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## 1NC

#### Russia’s economyis growing now but it’s vulnerable to falling oil prices.

Oprita 6/21/2012, (Antonia, CNBC News Editor – “Are Oil Exports Russia's Curse as Well as Its Blessing?” http://www.cnbc.com/id/47870418)

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.

### The plan’s shift from oil dependence causes prices to drop.

DeCiantis 3/25/2008 (Devin, Masters in Public Policy- development economics and international trade, http://www.freedom24.org/rationalpost/2008/03/25/speculations-on-a-25-oil-tariff/)

In the mid-term, as industries and generators begin to shift away from higher-cost imported oil, domestic oil producers might begin building out untapped Arctic capacity and utilities might begin diversifying their energy portfolios into lower-cost fossil fuels and alternative energy technologies. Together, these processes should cause a more substantial decline in import volumes. In the long-run, a more fundamental shift away from a high-carbon, high-cost, oil-dependent economy is likely to unfold, at which point oil imports would begin to decline more precipitously as demand for energy is almost completely replaced with lower-cost substitutes. This progression is an example of a typical “adjustment lag”. b. The world price of oil? Again, in the very short-term we might expect a modest decline, partially offsetting the cost of the tariff. Given that America is one of the world’s largest energy importers (importing roughly 2/3rds of its annual consumption), it would still need to source oil externally or risk seizing up its industrial capacity. Thus, aggregate import demand would remain relatively stable and prices would likely settle somewhere between $75 and $100. Over the mid-to-long-term, major OPEC suppliers would have room to lower prices given their lower relative cost of production, while growing demand from China and India would partially offset declining American demand. Finally, as the U.S. begins to substitute away from oil as a key energy input in the long-run, global aggregate demand for oil will inevitably decrease, assuming that emerging market demand doesn’t continue to grow at its current pace in perpetuity. This will put considerable downward pressure on prices over time as oil exporters adjust to a situation of extended excess supply-at least while total global oil reserves remain relatively plentiful.

#### Declining oil prices collapses Russia’s economy.

VOA 6/11/2012 (Voice of America News, Henry Ridgwell, http://www.voanews.com/content/falling-oil-prices-prompt-russian-economic-fears/1206097.html)

Oil prices have shown a steady fall in the last few months, prompting fears that the Russian economy, which relies heavily on energy exports, could suffer. Meanwhile, new sources of oil are coming on line and helping to drive down the price at the pump. Khanty-Mansiysk in Siberia - home to around 70 percent of Russia’s developed oil fields and the source of much of the country’s wealth. Russia produces more than 10 million barrels of oil per day - making it a major energy player. Stephen Tindale, an energy economist at the Center for European Reform, said, “Almost half of the Russian government’s revenue comes from various taxes on oil and gas exports.” Tindale says that leaves the Russian economy highly vulnerable to a fall in oil prices. “It would mean their budget was well out of balance and so would be very serious, short-term, for Putin and the Russian government," he said.

### Russian economic decline causes domestic instability and nuclear launch.

Oliker and Charlick-Paley 2002 (Olga and Tanya, RAND Corporation Project Air Force, “Assessing Russia’s Decline,” www.rand.org/pubs/monograph\_reports/MR1442/)

What challenges does today’s Russia pose for the U.S. Air Force and the U.S. military as a whole? Certainly Russia cannot present even a fraction of the threat the Soviet monolith posed and for which the United States prepared for decades. Yet, if certain negative trends continue, they may create a new set of dangers that can in some ways prove even more real, and therefore more frightening, than the far-off specter of Russian attack ever was. As a weak state, Russia shares some attributes with “failed” or “failing” states, which the academic literature agrees increase the likelihood of internal and interstate conflict and upheaval. Tracing through the specifics of these processes in Russia reveals a great many additional dangers, both humanitarian and strategic. Moscow’s efforts to reassert central control show that much control is already lost, perhaps irretrievably. This is manifested both in center-periphery relations and in the increasing failure of law and order throughout the country, most clearly seen in the increasing institutionalization of corruption and crime. Although Russia’s weakened armed forces are unlikely, by temperament and history, to carry out a coup, real concerns exist that the forces may grow less inclined to go along with aspects of government policy, particularly if they are increasingly used as instruments of internal control as in Chechnya. Moreover, the fact that the Russian military is unlikely to attempt to take power does not mean that it will not seek to increase its influence over policymaking and policy-makers. The uncertainties of military command and control threaten the possibility of accidental (or intentional) nuclear weapon use, while deterioration in the civilian nuclear sector increases the risk of a tragic accident. Russia’s demographic trajectory of ill health and male mortality bodes ill for the nation’s ability to resolve its economic troubles (given an increasingly graying population) and creates concerns about its continued capacity to maintain a fighting force even at current levels of effectiveness. Finally, the fact that economic, political, and demographic declines affect parts of Russia very differently, combined with increased regional political autonomy over the course of Russian independence and continuing concerns about interethnic and interregional tension, creates a danger that locality and/or ethnicity could become rallying cries for internal conflict. While some might argue that Russia’s weakness, or even the potential for its eventual collapse, has little to do with the United States, the truth is that a range of U.S. interests is directly affected by Russia’s deterioration and the threats that it embodies. The dangers of proliferation or use of nuclear or other weapons of mass destruction (WMD), heightened by Russian weakness, quite directly threaten the United States and its vital interests. Organized crime in Russia is linked to a large and growing multinational network of criminal groups that threatens the United States and its economy both directly and through links with (and support of) global and local terrorist organizations. Russia is also a major energy producer and a transit state for oil and gas from the Caspian at a time when the U.S. government has identified that region, and energy interests in general, as key to its national security. Washington’s allies, closer to Russia physically, are not only the customers for much of this energy but are also the likely victims of any refugee flows, environmental crises, or potential flare-ups of violence that Russian decline may spur. Finally, recent history suggests a strong possibility that the Untied States would play a role in seeking to alleviate a humanitarian crisis on or near Russian soil, whether it was caused by epidemic, war, or a nuclear/industrial catastrophe.

### Nuclear war

Forrow 1998 (Lachlan, MD, et al, “Accidental Nuclear War – A Post-Cold War Assessment”, New England Journal of Medicine, iis-db.stanford.edu/pubs/20625/acciden\_nuke\_war.pdf

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.

## Uniqueness – Russia Economy Strong

#### Russia’s economy is strong now.

RT 6/22/2012 (http://rt.com/business/news/oil-price-russia-economy-497/)

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.

### Russia’s economy is growing in the squo.

VOA 6/21/2012 (Voice of America News, http://blogs.voanews.com/russia-watch/2012/06/21/the-putin-pendulum-anti-white-house-pro-american-investment/)

In today’s arid economic landscape, Russia is a juicy and tempting fruit. It now enjoys “The Four Fives:” 5 percent unemployment, 5 percent inflation, a 5 percent current account surplus and a 5 percent economic growth forecast for 2012. In addition, it enjoys foreign currency reserves of $500 billion. (These may have shrunk a bit in value after Russia’s president trash-talked a key component: U.S. Treasuries.) Compared with last year, real incomes for Russians are up 11 percent, and retail sales are up 7 percent. Viewed from the financial flatlands of the European Union, Moscow looks like a shining city on a hill. No longer “the sick BRIC,” Russia will probably grow more this year than Brazil and India. Russia’s growth could approach that of China.

## Uniqueness – Oil Prices High

### Oil prices are climbing – investors are confident demand will remain high.

Business Week 6/27/2012 (Moming Zhou, http://www.businessweek.com/news/2012-06-27/oil-rises-for-second-day-on-signs-of-economic-recovery-in-u-dot-s-dot)

Oil rose to a one-week high on signs the U.S. economy is recovering, easing concern that demand from the world’s biggest crude-consuming country will decline. Crude gained 1.1 percent after Commerce Department data showed orders for durable goods climbed more than forecast in May. More Americans than estimated signed contracts to purchase previously owned homes last month, the National Association of Realtors reported. Oil retreated from the day’s highs after the Energy Department said U.S. gasoline supplies jumped last week. “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, a senior market analyst at the Price Futures Group in Chicago. “The economic data recently seems to be raising expectations for more oil demand.”

### Oil prices are rising now.

Reuters 6/27/2012 (Angela Moon, http://www.reuters.com/article/2012/06/27/us-markets-stocks-idUSBRE84S0BG20120627)

Stocks rose on Wednesday on upbeat economic data and rising oil prices that sent energy shares up more than 2 percent. Gains were broad-based but the energy sector index .GSPE was the strongest among 10 S&P 500 sectors, rising 2 percent. The healthcare sector .GSPA was the second-biggest gainer, up 1.4 percent, on news that U.S. health regulators approved Arena Pharmaceuticals Inc's (ARNA.O) pill to treat obesity, the first weight-loss drug in 13 years. Arena shares soared 43 percent to $12.53. Easing concerns about tepid economic growth, data showed demand for long-lasting U.S. manufactured goods rose more than expected in May. In another report, signed contracts for home purchases jumped in May to the most in seven months, the latest sign of improvement in a sector that has been a drag on the economy.

### Oil prices won’t fall soon.

Reuters 6/22/2012 (http://www.reuters.com/article/2012/06/22/us-markets-oil-iea-idUSBRE85L0GW20120622)

Markets should not expect oil prices to continue to fall while emerging market demand remains strong and shut-ins persist at key sources of supply, the head of the International Energy Agency told Reuters on Friday. Brent crude oil dipped below $90 on Friday before recovering to $90.25 per barrel by 0639 EDT. Maria van der Hoeven said the dip would not necessarily reduce the strain on consumer economies. "It depends how long prices will be at lower levels because economic recovery is not something for today or for tomorrow."

## Link – Reducing Demand/Consumption

### Reducing demand for oil causes prices to collapse – hurting Russia’s economy.

Carey 2/24/2003 (John, Business Week, "Taming the Oil Beast," http://www.businessweek.com/magazine/content/03\_08/b3821001.htm)

Yet reducing oil use has to be done judiciously. A drastic or abrupt drop in demand could even be counterproductive. Why? Because even a very small change in capacity or demand "can bring big swings in price," explains Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University's Robinson College of Business. For instance, the slowdown in Asia in the mid-1990s reduced demand only by about 1.5 million bbl. a day, but it caused oil prices to plunge to near $10 a barrel. So today, if the U.S. succeeded in abruptly curbing demand for oil, prices would plummet. Higher-cost producers such as Russia and the U.S. would either have to sell oil at a big loss or stand on the sidelines. The effect would be to concentrate power--you guessed it--in the hands of Middle Eastern nations, the lowest-cost producers and holders of two-thirds of the known oil reserves. That's why flawed energy policies, such as trying to override market forces by rushing to expand supplies or mandating big fuel efficiency gains, could do harm.

### Expanding alternatives to oil decreases oil prices.

Strand 5/11/2007 (Jon, Senior Economist- Development Research Group, " Technology treaties and fossil-fuels extraction," October, http://goliath.ecnext.com/coms2/gi\_0199-7309937/Technology-treaties-and-fossil-fuels.html)

Assume that a treaty will lead to increased international funding of technology developments, which in turn implies a likelihood that a new energy technology will be developed. Assume that the **a**lternative technology**,** once developed, implies a constant marginal energy cost, lower than the (assumed constant) cost of extracting fossil fuels**.** (3**)** Fossil fuels will then become redundant once the new technology is adopted, and no more fossil fuels will be extracted from then on. (4) We assume that the time it takes to develop such a technology is stochastic, modeled in a very simple way, as exponentially distributed with constant parameter [lambda](with expected period until development equal to 1/[lambda]). One so far overlooked implication of such a scenario is that the prospect of developing a new and more efficient energy technology will affect incentives of fossil-fuel producers to extract and market the resource, in both the short and the longer run. In the model, dealt with in Sections 2-3 below, we assume that the fossil-fuel market is competitive on a global scale, there is no market uncertainty, and there is initially a zero probability of developing an alternative technology replacing fossil fuels. The initial resource price (prior to any technology treaty) can then be shown to evolve according to the so-called Hotelling rule, whereby the growth rate for the real resource price (net of extraction cost) equals the real rate of interest, r, in the economy. (5) In Section 2 below we first show that**,** when the technology treaty is in place, the equilibrium price and extraction path for the resource will both shift as a result. Along the new price path, the net resource price will grow at the higher rate r+[lambda]. The entire resource price path shifts down, resulting in a higher volume of extraction at any given date until the resource is fully extracted, or until the new technology is developed. Intuitively, when fossil-fuel producers are made aware of an increased likelihood that their resource may become redundant within a limited future time period, the incentive will be to extract it more quickly**.** For a given demand function directed toward fossil fuels,with global fossil-fuel demand a decreasing function of the price, this must mean a lower market price of fuel**.**

### Reduced oil consumption causes lower prices.

Zakaria 9/5/2005 (Fareed, Economic advisor for Newsweek magazine, ‘How to escape the Oil trap’, EbscoHost.)

It's true that there is no silver bullet that will entirely solve America's energy problem, but there is one that goes a long way: more-efficient cars. If American cars averaged 40 miles per gallon, we would soon reduce consumption by 2 million to 3 million barrels of oil a day. That could translate into a sustained price drop of more than $20 a barrel. And getting cars to be that efficient is easy. For the most powerful study that explains how, read "Winning the Oil Endgame" by energy expert Amory Lovins (or go to oilendgame.com). I would start by raising fuel-efficiency standards, providing incentives for hybrids and making gasoline somewhat more expensive (yes, that means raising taxes). Of course, the energy bill recently passed by Congress does none of these things.

## Link – Expanding Supply/Production

### New sources of oil cause prices to fall, hurting Russia’s economy.

Gonzalez 6/27/2012 (Angel, Houston Bureau Chief at Dow Jones Newswires and Contributor to the Wall Street Journal, “Expanded Oil Drilling Helps U.S. Wean Itself From Mideast,” The Wall Street Journal)

The prospect that new sources of supply in the Americas could lead to years of flat or even falling oil prices is a source of great concern in the Kremlin. Surging oil revenues over his 12 years in power have helped President Vladimir Putin pay for an eightfold increase in government spending, going to everything from pension and wage hikes to costly projects like the Sochi Olympics to a major military buildup.

## Link – High-Speed Rail

### The plan links –

### A) HSR lowers gas prices.

Fuhrmann 4/18/2012(Ryan C. – portfolio manager, MBA, part of the CFA institute) “Three ways to lower gas prices” http://www.investopedia.com/financial-edge/0412/3-Ways-To-Lower-Gas-Prices-.aspx#axzz1z0zC8SEh

Decreasing demand could also lower gas prices. Transportation consumes an estimated 70% of that nation's gas supply, so finding ways to reduce driving could help lower demand, and eventually gas prices. Vehicles that run on alternative sources of energy, including natural gas, as well as those that run partially on electricity can also help. Obama's energy outlook cited more than 12 manufacturers of electric vehicles, many of which receive government subsidies to get the technology closer to mass production. Light and high-speed rail transportation could also help, if built in a cost effective manner. Smaller methods to improve efficiency and lower demand include producing cars that are more fuel efficient.

### B) Oil and gas prices follow each other.

Irwin and Good10/6/2012(Scott and Darrel- Researchers in the department of Agriculture and consumer spending at the University of Illinois)

The second line charted in Figure 1 is the weekly (Thursday) wholesale price of gasoline (RBOB) for Chicago. Since one of the major products of refining crude oil is gasoline, it is no surprise that crude and gasoline prices tend to follow one another closely. However, the relationship is far from perfect, which is evident in divergences during early 2007 and in recent months. A simple way to track the relationship is shown in Figure 2. It presents the ratio of crude oil to gasoline prices. The average ratio is about 36 for this period, meaning it usually takes about 36 gallons of gasoline to purchase one barrel of crude oil. This relationship is quite volatile, though, with a low of about 25 and a high of about 55. The sources of the variation are complex but basically have to do with changing refining margins and supply and demand conditions in the crude market versus the retail gasoline market. Notice that the ratio has recently trended down to around 30, likely reflecting a relative surplus of the type of crude represented by the NYMEX futures contract (west Texas intermediate, or WTI) and some recovery in miles driven in the U.S.

## Link – AT: Long Timeframe

### Speculators immediately adjust to the perceived future effect of the plan.

Lott 3/13/2012 (John R., Jr. – Ph.D. in economics from UCLA, “Yes, government policies could help bring down the price of gas – today,” http://www.foxnews.com/opinion/2012/03/13/yes-government-policies-could-help-bring-down-price-gas-today/)

Democrats and even some conservatives claim that there is nothing that can be done immediately to reduce oil prices. After all, they argue, even if the go ahead were given today to drill for more oil, it would take years before we would actually see it. But lower future prices do lower current prices. Just as speculators save oil for future consumption if they think that prices will rise, lower future prices mean that they won't keep their inventories, and selling them off now will lower today's prices. Thus, President Obama's bans on drilling raise prices in the future, but also raise them now. The US is only a relatively small part of a worldwide market for oil, but relatively inelastic demand for oil even small changes in quantity can produce significant changes in prices. Despite all the subsidies for so-called “green energy,” what is being produced there doesn’t come close to offsetting the energy lost from this oil production.

## Link – AT: Supply-Side Correction

### Supply-side corrections won’t happen and won’t bring prices back up.

Lynch 6/27/2012 (Michael– president and director of global petroleum service at Strategic Energy & Economic Research, http://www.usnews.com/opinion/blogs/on-energy/2012/06/27/why-oil-prices-could-fall-to-below-50-a-barrel)

His rationale: His costs were $100 a barrel (that was the hurdle rate for new projects) and anything lower would reduce investment and supply, sending prices right back up. Although this sounded logical, it is overly simplistic in a number of ways, and smacks more of the sort of wishful thinking that has hurt, for example, Chesapeake Energy, whose CEO warned natural gas prices were too low as they kept declining from $8 to $2/Mcf, his opinion notwithstanding. Certainly, lower prices would reduce upstream investment which could, ultimately, take prices back to their earlier levels, but this is relatively unlikely. First, a significant portion of lower prices would be absorbed by governments, whose tax take fluctuates with prices. Second, upstream costs would decline with lower investment, as the overheated market for drilling services would cool off. But finally, most new supplies (and none of the existing production) cost well below $100 to produce. Historical ignorance is display, as so often is the case with energy. There have been repeated periods when industry figures argued that prices were too low to cover costs, most famously in late 1985, when prices were $30 but then collapsed to $18 the next year. This despite the fact that there was near-unanimous expectation of continued higher, not lower, prices. Similarly, some argue that revenue needs of oil exporting countries like Iran and Saudi Arabia will determine prices, based on the oil price necessary to cover their fiscal needs. Which is certainly interesting, but hardly determining of the ultimate price, since while they can influence the price, they cannot set it. From 1986-2005, roughly, few OPEC members met their fiscal needs from oil revenues, yet that didn't result in higher prices.

## Link – AT: OPEC Will Compensate

### Saudi Arabia will assure prices reflect the market even if they drop and hurt Russia.

Reuters 6/25/2012 (“Saudi Arabia keeps oil tap on for world growth, Russia hurts,” http://in.reuters.com/article/2012/06/25/saudi-oil-idINL5E8HJGHB20120625)

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. "Russia's economy is vulnerable to a sharp drop in oil prices," said U.S. oil analyst Phil Verleger. "The Saudis may be able to exploit that vulnerability by keeping production at 10 million barrels per day." Industry sources say Saudi Arabia, the only oil producer with significant spare capacity, looks set to trim output over the next two months, but only because demand from refineries in China and the United States will dip. "We're told the Saudis are OK with lower prices, $90 or below, for a few months," said a Western diplomat. "Even if they have to trim back because of lower demand they don't give us the impression they'll be bailing out OPEC on price any time soon," he said. Crude is down from a March peak of $128 partly because the economic outlook has darkened but also because Saudi Arabia, pressed by major consumer countries, opened the taps in March to a 30-year high of 10 million bpd. That has made up for a slump in output from Iran because of sanctions, not only drawing criticism from Tehran but others in the Organization of the Petroleum Exporting Countries who prefer higher prices including Algeria, Iraq and Venezuela. As the group's main swing producer, Riyadh is largely responsible for the extra volumes that have taken OPEC in excess of its official 30 million bpd output ceiling.

## Internal Link – Oil Prices Key to Russia Economy

### Falling oil prices provokes Russian economic collapse and adventurism.

McKillop 6/26/2012 (Andrew– Former chief policy analyst, Division A Policy, DG XVII Energy, European Commission, The Market Oracle, http://www.marketoracle.co.uk/Article35327.html)

It however sets the real panic-price level for Saudi Arabia and Russia, and identifies why they will take avoiding action much further up the price scale: from US$75 per barrel. Especially for Russia, where OAO Gazprom is beginning to map the contours of its coming decline - rather than looking at the future, not liking it, and saying it doesn't exist – falling oil prices and falling gas prices can deliver a hard blow to the Putin Empire. This could possibly be to the extent of "tweaking" the tail of the Russian bear by one turn too much, making it especially aggressive. Saudi Arabia's oil price sensitivity, claimed by Saudi braggers to be so low it doesn't exist, has climbed so high and far from the long-dead days of Saudi claims that it can live with oil at $35, that figures near US$60 or even 70 per barrel can be taken seriously. Plenty of other OPEC states, measuring their oil price sensitivity relative to their national budgets, debt servicing, and oil sector development financing, are right up at the $75 plimsoll line. Facing the producers however, the world's biggest oil consumer, the US is now sitting on more oil supplies than it has had since 1990. This coincides with the US having its weakest oil demand for 15 years - and at most only fractional growth prospects. Other OECD oil consumers are using ever less oil, especially the European group which is showing its sixth year of oil demand contraction at a 6-year average rate of 2.5% each year. To be sure this is powerfully driven by recession, but is also aided by growing energy efficiency and accelerating changes in the energy economy, shown by the ever growing GDP output from each barrel that is spent or used. Another acid test for "the right price" of oil is coming from the trader community itself: in highly predictable fashion, the slump in oil prices has coincided with a steep selloff in oil futures contracts over the last three months. According to the US market watchdog agency the CFTC (Commodity Futures Trading Commission) speculators have cut their net-long positions—their bets that the price will rise—to the equivalent of 136 million barrels of oil, the lowest since September 2010, and the exact opposite to the vast binge of speculative buying that preceded. At the time, things were good for net-long speculators: there was still some mileage in the Iran nuclear crisis, despite its antique status, but above all global oil demand seemed to be recovering. The result was a six-month bull run that is now history. With the speculators out of the market, prices will tend to more easily reflect supply-demand fundamentals, not a screen shot from Goldman Sach's trading programs, with the near certain readout that oil prices can or should decline all through summer. That however depends on how fast and how far price fall this summer. SAUDI AND RUSSIAN REARGUARD ACTION Current price trends are already running faster than market analysts and gurus cared to imagine, with many of their forecasts still set at Brent prices softening to around US$90 per barrel by September, and West Texas Intermediate possibly falling to as low as US$80 by the same date. Saudi and Russian reaction will therefore tend to be jumpstarted by prices softening faster than predicted. The unlikely alliance and unholy (or uncoranic) couple of Russia and KSA will almost certainly and quite rapidly be squealing. Their fears are easy to understand: nothing particularly prevents oil prices slumping to US$60 per barrel - consumers would find no special problems in accepting oil at that price, even if the economic benefits of cheap oil have been drastically exaggerated for decades. Cheap oil is in fact a producer problem, not a consumer problem, and both of the strange couple have problems. Of the two biggest producers, Russia has the largest problems accepting prices much below $75 per barrel and staying there. A big cut in its oil revenues at a time when gas prices are under sure and certain threat - if a couple of years ahead - and commodity prices outside the energy sector are set to decline, spells big trouble for Russia's national finances, the economy, and Putin's now troubled and contested leadership. For Russia, a Middle East conflagration of the type that his favourite local dictator, Bashr el Assad is threatening would be a welcome oil price booster. Defending el Assad will be an interesting test for Putin: if he lets the war criminal drop, oil prices will soften even further.

### Falling oil prices cause Russian economic collapse and political instability.

Meyer and Arkhipov 5/31/2012 (Henry and Ilya – Reporters for Bloomberg, “Oil and Protests: Putin's Double Trouble”, http://www.businessweek.com/articles/2012-05-31/oil-and-protests-putins-double-trouble/)

While only small numbers of President Vladimir Putin’s opponents are camping on Moscow’s Old Arbat street, a Greek exit from the euro could push Russia into recession and provoke more unrest. In 2009 the economy shrank almost 8 percent after oil prices dropped to $34 a barrel from $147 as the Lehman bankruptcy sparked a global downturn. A report by the Center for Strategic Research in Moscow, which advises the government, warns that a fresh economic slump and the resulting need to slash social spending could provoke unrest across the country at a time of increased political repression. “If these trends continue, we will see the escalation of political violence and repression on one hand and the worst economic crisis on the other,” says Mikhail Dmitriev, the research institute’s head and a deputy economy minister from 2000 to 2004. “This may lead to Putin losing control and a chaotic political transformation.”

### Oil price decline hurts Russia’s economy.

Money Morning 6/26/2012 (Jonathan Yates, “How a Crude Oil Price Slump Could Bury These Countries,” http://www.moneymorning.com.au/20120626/how-a-crude-oil-price-slump-could-bury-these-countries.html)

According to a June 25 Reuters report, Saudi Arabia has built up a revenue surplus to withstand lower oil prices. The country plans to maintain its oil output numbers despite the lower crude prices. But Russia and Iran may be in more trouble. Reuters reported both Moscow and Tehran need crude at $115 a barrel to meet budget requirements. “Russia’s economy is vulnerable to a sharp drop in oil prices,” U.S. oil analyst Phil Verleger told Reuters. “The Saudis may be able to exploit that vulnerability by keeping production at 10 million barrels per day.”

#### Declining oil prices threaten Russia’s economy.

Economist 8/24/2007 (“Russia's economy: Despite market jitters, stability seems assured for now,”

http://www.economist.com/node/9706752)

Regardless of the short term movements in currency and bond markets**,** Russia has little to fear at present. It has enormous foreign-currency reserves and a huge current-account surplus, as well as a fast-growing economy, while public debt is very low. The fall in the stockmarket has little broader relevance, because it is so small by comparison with the real economy. Nor is a widening of bond spreads relevant for a government that continues to run a healthy fiscal surplus. Moreover, there is little indication that Russian financial institutions—which are overwhelmingly focused on the home or regional market—have significant exposure to the US subprime mortgage market. Russia will only face serious difficulties if the turmoil in global markets is sustainedfor months and has a sizeable impact on the real economy.A major retrenchment by foreign lenders and investors would take the shine off Russia’s impressive economic growth, fuelled as it is by expanding credit and rampant fixed investment. However, given the massive increase in state spending of late, a fall in the world oil price to US$50/barrelwould present troubles for the government. Only a few years ago, Russia was reckoned to be comfortable with any price above US$20/b.

### Falling oil prices causes chaos in Russia’s economy.

Moscow News 6/21/2012 (Tim Wall, “Energy and inertia in St. Pete,” http://themoscownews.com/editorial/20120621/189870303.html)

Welcome though these initiatives are to investors, the message that will resonate most is Putin’s rather careful words on political reform. If the oil price keeps slipping, and the world economic crisis turns into full-blown recession, it will hit Russia very hard. In that situation, investors will be thinking, what is the Kremlin’s Plan B? Putin stressed that his administration was “open to dialogue with all political forces” – we can perhaps take this with a pinch of salt – but it was significant that the previously tough line he has taken with the opposition domestically seemed to be sugar-coated for foreign investors. The truth is that a significantly lower oil price would be a game changer for the Kremlin. Putin would be forced to choose between a risky hard-line crackdown – or real, serious concessions to the opposition. Watch this space.

## Internal Link – AT: Low Prices Good (Reform) – Reform Now

### Putin’s instituting reforms to reduce dependence on oil and garner investment now.

Vasilyeva 6/27/2012 (Nataliya – AP Business Writer, Las Cruces Sun-News, http://www.lcsun-news.com/las\_cruces-business/ci\_20951434/putin-says-economic-reform-his-top-priority)

In what was his first major policy address since beginning his third term in May, Putin confirmed his commitment to economic reforms that should make Russia a more attractive business destination. "We have mapped out an entire program of large-scale reform, and it has received broad public support," he told investors and the heads of global corporations at Russia's premier economic forum. "I see its fulfillment as the main goal of my tenure as president." Putin admitted that the government has failed to diversify Russia's economy away from its reliance on crude oil, but pledged to tackle the issue. He said the government will soon be drafting its budgets in a way that Russia's main expenditures and investment projects will not rely on taxes expected to come in from oil companies enjoying high oil prices. In a move cheered by businessmen and investors, Putin on Thursday appointed a presidential ombudsman vested with special powers to defend the rights of company owners and directors. The new ombudsman, Boris Titov, will have powers to represent owners and directors in courts and suspend official rulings which could be viewed as hampering their rights. Titov had previously served as a chairman of the well-respected business lobby Delovaya Rossiya. Russian authorities have admitted that a poor investment climate is scaring investors away and hope Titov's appointment will improve the country's profile and reputation. Andrew Somers, president of the American Chamber of Commerce in Russia, told The Associated Press that he sees "a significant chance of success" in that initiative. Titov has a lot of experience lobbying for businesses and the government has thoroughly researched how similar institutions work in other countries, he said. While acknowledging that the economic goals Putin has set out are turning into "a long, complicated process," Somers said he believes that Putin is "challenging himself and the government to meet those goals."

## Internal Link – AT: Low Prices Good (Reform) – Reform Fails

### Diversification of Russian economy will fail

Gaddy 6/16/2012 (Clifford, an economist specializing in Russia, is writing books on the political economy of Russian oil. Will the Russian economy rid itself of its dependence on oil? http://en.rian.ru/valdai\_op/20110616/164645377.html)

Even under optimal conditions for investment, any dream of creating a “non-oil” Russia that could perform as well as today’s commodity-based economy is unrealistic. The proportion of GDP that would have to be invested in non-oil sectors is impossibly high. Granted, some new firms, and even entire sectors, may grow on the outside of the oil and gas sectors and the rent distribution chains they support. But the development of the new sectors will be difficult, slow, and costly. Even if successful, the net value they generate will be too small relative to oil and gas to change the overall profile of the economy. Thus, while it is fashionable to talk of “diversification” of the Russian economy away from oil and gas, this is the least likely outcome for the country’s economic future. If Russia continues on the current course of pseudo-reform (which merely reinforces the old structures), oil and gas rents will remain important because they will be critical to support the inherently inefficient parts of the economy. On the other hand, if Russia were to somehow launch a genuine reform aimed at dismantling the old structures, the only realistic way to sustain success would be to focus on developing the commodity sectors. Russia could obtain higher growth if the oil and gas sectors were truly modern. Those sectors need to be opened to new entrants, with a level playing field for all participants. Most important, oil, gas, and other commodity companies need to be freed from the requirement to participate in the various informal schemes to share their rents with enterprises in the backward sectors inherited from the Soviet system.

## Impact – Russia Economy – US/Russia War – Outweighs (Magnitude)

### Only US/Russia nuclear war causes extinction.

Bostrom March 2002 (Nick, professor of philosophy - Oxford University, Existential Risks: Analyzing Human Extinction Scenarios and Related Hazards, 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.

## Impact – Russia Economy – Accidental Launch

### 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.

## Impact – Russia Economy – Russia/China War

### Russian economic decline causes Russia-China war.

David Jan/Feb 1999 (Steven – professor of political science at Johns Hopkins, Foreign Affairs, p. lexis)

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. No nuclear 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.

### Russia/China war causes extinction

Sharavin 10/3/2001 (Alexander, The Third Threat, What the Papers Say, p. lexis

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**.

## Impact – Russia Economy – Democracy

**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.

### Nuclear war

Irsraelyan Winter 1998 (Victor, Soviet ambassador, diplomat, and arms control negotiator, Russia at the Crossroads, Washington Quarterly, p. lexis)

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

## AFF – Uniqueness – Russia Economy Weak (Low Oil Prices)

### Oil Dependence is hurting the Russia economy now

Buckley 6/20/2012 (Niel, Professional journalist who specializes in foreign relations, Oil dependency remains a fundamental weakness,http://www.ft.com/cms/s/0/438712b2-b497-11e1-bb2e-00144feabdc0.html#axzz1ykuegEQs)

Moscow’s dollar-denominated stock market index is down more than 20 per cent since this year’s mid-March peak, while the rouble has fallen 13 per cent against the dollar. Is Russia’s economy again headed for a fall? That year, the stock market began a seven-month, 80 per cent decline from peak to trough, as oil and commodity prices slumped, followed by the collapse of Lehman Brothers in September. Russia’s economy went on to shrink by 7.8 per cent in 2009, the deepest recession of any G20 country. The recent market slides reflect a 20 per cent decline in Brent crude prices since March, which reached $100 a barrel by early June, and intensifying concerns that Greece could crash out of the eurozone, dealing a Lehman-style shock to the global economy

## AFF – Uniqueness – Oil Prices Low

### Oil prices are falling fast.

Sydney Morning Herald 6/26/2012 (http://www.smh.com.au/business/markets/oil-falls-below-us80-for-a-third-day-20120626-20z0p.html)

Oil fell below $US80 a barrel for a third day in New York on concern that a meeting of European Union leaders this week will fail to check the region's debt crisis, leading to a reduction in fuel demand. Futures dropped 0.7 per cent as George Soros warned that a failure by EU leaders to produce drastic measures may spell the demise of the bloc's shared currency. Crude climbed earlier as oil and gas installations in the Gulf of Mexico were shut because of Tropical Storm Debby. Prices slid as the storm moved toward Florida and away from energy fields. "The market is hanging on every development out of the euro zone," said John Kilduff, a partner at Again Capital LLC, a New York-based energy hedge fund. "Things don't look promising for the summit. Nothing appears to be in the cards that will end the crisis and an ultimate breakdown looks likely." Oil for August delivery declined 55 cents to settle at $US79.21 a barrel on the New York Mercantile Exchange. Futures are down 20 per cent this year. Prices have fallen 23 per cent since the end of March, heading for the biggest quarterly decline since the final three months of 2008.

### Oil prices are low and getting lower.

Fox 6/21/2012 (Emily Jane, CNN Money Reporter and Editor, “Oil prices continue their slide”,http://finance.yahoo.com/news/oil-prices-continue-slide-201500850.html)

Oil prices fell Thursday, hitting an eight-month low, as markets continued to react to disappointing economic news across the globe. The price of oil for August delivery fell to $78.58 a barrel as markets settled, down nearly 4% from Wednesday. This is the first time since October that oil prices hit below $80, what analysts consider a key psychological number. Signs of a slowdown in manufacturing in China, Europe and the United States delivered the oil market another blow on Thursday. "Prices have gotten clobbered, and it's being driven by the deteriorating economic data," said Matt Smith, a commodity analyst at Summit Energy Services. A survey of Chinese manufacturers saw a decline in the number of export orders, while the manufacturing index in Europe remained at a three-year low. Domestically, the Philadelphia Federal Reserve reported a 16.6% drop in its regional manufacturing index. The oil markets also reacted to jobless claims, which analysts said showed little improvement. Prices were also still coming down from disappointment over the Federal Reserve's decision to hold interest rates steady. The sharp dive in prices over the last month and a half has analysts concerned. Crude oil prices are often indicative of what's going on in the larger global economy.

## AFF – Internal Link – Oil Prices Not Key to Russia’s Economy

#### Russia has set aside funds to compensate if the price of oil falls.

Belton 6/18/12 (Catherine – Economic Writers for the Moscow Times, Russia earmarks $40bn to bolster economy, http://www.ft.com/cms/s/0/1eea8e10-b94d-11e1-9bfd-00144feabdc0.html#axzz1ykvTHc00)

Russia is setting aside up to $40bn for this year and next to shore up the economy in case the crisis in the eurozone escalates and spreads, and is dusting off a plan that would allow the government to recapitalise the country’s banking system. In his first interview with a foreign newspaper since his appointment as finance minister last year, Anton Siluanov said the government had agreed to create a reserve mechanism worth Rbs500bn ($15.4bn) for next year “for the direct financing of anti-crisis measures”. This would include support for “socially needy people” and “systemically important enterprises”, and the revival of a scheme proposed – but not implemented – in 2009 to issue government bonds to recapitalise banks in exchange for shares, Mr Siluanov said. This year, up to Rbs800bn earmarked for one of Russia’s rainy day windfall funds – the Reserve Fund – could be spent on meeting any potential shortfall for budget obligations should the oil price stay below the average $117 a barrel at which the budget now breaks even. The Reserve Fund and the Welfare Fund currently contain $145bn.

## AFF – Internal Link – Low Prices Good – Reform

#### Low oil prices are key to force Russian economic reform.

Wagstyl 6/21/2012 (Stefan – the Financial Times’ emerging markets editor, http://blogs.ft.com/beyond-brics/2012/06/21/russia-oil-gloom-over-st-petersburg/#axzz1ylPf8ugF)

As Buckley writes, the economy can only be restructured with long-term reforms of the kind that Putin has repeatedly promised – such as liberalising and stimulating small business – but never really delivered. Opinion is divided over whether he will now embark on such policies in his third term as president. Beyondbrics reckons the prospects are limited – unless a deep and lasting decline in oil prices forces change by weakening the energy sector and its powerful lobbyists. The experience of other ex-Communist states shows that radical reforms are mostly done when leaders have their backs against the economic wall. But whether Putin and his allies would respond to economic pressure with reform is an open question. There would be a real battle in the administration between reformers and conservatives in which the outcome – political as well as economic – would be hard to predict.

#### Low oil prices are good for Russia’s economy – they force economic reforms.

RT 6/22/2012 (http://rt.com/business/news/oil-price-russia-economy-497/)

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."