating nonetheless. If the economy is not growing, if the Kremlin has to try and placate multitudinous interest groups with a shrinking pile of money, then the system will seize up and crash.

### \*Generic Econ Scenario\*

### Price Drop = Econ Collapse

#### Price decline = Russian collapse

Energy Probe 3/2/12

http://ep.probeinternational.org/2012/03/05/lawrence-solomon-vladimir-the-great/

Lawrence Solomon is one of Canada's leading environmentalists. His book, The Conserver Solution (Doubleday) popularized the Conserver Society concept in the late 1970s and became the manual for those interested in incorporating environmental factors into economic life.

The upshot? Despite his regime’s less-than-honourable attributes, such as rampant corruption and short life spans for too-curious reporters, Putin is expected to win as much as 66% of the vote in Sunday’s election, some 50 percentage points ahead of his nearest rival, at 15%. With the world coming out of recession and needing more of Russia’s oil and gas — these account for nearly two-thirds of Russia’s export revenue, half or more of the government’s budget, and as much as 30% of the country’s GDP — it is easy to foresee continued prosperity in Putin’s fourth term. It is also easy to foresee a Russian economic collapse thereafter, following a collapse in oil and gas prices.

#### High oil prices are key to the Russian economy – provides 2/3 of all revenues

Schuman 7/5

(Michael Schuman is a staff writer for Times Business. 7/5/12. http://business.time.com/2012/07/05/why-vladimir-putin-needs-higher-oil-prices/?iid=tsmodule)hs

Falling oil prices make just about everyone happy. For strapped consumers in struggling developed nations, lower oil prices mean a smaller payout at the pump, freeing up room in strained wallets to spend on other things and boosting economic growth. In the developing world, lower oil prices mean reduced inflationary pressures, which will give central bankers more room to stimulate sagging growth. With the global economy still climbing out of the 2008 financial crisis, policymakers around the world can welcome lower oil prices as a rare piece of helpful news. But Vladimir Putin is not one of them. The economy that the Russian President has built not only runs on oil, but runs on oil priced extremely high. Falling oil prices means rising problems for Russia – both for the strength of its economic performance, and possibly, the strength of Putin himself. Despite the fact that Russia has been labeled one of the world’s most promising emerging markets, often mentioned in the same breath as China and India, the Russian economy is actually quite different from the others. While India gains growth benefits from an expanding population, Russia, like much of Europe, is aging; while economists fret over China’s excessive dependence on investment, Russia badly needs more of it. Most of all, Russia is little more than an oil state in disguise. The country is the largest producer of oil in the world (yes, bigger even than Saudi Arabia), and Russia’s dependence on crude has been increasing. About a decade ago, oil and gas accounted for less than half of Russia’s exports; in recent years, that share has risen to two-thirds. Most of all, oil provides more than half of the federal government’s revenues. What’s more, the economic model Putin has designed in Russia relies heavily not just on oil, but high oil prices. Oil lubricates the Russian economy by making possible the increases in government largesse that have fueled Russian consumption. Budget spending reached 23.6% of GDP in the first quarter of 2012, up from 15.2% four years earlier. What that means is Putin requires a higher oil price to meet his spending requirements today than he did just a few years ago. Research firm Capital Economics figures that the government budget balanced at an oil price of $55 a barrel in 2008, but that now it balances at close to $120. Oil prices today have fallen far below that, with Brent near $100 and U.S. crude less than $90. The farther oil prices fall, the more pressure is placed on Putin’s budget, and the harder it is for him to keep spreading oil wealth to the greater population through the government. With a large swath of the populace angered by his re-election to the nation’s presidency in March, and protests erupting on the streets of Moscow, Putin can ill-afford a significant blow to the economy, or his ability to use government resources to firm up his popularity. That’s why Putin hasn’t been scaling back even as oil prices fall. His government is earmarking $40 billion to support the economy, if necessary, over the next two years. He does have financial wiggle room, even with oil prices falling. Moscow has wisely stashed away petrodollars into a rainy day fund it can tap to fill its budget needs. But Putin doesn’t have the flexibility he used to have. The fund has shrunk, from almost 8% of GDP in 2008 to a touch more than 3% today. The package, says Capital Economics, simply highlights the weaknesses of Russia’s economy: This cuts to the heart of a problem we have highlighted before – namely that Russia is now much more dependent on high and rising oil prices than in the past… The fact that the share of ‘permanent’ spending (e.g. on salaries and pensions) has increased…creates additional problems should oil prices drop back (and is also a concern from the perspective of medium-term growth)…The present growth model looks unsustainable unless oil prices remain at or above $120pb.

Price Drop = Econ Collapse

#### Low oil prices leads to quick Russian collapse

Aris 7/5

(Ben Aris is a staff writer for The Moscow Times. 7/5/12 <http://www.themoscowtimes.com/blogs/434424/post/russian-economy-showing-signs-of-overheating/461657.html>) hs

But on the other hand, the behavior of companies suggests that the economy is slowing down. Industrial production took a nose dive in March — as it did in the rest of the world as growth collapsed for psychological reasons as much as anything else. This means that the Central Bank should move to bolster confidence and encourage growth. Put in simple terms, the dilemma is: the Central Bank should increase interest rates to curb inflation and cool the economy, and at the same time it should cut rates to encourage more investment and growth. The upshot of this confusion is that economists are forecasting a wide spread of growth rates this year, from at least 3 percent to 5 percent. When spreads on forecasts get this wide, it always means that the experts are basically clueless about what will happen next. To be fair, Russia's strong growth is fragile because it is partly connected to the recovery of the oil price, which is currently back at about $100 a barrel. Because of the lack of reforms and investment, high oil prices are pumping money into the economy, which is feeding through to consumer demand. If oil prices fall — an event the government is preparing for by adding a $60 scenario to its budget planning despite assuming an average price of $115 for this year — then that would quickly take the wind out of Russia's sails. But that has always been Russia's problem. Strong consumer demand has encouraged real progress and investment, but it is still nowhere near what is needed.

#### The oil market is key to the Russian economy – generates half of the federal revenues

Rao 5-19

(Sujata Rao is a staff writer for Reuters. 5-19-2012. <http://www.reuters.com/article/2012/05/19/ebrd-russia-idUSL5E8GJ20V20120519>) hs

Brent crude futures fell last week to 2012 lows below $107 a barrel as the euro zone crisis hit world growth expectations. But Storchak said there were still big oil supply risks while energy demand in [China](http://www.reuters.com/places/china) and India remained robust. “Oil prices are still high, we are comfortable...I don't think we need to be afraid." "Our budget is based on a $100 per barrel price for Urals, though it's true, there is talk of $110 (for the budget) for next year," he said, referring to the Russian benchmark crude blend which trades at a slight discount to Brent. "Currently prices are still above that." "We have a balanced budget," he told reporters on the sidelines of the meeting of the European Bank for Reconstruction and Development. The oil price fall has taken a heavy toll on the rouble as well as the Russian stock markets, with the former now trading at 4-1/2 month lows against the dollar. Around half of federal revenues are generated by oil and gas levies. Storchak said the market selloffs indicated a "lack of faith in policymakers from various countries." "There is no serious underlying macroeconomic reason for such turbulence. The financial sector has clearly broken off from the rest of the economy. I think this is a problem that needs to be dealt with." But he said ongoing capital outflows were linked to transfers from corporate debt repayments and added: "For the time being there are not so many attractive investment projects within the country." Storchak said Russia hoped to go ahead and introduce the trading rules of international settlement bank Euroclear from July 1 as planned despite some calls for the step to be delayed. Asked if implementation of Euroclear would go ahead from July 1, Storchak said: "We are working on this. Not everything is ready, the security commission is working on this. I hope we will succeed. We are quite strong on this, I mean, me and my colleagues." Access to Euroclear will make Russian local paper directly accessible to foreign investors and could bring up to $10 billion into the domestic debt market by 2014. But many local financial market participants have expressed concern, saying its implementation could spur capital outflows.

#### High oil prices key to keep Russia’s economy stable

Rapoza 12

(Kenneth Rapoza is a staff writer for Forbes. 1/28/2012. <http://www.forbes.com/sites/kenrapoza/2012/01/28/high-oil-prices-bode-well-for-russian-government/>) hs

High oil prices mean more cash flowing into the Russian government. The country is dependent on energy exports to keep its budget surplus in tact. Oil futures cracked $100 a barrel this week, before settling at $99.56 for the May contract for WTI crude. Still, prices like that bode well for Russia’s public coffers. International Monetary Fund’s Moscow representative, Odd Per Brekk, said in an interview with Russian newswire Ria Novosti that high oil prices actually opened a “window of opportunity” for the country to take measures to strengthen and protect its economy from the ongoing problems facing Europe, it’s biggest oil and gas customer. To take full advantage of this opportunity, Brekk said, the Russian government must undertake a complete economic transformation – keeping inflation at 3%-5%, cutting budget expenses, improving the financial sector and reducing its dependence on commodities materials. One way to do it is to use their oil wealth as a means to justify reform. Current geopolitical events are supporting high oil prices, mainly problems in Libya and Syria, and a new oil embargo against Iran. Ria Novosti also noted in its report that Iraq was contributing to high oil prices as well. As U.S. troops head home, some oil firms are looking at the security risks there and wondering if it is worth maintaining current projects. Russia’s government is expecting that the Iran oil embargo will contribute to a 10%-15% rise in oil prices, including the possibility of Iran closing the Strait of Hormuz, an important oil route in the Middle East.

Price Drop = Econ Collapse

#### High prices key to stable Russian market

Pavliva 7/8

(Halia Pavliva is a staff writer for Bloomberg Businessweek. July 8 2012. http://www.businessweek.com/news/2012-07-08/worsening-outlook-sinks-adrs-as-ctc-tumbles-russia-overnight)hs

The worsening outlook for Russia’s economy sent CTC Media Inc. (CTCM) (CTCM) on its biggest weekly decline in five weeks in New York trading and VimpelCom Ltd.’s (VIP) (VIP) American depositary receipts down the most in a month. The Bloomberg Russia-US Equity Index (RUS14BN) of the most-traded Russian companies in New York lost 1.1 percent to 89.03 on July 6, the lowest level since June 29 as U.S. unemployment data sank oil, Russia’s biggest export earner. CTC Media, which owns the fifth most-watched television channel in Russia, posted the biggest weekly retreat in five weeks, while VimpelCom, the world’s sixth-biggest mobile phone provider, sank 4.1 percent. Futures expiring in September rose 0.5 percent to 134,975. “A decline in oil price affects not just energy stocks, it has a lot of impact on the whole market because oil means economy in Russia,” Vladimir Savov, an analyst at Otkritie Financial Corp., said by phone on July 6 from Moscow. Russia depended on revenue from oil and gas for 50 percent of its 2011 budget, and crude’s 15 percent decline this year contributed to a tumble in the ruble, which weakened 9.5 percent against the dollar in the second quarter, the most among 25 emerging-market currencies tracked by Bloomberg. Finance Minister Anton Siluanov said in Moscow on July 6 that the 2013 budget will be based on a Urals crude price of $92 a barrel, down from a previous target of $97.

#### Even a small change in oil prices can hurt the economy

**World Bank 2012**.

(The report was prepared by a World Bank core team consisting of Sergei Ulatov (Economist), Karlis Smits (Senior Economist), Stepan Titov (Senior Economist), Victor Sulla (Economist), Kate Mansfi eld (Consultant), and Olga Emelyanova (Research Analyst), under the direction of Kaspar Richter (Lead Economist and Country Sector Coordinator for economic policy and public sector in Russia). David Tarr (consultant) authored the focus note on WTO accession, Shane Streifel (Consultant) provided the box on the global oil market, and Dilek Aykut (Senior Economist) provided the assessment on the global outlook. April 2012. http://www.worldbank.org/content/dam/Worldbank/document/rer-27-march2012-eng.pdf)hs

The federal budget relies increasingly on high oil prices. This is borne out by three indicators. First, in 2011, oil and gas revenues were 10.4 percent of GDP, equal to half of federal revenues. In 2009, they were only 7.6 percent of GDP, equal to two-fi fths of federal revenues. Second, the federal budget is based on a higher oil price assumption than in the past. The Urals oil price assumption of the federal budget increased from US$75/barrels in 2011 to 100 in 2012. Third, the oil price needed for the federal budget to break even increased from less than US$30 up to 2007 to around US$100 or more since 2009. For 2012, the break even oil price is estimated to be over US$110. Hence, even a moderate correction in the oil prices could reverse improvements on the revenue side achieved in 2011.

#### Oil market key to Russian economic growth

Watkins 11

([Eric Watkins](http://www.ogj.com/content/ogj/en/authors/eric-watkins.html) is an Oil and Gas Journal Oil Editor. 10/28/2011. <http://www.ogj.com/articles/2011/10/esai-russia-aligned-to-globally-enhance-market-power.html>) hs

The report noted that Moscow’s restructuring of its oil exports has pushed Russia into “the sustainable role” of global oil power. Andrew Reed, the report’s lead writer, said, “While Russia’s ability to sustain the current volume of exports is one of the key findings, since no major change is expected we consider the ‘restructuring’ of exports to be the more noteworthy development.” Other findings of ESAI’s report include: • In the face of Russia’s inability to achieve upstream growth and increased exports of oil products, changes in tax policy and investment in export logistics mark a shift towards a more narrow focus on upstream development and oil exports. • Russia’s oil surplus will increase slightly. Output in new regions will be sufficient to maintain moderate growth of overall production through 2015. Meanwhile, oil throughput will level off after more than a decade of uninterrupted growth. • Foreign transit volume through the Transneft pipeline system is unlikely to increase, despite a rising oil surplus in Kazakhstan. While that country’s exports will grow with the 2013 launch of Kashagan, its successful development of alternative export capacity will enable it to avoid increased reliance on Transneft for exports. • New export infrastructure in Russia is indicative of the two priority export markets for Russian crude, the Pacific Basin and Northwest Europe. In late 2011, Russia is adding 700,000 b/d of export capacity to the Baltic Sea, where it already exports 1.5 million b/d of oil. At the end of 2012, the capacity of the ESPO Pipeline to Kozmino Bay will be doubled to 600,000 b/d. • Russia will shift oil export flows to Asia and Northwest Europe, and in the process cut exports to the Med and cede market share in that market.

#### Low oil prices will be the road to a new crisis

Shiryaevskaya and Powell 09– Staff Writers for the Platts Oilgram Price Report (Anna and William, “Low oil prices threaten investment: Putin,” January 30, 2009, Market by Market; Pg. 14 Vol. 87 No. 20, Lexis)#SPS

Russian Prime Minister Vladimir Putin has warned that the sharp decline in oil prices may lead to lower investment in oil projects and a fall in output, which could drive "a new unruly increase" in prices once the economic recovery starts. "It will be a road to a new crisis," Putin said at the opening of the World Economic Forum in Davos, Switzerland, late January 28, according to a transcript of his speech posted on the Russian government web site. "Today's sharp decline in prices may lead to the growth of irrational consumption of resources," he said while also warning of cuts in investments in energy saving and alternative energy sources. Putin called for a return to "balanced" prices based on demand and supply, and the removal, as far as possible, of speculative factors from crude pricing. In his speech, Putin also reiterated his country's call for new international legislation on energy security, calling the existing Energy Charter an ineffective tool. "Even countries that signed and ratified it do not abide by its principles," he said. "Three years ago, at a summit of the Group of Eight, we called for the shared responsibility of suppliers, consumers and transit countries. I think it is time to launch truly effective mechanisms ensuring such responsibility." "The only way to ensure truly global energy security is to form interdependence, including a swap of assets, without any discrimination or dual standards. It is such interdependence that generates real mutual responsibility. Unfortunately, the existing Energy Charter has failed to become a working instrument able to regulate emerging problems. I propose we start laying down a new international legal framework for energy security...consumers and producers would finally be bound into a real single energy partnership based on clear-cut legal foundations." Russia has signed the Energy Charter treaty but not ratified it, unlike Ukraine and European Union member countries. Putin also raised the issue of energy transit, following the recent gas dispute between Russia and Ukraine, the main transit route for Russian gas to Europe, which led to a two-week disruption in gas supply to European consumers at the start of the year. He said market transit tariffs, diversification of transportation routes and the development of LNG trade could raise the security of energy supplies.

#### Russian economy is tied to oil prices

Aleksashanko 12

(Sergei Aleksashenko, former deputy minister of finance of the Russian Federation and former deputy governor of the Russian central bank, is a scholar-in-residence in the Carnegie Moscow Center’s Economic Policy Program.)

<http://carnegieendowment.org/2012/06/07/russia-dust-has-not-yet-settled/b7u6>

The odds are that Russia’s economy will remain hostage to the ruling party’s political imperatives and that high oil prices will, once again, be the thread on which the economy hangs. The makeup of the new government is far from complete, but so far the majority of positions, including important positions at the Ministry of Finance and the Ministry of Economics, have been delegated to former deputy ministers. If there is relatively little turnover from the previous government, real reform should not be expected on economic policy. The new government will, of course, react to problems it cannot avoid dealing with, such as pension reform. However, it will stop short of more far-reaching institutional changes that the Russian economy desperately needs, including liberalizing gas transport, controlling the expenditures of infrastructure monopolies, reducing the barriers to entry in many industries, and liberalizing foreign direct investment inflows. At the same time, there will be more pressure on the budget due to the campaign pledges Putin made to help cement his electoral victory. The federal budget is heavily conditional on the price of oil. During the first four months of 2012, 52 percent of federal revenues came from export duties on oil, refined oil products, and gas, and a natural resource tax on hydrocarbons. Given that another 12 percent of revenue is generated from the value-added tax and excise taxes on imported goods and thus indirectly depends on oil (as import volume is dependent on export proceeds), two-thirds of the Russian government’s revenue is oil dependent. Without oil and gas revenues, the government would be incurring a deficit equal to 10 percent of GDP (before the global financial crisis, the so-called “no-oil” deficit was about 4 percent of GDP).

### Iran Impact

#### Economic downturn in Russia leads to sale of advanced missile systems to Iran

Sestanovich 8 (Stephen, George F. Kennan Senior Fellow for Russian and Eurasian Studies, “Russia and the Global Economic Crisis”, 11-25, Council on Foreign Relations, http://www.cfr.org/economic-development/russia-global-economic-crisis/p17844?breadcrumb=%2Fpublication%2Fby\_type%2Fregion\_issue\_brief)

Unlike most other countries, Russia can always use its arms exports as a means of sweetening commercial deals. At a time when Russian economic needs are especially great, however, its customers are likely to press their advantage-seeking more advanced equipment than they have been offered in the recent past. China, whose own military purchases from Russia have slowed recently, is one Russian client likely to push for such upgrades. Iran and Venezuela are two others of special interest to the United States. It is widely thought that Russia, while steadily increasing its arms sales to Iran, has declined to sell Tehran its most advanced air-defense systems. A protracted economic crisis will surely inspire many inside the Russian defense industry--and probably within the government as well--to call for a review of this policy. All of these strategic adjustments--in defense spending, arms control, pipeline construction, weapons exports--represent matters of high policy for Russia's leadership. Yet, all politics being local, some of the most consequential issues created by the economic crisis may prove to be those that would ordinarily be considered matters of low policy. When production falls and unemployment rises in Russia, many of the Gastarbeiter, or guest workers, that have been needed to fuel the boom are usually sent home. For countries of the Caucasus and Central Asia, which have provided most of this enormous transient labor force (some estimate more than one million workers in Moscow alone), this will be a huge jolt. Quickly, Russia will go from being an important safety valve for socioeconomic discontent to a source of it. In the short term, Russia's neighbors will doubtless see this reflux of their own citizens as a reason to maintain good relations with Moscow, in hopes of winning coordinated management of a potentially dangerous problem.

#### Iranian missile sales lead to nuclear war

Ferguson 6 (Nial, professor of history at Harvard, “The origins of the Great War of 2007 - and how it could have been prevented,” Telegraph, 1/15/06, <http://www.telegraph.co.uk/comment/personal-view/3622324/The-origins-of-the-Great-War-of-2007-and-how-it-could-have-been-prevented.html>)

With every passing year after the turn of the century, the instability of the Gulf region grew. By the beginning of 2006, nearly all the combustible ingredients for a conflict - far bigger in its scale and scope than the wars of 1991 or 2003 - were in place. The first underlying cause of the war was the increase in the region's relative importance as a source of petroleum. On the one hand, the rest of the world's oil reserves were being rapidly exhausted. On the other, the breakneck growth of the Asian economies had caused a huge surge in global demand for energy. It is hard to believe today, but for most of the 1990s the price of oil had averaged less than $20 a barrel. A second precondition of war was demographic. While European fertility had fallen below the natural replacement rate in the 1970s, the decline in the Islamic world had been much slower. By the late 1990s the fertility rate in the eight Muslim countries to the south and east of the European Union was two and half times higher than the European figure. This tendency was especially pronounced in Iran, where the social conservatism of the 1979 Revolution - which had lowered the age of marriage and prohibited contraception - combined with the high mortality of the Iran-Iraq War and the subsequent baby boom to produce, by the first decade of the new century, a quite extraordinary surplus of young men. More than two fifths of the population of Iran in 1995 had been aged 14 or younger. This was the generation that was ready to fight in 2007. This not only gave Islamic societies a youthful energy that contrasted markedly with the slothful senescence of Europe. It also signified a profound shift in the balance of world population. In 1950, there had three times as many people in Britain as in Iran. By 1995, the population of Iran had overtaken that of Britain and was forecast to be 50 per cent higher by 2050. Yet people in the West struggled to grasp the implications of this shift. Subliminally, they still thought of the Middle East as a region they could lord it over, as they had in the mid-20th century. The third and perhaps most important precondition for war was cultural. Since 1979, not just Iran but the greater part of the Muslim world had been swept by a wave of religious fervour, the very opposite of the process of secularisation that was emptying Europe's churches. Although few countries followed Iran down the road to full-blown theocracy, there was a transformation in politics everywhere. From Morocco to Pakistan, the feudal dynasties or military strongmen who had dominated Islamic politics since the 1950s came under intense pressure from religious radicals. The ideological cocktail that produced 'Islamism' was as potent as either of the extreme ideologies the West had produced in the previous century, communism and fascism. Islamism was anti-Western, anti-capitalist and anti-Semitic. A seminal moment was the Iranian president Mahmoud Ahmadinejad's intemperate attack on Israel in December 2005, when he called the Holocaust a 'myth'. The state of Israel was a 'disgraceful blot', he had previously declared, to be wiped 'off the map'. Prior to 2007, the Islamists had seen no alternative but to wage war against their enemies by means of terrorism. From the Gaza to Manhattan, the hero of 2001 was the suicide bomber. Yet Ahmadinejad, a veteran of the Iran-Iraq War, craved a more serious weapon than strapped-on explosives. His decision to accelerate Iran's nuclear weapons programme was intended to give Iran the kind of power North Korea already wielded in East Asia: the power to defy the United States; the power to obliterate America's closest regional ally. Under different circumstances, it would not have been difficult to thwart Ahmadinejad's ambitions. The Israelis had shown themselves capable of pre-emptive air strikes against Iraq's nuclear facilities in 1981. Similar strikes against Iran's were urged on President Bush by neo-conservative commentators throughout 2006. The United States, they argued, was perfectly placed to carry out such strikes. It had the bases in neighbouring Iraq and Afghanistan. It had the intelligence proving Iran's contravention of the Non-Proliferation Treaty. But the President was advised by his Secretary of State, Condoleezza Rice, to opt instead for diplomacy.

### Generic Econ Impact

#### Russian economic collapse causes accidental nuclear launches.

Blair & Gaddy Summer 1999 (Bruce – president of the World Security Institute, and Clifford – senior fellow of foreign policy at Brookings, Russia's Aging War Machine, The Brookings Review, Volume 17, Issue 3, p. 11)

Western policymakers appear not to recognize that the fate of Russia's economy is neither exclusively Russia's problem nor exclusively an economic problem. Although Russia, with its nearly $200 billion of foreign debt, still has the ability to shake global financial markets-and likely will do so-the unquestionably bigger threat posed by its weak economy concerns national security. Russia's economic woes increase the nuclear threat to the United States. Russia's Small Economy The Cold War military machine built up by Moscow proved economically unsustainable even for the USSR. But Russia, which inherited most of the Soviet military burden, has only half the population and perhaps 60 percent of the industrial base of the USSR. Moreover, Russia's economy, as measured by its GDP, has shrunk by roughly half since 1990. Still more important is the state of the public sector. For more than a decade, Russia's federal government has failed to maintain even the basic functions of ensuring national security, environmental safety, and public health. To a large extent, the state has become marginalized as a part of the Russian economy-the very reverse of the Soviet system. The Soviet economy assigned first priority to building and maintaining state power, especially military might. The civilian economy, particularly the household sector, was the residual claimant of resources and wealth created; it had to make do with whatever was left over. Today, individuals and households can and do meet their own needs first, resisting in every way possible the claims of the state on them. The overwhelming majority of Russian farms produce nearly nothing beyond what their workers can consume. Many industrial enterprises do the same, producing barely enough output to sustain the existence of their own employees. Almost nothing is left that can be taxed to support the state apparatus. Moreover, the little that is available to the state is used in highly inefficient ways-primarily because so little state revenue is in the form of money. The Nonmonetary Economy Throughout the Russian economy, individuals, households, enterprises, and governments operate without cash. Very large enterprises are the extreme cases. Roughly three-quarters of their operations involve no money. But governments are close behind. Some city government budgets are no more than 5 percent money. The rest is in barter goods and debt swaps with providers of goods and services to the government. Even within the federal government, some agencies exist with almost no money at all. One such agency is the Ministry of Defense. Russia's 1999 federal budget calls for defense spending of about 100 billion rubles. Using even the most generous estimate of the domestic purchasing power of the ruble, this is equivalent to no more than $20 billion, or less than one-twelfth of the U.S. defense budget. But even this figure is misleading, for it implies that the Russian defense ministry has real money at its disposal. In fact, it has virtually none. Over the past few years, Russia's defense ministry has built up debts to its suppliers that now total six to seven times the annual defense procurement order. The little "payment" that is made for goods delivered is not in money, but a credit for taxes owed to the federal and regional governments. Guided not by the needs of the armed forces, but by political expediency, the federal government bargains with powerful governors whose main concern is to protect jobs in their regions. The resulting practice of socalled offsets is typical of the highly inefficient use of even the minuscule nominal resources available to the Ministry of Defense. It is a seller's market. A ministry that should be making the wisest use possible of its limited procurement budget, concentrating on critical systems and upgrades, is forced to take whatever the factories have available-in most cases, not weapons at all, but rather goods that can most readily be bartered for food and clothing. Entire military units have become "self-financing."They barter the use of their trucks for food. They contract out their troops to farms in return for part of the harvest. For the military, as for the rest of Russian society today, barter allows people and institutions to survive. But the cost in terms of economic efficiency is huge. The Cash Constraint The ultimate constraint in this system is the minimal cash needed to pay wages, especially to officers whose families live off-base. Here, the situation is critical. The sharp increase in consumer prices after last August's financial collapse drove pay and allowances for Russian servicemen far below subsistence income levels. A pay hike scheduled for mid-1999 will at best compensate only for the inflationary loss, but will not be a real improvement over pay a year ago. And that was bad enough. In 1998 the defense ministry was able to cover only 50 percent of its planned budget for food and only 8 percent of the projected clothing budget. What little was available had to be used for conscripts being fed in mess halls. Officers' families typically had to rely on donations from relatives, friends, and neighbors. As one officer's wife put it in a television interview in late March, "We have to hope our neighbors continue to support us and the two boys. So far, they have all pitched in. Even the pensioners in our apartment building bring food and beg us to take it, saying that they know that we are worse off than they are." Economic weakness is strengthening the anti-Western, antidemocratic, and antimarket reform trends in Russia today. It is also steadily eroding the military's tradition of political neutrality Although the military's aversion to Bonapartism appears to remain intact, rising nationalism draws additional strength from its growing politicization. Effects on the Nuclear Forces For Russia's conventional forces, the combination of lack of resources and the time and effort that must be diverted to sheer survival has been devastating to combat readiness. But nowhere does the weakness and inefficiency of Russia's state economy have more serious implications than in maintaining the sophisticated systems and men of the nuclear weapons complex. The strategic weapons themselves are fast reaching the end of their shelf life, and Russia cannot afford replacements. Current aging forces have become more vulnerable. Surveillance satellites and radars are wearing out. Russia's early warning system is decaying as gaping holes develop and susceptibility to false alarms grows. Budget shortages, among other problems, prevent Russia from dispersing submarines and mobile land rockets into the sanctuaries of the oceans and forests. The Russian navy struggles to keep one or two ballistic missile submarines out of a fleet of twenty-six at sea, and at times cannot even do that. The Strategic Rocket Forces strain to disperse out of garrison into covert field locations a single regiment (nine missiles) of mobile rockets, out of a total mobile force of 350. Russian bomber pilots receive only about 20 hours of flight training a year, compared with 200 or more hours for their U.S. counterparts. Underground command posts are crumbling. Even the famous nuclear suitcases that accompany the president and other top authorities are falling into disrepair. Prestigious institutes, such as the laboratories that design nuclear weapons, build the deep underground command posts, and engineer the communications links that would be used to send the "go code" to the strategic rockets, are virtually bankrupt. Like the conventional forces, Russia's nuclear units suffer from housing and food shortages, pay arrears, extended duty shifts owing to manpower shortages (massive draft evasion has depleted the enlisted ranks), and "moonlighting" to make ends meet. The competence and integrity of the generals who lead them have declined. They are demoralized and alienated from the state, which fails to support them, and the society, which no longer holds them in high esteem. They are themselves less impressive individuals owing to declining standards for admission to the higher military academies. Hardship and disaffection at all ranks, enlisted and officer corps alike, have sharply increased the rate of suicides, crime, and political activity (the latter illegal for active military personnel). Remarkably, cases of disobedience and protest have so far been rare (though the wives of nuclear officers often stage demonstrations, sometimes interfering with operational activities). To our knowledge, no one has yet vented frustration by threatening to use, or trying to use or steal, nuclear weapons. But conditions that might drive individuals or groups to violate nuclear safety rules or threaten to fire weapons are ripening. At the least, worsening conditions of life and work in the nuclear forces decrease proficiency in managing weapons and sap motivation to adhere strictly to safety rules.

### Econ Fail = Revolution

#### Economic decline triggers Russian revolution

Trenin et al June 12

http://carnegieeurope.eu/publications/?fa=48309

Dmitri Trenin, director of the Carnegie Moscow Center, has been with the Center since its inception. He also chairs the Research Council and the Foreign and Security Policy Program.. Education Trenin received his Ph.D. from the Institute of the USA and Canada in 1984.

Meanwhile, the non-systemic opposition—the opposition that is not represented in the Duma and is seeking to end the “Putin regime”—is becoming ever more radical. It has rejected government-proposed political reform as window dressing. Liberal and left-wing radicals have instead chosen to continue to press the authorities by organizing street rallies. They hope that a combination of a deteriorating socioeconomic situation, the further discrediting of the corrupt political order, and growing Putin fatigue among the elite will create a revolutionary situation in Russia, resulting in the collapse of the czarist presidency. Kremlin supporters warn that, should this actually happen, it could lead to a replay of the 1917 revolution and a new national catastrophe. A stress test for the Putin majority looms, and Putin is hardly ignoring it. Widespread discontent with stifling corruption and mass vote rigging has not gone away. The recent wave of civic protest by the relatively affluent big-city middle classes—mostly professionals, entrepreneurs, private sector managers, and other members of the post-industrial economy—could be followed by a uptick in socioeconomic demands from the less well-off across the country should their material condition deteriorate. The governing party, United Russia, now formally under Prime Minister Dmitri Medvedev’s leadership, has far from recovered from the losses sustained during the Duma elections last December.

### Revannchism Impact

#### Russia will compensate for falling oil prices with revannchism

Taheri 6/15/12

http://www.asharq-e.com/news.asp?section=2&id=29992

Amir Taheri was born in Ahvaz, southwest Iran, and educated in Tehran, London and Paris. He was Executive Editor-in-Chief of the daily Kayhan in Iran (1972-79). In 1980-84, he was Middle East Editor for the Sunday Times. In 1984-92, he served as member of the Executive Board of the International Press Institute (IPI). Between 1980 and 2004, he was a contributor to the International Herald Tribune. He has written for the Wall Street Journal, the New York Post, the New York Times, the London Times, the French magazine Politique Internationale, and the German weekly Focus. Between 1989 and 2005, he was editorial writer for the German daily Die Welt. Taheri has published 11 books, some of which have been translated into 20 languages. He has been a columnist for Asharq Alawsat since 1987. Taheri's latest book "The Persian Night" is published by Encounter Books in London and New York.

After years of indecision regarding Russia’s strategic choices, President Vladimir Putin appears to be developing a Cold War-style foreign policy as his best option. Putin’s new strategy is inspired by a genuine fear and moderated by a problematic hope. The fear is that Russia may have become the target of one of those “velvet revolutions” that led to regime change in several countries in the former Soviet sphere of influence before spreading to North Africa and the Middle East. Since Putin’s disputed re-election as president, Russia has witnessed almost daily protests that continue to grow in size. Initially, anti-Putin marches were confined to Saint Petersburg and Moscow. In the past few weeks, however, they have spread to a number of other regions, notably the country’s third largest city Yekaterinburg. Until now, the only serious form of protest that Putin has faced consisted of armed uprisings and terrorist attacks in Chechnya and parts of Daghestan. It was easy for Putin to mobilise Russian nationalist sentiments against ethnic minorities such as the Chechen, the Ingush and the Daghestanis. But protest in the Russian heartland is something quite different. To be sure, the protests have not yet secured a large popular base while Putin is still politically strong enough not to feel threatened. Nevertheless, the slow burning flames of low intensity revolt could easily get out of control. Putin knows that he is vulnerable. Many Russians who admired his iron-fist policy against the Chechens are beginning to question his brutal tactics. The last presidential election marked a sharp drop in Putin’s popularity across Russia. At the same time, Putin can no longer surf on the economic success produced by rising energy prices. Oil and gas prices have been on a sliding curve for more than a year and, with global recession deeper than many thought, may not recover anytime soon. At the same time, the Kremlin’s shock tactics are driving away some foreign investors. Right now, British Petroleum is trying to get rid of its Russian operations. A second plank of Putin’s economic miracle may also be in danger. This consists of massive investment by China, especially in infrastructure projects in Siberia and the Far East where Vladivostok is being developed as a hub of trade and industry for Russia, China, South Korea and Japan. However, China’s own economy is slowing down, making it harder to sustain high levels of foreign investments. According to the best estimates, the Russian economy is heading for a recession with an average of 3,000 jobs lost each day. Putin’s promise of increasing military expenditure by a whopping 21 percent is no longer likely to be fulfilled. Countering the fear of a “velvet revolution” is the hope of creating a new power bloc with Russia in a leadership role. Putin’s analysis suffers from a contradiction at its heart. On the one hand, he believes that the United States is behind “plots” that have brought regime change in so many countries. A spook by training and career, Putin cannot conceive of major events happening without some degree of conspiracy at their source. On the other hand, Putin also believes that the United States, led by President Barack Obama, has embarked on a historic retreat that will leave behind vast empty spaces that Russia could hope to fill. If Obama were re-elected, Russia would have four more years in which to assert its leadership in Transcaucasia, Central Asia and the Middle East. It is in that context that Russia is determined to have a leadership role in shaping Syria’s future. However, Putin’s attempts at creating a Moscow-Tehran-Beijing axis are not aimed at keeping Bashar al-Assad in power. The aim is to make sure that al-Assad’s inevitable demise does not lead to Russia’s exclusion from Syria. There was a time when Russia, in its Soviet version, posed as the principal big power presence in North Africa and the Middle East. Over the past 20 years, however, Russia has lost virtually all its positions in a region that forms a key segment of its geopolitical habitat. Putin is unable to prevent regime change in Syria. Under any configuration, President al-Assad has already scripted himself out of Syria’s future. However, Putin could significantly slow down the inevitable change in Syria, increasing the price that the Syrian people would have to pay to secure their freedom. Even if the future of Syria were not at stake, the Western democracies and their Arab allies would still face the problem of how to weave Russia into the new geo-strategic pattern that is emerging in North Africa and the Middle East. The Russian people, either in another election or in a popular uprising, will ultimately decide Putin’s fate. For the time being, however, chaos in Russia is in no one’s interest. Russia is not the Soviet Union. It may be an adversary but it cannot be regarded as an enemy posing an existential threat. As a major regional power, Russia is demanding a seat at the high table. There is no reason why it should not be accommodated where and when possible. Left to its own devices, Russia will be unable to make a positive contribution to regional peace and stability. On the contrary, it may ally itself with adventureist regimes such as the one in Tehran with the aim of making mischief.

#### Russian revanchism hurts relations with the U.S. and EU

McNamara 12 (Sally McNamara is Senior Policy Analyst in European Affairs in the Margaret Thatcher Center for Freedom, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation.)

<http://thf_media.s3.amazonaws.com/2012/pdf/bg2637.pdf>

The policies of the United States and the European Union should encourage and support Russian civil society and Russia’s democratic modernizers. And, if Russia continues to abrogate its international commitments to basic freedoms and human rights, the U.S. and the EU must stand up for democratic values and make it clear that Russian aggression will not be tolerated. President Obama’s Russia “reset” policy achieves the opposite. Just as the U.S. reset has shaped European thinking, overly lenient signals from the EU to Russia will have a negative effect on U.S. interests, including support of democracy and promotion of economic freedom. The U.S. should collaborate with individual European allies as well as the European Union to set an agenda that better defends transatlantic interests from Russian aggression.

### Russia key to world econ

#### Russia is key to the world economy

DELANEY 1-26-2011 (Martin, “Russia: The Wild East,” Investment And Pensions Europe)

However, many would argue they are wrong. "There are important reforms going on in Russia at the moment," explains Vladimir Kirillov, chief executive of TKB BNP Paribas Investment Partners. "You are seeing a reform of the social security system, ongoing reform in the pension system and a significant decrease in the burdens on small and medium-sized enterprises." Beyond the reform programme the fundamentals remain sound - despite the ongoing fall-out from the global economic crisis. According to Franklin Templeton Investm ents' latest Market Perspectives note, while the Russian economy contracted by 7.9% in 2009, it is forecast to grow by 4% in 2010 - and 4.3% in 2011. By the end of September 2010 Russian equities had more than doubled since they bottomed in January 2009. For October alone, the Russian equity market reported a rise of 5.7%. The Russian economy continues to stabilise, with unemployment falling substantially since the beginning of the year and retail sales and disposable income have increasing. The oil price remains relatively buoyant at just below $85 per barrel - well above the oft-cited $55-$60 range that Russia needs for its economy to break even. "This means that the Russian government will be able to run lower budget deficits this year and next, which in turn should mitigate inflationary pressure and prove supportive for the ruble as it will limit the rate of money supply growth," notes Michael Kart, managing partner at Marshall Spectrum, the Moscow-based emerging markets equity manager specialising in Russia and CIS. Concerns remain about the impact of the recent drought and wildfires, particularly on the agricultural sector, but the general trend of the markets and the economy is upwards. As the western markets falter, those in the emerging markets will continue to be the "the engine spurring the world's growth over the next years", explains Kart. "Russia as the world's main storehouse of raw materials will provide the necessary fuel for that. If we take a look at the country within the BRIC context, we would notice that the country has by far more natural resources, a more educated population, a higher proportion of the middle-class, a strong macroeconomic framework, a better track record - and it is cheaper." And this is the key: on virtually any metric Russia offers potentially better opportunities than most other emerging markets. Kart remains convinced the country offers investors a multitude of opportunities. "Contrary to popular belief, Russia, according to various studies performed by institutions such as World Bank and the IMF, compares well with its peers on metrics like ease of doing business, market size, transparency, infrastructure, penetration, dividend yield, and return on equity," he insists. That is a bold statement to make, but one echoed by fund managers and investment analysts based in Moscow. "The people who are able to identify and manage the risks should be able to benefit from the low multiples when the overall perception of Russia improves," says Dimitri Kryukov, founder and CIO of Verno Investment Management, which runs the Verno Russia fund. "Russia looks particularly interesting as it is one of the cheapest major markets in the world, supported by broad-based GDP and EPS growth, sound macro fundamentals and relatively high commodity prices," agrees Marcus Svedberg, chief economist at East Capital. "Russian WTO membership, which seems more realistic than ever, would be a positive trigger that is not yet priced in by the market. A steady stream of IPOs absorbed liquidity and Russia has underperformed other emerging markets in 2010 and is still 40% below its pre-crisis peak. We believe this is a good entry point." Matthias Siller, co-manager of the Baring Russia fund, says that one can find opportunities to make money work harder than in other places as long as you are there on the ground. "The finance and consumer-related sectors offer much higher returns on capital than you would find in other markets in Europe - and that has never been more pronounced than now," he says. "These sectors in Russia will only get bigger." The emergent middle class and an ancillary increase in consumer demand are fuelling an unparalleled period of expansion. And, in spite of rumbling concerns about its relations with its neighbours, Russia's government remains relatively stable. Expected presidential elections in 2012 are likely to see a smooth handover of power - although doubts grow as to whether Putin will be able to reclaim the top job. "Russia's political risk is different [to that of other emerging markets]," explains Hugo Bain, senior investment manager of the Pictet Russian Equities fund. "For example, in Turkey the political risk is top-down, but in Russia it is more focused at the company and sector level. Clearly there is political involvement in certain sectors and companies, and sometimes that does make investing in Russia quite opaque. You learn to live with it." Yet in spite of a general consensus that Russia offers one of the investment opportunities of the decade, there remain good reasons why valuations are so low. Claude Tiramani, manager of Lutetia Capital's Emerging Opportunities fund, points out that infrastructure spending as a percentage of GDP has declined from 40% in the 1970s to just 20% today. The dependence of the economy on the oil and gas sectors is also a worry (see further article in this section) - although the government is making a concerted effort to diversify its tax revenues. Moves to establish a broader economy have led to investments into agriculture and the development of the banking sector. Concerns around corporate governance and corruption are valid - exemplified by the Yukos affair. In its 2010 Corruption Perceptions Index, Transparency International, the anti-corruption group, ranked Russia at 2.1 on a scale of 1-10 where 10 represents "very clean". The other BRIC nations, China, India and Brazil, all scored 3.5, 3.3 and 3.7 respectively. By way of comparison, the US and the UK scored 7.1 and 7.6 respectively. The owner of the UK's Independent and Evening Standard newspapers, Alexander Lebedev, whose Moscow investment bank was recently raided by secret service agents, recently claimed Russians pay $300bn a year in bribes - almost a quarter of the country's GDP. He has categorically denied any wrongdoing himself. Ultimately, however, many of those based in Moscow say they read about a country in the press that they simply do not recognise. "I don't want to sound like an apologist, but Russia does receive a biased press," argues David Thornton, fund manager of the Matrix New Europe fund. "They have a complete blind spot in their reporting of Russia." Even investors into Yukos could still have made money - despite the state's tax levy. "From the first signs of trouble in July 2003," explains Dimitri Kryukov at the Verno Russia fund, "Yukos still managed to post a high in April 2004 - nine months after the trouble first emerged. Investors who had done their homework would still have been able to protect their capital." In essence, his comments represent a good first lesson for investors seeking opportunities in Russia: with an understanding of the situation and insight into the risks posed by the BRIC nation, the country offers superlative investment returns. Russia may be viewed as the wild east of the BRIC nations, but now is the time that the great fortunes of the future are being made.

#### Russian economic downturn will disrupt the world economy

COOPER 2008 (William, Congressional Research Service Specialist in International Trade and Finance Foreign Affairs, Defense, and Trade Division, “Russia’s Economic Performance and Policies and Their Implications for the United States,” May 30, http://www.fas.org/sgp/crs/row/RL34512.pdf)

The greater importance of Russia’s economic policies and prospects to the United States lie in their indirect effect on the overall economic and political environment in which the United States and Russia operate. From this perspective, Russia’s continuing economic stability and growth can be considered positive for the United States. Because financial markets are interrelated, chaos in even some of the smaller economies can cause uncertainty throughout the rest of the world. Such was the case during Russia’s financial meltdown in 1998. Promotion of economic stability in Russia has been a basis for U.S. support for Russia’s membership in international economic organizations, including the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO). As a major oil producer and exporter, Russia influences world oil prices that affect U.S. consumers.

### Russia/China War Impact

#### Russian economic decline causes Russia-China war

TRENIN 2002 (Dmitri, Deputy Director of the Carnegie Endowment for International Peace, Former Russian Officer, After Eurasia, pp 308-309)

Usually, there is no shortage of dire predictions concerning Russia’s ultimate fate. In a characteristic exchange of views on the eve of the year 2000, a prominent Russian intellectual predicted Russia’s disintegration within 10 to 15 years. His European counterpart’s vision of Russia was that of Muscovy west of the Urals, with Siberia under Chinese control. The American scholar limited himself to the vision of a Sino-Russian war. If a doomsday scenario were to become a reality, this would be the result of a major economic catastrophe. If Russia became a loose confederation, its borderlands would gravitate in different directions, and governing Russia would require the art of managing these very different orientations. In other words, Russia would still join the world, but it would do so in less than one piece.

#### Extinction

SHARAVIN 2001 (Alexander, Director of the Institute for Military and Political Analysis, What the Papers Say, Oct 3)

Now, a few words about the third type of war. A real military threat to Russia from China has not merely been ignored; it has been denied by Russia's leaders and nearly all of the political forces. Let's see some statistic figures at first. The territory of Siberia and the Russian Far East comprises 12,765,900 square kilometers (75% of Russia's entire area), with a population of 40,553,900 people (28% of Russia's population). The territory of China is 9,597,000 square kilometers and its population is 1.265 billion (which is 29 times greater than the population of Siberia and the Russian Far East). China's economy is among the fastest-growing economies in the world. It remains socialistic in many aspects, i.e. extensive and highly expensive, demanding more and more natural resources. China's natural resources are rather limited, whereas the depths of Siberia and the Russian Far East are almost inexhaustible. Chinese propaganda has constantly been showing us skyscrapers in free trade zones in southeastern China. It should not be forgotten, however, that some 250 to 300 million people live there, i.e. at most a quarter of China's population. A billion Chinese people are still living in misery. For them, even the living standards of a backwater Russian town remain inaccessibly high. They have absolutely nothing to lose. There is every prerequisite for "the final throw to the north." The strength of the Chinese People's Liberation Army (CPLA) has been growing quicker than the Chinese economy. A decade ago the CPLA was equipped with inferior copies of Russian arms from late 1950s to the early 1960s. However, through its own efforts Russia has nearly managed to liquidate its most significant technological advantage. Thanks to our zeal, from antique MiG-21 fighters of the earliest modifications and S-75 air defense missile systems the Chinese antiaircraft defense forces have adopted Su-27 fighters and S-300 air defense missile systems. China's air defense forces have received Tor systems instead of anti-aircraft guns which could have been used during World War II. The shock air force of our "eastern brethren" will in the near future replace antique Tu-16 and Il-28 airplanes with Su-30 fighters, which are not yet available to the Russian Armed Forces! Russia may face the "wonderful" prospect of combating the Chinese army, which, if full mobilization is called, is comparable in size with Russia's entire population, which also has nuclear weapons (even tactical weapons become strategic if states have common borders) and would be absolutely insensitive to losses (even a loss of a few million of the servicemen would be acceptable for China). Such a war would be more horrible than the World War II. It would require from our state maximal tension, universal mobilization and complete accumulation of the army military hardware, up to the last tank or a plane, in a single direction (we would have to forget such "trifles" like Talebs and Basaev, but this does not guarantee success either). Massive nuclear strikes on basic military forces and cities of China would finally be the only way out, what would exhaust Russia's armament completely. We have not got another set of intercontinental ballistic missiles and submarine-based missiles, whereas the general forces would be extremely exhausted in the border combats. In the long run, even if the aggression would be stopped after the majority of the Chinese are killed, our country would be absolutely unprotected against the "Chechen" and the "Balkan" variants both, and even against the first frost of a possible nuclear winter.

### Laundry List Impact

#### Russian weakness causes nuclear war, prolif, disease, terrorism, CBW use, world economic collapse, and US intervention

OLIKER AND CHARLICK-PALEY 2002 (Olga and Tanya, RAND Corporation Project Air Force, “Assessing Russia’s Decline,” www.rand.org/pubs/monograph\_reports/MR1442/)

The preceding chapters have illustrated the ways in which Russia’s decline affects that country and may evolve into challenges and dangers that extend well beyond its borders. The political factors of decline may make Russia a less stable international actor and other factors may increase the risk of internal unrest. Together and separately, they increase the risk of conflict and the potential scope of other imaginable disasters. The trends of regionalization, particularly the disparate rates of economic growth among regions, combined with the politicization of regional economic and military interests, will be important to watch. The potential for locale, or possibly ethnicity, to serve as a rallying point for internal conflict is low at present, but these factors have the potential to feed into precisely the cycle of instability that political scientists have identified as making states in transition to democracy more likely to become involved in war. These factors also increase the potential for domestic turmoil, which further increases the risk of international conflict, for instance if Moscow seeks to united a divided nation and/or demonstrate globally that its waning power remains something to be reckoned with. Given Russia’s conventional weakness, an increased risk of conflict carries with it an increased risk of nuclear weapons use, and Russia’s demographic situation increases the potential for a major epidemic with possible implications for Europe and perhaps beyond. The dangers posed by Russia’s civilian and military nuclear weapons complex, aside from the threat of nuclear weapons use, create a real risk of proliferation of weapons or weapons materials to terrorist groups, as well as perpetuating an increasing risk of accident at one of Russia’s nuclear power plants or other facilities. These elements touch upon key security interests, thus raising serious concerns for the United States. A declining Russia increases the likelihood of conflict—internal or otherwise—and the general deterioration that Russia has in common with “failing” states raises serious questions about its capacity to respond to an emerging crisis. A crisis in large, populous, and nuclear-armed Russia can easily affect the interests of the United States and its allies. In response to such a scenario, the United States, whether alone or as part of a larger coalition, could be asked to send military forces to the area in and around Russia. This chapter will explore a handful of scenarios that could call for U.S. involvement. A wide range of crisis scenarios can be reasonably extrapolated from the trends implicit in Russia’s decline. A notional list includes: Authorized or unauthorized belligerent actions by Russia troops in trouble-prone Russian regions or in neighboring states could lead to armed conflict. Border clashes with China in the Russian Far East or between Russia and Ukraine, the Baltic states, Kazakhstan, or another neighbor could escalate into interstate combat. Nuclear-armed terrorists based in Russia or using weapons or materials diverted from Russian facilities could threaten Russia, Europe, Asia, or the United States. Civil war in Russia could involve fighting near storage sties for nuclear, chemical, or biological weapons and agents, risking large-scale contamination and humanitarian disaster. A nuclear accident at a power plant or facility could endanger life and health in Russia and neighboring states. A chemical accident at a plant or nuclear or nuclear-related facility could endanger life and health in Rusisa and neighboring states. Ethnic pogrom in south Russia could force refugees into Georgia, Azerbaijan, Armenia, and/or Ukraine. Economic and ethnic conflicts in Caucasus could erupt into armed clashes, which would endanger oil and gas pipelines in the region. A massive ecological disaster such as an earthquake, famine, or epidemic could spawn refugees and spread illness and death across borders. An increasingly criminalized Russian economy could create a safe haven for crime or even terrorist-linked groups. From this base, criminals, drug traders, and terrorists could threaten the people and economies of Europe, Asia, and the United States. Accelerated Russian weapons and technology sales or unauthorized diversion could foster the proliferation of weapons and weapon materials to rogue states and nonstate terrorist actors, increasing the risk of nuclear war.

### Democracy Impacts

#### Unrest could result in harsher crackdowns

Aleksashanko 12

(Sergei Aleksashenko, former deputy minister of finance of the Russian Federation and former deputy governor of the Russian central bank, is a scholar-in-residence in the Carnegie Moscow Center’s Economic Policy Program.)

<http://carnegieendowment.org/2012/06/07/russia-dust-has-not-yet-settled/b7u6>

The political environment in Russia is still unstable for a number of reasons: lingering public discontent, lack of progress on real reform, and potential divisions within the Russian establishment itself. Long after the public’s eruption over voter fraud in December’s parliamentary election, the protest mood in Russia has yet to die down. The most dramatic illustration of this is the protest that was organized in Moscow on May 6, the eve of Putin’s inauguration, attracting tens of thousands in the middle of a public holiday. Even as hundreds of protesters were arrested and detained, and many were injured, Putin’s spokesperson Dmitri Peskov supported a tougher crackdown. A bill just passed by the Duma that significantly increases fines for protesters who participate in a demonstration deemed to disturb public order or violate city rules will raise the stakes even higher. There has been little progress on reform. For example, a law was passed to reinstate direct elections for regional governors, but before it was enacted, more than twenty new governors were appointed. All gubernatorial candidates, except for those supported by United Russia, will face additional legal barriers, including the so-called “municipal filter” requiring them to obtain the support of 10 percent of the deputies on municipal councils, though in many regions, United Russia controls over 80 percent of the municipal council seats. A reform as self-defeating as this one will hardly appease the political opposition. Finally, Putin and Medvedev have traded places without a scuffle, but the switch could still be problematic. A key question is how the two leaders will divide their responsibilities. For the last four years, by law, the president was in charge of defense and security issues and foreign policy while the prime minister was responsible for social and economic development. This arrangement worked well, and it would appear logical to preserve it in the new government. But Putin would then have to relinquish control over the budget—a step that he is unlikely to take. In fact, Putin has already tried to overwrite the old division of labor on at least three occasions. First, his administration suggested transferring control of the Development Bank (Vnesheconombank)—and de facto control over a second budget, as the bank receives a huge capital injection from the government and manages pension savings as well as part of the National Welfare Fund, among other funds—from the prime minister’s to the president’s supervision. Second, he limited the scale of privatization and even declared the inevitability of a new wave of nationalization in the fuel and energy sector. And finally, a loyal supporter, former deputy prime minister Igor Sechin, was appointed CEO of Russia’s largest oil company, Rosneft, which would keep the enterprise outside government control and influence.

**Collapse of the Russian economy crushes democracy**

Sestanovich 11/25/2008 (Stephen, George F. Kennan senior fellow for Russian and Eurasian Studies, Russia and the Global Economic Crisis, p. http://www.cfr.org/publication/17844/)

Russians remember, after all, that 1998 was not only an economic calamity but a political crisis--perhaps the low moment of the entire presidency of Boris Yeltsin. It toppled the government, ended the political careers of key liberal policymakers, and actually brought Communists back into the cabinet. It offered a hearing to protectionist demands for Russia to insulate itself against the fluctuations of the international economy. It revived talk of the need to hew to Russia's collectivist traditions, rather than to alien Western ideas about markets and the primacy of the individual. In Russia's response to the crisis of 2008 there have been a few echoes of 1998, including a generous share of anti-Western rhetoric. President Dmitry Medvedev and others have repeatedly criticized the United States and called for a reduction in its global influence. There have also been hints of a further tightening of authoritarian rule. Many Russian commentators have interpreted Medvedev's proposal to lengthen the president's term of office as a sign that Prime Minister Vladimir Putin plans an early return to the Kremlin--perhaps to rule with heightened powers.

### Accidental War Impact

#### Even a moderate scenario for accidental launch would kill billions and cause global disease spread

FORROW ET AL 1998 (Lachlan Forrow, Bruce G Blair, Ira Helfand, George Lewis, et al, Author Affiliation: From the Division of Gencral Medicine and Primary Care, Beth Israel Deaconess Medical Center and Harvard Medical School, (L.F.); the Brookings Institution, Washington, D.C. (B.G.B.); Physicians for Social Responsibility, (I.H.); Massachusetts Institute of Technology, (G.L., TP); the Department of Epidemiology and Social Medicine, Montefiore Medical Center and Albert Einstein College of Medicine, (VS.); Barry S. Levy Associates and Tufts University School of Medicine, (B.S.L.); the Department of Radiology and the Center for International Security and Arms Control, Stanford University, (H.A.); and Mount Sinai School of Medicine; New England Journal of Medicine, April 30)

A missile launch activated by false warning is thus possible in both U.S. and Russian arsenals. For the reasons noted above, an accidental Russian launch is currently considered the greater risk. Several specific scenarios have been considered by the Ballistic Missile Defense Organization of the Department of Defense.31 We have chosen to analyze a scenario that falls in the middle range of the danger posed by an accidental attack: the launch against the United States of the weapons on board a single Russian Delta-IV ballistic-missile submarine, for two reasons. First, the safeguards against the unauthorized launch of Russian submarine-based missiles are weaker than those against either silo-based or mobile land-based rockets, because the Russian general staff cannot continuously monitor the status of the crew and missiles or use electronic links to override unauthorized launches by the crews. Second, the Delta-IV is and will remain the mainstay of the Russian strategic submarine fleet.27,32,33 Delta-IV submarines carry 16 missiles. Each missile is armed with four 100-kt warheads and has a range of 8300 km, which is sufficient to reach almost any part of the continental United States from typical launch stations in the Barents Sea.34,ss These missiles are believed to be aimed at "soft" targets, usually in or near American cities, whereas the more accurate silo-based missiles would attack U.S. military installations.36 Although a number of targeting strategies are possible for any particular Delta-IV, it is plausible that two of its missiles are assigned to attack war-supporting targets in each of eight U.S. urban areas. If 4 of the 16 missiles failed to reach their destinations because of malfunctions before or after the launch, then 12 missiles carrying a total of 48 warheads would reach their targets. POTENTIAL CONSEQUENCES OF A NUCLEAR ACCIDENT We assume that eight U.S. urban areas are hit: four with four warheads and four with eight warheads. We also assume that the targets have been selected according to standard military priorities: industrial, financial, and transportation sites and other components of the infrastructure that are essential for supporting or recovering from war. Since lowaltitude bursts are required to ensure the destruction of structures such as docks, concrete runways, steel-reinforced buildings, and underground facilities, most if not all detonations will cause substantial early fallout. Physical Effects Under our model, the numbers of immediate deaths are determined primarily by the area of the "superfires" that would result from a thermonuclear explosion over a city. Fires would ignite across the exposed area to roughly 10 or more calories of radiant heat per square centimeter, coalescing into a giant firestorm with hurricane-force winds and average air temperatures above the boiling point of water. Within this area, the combined effects of superheated wind, toxic smoke, and combustion gases would result in a death rate approaching 100 percent.3' For each 100-kt warhead, the radius of the circle of nearly 100 percent short-term lethality would be 4.3 km (2.7 miles), the range within which 10 cal per square centimeter is delivered to the earth's surface from the hot fireball under weather conditions in which the visibility is 8 km (5 miles), which is low for almost all weather conditions. We used Census CD to calculate the residential population within these areas according to 1990 U.S. Census data, adjusting for areas where circles from different warheads overlapped.38 In many urban areas, the daytime population, and therefore the casualties, would be much higher. Fallout The cloud of radioactive dust produced by lowaltitude bursts would be deposited as fallout downwind of the target area. The exact areas of fallout would not be predictable, because they would depend on wind direction and speed, but there would be large zones of potentially lethal radiation exposure. With average wind speeds of 24 to 48 km per hour (15 to 30 miles per hour), a 100-kt low-altitude detonation would result in a radiation zone 30 to 60 km (20 to 40 miles) long and 3 to 5 km (2 to 3 miles) wide in which exposed and unprotected persons would receive a lethal total dose of 600 rad within six hours.39 With radioactive contamination of food and water supplies, the breakdown of refrigeration and sanitation systems, radiation-induced immune suppression, and crowding in relief facilities, epidemics of infectious diseases would be likely.40 Deaths Table 1 shows the estimates of early deaths for each cluster of targets in or near the eight major urban areas, with a total of 6,838,000 initial deaths. Given the many indeterminate variables (e.g., the altitude of each warhead's detonation, the direction of the wind, the population density in the fallout zone, the effectiveness of evacuation procedures, and the availability of shelter and relief supplies), a reliable estimate of the total number of subsequent deaths from fallout and other sequelae of the attack is not possible. With 48 explosions probably resulting in thousands of square miles of lethal fallout around urban areas where there are thousands of persons per square mile, it is plausible that these secondary deaths would outnumber the immediate deaths caused by the firestorms. Medical Care in the Aftermath Earlier assessments have documented in detail the problems of caring for the injured survivors of a nuclear attack: the need for care would completely overwhelm the available health care resources.1-5,41 Most of the major medical centers in each urban area lie within the zone of total destruction. The number of patients with severe burns and other critical injuries would far exceed the available resources of all critical care facilities nationwide, including the country's 1708 beds in burn-care units (most of which are already occupied).42 The danger of intense radiation exposure would make it very difficult for emergency personnel even to enter the affected areas. The nearly complete destruction of local and regional transportation, communications, and energy networks would make it almost impossible to transport the severely injured to medical facilities outside the affected area. After the 1995 earthquake in Kobe, Japan, which resulted in a much lower number of casualties (6500 people died and 34,900 were injured) and which had few of the complicating factors that would accompany a nuclear attack, there were long delays before outside medical assistance arrived.41 FROM DANGER TO PREVENTION Public health professionals now recognize that many, if not most, injuries and deaths from violence and accidents result from a predictable series of events that are, at least in principle, preventable.44,45 The direct toll that would result from an accidental nuclear attack of the type described above would dwarf all prior accidents in history. Furthermore, such an attack, even if accidental, might prompt a retaliatory response resulting in an all-out nuclear exchange. The World Health Organization has estimated that this would result in billions of direct and indirect casualties worldwide.4

Accidental War Impact

#### Russian economic collapse causes accidental nuclear war

FORDEN 2001 (Geoffrey, senior research fellow at the Security Studies Program at MIT, Policy Analysis, May 3)

Because of that need, Russia’s continuing economic difficulties pose a clear and increasing danger to itself, the world at large, and the United States in particular. Russia no longer has the working fleet of early-warning satellites that reassured its leaders that they were not under attack during the most recent false alert—in 1995 when a scientific research rocket, launched from Norway was, for a short time, mistaken for a U.S. nuclear launch. With decaying satellites, the possibility exists that, if a false alert occurs again, Russia might launch its nuclear-tipped missiles.

#### This would kill billions of people

PR NEWSWIRE 4-29-98

An 'accidental' nuclear attack would create a public health disaster of an unprecedented scale, according to more than 70 articles and speeches on the subject, cited by the authors and written by leading nuclear war experts, public health officials, international peace organizations, and legislators. Furthermore, retired General Lee Butler, Commander from 1991-1994 of all U.S. Strategic Forces under former Chairman of the Joint Chiefs of Staff, General Colin Powell, has warned that from his experience in many "war games" it is plausible that such an attack could provoke a nuclear counterattack that could trigger full-scale nuclear war with billions of casualties worldwide.

### \*Exxon-Roseneft Scenario (US/Russian Relations)\*

#### High oil prices key to making the Exxon-Roseneft deal

RT Novista April 17, 2012. <http://rt.com/business/news/rosneft-exxon-deal-arctic-301/> hs

After the landmark deal, already dubbed by many “the deal of the century”, energy experts are unanimous in their estimates of potentially huge reserves the companies are getting access to, warning however that “the money is not yet on the table”. Rosneft and Exxon will provide details of their strategic deal in New-York on Wednesday, with Exxon CEO Rex Tillerson, Rosneft president Eduard Khudainatiov and Deputy Prime Minister Igor Sechin, the man in charge of energy sector, speaking to investment analysts. By tapping new deposits in the Arctic and East Siberia, Russia is going to sustain overall output to maintain its title as the world's top crude producer. Moreover the Arctic has significant potential as the main source of oil and gas in the future and Russia needs to open up this area in order to secure new sources of oil and gas as existing production base is going to decline over the next decade. Its traditional Western Siberia fields bring the bulk of Russia’s output, holding nearly 3/4 of Russia’s reserves. Keeping production levels at 10 million barrels of oil per day until 2020 is a key priority set out by Russia’s Prime Minister. And Vladimir Putin misses no opportunity to emphasize the tremendous importance of Russia’s energy resources, saying that “without reserves Russia will be in danger”. “Now the existing Russian sources of oil are either leveled off or facing a decline. The resources are likely to decline in 2 to 3 years and to sustain the current level of production will require a great deal of money and a lot of new exploration,” says Chris Weafer, chief strategist at Troika Tialog. “The Arctic is also the only place in the planet where a company like Exxon Mobil which is the largest listed oil firm in the world, can also get access to significant new reserves”. However the cost of developing the Arctic will be very high. Analysts estimate the exploration fare alone to be standing at several billion dollars, with the total cost of eventually bringing oil and gas to surface likely to rise up to $400 bln. “Working together makes a great deal of sense for Rosneft. The US giant has a lot of expertise in exploration in hostile parts of the world in deep water. And Rosneft needs to bring in more partners, including the government in terms of tax adjustments, making it more attractive to tap into Russian reserves”, says Weafer. However, Christine Tiscareno, oil and gas equity analyst with Standard and Poors, warns that success of the project depends on different factors, including demand for oil and its price. “Just because you know how to develop natural gas or oil in Canada or West Texas doesn’t mean that you can apply the exact same technology in the Arctic. That remains to be seen. One thing that can be said for sure is that it is good for Russia to have a chance to develop its reserves when consumption is on the increase”. It’s not yet clear what investment prospects the project is opening up for Exxon though since it’s hard to predict whether high global oil prices can be sustained if demand falls in a recession. And with uncertainty of investment prospects it looks reasonable for the Russian government to be promising to abolish export duties and reduce the mineral extraction tax to just 5 % for the next 15 years. Christine Tiscareno says Exxon’s interest in the country might diverge at certain point at the time when you have different demand. “The money is not yet on the table. We are now talking about potential development, with Exxon not probably being able to develop all of the deposits there. It depends on whether oil demand will be growing or on the contrary decreasing in the future. As for Russia it remains to be seen whether they will stick just to one partner, Exxon, for the whole project or whether they will diversify”.

#### High oil prices key to get Roseneft to agree to the deal.

Ponomareva 2012

(Yulia Ponomareva is a staff writer at the Moscow News. 4/16/12 http://themoscownews.com/business/20120416/189637032.html)hs

Uncertainty over global oil prices is raising uncomfortable questions for investors as they consider the prospects for Rosneft’s finalized megadeal with ExxonMobil to develop Russia’s Arctic shelf, due to be announced early this week. The deal, initiated in broad outline last August, will give the U.S. oil major access to part of Russia’s offshore fields in the Kara Sea. In return, Russia’s state-run Rosneft is expected to receive a share in three of Exxon’s unconventional hydrocarbon projects in western Texas, the Gulf of Mexico and the Canadian province of Alberta. Rosneft’s deal replaced a similar tie-up with British-American oil major BP, which went south after BP’s partners in TNK-BP scuppered that deal a year ago. Rosneft and Exxon will provide an update on their strategic deal in a presentation to investment analysts in New York on Wednesday. The speakers will include Exxon CEO Rex Tillerson, Rosneft president Eduard Khudainatov and Deputy Prime Minister Igor Sechin, who is Prime Minister and President-elect Vladimir Putin’s right-hand man in charge of the energy sector. It is not yet entirely clear what investment prospects the project is opening up for Exxon, mainly due to uncertainty that high global oil prices can be sustained if demand falls in a recession. “It may take two to three years to find out how profitable the project will be,” Ilya Balabanovsky, a senior oil and gas analyst with Renaissance Capital, told The Moscow News. Much will depend on the findings of geological surveys in the area, to be launched this summer, with drilling to begin no sooner than in 2014, Balabanovsky said. New tax regime The uncertainty of investment prospects may partly explain why the Russian government met the companies halfway over taxation promising to abolish export duties and reduce the mineral extraction tax to just 5 percent for the next 15 years, compared to 30 percent for the Baltic Sea projects, for instance. In addition to this, businesses will be exempted from VAT on imported technology that could not be sourced from Russian manufacturers. The profit tax will be 20 percent. “It’s necessary to give investors guarantees that if they do find something in the Arctic, it’ll be economically justified,” Balabanovsky said. The tax breaks were sanctioned by Putin at a meeting with Russian oil companies last Thursday. The development of Russia’s Arctic continental shelf is a major priority, now that companies are working depleted fields in Western Siberia and appear unlikely to maintain oil production at its current level of 10.2 million barrels a day. Russian offshore fields in the Arctic may hold more than onefifth of the world’s oil and gas resources, experts say. By October 1, the Finance Ministry is due to present new taxation regulations for offshore drilling, dividing all such projects into four categories depending on their complexity, availability of supporting infrastructure and the location of oil and gas fields. Less risky terms Alexander Kirevnin, an oil and gas analyst with VTB Capital, told The Moscow News that internal revenue return with the fields in the Kara Sea is expected to be from 16 percent to 22 percent. The updated terms of the project look less risky than previous alternatives, Kirevnin said. Deputy Finance Minister Sergei Shatalov was quoted by Interfax on Monday as saying that, should the oil price fall under $60, the government would have to further reduce tax rates for oil companies. The future average price of oil will certainly be a key factor for Rosneft’s and Exxon’s joint venture, analysts agreed. “It may turn out profitable at $120 per barrel and unprofitable at $80,” Renaissance’s Balabanovsky said.

Exxon-Roseneft Scenario (US/Russian Relations)\*

#### The deal is key to US/Russian relations.

Belton 2012

(Catherine Belton is a staff writer for the Financial Times. April 18, 2012. http://www.ft.com/intl/cms/s/0/8b0c869e-8977-11e1-85af-00144feab49a.html#axzz1yD6SGoDs) hs

ExxonMobil and Rosneft, the Russian state oil champion, unveiled a historic partnership on Wednesday that could invest more than $500bn over several decades in the development of vast offshore reserves in Russia’s Arctic and Black Seas. The deal will grant Exxon first mover access with Rosneft to develop three vast untapped fields in the Russian Arctic Kara Sea, with hydrocarbon reserves estimated at 85bn barrels of oil equivalent. In return, Rosneft will win a big boost to its bid to expand outside Russia and gain access to crucial western knowhow, winning 30 per cent minority stakes in three Exxon-led projects in North America. Both sides hailed the deal as helping cement better relations between Russia and the US. “The time has come in Russia-US relations for a step-up in the level of practical and real projects,” said Igor Sechin, the powerful Russian deputy prime minister in charge of the energy sector and the main architect of the deal as former Rosneft chairman. The huge investment needed to tap the vast reserves provides “enormous potential for US-Russia co-operation, which ought to help us overcome our over-politicised relationship”, he said. “Experts say that this project, in terms of its ambitions, exceeds sending man into outer space or flying to the moon.” The deal marks a big turnround for Exxon after its bid to buy a stake in Mikhail Khodorkovsky’s Yukos oil major ended in disaster. Yukos was dismantled and mostly taken over by Rosneft, while Mr Khodorkovsky was jailed over tax fraud charges in a politically charged case.

### US/Russia War Outweighs

**DA outweighs –**

**It’s the only existential threat**

**Bostrum**, March **2002** (Nick – prof of philosophy at Oxford University and recipient of the Gannon Award, Existential Risks, Journal of Evolution and Technology, p. <http://www.nickbostrom.com/existential/risks.html>)

A much greater existential risk emerged with the build-up of nuclear arsenals in the US and the USSR. An all-out nuclear war was a possibility with both a substantial probability and with consequences that might have been persistent enough to qualify as global and terminal. There was a real worry among those best acquainted with the information available at the time that a nuclear Armageddon would occur and that it might annihilate our species or permanently destroy human civilization.[4] Russia and the US retain large nuclear arsenals that could be used in a future confrontation, either accidentally or deliberately. There is also a risk that other states may one day build up large nuclear arsenals. Note however that a smaller nuclear exchange, between India and Pakistan for instance, is not an existential risk, since it would not destroy or thwart humankind’s potential permanently. Such a war might however be a local terminal risk for the cities most likely to be targeted. Unfortunately, we shall see that nuclear Armageddon and comet or asteroid strikes are mere preludes to the existential risks that we will encounter in the 21st century.

**1% risk means you vote neg**

**Bostrum 2005** (Nick – prof of philosophy at Oxford University and recipient of the Gannon Award, Transcribed by Packer, 4:38-6:12, p. http://www.ted.com/index.php/talks/view/id/44, accessed 10/20/07)

Now if we think about what just reducing the probability of human extinction by just one percentage point. Not very much. So that’s equivalent to 60 million lives saved, if we just count currently living people. The current generation. One percent of six billion people is equivalent to 60 million. So that’s a large number. If we were to take into account future generations that will never come into existence if we blow ourselves up then the figure becomes astronomical. If we could you know eventually colonize a chunk of the universe the virgo supercluster maybe it will take us a hundred million years to get there but if we go extinct we never will. Then even a one percentage point reduction in the extinction risk could be equivalent to this astronomical number 10 to the power of 32 so if you take into account future generations as much as our own every other moral imperative or philanthropic cause just becomes irrelevant. The only thing you should focus on would be to reduce existential risk, because even the tiniest decrease in existential risk would just overwhelm any other benefit you could hope to achieve. Even if you just look at the current people and ignore the potential that would be lost if we went extinct it should still be a high priority.

### Relations turn Deterrence

#### U.S.-Russian relations are key to American nuclear deterrence of other powers

LEVGOLD 2003(Robert, National Interest, Winter 02/03)

Additionally, without a great deal of imagination one can conjure renewed trouble over strategic military developments. This is and will remain a nuclear world. While U.S. attention is rightly focused these days on preventing outlaw states and groups from arming themselves with nuclear and other weapons of mass destruction, ultimately the nuclear superstructure will be determined by the major nuclear powers. Currently, U.S. preponderance has permitted the United States to dictate the shape of the U.S.-Russian nuclear relationship, and Putin has prudently bowed to an outcome he cannot prevent. In the process, he and parts of the Russian security establishment are coming to accept the possibility of working with the United States and its nato allies on the future role of missile defense. But these are opening gambits in an ongoing process, leading in unknown directions-probably into space and the uncertainties that competition there will bring, and to a set of Chinese responses that will further complicate the Indo-Pakistani nuclear nexus and perhaps draw Japan across the nuclear threshold. The United States may for some time enjoy technological leads, permitting it by means of its own choosing to cope with the threats that lie ahead. In the modern era, however, history has been hard on states that assumed they could unilaterally impose a security order of their own devising and make it last. If, on the other hand, Russia is America's ally and not merely a reluctantly compliant foil, the United States would have much more leverage in designing a nuclear regime drained of competitive pressures among established nuclear powers, and thus more capable of circumscribing the behavior of new and would-be nuclear states.

### Relations turns China

#### US-Russian cooperation is key to peace with China

LEVGOLD 2003(Robert, National Interest, Winter 02/03)

Not only are the United States and Russia directly but separately implicated in the stability of this region, but China is as well. This raises the third aspect of a U.S.-Russian alliance to enhance Eurasian stability. China will be a decisive actor in Inner Asia, not the least because it forms an integral part of the region. Unfortunately, China enters through its underdeveloped northwest territories, including Xinjiang-precisely where it feels most vulnerable. In part because of this sense of vulnerability, and in part because of the general state of Sino-American relations, China has not welcomed the arrival of American military power in Central Asia. On the contrary, while excusing a temporary deployment in the context of a war that it supports, China's leadership has opposed an extended U.S. presence there as an element of a hostile encirclement stratagem. Russia and the United States have good reason to act jointly, not only to enhance their common stake in regional stability, but to draw China into a constructive dialogue over the role all three will play in Central Asia. Russia, with the Shanghai Cooperation Organization, is already engaged in such an effort. Talking to the Russians about U.S. military activities in Central Asia (and Georgia) builds mutual confidence by promoting transparency, but it is not so far-fetched to imagine a far more ambitious trilateral dialogue among Russia, China, and the United States. Much as the United States and its European allies share assessments of threats at the edges of Europe, plan for coordinated action, and struggle to create the necessary machinery to carry it out, so can and should Russia and the United States do the same in Eurasia with Chinese participation when appropriate.

### Relations turns Nuke Terror

#### US-Russian relations solve nuclear terrorism

COHEN 2001(Stephen, Prof of Russian Studies at NYU, PITTSBURGH POST-GAZETTE 11-11-2001)

President Bush's meetings with Russian President Vladimir Putin next week, in Washington and Texas, give the United States a second historic chance, after the squandered opportunity of the 1990s, to establish a truly cooperative relationship with post-communist Russia. Such a relationship is essential for coping with today's real security dangers, which exceed those of the Cold War and make the United States so vulnerable that even it can no longer meaningfully be considered a "superpower." Indeed, both the decay of Moscow's systems of nuclear control and maintenance since 1992 and the "low-tech, high-concept" attacks on America on Sept. 11 may be omens of an unprecedented dark age of international security. None of its dangers can be dealt with effectively without Russia, the world's only other fully nuclearized country and its largest crossroad of civilizations.

### Relations turns Warming

#### Relations solve warming - Russia is the world's leader

Graham 9 [Thomas - foreign service officer on academic leave with RAND in Moscow from 1997 to 1998. He previously had several assignments in the U.S. Embassy in Moscow, including head of the Political/Internal Unit and acting political counselor. Between tours in Moscow, he worked on Russian/Soviet affairs as a member of the policy planning staff of the State Department and as a policy assistant in the Office of the Under Secretary of Defense for Policy. Mr. Graham has a Ph.D. in political science from Harvard University and a B.A. in Russian studies from Yale University. "Resurgent Russia and U.S. Purposes" The Century Foundation <http://tcf.org/events/pdfs/ev257/Graham.pdf>]

Providing sufficient energy for powering the global economy at affordable prices and in an environmentally friendly way is critical to long-term American prosperity. Fossil fuels, barring a major technological breakthrough, will remain the chief source of energy for decades to come. Much needs to be done in locating and bringing online new fields, ensuring reliable means of delivery to consumers, protecting infrastructure from attack or sabotage, and reducing the temptation to manipulate energy supplies for political purposes. Nuclear energy is enjoying a renaissance, but that raises proliferation concerns. Intensive scientific work will be necessary to develop new sources of energy for commercial use and to deal with climate change. • As the world’s largest producer of hydrocarbons, a leader in providing civil nuclear energy, and a major energy consumer itself, Russia is indispensable to guaranteeing energy security and dealing with climate change. As one of the world’s leading scientific powers, Russia has an important role to play in developing new sources of energy, using traditional fuels more efficiently, and managing climate change.

### \*Chechnya Scenario\*

#### Russian economic failure from oil causes “wag the dog” war against Chechnya

Digges 6/12/12

http://www.bellona.org/articles/articles\_2012/opposition\_raids\_ahead\_of\_protest

Charles Digges holds a Bachelor’s and Master’s degree from Harvard University in Russian literature. As a former editor of the St. Petersburg Times and The Moscow Times

According to Bellona’s Nikitin, Putin has two options to deal with the opposition – either divert public attention with escalating tensions in Syria, Iran or Israel, in all of which Russia has a state, or provoke extremism in Russia with trumped up terrorism and clashes with police. Both, noted Nikitin are tactics that Putin used when he first came to office in 2000, provoking a renewed, bloody conflict with the break away republic of Chechnya, which stoked extremist hatred for Chechen nationals across Russia. One worry for Putin, said Nikitin, is Russia’s economy – especially if oil demand decreases or the rouble continues to wobble on a downward spiral. “If Russia’s economy begins to fail, the only option [Putin] will have is holding onto power by any means necessary,” said Nikitin. “The worst case scenario would be bloodshed in Russia ­– the scenario of provoking extremism will very possibly lead to that,” he said.

### \*Russian Power Scenario \*

#### High oil prices is key to all aspects of Russian power

Petersen and Barysch 2011

(Alexandros Petersen is an energy security advisor to the Woodrow Wilson Centre in Washington DC. Katinka Barysch is deputy director of the Centre for European Reform. November 2011. http://carnegie-mec.org/publications/?fa=47408)hs

Energy has come to symbolize the geopolitics of the 21st century, reflecting countries’ diminishing reliance on military and political power. Today, energy is an instrument of geopolitical competition, like nuclear weapons or large armies were during the Cold War. The means of international influence have become more diverse and sophisticated, but the goals remain much the same: national security, power projection, and control over resources and territory. In different ways energy is fundamental to the rise of Russia and China as great powers. For Russia, possession of vast oil and gas resources fulfils a function similar to its nuclear weapons in the Soviet era. The post-1999 boom in world oil prices has underpinned Russia’s re-emergence as a great power. The combination of the country’s abundant energy reserves and fast-growing world demand for such resources has given Russia the opportunity to play a more influential role in global politics. When Kremlin officials speak of Russia being an “energy superpower,” they are really saying that it is back as a global, multi-dimensional power. Energy is seen not simply as an instrument of influence in itself, but as underpinning other forms of power: military, political, economic, technological, cultural and soft power.

#### Increasing Russian influence gives Russia bargaining chips to keep the US out of Central Asia

BOURTMAN 2006(Ilya, expert on Russia and has worked with the American Enterprise Institute, the Begin-Sadat Center for Strategic Studies, and the Foundation for the Defense of Democracies, MERIA, June, http://meria.idc.ac.il/journal/2006/issue2/jv10no2a1.html)

Given the new international context and the lingering personal interests within his government, Putin has had the unenviable task of steering his country's Middle East policy. While he has relied on Israel to diversify Russian economic interests and train Russia's beleaguered security apparatus, he has also used the high visibility of the Israeli-Palestinian conflict to position himself in the eyes of the international community as a key actor in the peace process. All along, Putin has tried to market Russia as an independent, unbiased party with a large role to play in solving the Israeli-Palestinian conflict. Due to the uncertainty about what Russia's future policies will be towards Israel and the rest of the Middle East, there are few high probabilities. Yet one thing is certain. Given that Russia will take its turn as President of the G-8 this year, and that the meeting with be held in St. Petersburg, Putin will feel pressure to project Russian power. For Israel, this will mean more of Russia's involvement in Israeli-Palestinian affairs as Putin tries to counterweigh the negative portrayal of his country as a leading weapons and energy supplier. Putin will also continue to sit on the proverbial two chairs. For a country whose prestige and power have declined precipitously in the last two decades, Putin has done an effective job of leveraging competing interests in one of the world's most volatile regions. The ambiguity of his two track policy causes confusion and difficulties for some of Moscow's allies in the region, but from Russia's perspective, Putin has succeeded in gaining an economic foothold, developing neutral or warm ties with all the states therein, and maintaining Russia's seat at the adults' table. A final goal of Putin's may be to use Russia's increasing influence in the Middle East as a bargaining chip with the United States. It is possible that Russia is cozying up to governments and organizations with questionable objectives in the Middle East, so as to later trade a pledge of "non-interference" with the United States--by pledging to keep out of the Middle East, Russia could demand that the U.S. keep out of the Caucasus and Central Asia.

Russian Power Scenario

#### Nuke war

ELAND 2008 [Ivan, Nov, Sr. Fellow, Independent Inst., former Defense Analyst for Congressional Budget Office, The Independent Institute, http://www.independent.org/newsroom/article.asp?id=2363]

But the bear is now coming out of a long hibernation a bit rejuvenated. Using increased petroleum revenues from the oil price spike, the Russians will hike defense spending 26 percent next year to about $50 billion—the highest level since the collapse of the Soviet Union. Yet as the oil price declines from this historic high, Russia will have fewer revenues to increase defense spending and rebuild its military. Even the $50 billion a year has to be put in perspective. The United States is spending about $700 billion per year on defense and starting from a much higher plain of capability. After the collapse of the Soviet Union, the Russian military fell apart and was equivalent to that of a developing country. Even the traditionally hawkish U.S. military and defense leaders and analysts are not worried about Russia’s plans to buy modern arms, improve military living standards to attract better senior enlisted personnel, enhance training, and cut back the size of the bloated forces and officer corps. For example, Eugene B. Rumer of the U.S. National Defense University was quoted in the *Washington Post* as saying that Russian actions are “not a sign, really, of the Russian military being reborn, but more of a Russia being able to flex what relatively little muscle it has on the global scale, and to show that it actually matters.”[[1]](http://www.independent.org/newsroom/article.asp?id=2363#_ftn1#_ftn1)In addition, the Russian military is very corrupt—with an estimated 40 percent of the money for some weapons and pay for personnel being stolen or wasted. This makes the amount of real defense spending far below the nominal $50 billion per year. U.S. analysts say, however, that increased military spending would allow Russia to have more influence over nations in its near abroad and Eastern Europe. Of course, throughout history, small countries living in the shadow of larger powers have had to make political, diplomatic, and economic adjustments to suit the larger power. Increased Russian influence in this sphere, however, should not necessarily threaten the security of the faraway United States. It does only because the United States has defined its security as requiring intrusions into Russia’s traditional sphere of influence. By expanding NATO into Eastern Europe and the former Soviet Union, the United States has guaranteed the security of these allied countries against a nuclear-armed power, in the worst case, by sacrificing its cities in a nuclear war. Providing this kind of guarantee for these non-strategic countries is not in the U.S. vital interest. Denying Russia the sphere of influence in nearby areas traditionally enjoyed by great powers (for example, the U.S. uses the Monroe Doctrine to police the Western Hemisphere) will only lead to unnecessary U.S.-Russian tension and possibly even cataclysmic war.

### \*Syria Scenario\*

Syria Internal Link

#### Economic underconfidence forces Putin to side with Assad

Vardi 6/4/12

Forbes staff http://www.forbes.com/sites/nathanvardi/2012/06/04/the-market-is-signaling-the-end-of-vladimir-putin/

Putin’s weakness can also be seen in his position on Syria, which has included opposing sanctions and emphasizing rebel violence. A more secure Putin would feel more able to confront Bashar al-Assad, but Putin today clearly doesn’t want to show anything that looks like weakness.

#### Russian crisis increases tendency to intransigence on Syria

Miller 6/14/12

http://americansecurityproject.org/blog/2012/a-russian-reset-again/

Zachary S. Miller zacharymiller Policy Analyst and Research Intern Expertise National Security Strategy, Defense Policy, Military Technology, East Asia , American security project

The domestic situation in Russia has continued to deteriorate in recent weeks as thousands of protesters, resilient as ever, have taken to the streets in Moscow to protest Putin’s government. Economic decline and a decrease in oil prices have also contributed to a mounting frustration, and so far the Kremlin’s response has varied. Police raids, increased fines for protest activity, and the seizure of computers have categorized some responses by authorities. The Kremlin has remained relatively silent, however, on the protests. Some experts have argued that the lack of dialogue will likely only increase the likelihood of a prolonged conflict, and has exacerbated tensions between Putin and the protestors. The result of the turbulence in Moscow may be contributing to an insecure Putin government, and has directed his focus towards foreign policy. Despite his rather precarious domestic political situation, Putin has been traveling a great deal to confront a variety of global issues that the international community has pressed for Russian cooperation. Last week, Putin visited Beijing in an attempt to posture for a new strategic partnership with China, and has recently been visiting foreign leaders to develop a compromise on Iranian nuclear proliferation and the brutal conflict in Syria. Recent news has focused on Secretary Clinton’s remarks regarding the possibility of Russia engaging in a proxy war by providing military attack helicopters to Syria. This assertion remains questionable and has been unconfirmed by the Department of Defense. As the acute crisis in Syria continues to grow and reports of the violence are as terrible as ever, the focus remains on Syria. Provocative rhetoric, however, is unlikely to produce cooperation from Putin and only further entrenches his Administration. Russia, as the primary military supplier of Assad, may not actually desire a proxy war. What remains clear is that Russia still wishes to be a relevant actor in international affairs, retain a toehold in the Mediterranean, and assert influence where NATO has shown leadership for over a decade. Putin’s original popularity was partially on the basis of Russia’s soaring economic growth and its return as a global power, and he may be attempting to restore this popularity through foreign policy achievements.

### U Syria IL U

#### Russia becoming less instransigent on Syria

Gold 7/9/12

CNN political analyst http://amanpour.blogs.cnn.com/2012/07/09/russia-analyst-russia-wouldnt-resist-intervention-in-syria/

The violence in Syria continues unabated and with it the international outrage and calls for President Bashar Assad to step down. So far, Russia, Syria’s chief ally along with China, has stood by the Assad regime. But that could be changing. In a startlingly frank interview Monday on Amanpour, Dimitri Simes, the Russian-born President of the Center for the National Interest, a Washington-based think tank with close connections to the Russian government and Russian foreign policy experts, responded to this question from Christiane Amanpour: “Do you mean if the U.S. decided to gather its own coalition and do for instance what it did in Kosovo, do an end run around Russia, that Russia would not resist?” “Since you asked,” said Simes, “We recently heard a top level Russian delegation….It included Russian officials being there in an official capacity…and this question was raised, and the answer was very clear: Russia would not welcome such an intervention, Russia would not approve such an intervention.” Then, came the bombshell: “It would not resist such an intervention, and this intervention would not become a major issue in the U.S.-Russian relationship.” Responded Ms. Amanpour: “Well, that’s a bit of a green light in my book.”

### \*\*\*AFF ANSWERS\*\*\*

### \*Generic AFF Answers\*

### China kt Prices

China is the new swing consumer and determines global oil prices

Herberg and Zweig 10 (Mikkal, BP Foundation Senior Research Fellow for International Energy at the Pacific Council on International Policy and David, Chair Professor, Division of Social Science, Hong Kong University of Science and Technology, and Director of the Center on China’s Transnational Relations, April 2010, “CHINA’S “ENERGY RISE”, THE U.S., AND THE NEW GEOPOLITICS OF ENERGY,” http://www.pacificcouncil.org/document.doc?id=159)

As China’s energy rise mirrors its broader strategic rise, it poses similar challenges for the United States (U.S.) and the established Western-dominated energy markets and institutions. China will be crucial in three central energy arenas. The first revolves around its burgeoning impact on global oil demand and prices, as well as on oil market governance. China has replaced the U.S. as the growth engine for global oil demand with some now calling China the new oil “swing consumer.” Beijing’s future decisions about oil use and efficiency are now deeply consequential for world oil prices and the energy security of the U.S. and other major oil importers. China’s domestic oil agenda is no longer merely an internal affair – decisions made in Beijing have profound global energy security implications. China’s growing impact is vital for the future of global energy governance; will China seek to build its future energy security on markets or mercantilism? Will China support the West’s efforts to maintain open global oil markets and boost investment and access to global oil supplies through participation in the existing institutions of multilateral oil governance? Or will Beijing continue along its current path of seeking privileged access to oil supplies through close collaboration with its national oil companies (NOCs), bilateral energy and financial diplomacy, and a highly political approach to securing oil supplies? Beijing’s choices could powerfully reshape the flexible, competitive open oil market structures and institutional arrangements of the world energy system that evolved in the wake of the 1970’s oil shocks.

Asia will sustain demand and render US influence on prices insignificant

Herberg 9 (Mikkal, BP Foundation Senior Research Fellow for International Energy at the Pacific Council on International Policy, as part of the national bureau of asian research nbr conference report, October 2009, “The New Energy Silk Road: Implications for the United States,” http://www.scribd.com/doc/68545544/The-New-Energy-Silk-Road-The-Growing-Asia-Middle-East-Energy-Nexus)

But as Asia’s dependence on Gulf energy inexorably grows over the next decade and the Gulf states increasingly see their energy market and investment future growing in Asia, it seems likely that this “new silk road” is sowing the seeds of significant change in the underlying terrain on which the United States has been operating for the past 40 years. The implications span both the global energy markets and the future of regional and global geopolitics. For energy markets, while the Gulf has been and will remain the “swing producer” for world oil supplies; developing Asia, and especially China, have now become the global “swing consumer,” replacing the United States in this role. This is fundamentally changing the outlook for global energy investment, resource access, oil prices, and the role of national oil companies (NOC), particularly in an era likely to be characterized by much higher energy prices and intense competition to access supplies. In particular, China’s enormous and fast-growing demand for oil and petrochemicals and its burgeoning investment capacity, combined with the growing competitiveness and capabilities of the Chinese NOCs and oil services industry, suggest that China’s future energy investment role and impact in the Gulf will far outweigh any role in the past played by Japan or Korea. Chinese as well as Indian NOCs are likely to be far more successful and competitive than Japan’s NOCs and more ambitious in scale than Korean energy companies. This converges closely with the Gulf’s, particularly Saudi Arabia’s, long-term vision of transforming into a global energy and petrochemical superpower—a new stage of Saudi ambition and growth strategy in which China and India are key huge growth markets. The energy convergence between these states and the Gulf seems therefore destined to grow enormously in scale and scope, which suggests that both China and India are likely to focus progressively more assertively on their vital interests in the Gulf. At the same time, the energy security policies of China and India are not nearly as aligned with the United States as are those of Japan and Korea. Particularly in the case of China, it seems unlikely that Beijing will be content to follow Washington’s strategic lead in the Gulf in ten to twenty years, given the sharp policy differences that exist over Iran, U.S. dominance in Iraq, competitive energy diplomacy and markets, and overall Middle East policy.

### Link Non-U

Chinese decreases in consumption should have triggered the link

Atuanya 12 (Dennis U., Oil and energy analyst. Consultant geologist and geophysicist with about 3 decades of activity in the energy sector (from exploration and production through downstream and marketing services to geopolitical and policy issues). B.Sc. Hons (Geology), M.Sc. (Geophysics), April 24, “ Global Crude Oil Prices: Why Volatility Is Likely To Endure,” http://seekingalpha.com/article/522941-global-crude-oil-prices-why-volatility-is-likely-to-endure)

In the United States, the world's top oil consumer, Department of Energy data show that crude oil stocks have been on an upward trend (and for the week of 13 April 2012 stood at a 35-week high) while consumption has been declining. Even in China, a major driver-country for global oil demand, Financial Times reports that consumption for December rose by only about 1% year-on-year, compared with the year-ago level of about 10%. The country's demand growth for diesel for example has slowed and is projected to remain weak through 2Q as its construction, transportation and manufacturing industries pull back a bit. In addition, recent increases in official diesel prices have not helped demand. The Center for Global Energy Studies, CGES, has reported an increase in the country's February 2012 oil imports to 5.9 million bpd, from 5.3 million bpd for year-ago levels; however such increase may well reflect a strategic inventory build-up in the light of declining supply from troubled and sanctions-buffeted Iran.

### Uniqueness o/w Link

Supply is key to prices and developing countries will keep demand up

Johnson 11 (Toni, senior editor/staff writer for the Council on Foreign Relations, May 6, “Oil Market Volatility,” http://www.cfr.org/energy/oil-market-volatility/p15017)

Supply and demand remain among the most influential components of oil-market behavior. Unlike in most other markets, though, drastic changes in oil price do not necessarily kindle changes in demand. "Prices can fall a long way without stimulating demand," says Tim Evans, an energy analyst at Citigroup. While lessening demand does have an impact on price, the continuing increase in oil consumption by developing countries coupled with steady high demand from the United States mean that demand is not likely to ease in the near future, analysts say. Supply issues, on the other hand, can have considerable impact on oil prices. Geopolitical events that threaten oil supplies, such as troubles between Venezuela and the United States or Turkey and Kurdish Iraq, can spook investors and lead to price volatility. Concerns that a major supply disruption could result from ongoing unrest in the Middle East in early 2011 drove up prices within a few weeks and led to estimates that oil could reach above $200 per barrel (CNBC) within the year. "Two factors determine the price of a barrel of oil: the fundamental laws of supply and demand, and naked fear," the Economist wrote in March 2011.

Rising competitors drive global oil prices and maintain demand

Gold 12 (Russell, staff writer for The Wall Street Journal, April 28, “Drivers Cut Back on $4 Gas,” http://online.wsj.com/article/SB10001424052748703367004576289292254881456.html)

After weeks of paying steadily more for a tank of gasoline, American drivers are beginning to ease up on the gas pedal, but in today's global economy, that might not be enough to lower crude-oil prices and give a lift to U.S. growth. The U.S. Energy Department on Wednesday reported a 1.6% decline in a closely watched gauge of gasoline consumption, compared with a year ago. In the past, when U.S. drivers cut back, that has dented global demand for oil and depressed prices. After a lag, the lower prices would help the economy regain its footing—or at least remove a substantial headwind. But many oil experts believe that scenario won't play out this time, because U.S. drivers are no longer calling the shots. The rapidly industrializing economies of China, India, Brazil and even Saudi Arabia are. A possible result: an extended period of sluggish U.S. growth amid high oil prices. "It's a new world," said oil economist James D. Hamilton, a professor at the University of California, San Diego. "The growth in newly industrialized countries is the key factor driving oil prices." As U.S. prices for regular gasoline hit $3.88 this week, their highest level since 2008, the Energy Department's report showed that the four-week average of gasoline produced by refineries was 9.1 million barrels a day, down 1.6% from a year earlier. It was the fifth-straight week of declining usage in this closely watched barometer of gasoline consumption. Oil prices, however, ticked up 55 cents to $112.76 a barrel in Wednesday trading on the New York Mercantile Exchange.

### Speculation Does Not Cause Volatility

Speculation and futures markets do not raise prices – policymakers mistake trends for truth

Kilian 12 (Lutz, Professor of Economics at the University of Michigan, received his Ph.D. in Economics from the University of Pennsylvania in 1996, April 21, 2012, “Speculation in oil markets? What have we learned?,” <http://www.voxeu.org/article/speculation-oil-markets-what-have-we-learned>)

A popular view is that the unprecedented surge in the spot price of oil during 2003–08 cannot be explained by changes in economic fundamentals, but was driven by the increased financialisation of oil futures markets.1 It is well documented that, starting in 2003, there was an influx of financial investors such as index funds into oil futures markets. At about the same time, both spot and futures prices of crude oil began to surge, soon reaching unprecedented levels and peaking at a record high in mid-2008. A popular view among pundits and policymakers is that this sustained oil price increase was facilitated by the financialisation of oil futures markets. Non-academics such as Michael Masters and George Soros testified before the US Congress that financial investors were taking speculative positions that resulted in rising oil futures prices, which in turn were responsible for a surge in the spot price of oil. The accuracy of this view is not obvious at all and much of the academic debate centres on the evidence, if any, supporting this hypothesis. One reason that the Masters hypothesis has received a lot of attention among policymakers is that it seems to provide an obvious remedy to the problem of rising oil prices. To the extent that financial speculation is the cause of the problem of rising oil prices, policies aimed at controlling trades in oil futures markets can be expected to prevent increases in the price of oil. This interpretation has informed recent policy efforts to regulate oil futures markets as part of a larger effort by the G20 governments to impose more control on financial markets. While these policy reactions are perhaps understandable within the broader context of the global housing and banking crisis, they are not based on solid evidence.

Speculations doesn’t cause volatility – academic consensus and studies prove

Kilian 12 (Lutz, Professor of Economics at the University of Michigan, received his Ph.D. in Economics from the University of Pennsylvania in 1996, April 21, 2012, “Speculation in oil markets? What have we learned?,” <http://www.voxeu.org/article/speculation-oil-markets-what-have-we-learned>)

To conclude, one of the problems in this literature – and, more importantly, in the public debate about speculation – is that it is rarely clear how speculation is defined and why it is considered harmful to the economy. For example, the aim of recent regulatory changes in oil futures markets is to reduce price volatility, when increased oil price volatility was never the problem, but the persistent increases in the price of oil after 2003. Moreover, the literature has shown that the presence of index funds has, if anything, been associated with reduced price volatility. This view is also supported by historical analyses on the relationship between futures markets and price volatility. It is sometimes suggested that academics have failed to adequately address the issue of speculation in oil markets and that more research is needed to establish what seems obvious to many policymakers. This is not the case. Rather, extensive research has produced a near-consensus among academic experts that speculation has not been a key driver of recent oil price fluctuations. This finding has important implication for on-going policy efforts to regulate oil futures markets.

### AT Backstopping

Saudi Arabia is running out of its reserve oil – means no backstopping

Krane 12 (Jim, author of "City of Gold: Dubai and the Dream of Capitalism" (St. Martin's Press, 2009). He researches Gulf energy policy at Cambridge University's Judge Business School, April 5, “The End of the Saudi Oil Reserve Margin,” http://search.proquest.com/docview/964027944)

But the old playbook may have to be torn up. This time Saudi Arabia is struggling to assume its usual role as the oil market's swing supplier. This can be seen in current market tightness and in U.S. gasoline prices, which are edging toward $4, a dangerous prospect at election time. The Obama administration's sanctions plan acknowledges Saudi weakness. Rather than try to impose a blanket ban, it has introduced piecemeal measures, such as encouraging China and South Korea to demand discounts for continued imports of Iranian crude. For the first time, Saudi Arabia's vaunted spare capacity appears insufficient to cover the loss of a major exporter. When revolution last year took Libya's 1.5 million barrels a day off the market, the Saudis and other producers were able to fill the gap. A slack oil market helped. But Iran has been exporting roughly 2.2 million barrels a day. And now something else is afoot. Saudi Arabia isn't the same depopulated petro-state that the West found itself so dependent on in the 1970s. The kingdom and its oil-rich neighbors have seen their populations and industrial bases swell. They have become huge consumers of their own energy. The ruling sheikhs have cemented themselves in power by erecting energy-driven welfare states which provide some of the world's cheapest electricity, natural gas and gasoline. With domestic electricity demand rising 10% per year in Saudi Arabia, the kingdom now devours more than a quarter of its oil production -- nearly three million barrels per day. International Energy Agency figures show that Saudi Arabia now consumes more oil than Germany, an industrialized country with triple the population and an economy nearly five times as large. In the medium-term, Saudi Arabia is in danger of losing its all-important "reserve margin" of oil production that so often calms market volatility. Loss of this spare capacity would remove a crucial safety mechanism from the global economy, to say nothing of tying America's hands when it comes to future moves against oil states. Longer-term, the kingdom's very exports are at risk. A projection by Jadwa Investment of Riyadh shows that, at current rates of consumption growth, the Saudi reserve margin will dwindle until it disappears sometime before 2020. At that point, the Saudis would begin diverting oil destined for export into the domestic market.

### Geopolitics Key To Price Fluctuations

Geopolitical problems determine oil price fluctuations – Saudi Arabia is key

Kadri 12 (Ali, Senior Scholar at the Middle East Institute, National University of Singapore, April 15, 2012, “VOLATILE OIL PRICES: The Geopolitics of Speculation: Oil-price makers and takers,” http://www.globalresearch.ca/index.php?context=va&aid=30314)

Crude oil prices exhibit high variability. More recently, the OPEC Reference Basket Price reached U$140 per barrel in July 2008, it declined to US$35 by the end of that year, and now prices are over the US$ 100 once more. Financial speculation, mainly the buying of crude oil futures, was behind the 2008 price surge and the present hike is driven by speculation around a very geopolitically charged future. It is worth noting that the much talked about geological considerations relating to oil-finiteness are not responsible for the oil price rises of either 1973 or 2004. Oil reserves matter in the long run; current oil prices have not been determined by beliefs that pertain to the long run. These geological considerations have an impact only on the forward looking or long-term price. But geopolitical problems unnerve the market instantaneously and are becoming portentous by the minute. Problems in the Gulf, past and present, have gained the semblance of permanence and, with talks of an inevitable attack on Iran, they are rising in intensity. The foremost short-term concern influencing oil-price relates to a sudden disruption of supply and a higher risk of a diminution in the cushion provided by Saudi Arabia which provides the bulk of surplus capacity.

### US Demand Not Key to Prices

US demand doesn’t drive global price – empirics prove that China and India sustain demand

Nalder 12 (Eric, Senior American investigative journalist for a variety of newspapers, April 27, “U.S. awash in oil, but global demand drives prices,” http://www.chron.com/business/article/U-S-awash-in-oil-but-global-demand-drives-prices-3517269.php)

"We are tied to the global market, the global price for oil," said Rayola Dougher, senior economic adviser at the American Petroleum Institute. "We cannot secede." The profitable oil production industry benefits from the fact that it operates within a global market. Fuel conservation in the United States cannot overcome the rising hydrocarbon demand in emerging markets like China and India, Newell said. The price stays up even where more local market pressures might force it down. Nationally, the average retail price for all grades of gasoline as of last Monday was $3.93 a gallon, according to the Energy Information Administration - about the same as this time last year but up more than a dollar since April 2010. The highest prices are mostly on the West Coast. Limited gesture The Obama administration has proposed better oversight of the commodities market that trades in oil futures, but it is a limited gesture. The markets that set crude prices are different for Scandinavian, West Texas and Arabian oil. "The dynamics in the United States are the opposite of what is occurring at a global level," Newell said. When prices at American gasoline stations go down - or up - it will be for reasons other than U.S. intervention or our improved driving habits, he said. Lower consumption hasn't brought U.S. prices down or eliminated our dependence on foreign oil. Even though exports are up, the United States still imports around 11 million barrels of crude oil and petroleum products per day, according to the Energy Information Administration. Consumer demand for gasoline in the U.S. started faltering in 2005 and has been falling "very sharply" since 2007, said Houston-based oil industry analyst Pavel Molchanov of Raymond James & Associates. "We think (demand) is going to go down in perpetuity," Molchanov said. People are driving less, because of the economy and the aging of baby boomers, said James Beck, a lead petroleum supply analyst for the Energy Information Administration. Newer cars get better mileage and are replacing the gas-guzzling older ones.

### \*Aff Answers to Russia DA\*

### Russia Econ Down now

#### Russian economy tanking – investment and current oil prices

Vardi 6/4/12

Forbes staff http://www.forbes.com/sites/nathanvardi/2012/06/04/the-market-is-signaling-the-end-of-vladimir-putin/

When Vladimir Putin was re-elected in early March to his third term as president of Russia, many saw it as the inauguration of a 21rst-century czar who would continue to rule for a long time. But financial markets are signaling something else completely, punishing Russia for Putin’s re-election and sending a strong message that investors will no longer tolerate Putin’s way of doing business. Financial markets are making a clear statement to Putin: Not this time. Since Putin was re-elected in early March, the Russian Trading System Index of Russian stocks has fallen by nearly 30%. During that same period, the ruble has been devalued by 15% against the U.S. dollar, sinking to its lowest level since the depths of the global financial crisis in 2009. Investors are simply stampeding out of Russia, which has seen $42 billion in capital outflows in the first four months of 2012. Last week even BP said it wanted out of Russia, indicating it was ready to walk away from its nine-year Russian joint venture, TNK-BP, the largest foreign investment in Russia’s oil industry. BP announced it would pursue a sale of its ownership in TNK-BP even though it represents one-quarter of BP’s reserves. The June Market Disaster Nathan Vardi Nathan Vardi Forbes Staff With oil prices collapsing to an eight-month low, Putin is also losing his most important crutch, the one that allowed him to take credit for the increasing living standards of many Russians. “You can see that step by step the market is losing confidence in Putin,” a macro hedge fund manager told me recently. “At this level of crude, the Russian budget is a disaster.”

### Oil Prices low now

#### Oil prices too low now –fracking killing them

The Economist 7/14/12 <http://www.economist.com/node/21558577> hs

FOR China, joining the World Trade Organisation in 2001 was a landmark on the way to becoming a global economic powerhouse. Could WTO membership do the same for Russia? This week, after 18 years of dithering and doubts, the Duma (the lower house of parliament) voted to ratify WTO entry, in principle guaranteeing Russian products access to world markets. With Brazil, India and China already members, Russia will soon become the final BRIC in the global-trade club. This offers the country a fresh chance at industrial modernisation after two decades which started with chaotic reform and ended with spiralling corruption—and were marked throughout by perilous dependence on extractive industries. Russia urgently needs a more diversified economy. Strong energy revenues have given it expensive tastes (eg, more defence spending). The budget deficit, excluding hydrocarbon revenues, has soared from 2% in 2007 to 10% in 2011. The government now needs oil to be above $110 a barrel to balance its books; it has slipped below $100. Russia’s gas-export revenues are already under threat from the world gas glut caused by the success of new “fracking” technology (see our special report this week). New sources of oil compound the trouble.

#### Prices too low now – decline inevitable

Pavliva 7/8

(Halia Pavliva is a staff writer for Bloomberg Businessweek. July 8 2012. http://www.businessweek.com/news/2012-07-08/worsening-outlook-sinks-adrs-as-ctc-tumbles-russia-overnight)hs

The Micex Index (INDEXCF) dropped 1.5 percent to 1,414.28 in Moscow on July 6, trimming its gain for the week to 1.9 percent. The dollar-denominated RTS Index declined 2.2 percent to 1,357.71, paring the weekly climb to 0.5 percent. The Market Vectors Russia ETF (RSX) (RSX), the biggest U.S.-traded exchange-traded fund that holds Russian shares, fell 2.6 percent to $26.16 on July 6. The RTS Volatility Index, which measures expected swings in the index futures, rose 0.9 percent to 28.98. Economic growth in Russia will probably slow to 3.8 percent this year from 4.3 percent in 2011, according to the median estimate of 21 economists surveyed by Bloomberg. Russia needs an average oil price of $117 a barrel to balance its 2012 budget, according to the government. Urals has averaged $111.40 per barrel so far in 2012, data compiled by Bloomberg show. The ruble depreciated 1.1 percent to 32.8650 per dollar on July 6 in Moscow, extending last week’s loss to 1.2 percent. The Russian currency weakened against the euro for the first time in six days on July 6, easing 0.3 percent to 40.42. The Russian currency dropped 0.6 percent to 36.2455 against the central bank’s target dollar-euro basket. ‘Buying Opportunity’ CTC Media, the Nasdaq-listed Russian media company, retreated 5.3 percent during the week, its 11th consecutive five-day slump. The company said last week that its audience fell to 8.9 percent in the second quarter, down from 11.1 percent in the same period in 2011 and 11.5 percent in 2010. “We do not view this underperformance as a buying opportunity given the weakness in terms of new products, uncertain business environment, including economic concerns, ruble depreciation,” Svetlana Sukhanova, an analyst at UBS AG in Moscow, wrote in a July 3 report, cutting her recommendation on the stock to neutral from buy. “It is unclear how quickly CTC will be able to win back a loyal audience after the new season begins in August.” VimpelCom fell 1.8 percent to $7.78 in New York on July 6, extending its retreat to 4.1 for the week, its biggest weekly decline since the five days to May 25. UBS cut its 12-month target price on the stock to $8.50 from $11, reiterating its neutral recommendation on the stock, according to a July 6 report. Falling Oil Oil for August delivery fell 3.2 percent to $84.45 a barrel on the New York Mercantile Exchange on July 6. Crude, which fell 0.6 percent last week, gained 0.6 percent today. Brent oil for August declined 2.5 percent to settle at $98.19 a barrel on the London-based ICE Futures Europe exchange. Russia’s Urals export blend fell 2 percent to $98.12 per barrel, trimming a weekly gain to 1.5 percent. Oil may rise next week as U.S. inventories fell the most in six months, a Bloomberg survey showed. Crude stockpiles decreased 4.27 million barrels last week, the biggest decline since Dec. 16, the Energy Department reported. Thirteen of 27 analysts, or 48 percent, forecast crude prices will increase through July 13. Eleven respondents, or 41 percent, predicted that futures will drop and three said there will be little change in prices. “We see upside to oil from stable demand and returning geopolitical risk,” Alex Kantarovich, head of research at JPMorgan Chase & Co. in Moscow, said by e-mail on July 6. “Our scenario for the second half of 2012 involves firmer fundamentals and less risk aversion.” United Co. Rusal (486), the world’s largest aluminum producer, dropped 1.2 percent to HK$4.31 in Hong Kong trading as of 11:06 a.m. local time. The MSCI Asia Pacific Index fell 1 percent today after Japanese machinery orders sank the most in more than five years and Chinese Premier Wen Jiabao said the nation’s economy faces “relatively large” downward pressure.

#### Fracking tanking Russian export in medium term

Energy Probe 3/2/12

http://ep.probeinternational.org/2012/03/05/lawrence-solomon-vladimir-the-great/

Lawrence Solomon is one of Canada's leading environmentalists. His book, The Conserver Solution (Doubleday) popularized the Conserver Society concept in the late 1970s and became the manual for those interested in incorporating environmental factors into economic life.

Until recently, the U.S. was the world’s largest importer of natural gas. It is now becoming a major natural gas exporter, thanks to new gas fracking technology that has unearthed vast new supplies. The U.S. remains the world’s largest importer of oil. It may soon become an exporter of oil, thanks to oil fracking technology that could make the U.S. the world’s largest oil producer. China, now a major importer of oil and gas, has the world’s second largest known potential for frackable hydrocarbons, which it is now developing. European countries such as Poland, Ukraine and Great Britain also have vast reserves of frackable hydrocarbons, giving Europe as a whole the prospect of self sufficiency in energy, particularly since European countries on the Mediterranean have only begun to exploit the vast deposits of conventional oil and gas that lie beneath the sea bed. These immense new sources of oil and gas would flood international markets and act to depress the revenues that the Russia economy now relies on, as would major new finds of conventional oil and gas in Africa and South America.

### Alt Cause to Economy

#### Alt causes to Russian econ – government corruption

The Economist 7/14/12 <http://www.economist.com/node/21558577> hs

With a population of over 140m and rapidly rising consumption, Russia’s domestic market could form a solid foundation for its manufacturers to become exporters, reducing its dependence on energy and minerals. There is a fair amount of industry left in Russia that has prospects of competing on global markets, if given a chance (see article). Potential strengths include aircraft, helicopters, engines, turbines, industrial gear such as pumps and compressors and, inevitably, military equipment. With fresh investment and good management—and the competitive shock of WTO entry—Russian industry’s productivity could improve sharply. There are signs of this happening. Some of Russia’s energy and metals oligarchs, such as Oleg Deripaska and Alexei Mordashov, are also putting money into reviving manufacturing. Foreign carmakers are pouring into Russia, building new factories and refurbishing old ones, as demand for cars booms. However, the motive for foreign firms has typically been to get around tariff walls and Russia’s nightmarish (and corrupt) customs-clearance procedures, rather than to make the country part of their global supply chains. Russia gets much less foreign investment than many other big emerging markets. It is an especially bad place to do business, with its suffocating bureaucracy, unreliable courts (just ask BP) and organised crime. Mr Putin has kept promising to fix this, most recently setting a target of moving the country from 120th to 50th place in the World Bank’s “Doing Business” league table. Skolkovo, an attempt to build a Silicon Valley-style cluster of technology firms on Moscow’s outskirts, will be exempt from some of the country’s stifling regulations (see article). But the state has yet to shake off its instincts to dominate industry and protect it from competition (and often loot the proceeds). Although a wave of part-privatisation is promised, the government has been going in the opposite direction, buying out Western shareholders in some Russian aerospace firms. Instead of seeing WTO membership as a way to force Russian industry to compete, the country’s lawmakers so far seem to be seeking to frustrate the club’s free-trade rules: last month they backed a plan to introduce a “recycling levy” which, in practice, would fall on imported cars but not Russian ones. Watching these machinations, pessimists fear that WTO membership will mean rent-seeking bureaucrats merely rejigging their bad habits, leaving Russia’s crony-capitalism intact. The more optimistic view is that it will constrain the worst instincts of Putinists more than they realise. It is a first step towards a rules-based system. The club’s impact will not be perfect, any more than it has been for China. But it does point to the path Russia must take if it is to prosper.

### IL Defense

#### Low oil prices won’t hurt Russian economy – there are safety checks

Bush 7/2

(Jason Bush is a staff writer for Reuters. July 2 2012. uk.reuters.com/article/2012/07/02/uk-russia-oil-idUKLNE86102820120702)hs

Analysts say the impact on Russia of lower oil prices may be milder than during previous falls. "In the short term, in the next one to three years, we are fine," said Tchakarov. He noted that according to Finance Ministry calculations, every one dollar fall in the oil price means that the government loses around 55 billion roubles ($1.7 billion) in oil-related taxes over the course of a year. With the budget presently balancing at around $115 per barrel, an oil price of $90 per barrel, if sustained over a full year, would leave the government short to the tune of around $40 billion a year. But that is still just a fraction of the $185 billion that Russia has stashed away in two fiscal reserve funds, designed to stabilize the budget in just such an emergency. Even at $60 per barrel - the average oil price during the crisis year of 2009 - the reserve funds could cover the shortfall for about two years. "I find this worrying about the budget at this moment a little beside the point," said Clemens Grafe, chief Russia economist at Goldman Sachs. "The fiscal buffers they have to absorb this are going to be sufficient without cutting expenditure." Analysts also point out that since the previous financial crisis in 2008-2009, the central bank has radically changed the exchange rate regime, allowing the rouble to fall in line with the cheaper oil price. Since oil began its latest slide in mid-March, the rouble has lost around 15 percent of its value against the dollar. "The rouble weakened exactly in line with the oil price. And a weaker rouble is very good because it will secure the rouble equivalent of oil taxes for the budget," said Evgeny Gavrilenkov, chief economist at Troika Dialog.

### Low Oil Prices Good

#### Low oil prices key to stop Russian inflation

Lovasz 6/21

(Agnes Lovasz is a staff writer for Bloomberg Business group. June 21, 2012 .http://www.businessweek.com/news/2012-06-21/russian-economy-overheating-risk-to-abate-bank-of-america-says)hs

The Russian economy’s risk of “overheating” from consumer spending is about to ease as slowing global growth pushes down oil prices, the key source of revenue for the world’s largest energy exporter, Bank of America (BAC) Merrill Lynch said. The country’s lowest-ever unemployment rate at 5.4 percent and wage growth of 15.1 percent in May, reported by the statistics office yesterday, prompted the bank to lift its end-2012 inflation forecast to 6.3 percent from 6 percent, Vladimir Osakovskiy, chief economist at Bank of America Merrill Lynch in Moscow, wrote in an e-mailed note today. Russia’s economy expanded 4.9 percent from a year earlier in the first quarter as consumers take advantage of record-low inflation, a boost in government spending and delays to increases in regulated prices. Even so, cooling global growth and falling oil prices are bound to limit the risks, Bank of America said. “All of these supportive factors and trends will reverse later in the year,” Osakovskiy wrote. “The economy should start to feel the impact of lower oil prices and a related decline in corporate profits.” Government spending expanded earlier this year as Vladimir Putin pledged $158 billion more for pensioners, the military and state workers before re-election as president in March. The jobless rate dropped 0.4 percentage point to 5.4 percent, matching a level reached four years ago and the lowest since at least 1999, the statistics office said. Corporate investment has also surged this year, rising 7.7 percent in May from the same month last year as the government eased social-security contributions for employers, Osakovskiy wrote. While inflation will probably breach the central bank’s 6 percent target, the goal of supporting economic growth “will likely outweigh inflationary concerns later in the year,” prompting the central bank to cut its overnight auction-based repurchase rate and benchmark refinancing rate by 50 basis points in the fourth quarter. The rates are at 5.25 percent and 8 percent, respectively.

#### Decreasing oil prices good – key to stop dependence and “dutch disease”

RT 6/22/12 <http://rt.com/business/news/oil-price-russia-economy-497/> hs

Russia will benefit from lower oil prices says Jim O’Neill, Chairman for Goldman Sachs Asset Management. This follows news that Russia is to adopt new policies to make its economy less dependent on the price of crude. "I think it will be good for Russia if oil prices go down”, Jim O’Neill told RT at the St. Petersburg International Economic Forum. Russia’s economy has long been heavily dependent on oil exports. Half of the budget revenues come from oil and gas. ”Russia certainly needs to be not so dependent on the drug of rising oil prices. It has to adopt and change to a quarter balance." And Russia seems to be heading in the right direction. President Vladimir Putin told the St. Petersburg Forum it was not enough to rely on an oil price of 115 dollars per barrel to achieve a deficit-free budget. “We need to diversify our economy away from total reliance on oil revenues, and turn to private capital as a source of growth,” he said. “Russia not only needs a deficit-free budget but a budget with a reserve of resilience.” Putin also said that “budget rules will be adopted soon under which "neither state liabilities, nor budgetary expenditure, nor long-term investment programs will depend on oil prices, and excess profits will go to replenish funds.” Analysts say Russia, one of the four BRIC countries, has become a particular surprise this year, Russia seems to be more sheltered from the current global economic crisis than it was during the 2008 and 2009 downturn. Its prospects are brighter than those of many other economies The country’s economy is expected to grow between 4-5 percent this year -much higher than any developed country. “If it carries on growing at these rates it will contribute more to the world this decade than he whole of Europe,” said Jim O’Neill. Together with the other BRIC nations Russia is ready to tackle the global economic crisis. “Emerging countries, including BRICS should play a bigger role in the world economy,” Russian President Vladimir Putin told the Petersburg International Economic Forum. Brazil, Russia, India, China and South Africa have recently offered their help, pledging to inject $75 billion into the IMF. China has offered $43 billion, while Brazil, Russia, India and Mexico promised $10 billion each. Meanwhile South Africa, Turkey, Colombia, Malaysia, New Zealand and the Philippines also promised smaller sums. The five BRICS nations represent 43 percent of the world’s population and about 18 percent of global economic output. They have about $4 trillion in combined reserves, with the lion’s share held by export powerhouse China. “If I had to rank them then China would be number one, Brazil -two, Russia number three and India four” Jim O’Neill of Goldman Sachs said. “Russia has lots of challenges, so does everybody else.”

Low Oil Prices Good

#### More growth leads to inflation – turns the economy

Aris 7/5

(Ben Aris is a staff writer for The Moscow Times. 7/5/12 <http://www.themoscowtimes.com/blogs/434424/post/russian-economy-showing-signs-of-overheating/461657.html>) hs

All this means that economists are starting to ask whether the economy is overheating. Alexei Ulyukayev, first deputy chairman of the Central Bank, says that when consumer-lending growth rises above 28 percent, the economy is in danger of overheating — and Russia is well beyond that point now. The danger in this lending is that some analysts are suggesting that the quality of loans is falling, which opens banks up to problems if there is another bad external shock from Europe. However, nearly everyone agrees that if this does happen, the Central Bank has more than enough cash in reserve to prop up the banks and avoid a systemic financial crisis. The black spot is in the corporate sector, where companies have already started to destock. One of the reasons the 2008 crisis was so painful was that companies were carrying a lot of inventory to meet the burgeoning demand of a booming market. However, when the crisis struck, these companies basically switched off their machines to save money and sold their inventory instead. The result was that the economy came to a stand still literally overnight, resulting in a 7 percent contraction. The process took about six months to complete, after which companies had to turn their machines on again after stocks ran out to meet new orders and the economy began to recover. This time round, fearing another (and possibility worse) meltdown in Europe, companies have already started destocking before the crisis has even appeared. "As opposed to 2008, when strong consumption was accompanied by overheated industrial production growth, this year we see producers taking a much more cautious approach. In 2010-2011 the recovery in economic growth was at 70 percent, driven by stock building," said Natalya Orlova, chief economist at Alfa Bank. "However, starting in the fourth quarter of 2011, the Russian economy entered a destocking process. According to our estimates, in that quarter inventories contributed minus 0.2 percent to GDP growth and minus 0.4 percent in the first quarter of this year. This was the first sign that the producer started to be cautious earlier than expected." Russia finds itself in a very weird place now. Kolya's experience and the robust consumer demand mean that the economy is getting hot to the point where inflation is starting to rise. Russia's inflation overshot the Central Bank target last month and left it struggling to keep consumer-price growth below last year's record low as a weaker ruble stokes food costs and utility tariffs rise, economists said. "What is surprising is how quickly headline inflation has reversed its deceleration," wrote Alexander Morozov, chief economist at HSBC Holdings Plc. in Moscow in a note to clients. "The Central Bank's job of keeping inflation in the range is seen as 'Mission Impossible.'"

### **\*Aff Answers to the Saudi DA\***

### Oil prices low

Oil prices low and dropping

Levine 6/19

(Steve LeVine foreign correspondent and author of The Oil and the Glory June 19, 2012 “The Coming Oil Crash” Foreign Policy <http://www.foreignpolicy.com/articles/2012/06/19/the_coming_oil_crash?print=yes&hidecomments=yes&page=full>)

My mom out in California is elated -- gasoline prices in her neighborhood are below $4 a gallon for the first time in four months. Less so are the world's petro-rulers, who are watching the price of oil -- their life blood -- plunge at a rate they have not experienced since the dreaded year 2008. Industry analysts are using phrases such as "devastation" and "severe strain" to describe what is next for the petro-states should prices plummet as low as some fear. No one is as yet forecasting a fresh round of Arab Spring-like regime implosions. But that's the nightmare scenario if you happen to run a petrocracy. To understand why your average oil king is right to be worried at the moment, grab your calculator. The price of U.S.-traded oil fell to $83.27 a barrel on Monday, and global benchmark Brent crude to $96.05 a barrel; now juxtapose that against the state budgets of Iran, Russia, and Venezuela, which require more than $110-a-barrel Brent prices to break even, according to generally accepted estimates, and you'll see the problem. Given this already-existing revenue gap, one might fairly wonder what would happen if, as Citigroup's Edward Morse says is possible, prices drop another $20 a barrel for an extended length of time. Oil economist Philip Verleger's forecast is even gloomier -- a plunge to $40 a barrel by November. Or finally, what Venezuelan Oil Minister Rafael Ramirez fears -- $35-a-barrel prices, near the lows last seen in 2008. In Russia, for instance, "$35 or $40, or even $60 a barrel, would be devastating fiscally," says Andrew Kuchins of the Center for Strategic and International Studies. That could damage the standing of President Vladimir Putin, since his "popularity and authority are closely correlated with economic growth," Kuchins told me in an email exchange. With few exceptions, the same goes for the rest of the world's petro-rulers, whose oil revenue supports vast social spending aimed at least in part at subduing possible dissatisfaction by their populace. Saudi Arabia can balance its budget as long as prices stay above $80 a barrel, according to the International Monetary Fund, although projected future social spending obligations will drive its break-even price to $98 a barrel in 2016. Of the major petro-states, only Qatar -- with a requirement of about $58-per-barrel to balance its budget -- appears to have sufficiently disciplined state spending to weather all but the most dire forecasts. The biggest uncertainty in the global oil market isn't whether oil prices will drop further -- they seem likely to -- but how long they will stay down. In short, how long, and at what scale, are the petrocracies likely to suffer? This state of affairs is a woeful blow to petro-rulers after nine years of mostly nirvana. The year 2003 started with oil at about $33 a barrel, after which prices went mainly up, peaking in July 2008 at $147 a barrel. They bounced back nicely even after the global financial crisis sent prices plummeting below their 2003 level, to about $31 a barrel in December 2008. When the Arab Spring unfolded, first Libya and then Iran triggered worried looks on trading desks in London and New York, and the price spiked to about $128 a barrel. My mom saw the average price of gas in California rise to $4.36 a gallon. But then the concern of war between Iran and Israel all-but vanished, and prices since have been on a seemingly relentless decline. Now, a convergence of forces is weighing on petro-rulers' nerves: Europe's economic crisis; a slowdown in Chinese growth including the demand for oil; a steep decline in U.S. oil consumption with a simultaneous rise in domestic oil production; and a determined effort by petroleum colossus Saudi Arabia to build up global inventories. It is perhaps the last data point -- Saudi Arabia's aggressive actions to lower prices by pumping some 10 million barrels a day -- that might seem baffling given Riyadh's economic stake in the oil game. But Verleger, the Colorado-based oil economist, says the Saudi rationale is clear, and linked to the kingdom's traditional long game. In an email exchange, Verleger pointed me to an interview he did a few days ago with Kate Mackenzie at the Financial Times. First, he explains, the Saudis are out for blood when it comes to fellow petro-states Russia and Iran, the former for failing to help calm the fury in Syria, and the latter for refusing to go to heel and give up its nuclear ambitions; in both cases, the Saudis think lower prices will produce a more reasonable attitude. In addition, Saudi Arabia is terrified of a current U.S. boom in shale oil; it is hoping that lower prices will render much of the drilling in North Dakota's Bakken Shale and Canada's oil sands uneconomical. Finally, the Saudis are well aware that low oil prices helped to turn around the global economic downturn in 1998 and 1999, and they hope to help accomplish the same now, and perhaps win new affection from the world's leading economies. Meanwhile, though, Verleger thinks that oil prices will crash. Markets overshoot when one is trying only to fine-tune them, as the Saudis are, he argues -- which is the basis for his forecasts of $40-a-barrel oil and $2-a-gallon gasoline by November.

### No impact to oil price drop

#### Saudi can take the oil price drop without economic repercussions

Arab News 7/10/12

(“Saudi Arabia’s economy healthy enough to sustain low oil prices: Samba”, 7/10/12, Propel Consult, <http://www.propelconsult.com/saudi-arabias-economy-healthy-enough-to-sustain-low-oil-prices-samba/>) aw

Saudi Arabia’s oil revenues are expected to drop this year. Brent price is likely to reach $100/barrel in 2012 and $98/barrel in 2013 from $118/b in April this year. However, for Saudi Arabia, the consequences of lower oil prices are likely to be slight, according to a report by Samba. Samba projected the Kingdom’s oil earnings at $324 billion, a 16 percent decline. Earnings are comfortably above the five-year average of $225 billion. Moreover, despite this year’s reduced earnings, a current account surplus of $148 billion, or 25 percent of GDP is in prospect. For 2013, Samba expects a surplus of some 18 percent of GDP. By the end of 2013 total net foreign assets are expected to total $827 billion, equivalent to 135 percent of GDP. The report said, government’s fiscal position also remains robust. Whereas previously Samba expected a surplus of 20 percent of GDP, but now this will come in at 13 percent of GDP. Saudi Arabia is aiming to use this period of high oil prices to lessen dependence on oil itself. The report said value of nonoil exports have grown by an annual average of 17 percent over the past decade, increasing their share of total exports from 14 percent to 17 percent. Most of these are derived from hydrocarbons (petrochemicals, refined products, steel), but they are sufficiently far up the value chain to soften the direct dependence on oil prices.

### No impact to high prices

#### $200 barrel oil won’t even cause a recession

Hutchinson 12

(Martin, Global Investing Strategist, Money Morning, “High Oil Prices: Even $200 Oil Won't Cause a Recession”, 4/12/12 Monday Morning, <http://moneymorning.com/2012/04/12/high-oil-prices-even-200-oil-wont-cause-a-recession/>) aw

High Oil Prices and the Economy. The U.S. Bureau of Labor Statistics breaks down personal consumption expenditures (PCEs) on energy versus other items on a month-by-month basis. The PCE on energy goods (which include natural gas and electricity) rose from 5.05% of total PCE in 2004 to 5.88% in 2007 and 6.31% in 2008. When oil prices peaked in July 2008 PCE hit a maximum monthly level of 7.01%. Thus taking the increase from 2007 to the highest month in 2008, energy PCE rose by 1.13 % of total PCE, or about $115 billion on an annualized basis. That sounds like a lot of money, but it's well under 1% of GDP. For example, it's less than the estimated $152 billion cost of former President Bush's ineffective 2008 tax rebate stimulus. Indeed, it is one-seventh the size of President Obama's stimulus the following year, which didn't have much visible effect. Thus the high oil prices of 2008 might have made the difference between marginal growth and marginal decline, which according to the "butterfly effect" of chaos theory could have caused other larger changes. However, high oil prices were certainly not sufficient to push an otherwise healthy economy into recession.

2007 vs. 2012: Comparing High Oil Prices. This time, oil prices are rising from a higher base. The average West Texas Intermediate oil price of $94.87 in 2011 was 31% above 2007's average. It follows that an oil price jump to $147 would not be very economically significant. In this case, we would need a larger spike to have any noticeable effect. Oil prices did spike 101% from 2007's average to the peak on July 3, 2008. A similar rise from 2011's average would take the price of oil to $191 per barrel. If that jump raised energy PCE by the same proportion as in 2008 (starting from 2011's higher energy PCE of 6.07% of total PCE), it would push it up to 7.24% of PCE. This equates to a rise of about $129 billion. If oil touched $200 a barrel, the rise in personal energy expenditures might be around $140 billion. Again, at 0.9% of today's GDP that increase is just not big enough to cause recession in an economy growing even moderately. It's just a little larger than the $118 billion "stimulus" from continuing the payroll tax cut for 2012. It would slow growth, but given that we are currently experiencing growth of around 2%, it would not turn our current growth into decline. With Federal Reserve Chairman Ben Bernanke's zero-interest-rate policies in place until 2014, and the chance of yet more "stimulus," it is indeed possible we will see oil at $200 per barrel. The price could get there gradually, over the next 12-18 months, or it could leap there in one bound, if Iran closed the Straits of Hormuz. That would be very unpleasant, pushing gas prices up to $7 per gallon. But the above calculation shows that on its own $200 oil would not push the U.S. economy into recession. Indeed, we should not expect it to; Europe has suffered from gas prices of $8 to $10 a gallon for several years now. While the European economy has many problems, it seems to survive its gas prices. So we should expect to pay more for gas, but on balance should not expect recession from doing so. As in 2008, the next recession is much more likely to be caused by the banking system!

### High oil prices not key

#### Saudi Arabia only needs $70-80 a barrel to be sustainable

Krukowska 11

(Ewa, reporter, “‘Sustainable’ Oil Price Is $70 To $80, Saudi OPEC Governor Says”, 5/12/11, Bloomberg, <http://www.bloomberg.com/news/2011-05-12/-sustainable-oil-price-is-70-to-80-saudi-opec-governor-says.html>) aw

Saudi Arabia’s governor to OPEC refuted forecasts that the world is running out of oil and said the “sustainable” long-term price is $70 to $80 a barrel. “Contrary to some oil pessimists -- because there has been talk of oil peaks -- the world’s oil resources have actually increased,” Majid Al-Moneef, Saudi Arabia’s governor to the Organization of Petroleum Exporting Countries, said today in Brussels. “That’s despite cumulative production that was close to 500 billion barrels. So the message is that the resource base is plentiful. So the future is still potentially promising.” Oil producers aren’t constrained by supplies or extraction technologies, Al-Moneed said. “The problem is not oil underground,” he said. “It’s the investment climate needed.” While crude fell below $100 a barrel this week in New York on concerns about global demand, prices are above what is sustainable over the long-term, Al-Moneef said. “Our view has been that a sustainable price over the long-run is $70-80 per barrel”

### Market flood inevitable

Market flood inevitable – Saudi Arabia hopes to cripple Iran and Iraq

RT 6/1 ( RT global news network based in Russia”Saudi Arabia’s oil war plan hinted” <http://www.rt.com/news/saudi-arabia-oil-plot-754/>)

Saudi Arabia and its Sunni allies may right now be boosting oil production, aiming to plunge the market price to as low as US$60 per barrel. The ultimate goal is to cripple the economies of Shiite Iran and Iraq, an insider view suggests. The insight comes from Barton Biggs, hedge fund manager running Traxis Partners, who spoke with a Saudi Arabian businessman close to the country’s royal circles. Biggs met the man for a business lunch and asked for an overview of the Middle-Eastern country’s policies in the medium and long terms, reports Business Insider citing Biggs’ note published by Itaú BBA. "You have to understand our geopolitical equation and vulnerability,” the Saudi businessman is cited as saying. “Our two most dangerous enemies are Iraq and Iran. Both are Shia, and both are trying to destabilize the Arab world and our Sunni kingdom by funding terrorism. Our only weapons against them are our wealth and our oil. Their current vulnerability is their financial fragility. Their financial reserves are a fraction of ours, and they desperately need money to prop up their economies,” he said. The Saudi ruling council’s plan is to ramp up oil production over the next two years and seize the moment to strike at Iran and Iraq, the businessman, who is described as “very rich and presumably well-connected”, explained. “Iraq and Iran need to produce and sell their oil at well over $100 a barrel. In the next 24 months, we will gradually increase our production with the objective of breaking the price of crude down to sixty dollars a barrel,” he said. The businessman, who is not part of the Saudi extended royal family, added that the plan has the backing of other Persian Gulf monarchies. “Under normal recessionary circumstances, we would be reducing production to maintain current prices. Instead, we will be flooding a weak market already suffering indigestion. You also should understand that Kuwait and the United Arab Emirates are with us. Royal families tend to stick together,” he is cited as saying. Barton Biggs says cheap oil would be good news for the global economy as a whole, as it would essentially amount to "a giant tax cut, which is just what this sickly old world needs." Still he sees many obstacles to the plan, if it is indeed what was outlined in the conversation, given the political instability in the region ravaged by the Arab Spring. This comes as Saudi Arabia boosted its oil output in May to the highest level in 23 years, a Bloomberg survey showed. The biggest contributor to the Organization of Petroleum Exporting Countries pumped 9.9 million barrels a day during the month. OPEC’s total output is currently highest since October 2008. Saudi Arabian Oil Minister Ali al-Naimi said in mid-May, that he wanted to see the Brent crude contract drop to $100 a barrel.

### No Arab Spring

#### Arab Spring in Saudi Arabia will not occur

Abu-Nasr 12

(Donna, reporter, “Saudis Skip Arab Spring As Nation Pours Money Into Jobs”, 4/10/12, Bloomberg, <http://www.bloomberg.com/news/2012-04-02/saudis-skip-arab-spring-as-nation-pours-money-into-jobs.html>) aw

Saudi Arabia is unlikely to have its own Arab Spring anytime soon, social activist Abdullah Hamidaddin says. For one thing, he says, there isn’t a critical mass of people in economic pain, because strong family networks ensure financial support for the unemployed. And the Saudi government’s largesse means that people have an interest in maintaining the status quo, he says. For instance, the government is now paying 2,000 riyals ($530) a month to over one million unemployed Saudis for a year while helping to train them to find work. “People here feel that the government is a cash cow that should be preserved,” Hamidaddin says. Even if there were dissent, political parties are banned, so the country lacks networks to mobilize people. An absolute monarchy, Saudi Arabia is the least democratic country in the Middle East, according to the Economist Intelligence Unit’s 2011 Democracy Index.

No arab spring in Saudi Arabia – military power and general contentment

Hollingshead 4/18/12

(Ann Hollingshead research analyst for ECONorthwest – economic consulting firm former economist at Global Financial Integrity April 18, 2012 Task Force <http://www.financialtaskforce.org/2012/04/18/is-saudi-arabia-immune-to-anti-corruption-movements/>)

In many ways, the Kingdom of Saudi Arabia contains one of the most unique styles of government and political culture in the world. The central institution of the government is the monarchy—headed by King Abdullah. The Holy Qur’an is the constitution of the country and the nation is governed on the basis of Islamic law or Shari’a. The reaches of the king’s power are essentially limited only by Saudi tradition, Shari’a, and consensus among the royal family and religious leaders. Saudi Arabia holds a tight grip on the nation’s government, politics, and culture in large part because the country has so much oil wealth–Saudi Arabia holds nearly 21.5 percent of the world’s proven oil reserves. The Kingdom’s ability to maintain control over this political structure depends on its ability to use oil to increase well-being in the nation and maintain a position as the leading player in the region’s power politics. When the rest of the region was rocked by anti-corruption demonstrations and regime change during the Arab Spring, Saudi Arabia, with the exception of some demonstrations by a Shia minority in the east, remained relatively calm. These political demonstrations against corruption have little opportunity or likelihood of success for two major reasons. First because the monarchy has deep pockets of military power and isn’t afraid to use it. Second because the general population is generally content. Saudi citizens may be interested in reform, but not fundamental change. In fact, according to a nationwide survey in 2008, 80 percent of Saudis supported a free press, but a nearly equal majority (79 percent) also supported an absolute monarchy. King Abduallah enjoyed a 95 percent favorable rating.

No Saudi uprising – iron fist policy and leader approval, all their evidence is based on inaccurate analysis

WRMEA July ’12

(The Washington Report on Middle East affairs magazine published in DC that focuses on news and analysis from and about the Middle East and US policy in that region” July 2012

<http://www.washington-report.org/archives/512-washington-report-archives-2011-2015/june-july-2012/11262-waging-peace-saudi-arabia-and-the-arab-uprising.html>)

Two Washington, DC universities held events in March to analyze the extent to which regional unrest has affected Saudi Arabia. On March 21, Boston College professor Natana DeLong-Bas appeared at Georgetown University to discuss "Saudi Arabia and the Gulf: Looking for the Arab Spring. According to DeLong-Bas, there are two reasons why mass protests have not occurred within Saudi Arabia. First, she said, because Saudi Arabia has an "iron fist policy" against protests, political change within the country generally does not come via the street. In addition, unlike the citizens of Libya or Egypt, Saudis do not desire to overthrow the king. Indeed, she stated, most Saudis have affection for King Abdullah. Speaking at George Washington University on March 22, Ambassador Edward W. "Skip" Gnehm Jr., Kuwait Professor of Gulf and Arabian Peninsula Affairs at GWU, largely echoed DeLong-Bas' comments. The former ambassador to Jordan and Kuwait stated that King Abdullah is "well respected" within the Kingdom and widely seen "as a reformer" by Saudis. Gnehm emphasized that while Saudis--fed up with corruption, a shortage of housing and unemployment--want the government to undergo reforms, they do not wish to see changes at the top levels of leadership. "Regime legitimacy is not an issue," the ambassador said. DeLong-Bas pointed out that a majority of the street protests that have taken place over the past year have been carried out by disgruntled Shi'i citizens, who have taken to the streets in pursuit of greater political and social freedoms, and to demand the release of family members detained by the government. In response to these protests, DeLong-Bas said, the Saudi government agreed to release Shi'i prisoners after demonstrators pledged not to return to the streets. At the same time, the Saudi government, which considers security and stability its priorities, castigated many of the protesters, labeling them as "criminals" and "deviants." DeLong-Bas and Ambassador Gnehm both pointed out that the Saudi government also frequently accuses Shi'i protesters of being aligned with Iran. "Saudis claim and Saudis believe that Iran is fomenting Shi'i unrest," said Gnehm. Aside from sectarian disputes, DeLong-Bas noted, Saudi Arabian universities are increasingly becoming hot spots for political activity. In March, students at several female universities launched protests after officials reportedly failed to improve sanitation and classroom conditions, she said. As students began to vandalize school property, DeLong-Bas added, the Saudi royal family became involved in the dispute. The students were "careful about how they framed the issues," she said, and made it clear that their grievances were not against the king. According to DeLong-Bas, the students ultimately were able to get the results they wanted by "demonstrating in a very practical way their ability to organize." Indeed, DeLong-Bas said, protests regarding school and community issues "may prove to be more significant in the long run" than national-level or sectarian protests. The growth and popularity of social media has made it difficult for Saudi government officials to ignore the concerns of their citizens, DeLong-Bas added. Saudi Arabia has the second largest Facebook usership in the Middle East (2.9 million users), she pointed out, and YouTube has emerged as a means of forcing accountability and fighting corruption. However, she noted, the spread of social media has created several issues within the Kingdom. Writer Hamza Kashgari was recently imprisoned for posting language seen as being blasphemous against Islam on Twitter, she said, and conservatives within Saudi Arabia have expressed disapproval regarding the "inappropriate communications" that take place between men and women on social media Web sites. While Americans view Saudi Arabia as a deeply conservative state and society, with a fundamentalist interpretation of Islam, Ambassador Gnehm cautioned that stereotypes could be misleading and harmful. Because the U.S. tends to "view the Kingdom through [its] own values," Gnehm believes that Americans fail to understand Saudi culture and society. In his opinion, this distorted view of the country ultimately "leads to inaccurate analysis."

#### Political activism in Saudi Arabia impossible

Al-Faqih 12

(Saad, reporter, “Arabia awaits its spring”, 2/27/12, The Guardian, <http://www.guardian.co.uk/commentisfree/2012/feb/27/saudi-arabia-protest-uprising-mujtahidd>) aw

So why hasn't revolution yet reached Arabia? The traditional inhibitions are still there. Despite the widespread conviction that a comprehensive change of regime is necessary, reformers remain hesitant about declaring their views, let alone taking . The official religious establishment, whose members are directly appointed by the king, continue to appease the regime in a country where religion is the main player in politics. People are bombarded with scaremongering in the media which associates change with chaos and bloodshed as in Yemen, Syria and Libya. More significant still is the level of distrust between activists, making any collective act of protest difficult. Political activism in Arabia has been almost nonexistent, while terms such as freedom of expression, power sharing, transparency and accountability are seen as alien

Saudis continuously repressed – no Arab Spring

HRW 12

(Humans Right Watch International NGO that conducts research and advocacy on human rights 2012 “World Report 2012: Saudi Arabia” http://www.hrw.org/world-report-2012/world-report-2012-saudi-arabia)

Saudi Arabia responded with unflinching repression to demands by citizens for greater democracy in the wake of the pro-democracy Arab Spring movements. King Abdullah bin Abd al-‘Aziz Al Saud announced economic benefits worth over US$130 billion, but authorities continued to jail Saudis for peaceful dissent. New laws introduced or proposed in 2011 criminalize the exercise of basic human rights such as freedom of expression, assembly, and association. Authorities continue to suppress or fail to protect the rights of 9 million Saudi women and girls, 8 million foreign workers, and some 2 million Shia citizens. Each year thousands of people receive unfair trials or are subject to arbitrary detention. In March Saudi troops helped quell Bahrain’s pro-democracy protests. Saudi Arabia reacted with dismay to the toppling of Egypt’s President Hosni Mubarak, but supported a transition of power, at least in public, in Yemen and Libya and urged Syria to stop internal repression. At Saudi urging, the Gulf Cooperation Council invited Arab monarchies Jordan and Morocco to join the council, and provided Jordan, Bahrain, Oman, Egypt, and Yemen with substantial financial aid. Women’s and Girls’ Rights The Saudi guardianship system continues to treat women as minors. Under this discriminatory system, girls and women of all ages are forbidden from traveling, studying, or working without permission from their male guardians. In 2009 the Ministry of Commerce, though not other ministries, stopped requiring women to conduct ministerial business through a male representative. On September 25 King Abdullah announced that women will be able to vote in municipal elections in 2015. The government continued to exclude women as voters or candidates in the September 2011 municipal elections, despite a two-year delay to allow for logistical preparations to include women. In March 2011 women activists launched the Baladi (My Country) campaign in protest, trying—unsuccessfully—to register to vote. In the first municipal elections in 2005, authorities said that election workers could not verify a woman’s identity since many did not have identity cards. However, the Interior Ministry began issuing identity cards to women over 22 years old in 2000. The king also promised to appoint women as full members of the Shura Council. On May 22, Saudi authorities arrested Manal al-Sharif after she defied the kingdom’s de facto ban on women driving. Al-Sharif appeared in a video showing herself behind the wheel. Prosecutors charged her with “tarnishing the kingdom’s reputation abroad” and “stirring up public opinion,” according to Saudi press reports. On May 30, Khobar police released al-Sharif from prison after she appealed to King Abdullah. On June 17 around 40 women with international drivers’ licenses participated in a “women2drive” campaign. No law bars women from driving, but senior government clerics have ruled against the practice. Saudi Arabia is the only country in the world to prohibit women from driving. Migrant Worker Rights Over 8 million migrant workers fill manual, clerical, and service jobs, constituting more than half the national workforce. Many suffer multiple abuses and labor exploitation, sometimes amounting to slavery-like conditions. The kafala (sponsorship) system ties migrant workers' residency permits to their “sponsoring” employers, whose written consent is required for workers to change employers or exit the country. Employers abuse this power to confiscate passports, withhold wages, and force migrants to work against their will. In August Jadawel International, owned by Saudi Arabia's third richest man, Shaikh Muhammad bin Issa Al Jaber, was six months in arrears with salary payments, as in previous years, and managers threatened workers not to pursue complaints in labor court. Some 1.5 million migrant domestic workers remain excluded from the 2005 Labor Law. As in years past, Asian embassies reported thousands of complaints from domestic workers forced to work 15 to 20 hours a day, seven days a week, and denied their salaries. Domestic workers, most of whom are women, frequently endure forced confinement, food deprivation, and severe psychological, physical, and sexual abuse. In December 2010, authorities made no attempts to rescue an Indonesian migrant domestic worker who had worked for 10 years without pay and whose sponsors were “renting” her out to other houses, according to one Saudi woman who informed authorities. In November 2010, authorities in Abha, southern Saudi Arabia, recovered the body of Kikim Komalasari, a 36-year-old Indonesian domestic worker, bearing signs of extensive physical abuse. In September an appeals court overturned a three-year prison sentence for the employer found guilty of severely assaulting Sumiati Mustapa, her Indonesian domestic worker. In June the government beheaded Ruyati binti Sapubi, an Indonesian domestic worker convicted of murdering her employer who allegedly refused to allow binti Sapubi to return home. Courts sentenced another Indonesian domestic worker to death for killing her employer after he allegedly tried to rape her. Saudi Arabia continued to deport hundreds of Somalis to Mogadishu, Somalia’s capital, according to the Office of the United Nations High Commissioner for Refugees, despite the acute violence there. Criminal Justice and Torture Detainees, including children, commonly face systematic violations of due process and fair trial rights, including arbitrary arrest and torture and ill-treatment in detention. Saudi judges routinely sentence defendants to thousands of lashes. Judges can order arrest and detention, including of children, at their discretion. Children can be tried and sentenced as adults if physical signs of puberty exist. The Interior Ministry said it had executed Bandar al-Luhaibi, a child, in October for killing his grandmother. Authorities rarely inform suspects of the crime with which they are charged, or of supporting evidence. Saudi Arabia has no penal code, so prosecutors and judges largely define criminal offenses at their discretion. Lawyers do not assist suspects during interrogation and face difficulty examining witnesses or presenting evidence at trial. From January to October 2011 Saudi Arabia had executed at least 61 persons, including two women and one child, mostly for murder or drugs offenses, but also a Sudanese man, Abd al-Hamid al-Fakki, for “sorcery.” In March a court, after only two sessions, sentenced four Iraqis and two Syrians to the amputation of one foot and one hand each for stealing money from a supermarket. One of the Iraqis told Human Rights Watch that interrogators physically tortured him for eight days into a signing, unread, a prepared confession. Secret police detained without trial or access to lawyers, in many cases for years, thousands of persons suspected of sympathies for or involvement with armed groups, or for their peaceful political views. In July the government proposed a counterterrorism law that would criminalize “infringing upon the interests of the kingdom” or “describing the king—or the crown prince—as an unbeliever, doubting his integrity, defaming his honesty, breaking the [oath of] loyalty [to him], or inciting such [acts].” Prisoners and detainees in several facilities described inhumane conditions. On January 3 Mikhlif al-Shammari, a rights advocate detained in Dammam prison since June 2010, alleged that guards beat inmates. According to his family, guards assaulted al-Shammari in July for his criticisms by putting a chemical agent in his mouth. Freedom of Expression, Belief, and Assembly Authorities further tightened the space for public criticism of officials or government policies in the wake of the pro-democracy Arab Spring movements. The Ministry of Culture and Information heavily censored print and broadcast media. Internet critics crossing vague "red lines" faced arrest. In October 2010 the General Court in Qubba, in northern Saudi Arabia, sentenced to lashes Fahd al-Jukhaidib, a local journalist and teacher who reported on a rare protest against the local electricity company. In December authorities detained incommunicado for three months Muhammad al-'Abd al-Karim, a professor of Islamic jurisprudence, for an online article speculating whether Saudi Arabia would survive as a political entity without the ruling Saudi royal family. In July the authorities arrested prominent cleric Dr. Yusuf al-Ahmad, one day after he criticized the Interior Ministry’s policy of long-term detention without charge or trial. In January Minister of Culture and Information Abd al-‘Aziz Khuja issued the Executive Regulation for Electronic Publishing Activity, which subjects virtually all news and commentary distributed electronically to the country's press law, including the requirement for a press license. In April King Abdullah amended the 2000 Press and Publications Law to further prohibit speech that "contradicts rulings of the Islamic Sharia [law] or regulations in force," or "call[s] for disturbing the country's security, or its public order, or … caus[es] sectarianism or … damage[s] public affairs in the country." New restrictions also include a prohibition on damaging the reputation of the chief mufti, members of the Council of Senior Religious Scholars, or any other government official or government institution. Saudi Arabia does not tolerate public worship by adherents of religions other than Islam and systematically discriminates against its religious minorities, in particular Shia and Ismailis (a distinct branch of Shiism). Official discrimination against Shia encompasses religious practices, education, and the justice system. Government officials exclude Shia from certain public jobs and policy questions and publicly disparage their faith. This discrimination sometimes amounts to persecution. Professing Shia beliefs in private or in public, in particular at holy sites in Mecca and Medina, may lead to arrest and detention. In October the Interior Ministry said that it would pursue what it called “radicalized or hired instigators” among the Shia with an “iron fist.” Prince Badr bin Jilawi, governor of Ahsa' province, repeatedly had Shia citizens detained, in violation of Saudi criminal procedure law, for private prayer or public display of Shia banners or slogans. The domestic intelligence agency in February summoned and then arrested Shia cleric Tawfiq al-‘Amir after he had called for a constitutional monarchy and equal rights for Shia in his Friday sermon. On March 5 the Interior Ministry categorically prohibited public protests “because they contradict the principles of the Islamic Shari'a and the values and customs of Saudi society." The royally appointed Council of Senior Religious Scholars, whose interpretation of religious law is binding, seconded the ban, and intelligence forces in March arrested Muhammad al-Wad'ani, and Khalid al-Juhani for advocating protests for political change. Small, peaceful protests by Shia took place since late February in the Eastern Province, demanding the release of nine "forgotten" Shia detained for over 13 years without charge or trial on suspicion of involvement in a 1996 attack on a United States military installation in Khobar, which killed 19. Saudi authorities detained 160 protesters until May, and at least 40 remained in detention at this writing. In March a small group of Sunni Saudis demonstrated in Riyadh, the capital, calling for the release of thousands of people detained for years without charge or trial on suspicion of involvement in militant activity. Police arrested several, including three women as well as lawyer Mubarak bin Zu’air and rights activist Muhammad Bajadi, both of who remain in detention. In August Judge Abd al-Latif al-‘Abd al-Latif prohibited defense lawyers for Bajadi from attending a trial session in a secret location of the Specialized Criminal Court, a state security tribunal for terrorism cases, where Bajadi faced charges of “insurrection against the ruler,” “instigating demonstrations,” and “speaking with foreign [media] channels.” Police in October arrested human rights activist Fadhil al-Manasif after he complained about the police seizing two elderly citizens in order to pressure their sons to give themselves up. The sons were wanted in connection with peaceful demonstrations in the Eastern Province. Al-Manasif, who was detained from May until August for peaceful protest, remains in incommunicado detention. A judge in September charged rights activist Walid Abu al-Khair with “offending the judiciary,” “asking for a constitutional monarchy,” and “participating in media [programs] to distort the reputation of the country.” Saudi Arabia does not allow political or human rights associations. In February intelligence forces arrested six persons who planned to found the kingdom’s first political party.

### No Impact to Arab spring

#### Arab Spring protests would not affect Saudi oil industry

Macalister 11

(Terry, energy editor, “Saudi Arabia protests could be calamitous for oil market”, The 3/9/12, Guardian, <http://www.guardian.co.uk/world/2011/mar/09/saudi-arabia-protests-oil-market>) aw

Saudi Arabia's oil wealth has enabled the kingdom's rulers to stifle dissent, providing a large war chest to buy off opposition. And even if there were heavy civil disturbances they should not immediately affect the extraction industry. Saudi oil workers are treated extremely well and so are likely to be late in joining any protests. Key oil installations tend to be located in remote desert areas not easily accessible. The producing fields, refineries and export terminals are also surrounded by very tight security fences that could not easily be breached unless by determined armed forces. The government has worked hard over the past decade to reduce their dependence on foreign skills by training locals. Foreign workers are all housed in compounds – whether in the field or in the centre of towns. These high-walled compounds have been breached fairly easily in the past by militant car bombers. Serious civil insurrection could also be expected to empty these areas soon enough. But even if they fled – as oil workers in Libya did – the Saudi industry could continue largely uninterrupted. The western companies, which include the Wood Group of Aberdeen, are mainly helping Saudi Arabia with new exploration rather than existing production.

### Arab Spring inevitable

#### Saudi uprising inevitable – old censorship tactics and social spending fail

McCullagh 4/6

(Declan McCullagh Chief political correspondent for CNET. Former reporter for the Time and Washington bureau chief for Wired April 6, 2012 “No “Arab Spring” in Saudi Arabia anytime soon” CNET News http://news.cnet.com/8301-31921\_3-57410564-281/no-arab-spring-in-saudi-arabia-anytime-soon/)

SAN FRANCISCO -- The autocratic Kingdom of Saudi Arabia doesn't have much to worry about, at least not yet, from democracy activists and the Internet, one of the country's best known bloggers predicts. "It is very unlikely that we will see any change in the country in the short and medium term," Ahmed Al Omran, creator of SaudiJeans.org, said at an event in CNET's offices in downtown San Francisco yesterday evening. Al Omran left Saudi Arabia to study at Columbia University and now lives in Washington, D.C. A so-called Day of Rage protest that was supposed to occur on March 11, 2011 in Saudi Arabia led to worries about oil spiking to $200 a barrel and Fox News Channel contributor Charles Krauthammer warning that "all hell" could break loose. Those mass protests never happened. Saudi security forces came out in strength, and only a "small number" of people actually showed up, according to a report in the Los Angeles Times. (Massive Arab Spring protests elsewhere in the Middle East last year -- including Tunisia, Egypt, Libya -- led to the fall of governments.) In the long run, Al Omran predicted during last night's "geek reading" event, organized by the Electronic Frontier Foundation, the natural human desire for more freedom and a democratic government will spread to Saudi Arabia as well. "It is building, just very slowly," he said. "You can see the signs of this change online, on the Internet, where the kind of language you see on Twitter, on other platforms online, is something very unprecedented by Saudi standards. You go on Twitter and you see people making fun of the royal family, using their real names, with their real photos. This is something that would have been unthinkable a few years ago." Saudi Arabia, the region's largest oil producer and exporter and a longtime U.S. ally, is hardly a bastion of electoral, religious, or sexual freedom. Blogger Hamza Kashghari was arrested in February on blasphemy charges for daring to criticize Islam. A 2012 report from Freedom House, which evaluates political rights and civil liberties, lists Saudi Arabia as "not free." Reporters Without Borders calls it an "Internet enemy" for blocking Web sites deemed pornographic or "morally reprehensible." The country scores better in The Wall Street Journal-Heritage Foundation's economic freedom index, however, earning a score of "moderately free." Al Omran said that the kingdom's tradition of restricting news through broadcast censorship no longer works. "They cannot be bought with the money the government is spending and they cannot be brainwashed the way the older generation was," he said. "We have access to many more sources of information than older generations... We're not going to be satisfied with living, raising a family, and being quiet. We want freedom. We want the ability to elect our leaders."

Shias uprising coming now – Iran pressure

Wolinsky 3/1 (Jacob Wolinsky March 1, 2012 “Saudi Arabia Pipeline Explosion: Political Tension and Oil Rise” Value Walk – global news site covering all breaking financial news<http://www.valuewalk.com/2012/03/saudi-arabia-pipeline-explosion-political-tension-and-oil-rise/>)

Saudi Arabia has been one of the bastions of stability since the so called Arab Spring began. the country saw some minor protests in the eastern regions where the majority of the population is shia. The Shias complain about discrimination and lower standards of living than the Sunni majority who have ruled the country for close to 100 years. The minor protesters were quickly put out with brutal force. However, as Iran becomes increasingly wreckless in their foreign policy they have been attempting to stir up trouble among the shias. Today news just broke of a pipeline being blown up. Bloomberg is reporting that “an explosion has hit oil pipelines in the flashpoint Saudi Arabian city of Awwamiya in the kingdom’s oil-rich Eastern province.” The news has not been verified nor confirmed by Saudi officials. The report sent crude oil above $110 a barrel. Saudi Arabia has the world’s largest reserves of oil according to everyone besides Hugo Chavez. It should be noted that Awwamiya was a cite of earlier protests put down by Saudi security forces. In April 2011, the city saw open protests among the shia population. If Iran is behind this explosion, which we strongly believe is the case, expect this just to be the beginning. As Iran has come closer to nuclear capacity and is increasingly isolated internationally, we expect that this is just the beginning.

### Diversification solves oil dependency

#### Saudi Arabia economic diversification solves oil dependency

Burgess 12

(James, deputy editor, Business Management at the University of Nottingham, “Saudi Arabia Plan $109 Billion Solar Energy Project to Reduce Oil Consumption”, 5/13/12, Oil Price, <http://oilprice.com/Latest-Energy-News/World-News/Saudi-Arabia-Plan-109-Billion-Solar-Energy-Project-to-Reduce-Oil-Consumption.html>) aw

Currently the Middle Eastern nation only boasts 3 megawatts of solar power, less than Egypt, Morocco, Tunisia, Algeria and the United Arab Emirates. In order to avoid this fate Saudi Arabia is seeking investors to back its $109 billion plan to create a solar sector capable of providing 30 percent of its electricity by 2032. According to Maher al- Odan, a consultant at the King Abdullah City for Atomic and Renewable Energy (Ka-care), the plan involves developing 41,000 megawatts of solar power within two decades. 25,000 MW will be from solar thermal plants, using huge heliostatic mirrors to reflect the sun’s rays onto a central tower that heats a fluid to drives a turbine; and 16,000 MW will be in the form of photovoltaic panels. Al-Odan states, “we are not only looking for building solar plants. We want to run a sustainable solar energy sector that will become a driver for the domestic energy for years to come.” Khalid al-Suliman, vice president of Ka-care, said that an extra 21,000 megawatts of power will be added in the form of nuclear, wind, and geothermal. Saudi Arabia hope that their ambitious plans will help them to reduce their domestic oil consumption by as much as 523,000 barrels a day over the next 20 years. Logan Goldie-Scot, an analyst at New Energy Finance in London, said that, “the Saudi Arabian government has a powerful incentive to diversify its energy mix to reduce dependence on oil. The state could generate an internal rate of return of approximately 12 percent if it built a PV plant and sold the displaced oil on the international markets.” The plans are expected to be approved later this year, with the first installations of 1,100 megawatts of PV and 900 megawatts of solar thermal being completed in the first quarter of 2013.

nths. Less so are the world's petro-rulers, who are watching the price of oil -- their life blood -- plunge at a rate they have not experienced since the dreaded year 2008. Industry analysts are using phrases such as "devastation" and "severe strain" to describe what is next for the petro-states should prices plummet as low as some fear. No one is as yet forecasting a fresh round of Arab Spring-like regime implosions. But that's the nightmare scenario if you happen to run a petrocracy. To understand why your average oil king is right to be worried at the moment, grab your calculator. The price of U.S.-traded oil fell to $83.27 a barrel on Monday, and global benchmark Brent crude to $96.05 a barrel; now juxtapose that against the state budgets of Iran, Russia, and Venezuela, which require more than $110-a-barrel Brent prices to break even, according to generally accepted estimates, and you'll see the problem. Given this already-existing revenue gap, one might fairly wonder what would happen if, as Citigroup's Edward Morse says is possible, prices drop another $20 a barrel for an extended length of time. Oil economist Philip Verleger's forecast is even gloomier -- a plunge to $40 a barrel by November. Or finally, what Venezuelan Oil Minister Rafael Ramirez fears -- $35-a-barrel prices, near the lows last seen in 2008. In Russia, for instance, "$35 or $40, or even $60 a barrel, would be devastating fiscally," says Andrew Kuchins of the Center for Strategic and International Studies. That could damage the standing of President Vladimir Putin, since his "popularity and authority are closely correlated with economic growth," Kuchins told me in an email exchange. With few exceptions, the same goes for the rest of the world's petro-rulers, whose oil revenue supports vast social spending aimed at least in part at subduing possible dissatisfaction by their populace. Saudi Arabia can balance its budget as long as prices stay above $80 a barrel, according to the International Monetary Fund, although projected future social spending obligations will drive its break-even price to $98 a barrel in 2016. Of the major petro-states, only Qatar -- with a requirement of about $58-per-barrel to balance its budget -- appears to have sufficiently disciplined state spending to weather all but the most dire forecasts. The biggest uncertainty in the global oil market isn't whether oil prices will drop further -- they seem likely to -- but how long they will stay down. In short, how long, and at what scale, are the petrocracies likely to suffer? This state of affairs is a woeful blow to petro-rulers after nine years of mostly nirvana. The year 2003 started with oil at about $33 a barrel, after which prices went mainly up, peaking in July 2008 at $147 a barrel. They bounced back nicely even after the global financial crisis sent prices plummeting below their 2003 level, to about $31 a barrel in December 2008. When the Arab Spring unfolded, first Libya and then Iran triggered worried looks on trading desks in London and New York, and the price spiked to about $128 a barrel. My mom saw the average price of gas in California rise to $4.36 a gallon. But then the concern of war between Iran and Israel all-but vanished, and prices since have been on a seemingly relentless decline. Now, a convergence of forces is weighing on petro-rulers' nerves: Europe's economic crisis; a slowdown in Chinese growth including the demand for oil; a steep decline in U.S. oil consumption with a simultaneous rise in domestic oil production; and a determined effort by petroleum colossus Saudi Arabia to build up global inventories. It is perhaps the last data point -- Saudi Arabia's aggressive actions to lower prices by pumping some 10 million barrels a day -- that might seem baffling given Riyadh's economic stake in the oil game. But Verleger, the Colorado-based oil economist, says the Saudi rationale is clear, and linked to the kingdom's traditional long game. In an email exchange, Verleger pointed me to an interview he did a few days ago with Kate Mackenzie at the Financial Times. First, he explains, the Saudis are out for blood when it comes to fellow petro-states Russia and Iran, the former for failing to help calm the fury in Syria, and the latter for refusing to go to heel and give up its nuclear ambitions; in both cases, the Saudis think lower prices will produce a more reasonable attitude. In addition, Saudi Arabia is terrified of a current U.S. boom in shale oil; it is hoping that lower prices will render much of the drilling in North Dakota's Bakken Shale and Canada's oil sands uneconomical. Finally, the Saudis are well aware that low oil prices helped to turn around the global economic downturn in 1998 and 1999, and they hope to help accomplish the same now, and perhaps win new affection from the world's leading economies. Meanwhile, though, Verleger thinks that oil prices will crash. Markets overshoot when one is trying only to fine-tune them, as the Saudis are, he argues -- which is the basis for his forecasts of $40-a-barrel oil and $2-a-gallon gasoline by November.

Saudis continuously repressed – no Arab Spring

HRW 12

(Humans Right Watch International NGO that conducts research and advocacy on human rights 2012 “World Report 2012: Saudi Arabia” http://www.hrw.org/world-report-2012/world-report-2012-saudi-arabia)

Saudi Arabia responded with unflinching repression to demands by citizens for greater democracy in the wake of the pro-democracy Arab Spring movements. King Abdullah bin Abd al-‘Aziz Al Saud announced economic benefits worth over US$130 billion, but authorities continued to jail Saudis for peaceful dissent. New laws introduced or proposed in 2011 criminalize the exercise of basic human rights such as freedom of expression, assembly, and association. Authorities continue to suppress or fail to protect the rights of 9 million Saudi women and girls, 8 million foreign workers, and some 2 million Shia citizens. Each year thousands of people receive unfair trials or are subject to arbitrary detention. In March Saudi troops helped quell Bahrain’s pro-democracy protests. Saudi Arabia reacted with dismay to the toppling of Egypt’s President Hosni Mubarak, but supported a transition of power, at least in public, in Yemen and Libya and urged Syria to stop internal repression. At Saudi urging, the Gulf Cooperation Council invited Arab monarchies Jordan and Morocco to join the council, and provided Jordan, Bahrain, Oman, Egypt, and Yemen with substantial financial aid. Women’s and Girls’ Rights The Saudi guardianship system continues to treat women as minors. Under this discriminatory system, girls and women of all ages are forbidden from traveling, studying, or working without permission from their male guardians. In 2009 the Ministry of Commerce, though not other ministries, stopped requiring women to conduct ministerial business through a male representative. On September 25 King Abdullah announced that women will be able to vote in municipal elections in 2015. The government continued to exclude women as voters or candidates in the September 2011 municipal elections, despite a two-year delay to allow for logistical preparations to include women. In March 2011 women activists launched the Baladi (My Country) campaign in protest, trying—unsuccessfully—to register to vote. In the first municipal elections in 2005, authorities said that election workers could not verify a woman’s identity since many did not have identity cards. However, the Interior Ministry began issuing identity cards to women over 22 years old in 2000. The king also promised to appoint women as full members of the Shura Council. On May 22, Saudi authorities arrested Manal al-Sharif after she defied the kingdom’s de facto ban on women driving. Al-Sharif appeared in a video showing herself behind the wheel. Prosecutors charged her with “tarnishing the kingdom’s reputation abroad” and “stirring up public opinion,” according to Saudi press reports. On May 30, Khobar police released al-Sharif from prison after she appealed to King Abdullah. On June 17 around 40 women with international drivers’ licenses participated in a “women2drive” campaign. No law bars women from driving, but senior government clerics have ruled against the practice. Saudi Arabia is the only country in the world to prohibit women from driving. Migrant Worker Rights Over 8 million migrant workers fill manual, clerical, and service jobs, constituting more than half the national workforce. Many suffer multiple abuses and labor exploitation, sometimes amounting to slavery-like conditions. The kafala (sponsorship) system ties migrant workers' residency permits to their “sponsoring” employers, whose written consent is required for workers to change employers or exit the country. Employers abuse this power to confiscate passports, withhold wages, and force migrants to work against their will. In August Jadawel International, owned by Saudi Arabia's third richest man, Shaikh Muhammad bin Issa Al Jaber, was six months in arrears with salary payments, as in previous years, and managers threatened workers not to pursue complaints in labor court. Some 1.5 million migrant domestic workers remain excluded from the 2005 Labor Law. As in years past, Asian embassies reported thousands of complaints from domestic workers forced to work 15 to 20 hours a day, seven days a week, and denied their salaries. Domestic workers, most of whom are women, frequently endure forced confinement, food deprivation, and severe psychological, physical, and sexual abuse. In December 2010, authorities made no attempts to rescue an Indonesian migrant domestic worker who had worked for 10 years without pay and whose sponsors were “renting” her out to other houses, according to one Saudi woman who informed authorities. In November 2010, authorities in Abha, southern Saudi Arabia, recovered the body of Kikim Komalasari, a 36-year-old Indonesian domestic worker, bearing signs of extensive physical abuse. In September an appeals court overturned a three-year prison sentence for the employer found guilty of severely assaulting Sumiati Mustapa, her Indonesian domestic worker. In June the government beheaded Ruyati binti Sapubi, an Indonesian domestic worker convicted of murdering her employer who allegedly refused to allow binti Sapubi to return home. Courts sentenced another Indonesian domestic worker to death for killing her employer after he allegedly tried to rape her. Saudi Arabia continued to deport hundreds of Somalis to Mogadishu, Somalia’s capital, according to the Office of the United Nations High Commissioner for Refugees, despite the acute violence there. Criminal Justice and Torture Detainees, including children, commonly face systematic violations of due process and fair trial rights, including arbitrary arrest and torture and ill-treatment in detention. Saudi judges routinely sentence defendants to thousands of lashes. Judges can order arrest and detention, including of children, at their discretion. Children can be tried and sentenced as adults if physical signs of puberty exist. The Interior Ministry said it had executed Bandar al-Luhaibi, a child, in October for killing his grandmother. Authorities rarely inform suspects of the crime with which they are charged, or of supporting evidence. Saudi Arabia has no penal code, so prosecutors and judges largely define criminal offenses at their discretion. Lawyers do not assist suspects during interrogation and face difficulty examining witnesses or presenting evidence at trial. From January to October 2011 Saudi Arabia had executed at least 61 persons, including two women and one child, mostly for murder or drugs offenses, but also a Sudanese man, Abd al-Hamid al-Fakki, for “sorcery.” In March a court, after only two sessions, sentenced four Iraqis and two Syrians to the amputation of one foot and one hand each for stealing money from a supermarket. One of the Iraqis told Human Rights Watch that interrogators physically tortured him for eight days into a signing, unread, a prepared confession. Secret police detained without trial or access to lawyers, in many cases for years, thousands of persons suspected of sympathies for or involvement with armed groups, or for their peaceful political views. In July the government proposed a counterterrorism law that would criminalize “infringing upon the interests of the kingdom” or “describing the king—or the crown prince—as an unbeliever, doubting his integrity, defaming his honesty, breaking the [oath of] loyalty [to him], or inciting such [acts].” Prisoners and detainees in several facilities described inhumane conditions. On January 3 Mikhlif al-Shammari, a rights advocate detained in Dammam prison since June 2010, alleged that guards beat inmates. According to his family, guards assaulted al-Shammari in July for his criticisms by putting a chemical agent in his mouth. Freedom of Expression, Belief, and Assembly Authorities further tightened the space for public criticism of officials or government policies in the wake of the pro-democracy Arab Spring movements. The Ministry of Culture and Information heavily censored print and broadcast media. Internet critics crossing vague "red lines" faced arrest. In October 2010 the General Court in Qubba, in northern Saudi Arabia, sentenced to lashes Fahd al-Jukhaidib, a local journalist and teacher who reported on a rare protest against the local electricity company. In December authorities detained incommunicado for three months Muhammad al-'Abd al-Karim, a professor of Islamic jurisprudence, for an online article speculating whether Saudi Arabia would survive as a political entity without the ruling Saudi royal family. In July the authorities arrested prominent cleric Dr. Yusuf al-Ahmad, one day after he criticized the Interior Ministry’s policy of long-term detention without charge or trial. In January Minister of Culture and Information Abd al-‘Aziz Khuja issued the Executive Regulation for Electronic Publishing Activity, which subjects virtually all news and commentary distributed electronically to the country's press law, including the requirement for a press license. In April King Abdullah amended the 2000 Press and Publications Law to further prohibit speech that "contradicts rulings of the Islamic Sharia [law] or regulations in force," or "call[s] for disturbing the country's security, or its public order, or … caus[es] sectarianism or … damage[s] public affairs in the country." New restrictions also include a prohibition on damaging the reputation of the chief mufti, members of the Council of Senior Religious Scholars, or any other government official or government institution. Saudi Arabia does not tolerate public worship by adherents of religions other than Islam and systematically discriminates against its religious minorities, in particular Shia and Ismailis (a distinct branch of Shiism). Official discrimination against Shia encompasses religious practices, education, and the justice system. Government officials exclude Shia from certain public jobs and policy questions and publicly disparage their faith. This discrimination sometimes amounts to persecution. Professing Shia beliefs in private or in public, in particular at holy sites in Mecca and Medina, may lead to arrest and detention. In October the Interior Ministry said that it would pursue what it called “radicalized or hired instigators” among the Shia with an “iron fist.” Prince Badr bin Jilawi, governor of Ahsa' province, repeatedly had Shia citizens detained, in violation of Saudi criminal procedure law, for private prayer or public display of Shia banners or slogans. The domestic intelligence agency in February summoned and then arrested Shia cleric Tawfiq al-‘Amir after he had called for a constitutional monarchy and equal rights for Shia in his Friday sermon. On March 5 the Interior Ministry categorically prohibited public protests “because they contradict the principles of the Islamic Shari'a and the values and customs of Saudi society." The royally appointed Council of Senior Religious Scholars, whose interpretation of religious law is binding, seconded the ban, and intelligence forces in March arrested Muhammad al-Wad'ani, and Khalid al-Juhani for advocating protests for political change. Small, peaceful protests by Shia took place since late February in the Eastern Province, demanding the release of nine "forgotten" Shia detained for over 13 years without charge or trial on suspicion of involvement in a 1996 attack on a United States military installation in Khobar, which killed 19. Saudi authorities detained 160 protesters until May, and at least 40 remained in detention at this writing. In March a small group of Sunni Saudis demonstrated in Riyadh, the capital, calling for the release of thousands of people detained for years without charge or trial on suspicion of involvement in militant activity. Police arrested several, including three women as well as lawyer Mubarak bin Zu’air and rights activist Muhammad Bajadi, both of who remain in detention. In August Judge Abd al-Latif al-‘Abd al-Latif prohibited defense lawyers for Bajadi from attending a trial session in a secret location of the Specialized Criminal Court, a state security tribunal for terrorism cases, where Bajadi faced charges of “insurrection against the ruler,” “instigating demonstrations,” and “speaking with foreign [media] channels.” Police in October arrested human rights activist Fadhil al-Manasif after he complained about the police seizing two elderly citizens in order to pressure their sons to give themselves up. The sons were wanted in connection with peaceful demonstrations in the Eastern Province. Al-Manasif, who was detained from May until August for peaceful protest, remains in incommunicado detention. A judge in September charged rights activist Walid Abu al-Khair with “offending the judiciary,” “asking for a constitutional monarchy,” and “participating in media [programs] to distort the reputation of the country.” Saudi Arabia does not allow political or human rights associations. In February intelligence forces arrested six persons who planned to found the kingdom’s first political party.

Shias uprising coming now – Iran pressure

Wolinsky 3/1 (Jacob Wolinsky March 1, 2012 “Saudi Arabia Pipeline Explosion: Political Tension and Oil Rise” Value Walk – global news site covering all breaking financial news<http://www.valuewalk.com/2012/03/saudi-arabia-pipeline-explosion-political-tension-and-oil-rise/>)

Saudi Arabia has been one of the bastions of stability since the so called Arab Spring began. the country saw some minor protests in the eastern regions where the majority of the population is shia. The Shias complain about discrimination and lower standards of living than the Sunni majority who have ruled the country for close to 100 years. The minor protesters were quickly put out with brutal force. However, as Iran becomes increasingly wreckless in their foreign policy they have been attempting to stir up trouble among the shias. Today news just broke of a pipeline being blown up. Bloomberg is reporting that “an explosion has hit oil pipelines in the flashpoint Saudi Arabian city of Awwamiya in the kingdom’s oil-rich Eastern province.” The news has not been verified nor confirmed by Saudi officials. The report sent crude oil above $110 a barrel. Saudi Arabia has the world’s largest reserves of oil according to everyone besides Hugo Chavez. It should be noted that Awwamiya was a cite of earlier protests put down by Saudi security forces. In April 2011, the city saw open protests among the shia population. If Iran is behind this explosion, which we strongly believe is the case, expect this just to be the beginning. As Iran has come closer to nuclear capacity and is increasingly isolated internationally, we expect that this is just the beginning.

Market flood inevitable – Saudi Arabia hopes to cripple Iran and Iraq

RT 6/1 ( RT global news network based in Russia”Saudi Arabia’s oil war plan hinted” <http://www.rt.com/news/saudi-arabia-oil-plot-754/>)

Saudi Arabia and its Sunni allies may right now be boosting oil production, aiming to plunge the market price to as low as US$60 per barrel. The ultimate goal is to cripple the economies of Shiite Iran and Iraq, an insider view suggests. The insight comes from Barton Biggs, hedge fund manager running Traxis Partners, who spoke with a Saudi Arabian businessman close to the country’s royal circles. Biggs met the man for a business lunch and asked for an overview of the Middle-Eastern country’s policies in the medium and long terms, reports Business Insider citing Biggs’ note published by Itaú BBA. "You have to understand our geopolitical equation and vulnerability,” the Saudi businessman is cited as saying. “Our two most dangerous enemies are Iraq and Iran. Both are Shia, and both are trying to destabilize the Arab world and our Sunni kingdom by funding terrorism. Our only weapons against them are our wealth and our oil. Their current vulnerability is their financial fragility. Their financial reserves are a fraction of ours, and they desperately need money to prop up their economies,” he said. The Saudi ruling council’s plan is to ramp up oil production over the next two years and seize the moment to strike at Iran and Iraq, the businessman, who is described as “very rich and presumably well-connected”, explained. “Iraq and Iran need to produce and sell their oil at well over $100 a barrel. In the next 24 months, we will gradually increase our production with the objective of breaking the price of crude down to sixty dollars a barrel,” he said. The businessman, who is not part of the Saudi extended royal family, added that the plan has the backing of other Persian Gulf monarchies. “Under normal recessionary circumstances, we would be reducing production to maintain current prices. Instead, we will be flooding a weak market already suffering indigestion. You also should understand that Kuwait and the United Arab Emirates are with us. Royal families tend to stick together,” he is cited as saying. Barton Biggs says cheap oil would be good news for the global economy as a whole, as it would essentially amount to "a giant tax cut, which is just what this sickly old world needs." Still he sees many obstacles to the plan, if it is indeed what was outlined in the conversation, given the political instability in the region ravaged by the Arab Spring. This comes as Saudi Arabia boosted its oil output in May to the highest level in 23 years, a Bloomberg survey showed. The biggest contributor to the Organization of Petroleum Exporting Countries pumped 9.9 million barrels a day during the month. OPEC’s total output is currently highest since October 2008. Saudi Arabian Oil Minister Ali al-Naimi said in mid-May, that he wanted to see the Brent crude contract drop to $100 a barrel.

### AT: Economy

**Decline doesn’t cause war**

Morris **Miller**, Professor of Administration @ the University of Ottawa, **‘2K**

(Interdisciplinary Science Review, v 25 n4 2000 p ingenta connect)

The question may be reformulated. Do wars spring from a popular reaction to a sudden economic crisis that exacerbates poverty and growing disparities in wealth and incomes? Perhaps one could argue, as some scholars do, that it is some dramatic event or sequence of such events leading to the exacerbation of poverty that, in turn, leads to this deplorable denouement. This exogenous factor might act as a catalyst for a violent reaction on the part of the people or on the part of the political leadership who would then possibly be tempted to seek a diversion by finding or, if need be, fabricating an enemy and setting in train the process leading to war. According to a study under- taken by Minxin Pei and Ariel Adesnik of the Carnegie Endowment for International Peace, there would not appear to be any merit in this hypothesis. After studying ninety-three episodes of economic crisis in twenty-two countries in Latin America and Asia in the years since the Second World War they concluded that:19 Much of the conventional wisdom about the political impact of economic crises may be wrong ... The severity of economic crisis – as measured in terms of inflation and negative growth – bore no relationship to the collapse of regimes ... (or, in democratic states, rarely) to an outbreak of violence ... In the cases of dictatorships and semi-democracies, the ruling elites responded to crises by increasing repression (thereby using one form of violence

### AT: Soft power

#### Soft power is wrong – states have multiple reputations, not one image

Stephen Brooks and William Wohlforth, IR @ Dartmouth, ‘8

(World Out of Balance, p. 158-170)

According to the logic of institutionalist theory, the United States thus now faces very significant constraints on its security policy due to the institutional order: the United States must be strongly cooperative across the board to maintain cooperation in those aspects of the order that it favors. As it turns out, the institutionalist argument for why the United States needs to pursue a highly cooperative approach regarding all parts of the institutional order is premised on a particular view of how reputations work. Institutionalist theory rests on the notion that "states carry a general reputation for cooperativeness that determines their attractiveness as a treaty partner both now and in the future. A defection in connection with any agreement will impose reputation costs that affect all current and future agreements."36 Despite the fact that this conception of a general reputation does a huge amount of work within institutionalist theory, the theory's proponents have so far not provided a theoretical justification for this perspective .17 Rather, **they have simply assumed this is how reputation works.** In the **most detailed theoretical analysis** of the role that reputation plays within international institutions to date Downs and Jones argue that there is no theoretical basis for viewing states as having a "a single reputation for cooperation that characterizes its expected reliability in connection with every agreement to which it is a party."" Downs and Jones maintain that it is more compelling to view states as having multiple, or segmented, reputations: "states develop a number of reputations, often quite different, in connection with different regimes and even with different treaties within the same regime."" In other words, there is reason to think that a state's reputation within the security realm cannot be different from the reputation that it has within the economic realm, or, indeed, that a state cannot have varying reputa tions within different parts of the security realm. As an illustrative ex ample, Downs and Jones note:

The United States has one simple reputation for making good on its financial commitments with workers in the UN Office of the Secretary General and another quite different simple reputation with officials of European states in connection with its financial commitments to NATO. Neither group is much concerned with characterizing the reliability of the United Stales in meeting its financial commitments in general. Those inside the Office of the Secretary General are aware of the fact that the United States has paid its NATO bills, and NATO workers know that the United States is behind on its UN dues. However, they design their policies in response to the behavior of the United States in the subset of contexts that is relevant to them.43

#### Systemic alt causes mean the aff can’t solve

Reiss, 8 – Vice Provost, International Affairs @ College of William and Mary

(Mitchell, Survival 50.5, p. 99-114, November)

This gross disparity in military power has also weakened America’s network of alliances. As Princeton University Professor John Ikenberry has observed, ‘the end of the Cold War … eliminated a common threat that tied the United States to a global array of allies, and it … has meant that the United States does not need these allies in the same way as in the past. But it also means that other states do not need the United States as much, either’.4 During the Cold War, Western countries banded together to contain and defeat communism. A shared fear of the Soviet threat was the glue for the transatlantic relationship and America’s alliances around the world. Today, there is far less common purpose. The ‘global war on terror’ simply does not bring countries together in the same way. Another systemic change is a fundamental questioning and rethinking of the legal underpinnings of war and peace, and the use of force. The 11 September attacks led many scholars and foreign-policy practitioners to question how well existing international law and the UN Charter could continue to operate.5 The concepts of pre-emption, imminent attack, legitimacy and the use of force are all being re-examined and reinterpreted. And it is not just the United States that is doing this. The High-Level Group appointed by the UN secretarygeneral and the EU’s European Security Strategy have both acknowledged the triple threats of weapons of mass destruction, terrorism and failing states. But if there is agreement on the threats, there is disagreement over the policy prescriptions. According to the UN Charter, a state has the right to use force in self-defence only after it has suffered an armed attack. In other words, states have to wait for an actual attack before they can act. This raises the question: is there any responsible policymaker who would recommend waiting if he knew that a state or terrorist group was about to use nuclear, chemical or biological weapons? Some commentators argue that there is an exception if a threatened attack is ‘imminent’, which would allow a state to strike first. But there is no consensus on this issue, and there is even greater disagreement over what might constitute a threat of imminent attack. Given that there is no consensus, the United States runs the risk of inviting the world’s hostility every time it uses military force without prior UN Security Council approval. **There is an ongoing ‘legitimacy’ gap that will be** difficult, if not **impossible**, for the United States **to bridge**. A third systemic change that has contributed to a rise in anti- Americanism is the erosion of state sovereignty over the past few decades. Under the Westphalian system, states were free to do what they liked within their own borders without interference from outside actors. In recent years, however, this has given way to the increasing international acceptance of intervention in the internal affairs of states. According to Ikenberry, there are fewer principled and normative inhibitions on intervention, while norms of state sovereignty have less ‘stopping power’. Sovereignty is increasingly *contingent*.6 This has created a new ‘license’ for powerful states to intervene in the domestic affairs of weak and troubled states. However, this erosion of sovereignty has not been matched by a rise in new norms and agreements about when and how the ‘international community’ should intervene. After all, as Ikenberry rightly asks, ‘who speaks for the international community?’ 7 This has caused a new global struggle over the sources of authority in the international system. In this new era, in which previous ideas about world order and the rules of war and peace are increasingly being called into question, only the United States has the military power to engage in large-scale uses of force around the world. For many, the uncertainty over the new rules of military engagement, the erosion of the norm of state sovereignty and the rise of American military might all coalesce into a generalised anxiety over how the United States wields its power. ‘The powerful can be dangerous’, notes Johns Hopkins Professor Michael Mandelbaum. ‘They can bully, dominate, and if they choose, crush those who are weaker. In a world in which all other countries are weak by comparison, beneath the dislike and disapproval of the United States that public demonstrations manifest and opinion polls record lies another, **more potent feeling**: fear.’8 Or, expressed more simply, no one likes Goliath. In this respect, the US invasion of Iraq was not only objectionable on its merits, it was also alarming because the United Nations, or any other state or collection of states, was powerless to stop it. If American military power doesn’t worry people, then the economic reach of the United States does. It is no secret that many find globalisation enormously disruptive and threatening to traditional cultures and long-established ways of life. Whether it is the unsentimental demands of free-market capitalism, the influence of instant global communications and mass media, the control of plant, animal and human characteristics through genetic engineering, the potential of human beings to play God and build new biological structures atom by atom, the doubling and even tripling of human life spans and the ensuing social pressures this creates – all these elements of globalisation are redefining our lives, a process that, for many people, is disturbing and disorienting. Of all the countries of the world, the United States is most closely associated with these forces of modernity, and globalisation is seen by many as ‘Americanisation’. The United States has developed economic policies that make it especially well positioned to take advantage of increasing global interconnectedness. The international economic system was designed by Washington after the Second World War, the US dollar is the world’s currency of choice, and the US market is the world’s largest, richest and most open. For all of these reasons, anti-globalisation efforts single out the United States; anti-globalisation protests are often indistinguishable from anti- American rants. A final contributor to anti-Americanism may be found in the global demographic shift. The post-war generation in Europe, Korea, Japan and Australia is leaving centre stage. **The impact of the passing of the generational torch cannot be underestimated**. Previously, governing elites in Western Europe and the United States all shared the historical experience of the Second World War and the Berlin airlift. Europeans had positive feelings toward the United States, rooted in America’s wartime bravery and power, as well as its post-war generosity. Older Koreans and Japanese also experienced first-hand America’s compassion in rebuilding their homelands. That generation is now almost entirely gone from the scene, taking with it a reservoir of historic goodwill towards the United States that is **irreplaceable**. The generation of Europeans and Asians in power today came of political age while protesting the Vietnam War and what they viewed as American imperialism. Sadly, an even younger generation may long associate America with the images of abuse and torture at Abu Ghraib. Those who are ‘reflexively pro- American’ are far fewer and less able to counter the voices of anti-Americanism. All these systemic changes lead to greater prominence and a higher profile for the United States in world affairs, largely because of American military, economic and diplomatic primacy. They invite, and sometimes require, the United States to play a larger role than before as a provider of regional and international security, at a time when many of the old rules are changing, but new ones have yet to become settled and widely accepted. These systemic changes are not just theoretical possibilities, of interest only to political scientists. Indeed, they already affect perceptions of the United States and its policies on a daily basis. The question is not whether they exist, but what the United States can do about them.

### **\*Aff answers to Libya DA\***

### N/UQ: Libya Won’t Transition to Democracy

**Libya won’t achieve democracy as an oil-dependent economy**

Giorgio **Cafiero, 7/19**/12

Contributor to Foreign Policy in focus, “**Beyond Libya’s Election – Analysis”, http://www.eurasiareview.com/19072012-beyond-libyas-election-analysis/**

The struggle for democracy and respect for human rights in Libya is far from over. On balance, the prospects for democratization in Libya appear mixed. One major reason for pessimism is the “resource curse,” which holds that economies dependent on non-renewable natural resources develop more slowly and inevitably fall under control of authoritarian governments. Libya, [dependent](https://www.cia.gov/library/publications/the-world-factbook/geos/ly.html) on hydrocarbons for 95 percent of export earnings, 80 percent of its revenue, and 65 percent of its GDP, has certainly fallen victim to oil dependency. If Libya achieves democratic transition without gaining economic independence from hydrocarbons, it will be the first oil-dependent economy to democratize after discovering oil. (The only democratic country that is economically dependent on oil is Norway, which achieved a democratic transition before discovering oil).

### Political Stability key to Economy

Institutional reform and legal frameworks key to oil economy

Future Directions, 2/15/12

“[Libyan Oil 2012: Prospects and Implications](http://www.futuredirections.org.au/publications/energy-security/27-energy-security-swa/392-libyan-oil-2012-prospects-and-implications.html)”, http://www.futuredirections.org.au/publications/energy-security/27-energy-security-swa/392-libyan-oil-2012-prospects-and-implications.html

Libyan oil production has defied expectations and has already regained pre-revolution levels. While the nation’s “black gold” will provide much-needed revenue for the war-ravaged economy and infrastructure, considerable issues and challenges remain. These considerations should feature prominently as Libya enters the next stage in its post-revolution transition. Fundamentally, institutional reform is required, although doubts remain over the current governments’ ability and conviction to achieve large-scale reform. For Libya to maximise its oil potential and, hence, it’s economic potential, the state must, as a matter of some urgency, develop initiatives to foster commercial confidence, within a stable environment bounded by strong regulatory and legal frameworks.

### Strong Libyan economy =/= Stability

**A strong Libyan economy doesn’t lead to political stability**

Thomas **Alberts**, 11/24/**11**

PhD candidate at the School of Oriental and African Studies (SOAS), London, has previously written about South African political history, human rights, and legacies of apartheid, “Oil Sector Reform in Libya”, http://www.majalla.com/eng/2011/11/article55227804

Certainly oil is a priority for the new government. Actually, oil never really stopped being a priority, and both Qadhafi and rebel forces carefully avoided damaging Libya’s oil infrastructure during the eight-month war. Since fighting stopped, Libyans have been cleaning tanks, turbines, and pipes, sourcing tools and parts, cannibalising equipment, patching tanks, and gradually starting oil flowing again. By mid-November, production had already increased to 600,000 bpd and is expected to reach 800,000 bpd by the end of the year, all so far without foreign assistance. Some think production is increasing at an even faster rate and believe the National Transitional Council is being bullish in its forecasts. Addressing the London conference by video link, Tripoli businessman Sami Zaptia suggested production might even reach 1 million bpd by year-end. To put this in context, 80 per cent of current production is in the Sirte Basin, and Ghadames, Mursuq and Kufra basins are all operating significantly under capacity; current reserves are estimated at 46 billion barrels of oil and around 54 trillion cubic feet of gas; and 60-70 per cent of Libya is unexplored, according to Libyan business consultant Tarek Alwan. And as Zaptia reminded his audience, Libya is Europe’s closest source of oil. **Reforming Business**  Clearly the biggest restraint on foreign investment in Libya is political instability. Confidence will grow as Prime Minister Keib’s new cabinet gets to work, but impediments remain. For example, the new government’s unelected, interim status raises questions about the legality of contracts it enters into with private sector companies on behalf of the state. From the reverse perspective, political stability will improve if the economy can be kick-started. That seems to be the view of many foreign governments, especially Britain and France. In truth, however, political stability and economic growth are each other’s condition of possibility; they are mutually enabling, and will proceed – or decline – in tandem. Probably Libya’s historically bureaucratic and corrupt public sector will shrink as the recovery bites, efficiencies improve, and opportunities are leveraged via private sector investment. But this ought to stimulate more rather than less interest from government in how business is done in Libya.

### Link Turn – Diversification

#### Turn: Aff leads to long-term stability by decreasing oil reliance

Lahcen Achy, 5/1/12

Nonresident scholar at the Carnegie Middle East Center in Beirut, an economist with expertise in development and institutional economics, as well as trade and labor, with a focus on the Middle East and North Africa, research fellow in the Economic Reform Forum and the Moroccan Academic Liaison for the Researchers’ Alliance for Development, Ph.D., Economics, “Libya’s Economy: On Path to Recovery but Facing Hard Challenges”, http://carnegieendowment.org/2012/05/01/libya-s-economy-on-path-to-recovery-but-facing-hard-challenges/aq7l

The Libyan oil minister recently announced that oil production is approaching pre-war levels. The oil sector is the backbone of the Libyan economy, so such a statement is of high importance. It accounts for 70 percent of GDP, over 95 percent of exports, and 90 percent of government revenue. With the current level of oil production and high prices on international markets, the Libyan economy is expected to recover this year. Yet, to ensure long-term stability, Libya must move away from its dependence on oil toward a diversified econo