# Russia DA

## 1NC - Russia

#### **High oil prices are driving Russian economic growth**

MLA 12

(4/20, Meat & Livestock Australia, “High oil prices drive Russian economy,” <http://www.mla.com.au/Prices-and-markets/Market-news/High-oil-prices-drive-Russian-economy>, Accessed: 7/11/12, GJV)

The Russian economy is expected to grow by 4% in 2012, according to the latest International Monetary Fund (IMF) World Economic Outlook. This is an upward revision of 0.7% on the IMF’s January forecast, largely reflecting the outlook for a continuation of high oil prices. Russia is the world’s second largest oil producer and consequently is heavily reliant upon oil revenues for economic growth. Although growth prospects for Russia remain strong, the most prominent risk for the region, according to the IMF, is an escalation of the European debt crisis. The Euro area accounts for a large proportion of Russian exports, with a slowdown in the Euro zone likely to directly impact on export earnings. Of more concern, according to the IMF, would be a decrease in the price of oil brought about by a slowdown in the Euro zone and the wider global economy.

#### [Insert specific link here – the plan reduces oil prices]

#### A fall in oil prices will ruin the Russian economy

Ridgwell, 12

(Henry, Editor for Voice of America, 6/11, Voice of America, “Falling Oil Prices Prompt Russian Economic Fears,” <http://www.voanews.com/content/falling-oil-prices-prompt-russian-economic-fears/1206097.html>, Accessed: 7/11/12, GJV)

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.” Watch a related video report by Mil Arcega ​​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 nuclear war

FILGER, 9

(Sheldon, author and blogger for the Huffington Post, “Russian Economy Faces Disastrous Free Fall Contraction” http://www.globaleconomiccrisis.com/blog/archives/356)

In Russia historically, economic health and political stability are intertwined to a degree that is rarely encountered in other major industrialized economies. It was the economic stagnation of the former Soviet Union that led to its political downfall. Similarly, Medvedev and Putin, both intimately acquainted with their nation’s history, are unquestionably alarmed at the prospect that Russia’s economic crisis will endanger the nation’s political stability, achieved at great cost after years of chaos following the demise of the Soviet Union. Already, strikes and protests are occurring among rank and file workers facing unemployment or non-payment of their salaries. Recent polling demonstrates that the once supreme popularity ratings of Putin and Medvedev are eroding rapidly. Beyond the political elites are the financial oligarchs, who have been forced to deleverage, even unloading their yachts and executive jets in a desperate attempt to raise cash. Should the Russian economy deteriorate to the point where economic collapse is not out of the question, the impact will go far beyond the obvious accelerant such an outcome would be for the Global Economic Crisis. There is a geopolitical dimension that is even more relevant then the economic context. Despite its economic vulnerabilities and perceived decline from superpower status, Russia remains one of only two nations on earth with a nuclear arsenal of sufficient scope and capability to destroy the world as we know it. For that reason, it is not only President Medvedev and Prime Minister Putin who will be lying awake at nights over the prospect that a national economic crisis can transform itself into a virulent and destabilizing social and political upheaval. It just may be possible that U.S. President Barack Obama’s national security team has already briefed him about the consequences of a major economic meltdown in Russia for the peace of the world. After all, the most recent national intelligence estimates put out by the U.S. intelligence community have already concluded that the Global Economic Crisis represents the greatest national security threat to the United States, due to its facilitating political instability in the world. During the years Boris Yeltsin ruled Russia, security forces responsible for guarding the nation’s nuclear arsenal went without pay for months at a time, leading to fears that desperate personnel would illicitly sell nuclear weapons to terrorist organizations. If the current economic crisis in Russia were to deteriorate much further, how secure would the Russian nuclear arsenal remain? It may be that the financial impact of the Global Economic Crisis is its least dangerous consequence.

## Russia UQ – Growth

### Russian UQ – Growth Up

#### Russia’s growth is high now due to high oil prices

Schuman, 7/5

(Michael, writes about Asia and global economic issues as a correspondent for TIME, 2012, “Why Vladimir Putin Needs Higher Oil Prices,” TIME, <http://business.time.com/2012/07/05/why-vladimir-putin-needs-higher-oil-prices/?iid=tsmodule>, 7/8/12, MDRJ)

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.

#### Russian growth high now

Tiwari, 7/6

(Priyank, 2012, “Russian Foodservice: the Future of Foodservice in Russia to 2016,” SBwire.com, <http://www.sbwire.com/press-releases/russian-foodservice-the-future-of-foodservice-in-russia-to-2016-151843.htm>, 7/8/12, MDRJ)

A decade of stable political environment and steady economic growth has created a new middle class in Russia which is eager to spend. Although wages have stagnated, the government’s efforts in preventing major job losses have maintained disposable incomes, which in turn have strengthened the sales of foodservices. Russia’s services industry’s contribution was a significant 67.8% of GDP in 2009. Growth in the IT and engineering services has been particularly outstanding with software exports growing to US$2.8 billion in 2009. The entry into the WTO is expected to boost the growth of intellectual property driven services such as aerospace, software, and information and communication technologies. This industry growth has led to an increase in the number of single young professionals who prefer to eat out in quick service restaurants. Urbanization in Russia has been stagnating since the last decade and has even shown signs of reversal, falling from 74% in 2000 to 73% in 2005. It is further expected to decline to 72.7% during the forecast period. This has led to an increased consumption of convenience foods and the expansion of fast-food chains across all the major cities. Russian consumers have been quite slow to adopt information technology, but they are evolving rapidly to catch up with the rest of Europe. Personal computer penetration has increased from 12.2 PCs per 100 people in 2005 to 19 PCs per 100 people in 2010. The new wave of international restaurant chains has introduced websites with elaborate online menus such as McDonald’s, which has an online menu and items can be ordered through the website. Russian consumers have been extremely reluctant to conduct online shopping due to factors such as low penetration, low awareness and unpleasant experiences. In the early days of the internet, people who experimented with e-commerce suffered due to fraudulent online companies, incorrect or damaged products being delivered or late delivery of goods. In the last two years, there has been a surge in the number of Russians visiting social networking sites such as Yandex, Vkontakte, and DST. According to comScore World Metrix, 34.5 million Russian internet users spent 9.8 hours per visitor on social networking sites during August 2010. This surge in online activity and social media is helping foodservice companies promote their brands among target groups. With nearly 175 million mobile phone subscribers in 2010, the Russian telecommunication market has reached a phone penetration rate of 142.6%. However, after reaching this high rate, the market is now increasingly becoming saturated. Restaurants are eagerly looking forward to consumer adoption of the latest foodservice mobile applications such as online menus, geo-tagging and online table booking. The country’s parliament has approved a smoking ban in public places in a phased manner. From the beginning of 2014, all airports, railway stations, trains, buses and other public modes of transport will be the first to implement the ban. It will be followed by a ban on smoking in hotels, cafés, restaurants and nightclubs in 2015. Vodka is losing its status as the preferred drink in Russia with more Russians choosing to consume beer. Russians are regular consumers of alcohol which is considered a part of their daily cuisine. With growing economic opportunities, an increasing number of foreign expatriates are entering the country, fuelling the expansion of international cuisine restaurants across the country.

#### Russian economy strong now

Aris, 7/6

(Ben, editor/publisher of bne and an Eastern Europe specialist. He has worked as Moscow bureau chief for the Daily Telegraph, contributing editor at The Banker and Euromoney, acting Berlin bureau chief for the Guardian The Moscow Times, 2012, businessnewseurope.com, “Russia's economy - hot or not?” <http://www.bne.eu/story3777/MOSCOW_BLOG_Russias_economy__hot_or_not>, 7/7/12, MDRJ)

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% of the working population, which president Vladimir Putin pointed out at the St Petersburg forum in June means all the production capacity is being utilized. The tight labour market is already sending wages up, which were rising by 14% at the end of the first quarter on an annualized basis. And this has fed through into rising consumer confidence and robust growth for retail borrowing, which was up a whopping 43% in May. Indeed, the Kremlin released a whole bunch of economic data in early July that shows the economy is in robust health (for the moment). The windfall Reserve Fund was supposed to be emptied by the crisis by the end of 2010, but is now at just under RUB2 trillion ($60bn), whilst National Welfare Fund (used to support social spending) is brimming over at RUB2.8 trillion.

#### Russia’s economy is stable

Euronews.com, 6/22

(2012, “Oil price slump hits energy-reliant Russia,” Euronews.com, <http://www.euronews.com/2012/06/22/oil-price-slump-hits-energy-reliant-russia/>, 7/7/12, MDRJ)

Despite the woes of the world economy, Russia is strong and stable. That, at least, was the picture painted by President Vladimir Putin in a speech to business leaders in St Petersburg. However those attending the annual investment forum there know that the country is not immune to outside influences. “The biggest problem now is the growing crisis in Europe,” former Russian finance minister Alexey Kudrin told euronews. “As a consequence, Western banks are abandoning their credit programmes. “They don’t want to invest in the Russian economy because of its big oil dependency,” Kudrin added, saying that this type of investment is more risky during a period of crisis.

**Russian Economy Increasing Now**

**Russian economy will recover by 2012**

**BSG, NoDate** (BSG, News Website, NoDate, BSG, “Russian Economy to Recover by 2012-Putin,” <http://www.blackseagrain.net/about-ukragroconsult/news-bsg/russian-economy-to-recover-by-2012-2013-putin>, 7-2-12, GHK)

**Russia’s economy will** completely **recover** from the recent global crisis **by** the year **2012,** Russian Prime Minister Vladimir Putin said on Wednesday. Putin is delivering a report on the government activity in 2010 at the State Duma lower parliament house. According to Putin, **economic growth in Russia resumed from July 2009, and in 2010, its GDP went up by four percent. It was “the highest figure in the G8 countries**,” he said and added that **the 2011 forecasts put this figure still higher, at 4.2 percent**. “It means that **by the beginning of 2012 the Russian economy will completely make up for all crisis-related losses**,” said the Russian prime minister. “According earlier forecasts, **Russia’s economy was to recover by 2013 or 2014. We shall do it earlier**,” he pledged and added that these words are backed “not be wishful thinking but by accurate, well-grounded calculations.” In the mean time, he stressed that it is necessary “to look forward: to concentrate resources on upgrading the industrial sector and infrastructure, to develop possibilities and advantages of each of the country’s regions.” For these ends, he said, before the year end the government will adopt long-term strategies for each of Russia’s federal districts. He also mentioned plans to set up, with the assistance from the VEB bank, special development institutions for the North Caucasus, and a direct investment fund that will support socio-economic projects in the Far East and the Baikal territory.

**Russian Economy Improving but Slowly**

**Russian World Bank 12** (Russian World Bank, 4-12-12, Russia World Bank, “Russian Economic Report,” <http://www.worldbank.org/content/dam/Worldbank/document/rer-27-march2012-eng.pdf>, 7-2-12, GHK)

**While the global recovery weakened, Russia’s growth remained resilient and its output**

**returned to pre-crisis levels.** Strains in ﬁnancial and sovereign debt markets of the euro area, the

slowing recovery in the US, the recession in Japan, high commodity prices, and the end of the inventory cycle and ﬁscal consolidation dampened global economic activity in 2011. This led to a slowdown in the expansion of world trade and industrial production (Figure 1). Yet, Russia’s recovery

remained on track. While growth moderated from 2010 to 2011 in high-income OECD countries and

emerging economies outside the EU, **growth in 2011 reached 4.3 percent in Russia, unchanged from**

**2010. As a result, Russia’s output returned to pre-crisis levels towards the end of 2011. However,**

**the recovery was slow relative to the recovery from the 1998 crisis, and compared to other economies.**

**Russian economy growing despite financial crises**

**Rose 12** (Scott, 1-31-12, Bloomberg Business News, “Russian Economy Expanded 4.3% Last Year, Faster Than Economists Estimated,” <http://www.bloomberg.com/news/2012-01-31/russian-economy-expanded-4-3-last-year-faster-than-economists-estimated.html>, 7-2-12, GHK)

**Russia’s economy grew faster than forecast last year after falling unemployment and record-low inflation helped bolster consumer demand in the fourth quarter.G**ross **d**omestic **p**roduct, the value of all goods and services produced, **rose 4.3 percent, matching a revised 4.3 percent increase in 2010**, the Federal Statistics Service in Moscow said in an e-mailed statement today. The median forecast of 17 economists in a Bloomberg surveywas for 4.1 percent. The world’s biggest energy exporter is recovering from an economic slump of 7.8 percent in 2009, when commodity prices sank after the collapse of Lehman Brothers Inc. **Retail-sales growth unexpectedly accelerated to the fastest pace in more than three years last month as the jobless rate fell and inflation reached a two-decade low. “The figure came in above market consensus because of consistently strong consumer demand and an acceleration in investments toward the end of the year while imports growth decelerated**,” Dmitry Polevoy, chief economist for Russia andKazakhstan at ING Groep in Moscow and one of two economists who predicted the gain, said by e-mail. The 30-stock Micex Index was 0.8 percent stronger at 1,507.66 at 4:40 p.m. in Moscow and the ruble strengthened 1.2 percent to 30.0706 per dollar.

### Oil Demand High

#### US oil demand increasing – predictive evidence

McKillop 6/17

 (Andrew, former Expert-Policy and Programming, Division A-Policy, DG XVII-Energy, with the European Commission, Brussels “ Crude Oil Demand Recovery Is Unlikely” The Market Oracle [http://www.marketoracle.co.uk/Article35184.html 7/9/12](http://www.marketoracle.co.uk/Article35184.html%207/9/12), MDRJ)

“World oil consumption will rebound next year as the global economy recovers, according to a report released by the Paris-based International Energy Agency which said it expects global oil demand to grow 1.7%, for an increase of 350,000 barrels per day from its previous estimate". The only problem with the serial oil demand growth-forecasting reports from the IEA is the above example dates from.... September 2009. At that time, crude for November delivery was trading around $71.75 a barrel for WTI grade. Why oil demand did not rebound is the real question, and the reasons for this are not only due to GDP change or oil prices but are wide ranging - and will go on growing. This especially affects the European Union countries, the US and Japan, which are the three main oil consumers in the IEA's 28 member states, using a combined 44.25 million barrels a day (Mbd) as of March 2012, almost exactly 50% of world total oil demand.

#### Oil demand is rising – our evidence is predictive

Bird, 6/25

(David, reporter for the Wall Street Journal, 2012, “EIA: Liquid-fuel demand to rise 0.9% annually,” The Wall Street Journal: Market Watch, <http://www.marketwatch.com/story/eia-liquid-fuel-demand-to-rise-09-annually-2012-06-25>, 7/10/12, MDRJ)

World liquid-fuels demand is expected to rise by 0.9% between 2010 and 2035, to 109.5 million barrels a day, with the world becoming more reliant on OPEC oil, according to a U.S. government forecast released Monday. The Energy Information Administration said China, the world's second-biggest oil consumer after the U.S., is expected to see its liquid fuels demand--mostly petroleum--rise by 2.8% annually between 2010 and 2035. Demand will hit 18.5 million barrels a day in 2035, more than double the 2010 rate of 9.19 million barrels a day. According to EIA data, China's oil demand doubled between 1980 and 1996 and again between 1996 and 2006. The world will be more reliant on oil supplies from the Organization of Petroleum Exporting Countries by 2035, the EIA projects. OPEC's share of world demand will rise to 41.9% in 2035 from 39.7% in 2010. Output of crude oil, condensates and natural-gas liquids from OPEC's Middle East members will rise by 1.5% in the period, offsetting declines in South America and North Africa. OPEC total oil output is expected to rise by 10 million barrels a day between 2010 and 2035, to 44.19 million barrels a day. As reported, U.S. oil demand will grow by a modest 0.2% a year through 2035, capped by increased energy efficiency and rising prices, and won't top the 2005 peak, according to government projections released Monday. The EIA forecast is based on an extended economic recovery, with real U.S. gross domestic product growth of 2.5% a year between 2010 and 2035, moderate population growth, improved technologies brought on by stricter federal and state regulations and higher energy prices.

**Internal Links**

**Oil Is Key to current Russian growth**

**Oil Prices Are Growing and Will Stay –Russia’s Position allows them to be a strong player**

Saeed, 11

(Shan, MBA & Economic Researcher @ Uni. Of Chicago, “Russia: Economy will solid Direction,” 4-1-11, http://economistshan.blogspot.com/2011/04/bullish-on-russian-economy-by-shan.html, 7-2-12, GHK)

**Russia is the 6th largest economy** with per capita standing at $10,521 in 2010. According to the IMF, **Russia is set to grow its GDP by 4.34% in 2011**. Russia and China have signed trade agreement to enhance volumes of economic corporation in Chinese Yuan and Russian Ruble. I am bullish on Russia for the next decade. In currencies, I stand bullish on Chinese Yuan, Canadian dollar and Aussie dollar and Russian Ruble. **Russia is a resource rich economy and its currency ruble will appreciate against US dollar going forward. Oil and Gas are the main exports. With oil prices continue to upsurge; Russian economy will drive huge dividends in this favorable commodity price environment.** There are few experts that I follow and I have met them to get their insights about commodities and global economy. According to Marc Faber—the author of Gloom, Doom and Boom, **Russian economy will continue to grow since it is rich in oil.** He is bullish on oil. **Oil prices upside will be high as global demand and appetite would grow further as emerging economies need energy for their sustainable growth and development.** The country is moving with strong political forces that are joining hands to take the country to the next phase of economic development. Skilled and educated labor force and evolving business environment are making a strong case for foreign direct investment to be placed in Russia. According to commodity guru, Jim Rogers, **no major exploration has been done in energy sector for the past 25 years** and energy economics follow a different path as we move forward to bridge the gap between demand and supply. Energy demand i.e. Oil and gas will remain high for many years. In 1998, the average oil price was $17/barrel. In 2008, the average price was $38.77 / barrel. In 2018, average prices are expected to touch $77/barrel. At present price, oil is consumed amounting to $3.2 trillion annually. In a nutshell, **Russia will benefit from oil and gas price rise globally and will emerge as one of the strongest players in the international financial markets with solid infra-structure and sound economic base to navigate through the financial meltdowns and storms coming in the noisy market.**

**Russia’s Economy Back on Track Due to High Oil Prices**

**World Bank Organization, NoDate**

(World Bank Organization, NoDate, World Bank Organization, “Russia Overview,” <http://www.worldbank.org/en/country/russia/overview>, 7-4-12, GHK)

The Russian Federation weathered the global crisis of 2008-2009 well, in part due to a large fiscal stimulus. The Government took decisive action to provide emergency support to banks and enterprises bringing returned growth, and implemented social protection measures to prevent a collapse in consumption. In 2010, **Russia’s economy returned to moderate growth, on the heels of** domestic demand and **higher oil prices**, with lower than expected unemployment and poverty. In 2011, the country recovered its pre-crisis output level and returned to a fiscal surplus. **Russia is** the **top producer and** number two **exporter of oil**, so when oil prices plummeted during the crisis it served as a stark reminder of the **Government’s over-dependence on oil** and gas and the need to diversify. Nevertheless, in the past decade, this dependence **has increased**. The share of oil and gas exports has risen from less than one half of total exports in 2000 to two-thirds in recent years. However, Russia’s oil output is projected to reach a plateau from the middle of this decade onwards. There has been some shift to services over the years but the economic structure is still dominated by large corporations with a concentration in natural resources and low value-added industries, while contributions from the small and medium enterprises sectors are limited. Russia has a favorable short-term fiscal outlook due to a sizable budget surplus, and the economy was expected to grow by 4.1 percent for 2011, followed by 3.5 percent in 2012, and by 3.9 percent in 2013. However, Russia still faces some short-term challenges. It remains vulnerable to a prolonged recession in Europe that could trigger a global slowdown. **Russia may** also **face fiscal pressure if** the **prices for** its **main** commodity **exports decline** due to a slowdown in global demand. To reduce this vulnerability, Russia needs to exercise fiscal restraint and to rebuild fiscal buffers while oil prices are still high. This requires a prudent spending plan and saving of oil revenues. A fiscal policy aimed at improving the non-oil fiscal balance would put Russia in a stronger position to weather a new crisis. Currently Russia’s **non-oil fiscal deficit remains at about 10 percent of GDP**. At the same time, there is much potential to raise the quality of public spending to improve public services without additional spending.

### Oil profits key to Russia’s economy

**Oil is key to Russia’s economic success
Dutram, 12**

(Eric, 6-7-12, NASDAQ, “Why Russia ETF Are Not A Debt Crisis Safe Haven – ETF News and Commentary,” <http://community.nasdaq.com/News/2012-06/why-russia-etfs-are-not-a-debt-crisis-safe-haven-etf-news-and-commentary.aspx?storyid=146843>, 7-4-12, GHK)

**Russia is** practically **tied with Saudi Arabia in** terms of **oil production and is** also **the second biggest exporter** of the product as well**. Given this, and the heavily concentrated nature of the Russian economy,the key commodity tends to be the main driver of the fortunes in the nation.** While this can be a great thing when oil markets are surging higher, it can also have the opposite effect when crude prices are tumbling. In fact, over the past six months, the **main Russia ETF has slumped along with crude oil** and has easily underperformed broad European markets as well.Besides a recent surge thanks to stimulus hopes, the top Russia ETF, RSX , has lost about as much as USO a popular oil benchmark has in the same time frame, with both tumbling by more than 11%. Meanwhile, broad European markets, as represented by VGK , have fallen by about a third as much as their Russian counterparts over the past six months, suggesting that while there are a few exceptions to the rule, a broad play on Europe still would have been a better idea than investing in Russia over the past six months and especially in the past six weeks.

**Oil is Key to the Overall Russian Economy – Spending and Investment**

**Dashevsky11**

Dashevsky, 11

(Steven, CFA @ Baruch College NYU, Senior economic analyst @ Aton, Managing Director of Dashevsky& Partners, “The Russian economy and its oil”, 5-24-12, <http://rt.com/business/news/russia-economy-oil-rpice/>, 7-2-12, GHK)

RT: **High oil prices have helped Russia’s budget** but is the country too dependent on energy exports? SD: “Well the **dependence has declined greatly in recent years, but I think the sad truth remains that, to a very significant degree,Russia’s budget revenues and overall fiscal health is still very dependent on the level of oil prices.**”RT: How does the energy sector shape the Russian investment climate? SD: “Well, there are many ways how the events happening in **the oil and gas sector influence what is happening in the broader economy. On the one hand this is the biggest source of cash flow generation in the country**, so in a sense **it’s the biggest source of investment funds**, both for the companies, and for the government and also because oil companies invest very significant amounts of money every year, so **the ability of Russian oil companies to spend money affects really the entire Russian economy** – from transport companies to oil service companies to catering companies to local airlines – so it is still, **despite the significant efforts to diversify the economy, it’s a very important source of investment funds.**That’s kind of one angle, and another angle is **what is happening in the Russian oil and gas sector**, since it is the biggest sector in the economy, **affects the general investment climate**,from the kind of sentiment perspective. So**, when something good happens** like potentially was going to happen, BP-Rosneft deal, or if there are good events happening, new fields are being developed, new pipelines are being brought on-stream, **that gives investor additional confidence that the economy is progressing very well, and people are investing money in it, and the whole country is open for business.** Vice versa, if things are not going well, if deals are breaking up, if instead of going to work people going to courts against each other, that clearly creates a big drag on the investors sentiment for all of the Russian economy, not just oil and gas.”

**Oil is key to the economy – its half of exports and major energy companies reside there**

**TWGI, 9**

(Thomas White Global Investing, “Russia: Rebounding from Recession”, 11-21-09, http://www.thomaswhite.com/pdf/russia-country-01-2011.pdf, 7-2-12, GHK)

**A country that derives its economic strength** substantially **from its** natural resources, especially **oil and petroleum** products, **Russia has been successfully riding the high oilprice wave since the onset of the decade.** Moreover, **Russia surpassed Saudi Arabia in oil exports** recently for the first time since the Soviet Union’s collapse. **Over 70%of Russian crude oil production is exported**, while the remaining 30% is refined locally. **The country houses the world’s largest natural gascompany, which** stands tall as an icon **represent**ing **Russia’s** proud **position as** a **global energy** business **leader**. Owner of the world’s largest natural gas reserves and natural gas transmission system, exporting to 32 countries worldwide, the company’s share in global natural gas production is 20%. Moreover, the **largestprivately owned oil and natural gas company in the world**by proved reserves of oil and the second largest in terms of proved hydrocarbon reserves **is** also **based in Russia**. This firm has its business spread across 30 countries, and also retails petroleum products in 22 countries. **The country also touts the world’s largest pipeline system** spanning over 31,000 miles, owned by a state-run oil company As retail comes of age in the country, global retailers are making a beeline for Russia. Elaborate and expansive malls are sprouting up in support of this booming market. **About half of the country’s exports are comprised of crude oil and natural gas.** The natural resources sector also appropriates most of the FDI inflows coming into the country. **At present,the integration of the Russia into the global economy is thus largely leveraged by oil, natural gas**,and mineral **resources.**

**Oil price is key to the Russian economy – only GDP driver**

**Pirog, 7**

(Robert Specialist in Energy Economics and Policy Resources, Science, and Industry Division “Russian Oil and Gas Challenges”, 6-20-07, <http://www.fas.org/sgp/crs/row/RL33212.pdf>, 7-2-12, GHK)

**Energy exports have been a major driver of Russia’s economic growth over thelast five years, as Russian oil production has risen strongly and world oil and gas**prices have been relatively high. **This type of growth has made the Russian economyvery dependent on oil and natural gas exports, and vulnerable to fluctuations in worldoil prices.** Based upon an International Monetary Fund study, **a $1 per barrel increase**in the price of Urals blend crude oil for a year **results in a $3 billion increase inRussia’s nominal G**ross **D**omestic **P**roduct.

### Oil price drop crushes Russian economy

#### Oil price is key to Russian economy – each 1 dollar drop causes a 5 billion dollar loss

Bahgat, 4

(Gawdat, Centre for Middle Eastern Studies @Dept Political Science @Indiana U of Penn, OPEC Review: Energy Economics & Related Issues, “Russia's oil potential: prospects and implications.”June 2004, Vol. 28 Issue 2, p133-147, 15p, EBSCO, 7-2-12, GHK)

Since the collapse of the Soviet Union, **the Russian economy has been in a state of transition, from a state-run economy to a free-market one**. A delicate process of restructuring and diversification is underway. Still, **the Russian economy is heavily dependent on oil revenue**. This revenue represents a substantial proportion of the country's gross domestic product export earnings; in 2002, **energy accounted for almost 20 percent of russia'sgdp and 55 percent of export revenue. These figures indicate Russia's economy is extremely sensitive to global energy price fluctuations.** The sensitivity implies **a one dollar rise** (drop) **in the price of a barrel of Russia's urals blend benchmark leads to a**n increase (**decline**) **in** real **GDP growth of about .5 percentage points and** contributes to **an estimated US $5 billion in** extra earnings (**losses**). The relatively **high and stable oil prices** since 1999 brought a windfall in oil export revenue to the Russian economy, **spurred strong growth in GDP and contributed to the overall economic recovery**. Put differently, **Russia's real GDP growth since** 1999 has **been an impressive 6.6 per cent per year.** This strong recovery after the 1998 crisis can be explained by **favourable external conditions in the form of high oil prices**, as well as the effects of the sharp 1998-99 rouble devaluation/ Not suprisingly, in May 2003, **The Russian government released its energy strategy** to 2020, **which designates the energy sector as the engine of economic growth.**

#### A fall in oil prices will ruin the Russian economy

Ridgwell, 12

(Henry, Editor for Voice of America, 6/11, Voice of America, “Falling Oil Prices Prompt Russian Economic Fears,” <http://www.voanews.com/content/falling-oil-prices-prompt-russian-economic-fears/1206097.html>, Accessed: 7/11/12, GJV)

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#### If oil prices were to fall, Russia’s economy would be destroyed

Shelin, 12

(Sergey, political columnist, 4/30, Novayagazeta, “Putin Without Oil,” <http://en.novayagazeta.ru/business/52381.html>, Accessed: 7/5/12, GJV)

In the first quarter of 2012, the average price of Urals Crude was $117 a barrel; compare that with Q1 2010 when the price barely touched $70. In Q1 2012, Russia’s exports totaled $135 billion and imports made up $73 billion, a healthy margin of $62 billion. However, due to negative balance of payments, services and other economic parameters the Russian current account stands at a more modest $42 billion. Moreover, since the net outflow of private capital from Russia for the same three months was $35 billion, the country’s economy is more or less breaking even. If oil prices were to fall down to the 2010 mark of $70 a barrel, and along with it other energy resources that make up more than 70% of all Russian exports, then total revenue would fall by some $40 billion, from the current $135 billion to $95 billion. In addition, Q1 2010 saw Russian imported goods totaling $46 billion and export of private capital touching $15billion, 1.6 and 2.3 times lower than today’s figure respectively. If world oil prices do indeed crash, it is believed that Russians will panic and the country’s private capital exports will accelerate dramatically. A drop in oil prices will not be matched by the required cut in imports and to restore fiscal balance the Kremlin will have to decide whether to raid their foreign reserves or cut their expenditure on imports by half. The result would lead to a sharp devaluation of the ruble, a drop in consumer confidence and a surge in inflation.

### Even small swings are significant

#### Even small oil price swings can tank the Russian economy

Kramer, 12

(Andrew E., Editor for The New York Times, 3/16, The New York Times, “Putin Needs Higher Oil Prices to Pay for Campaign Promises,” <http://www.nytimes.com/2012/03/17/business/global/vladimir-putins-big-promises-need-fueling-by-high-oil-prices.html>, Accessed: 7/11/12, GJV)

“It’s very hard to overestimate how vulnerable the Russian economy is to external pressures” from the oil price, Sergei Guriev, the rector of the New Economic School in Moscow, said in a telephone interview. “That vulnerability is huge, which is why Russia must be very vigilant. The spending is a risk.” The promised spending is also ambitious. Mr. Putin has laid out a program of raising wages for doctors and teachers, padding retirement checks for everyone and refurbishing Russia’s military arsenal. The oil-lubricated offerings would even include a population premium: expanding the popular “baby bonus” payments the Russian government provides to mothers, to include a third child. The payment, of up to $8,300 for housing or baby-related expenses, now comes as an incentive only with each of the first two children. The additional cost of the expanded baby benefits alone will total $4.6 billion a year, according to an estimate by the Higher School of Economics in Moscow. Most of Mr. Putin’s spending promises came at least partly in response to the street demonstrations by young and middle-class protesters in Moscow and other big cities challenging his authority in the weeks leading up to the March 4 election. His apparent aim was to shore up support from the rest of Russia: poorer and rural parts of the country, and from state workers and the elderly. The repercussions of his campaign promises, and an earlier commitment on military spending, could be felt for years to come, giving price swings in oil a bigger role than ever on the Russian economy.

### Oil companies good – wealth trickles down

#### Russian oil provides jobs.

Spies 7 (Richard, October 7, President BP Russia, “THE NEED FOR RUSSIA’S FURTHER INTEGRATION INTO A GLOBAL ECONOMY” ,http://www.bp.com/liveassets/bp\_internet/russia/bp\_russia\_english/STAGING/local\_assets/downloads\_pdfs/s/RBCC\_Speech\_Oct\_2007\_RJS\_eng.pdf, accessed 7/11)

Let me give you an example of BP’s major investment in Russia – the joint-venture TNK-BP, where BP invested considerable capital, brought technological know-how and western management practices. And BP, as a major international company, has improved its understanding of Russia and increased its respect for its people and culture A few years have passed and one can see that TNK-BP is a truly Russian oil company, with assets in Russia, operating in Russia, employing Russian people, abiding by Russian laws and regulations and paying taxes and duties to the Russian Government. On a consolidated basis, TNK-BP provides about a fifth of BP’s reserves, about a quarter of BP’s production and just under tenth of the BP Group profits. Our Russian interests are clearly significant under any measure. I think the record of achievements by the team at TNK-BP is the best demonstration that all parties gained – mutual advantage as the result of a business deal and the implementation of business plan

#### Russian oil industry employs 2 million people.

Wang 11 (Bryan, March 24, journalist of Next Big Future, “Oil and Gas Extraction Accidents and World Oil and Gas fatality estimates”, <http://nextbigfuture.com/2011/03/oil-and-gas-extraction-accidents-and.html>, accessed 7/11)

Russia employs about 2 million people in the oil and gas industry and produces about ten million barrels per day. 87 million barrels of oil (and oil equivalent) is produced per day worldwide. The US produces about 5.5 million barrels of oil and 3 million barrels of oil equivalent.

## A2: Oil Dependence Turn

### Russia can’t shift away from oil profits

#### Russian oil dependence is interlocked with their economy, any shifts from oil will fail

Gaddy, 11

(Clifford G., Senior fellow at the Brookings Institution, Washington, 6/16, Rianovisti, “Will the Russian economy rid itself of its dependence on oil?” <http://en.rian.ru/valdai_op/20110616/164645377.html>, Accessed: 7/5/12, GJV)

The problem is that it is precisely the oil wealth (the so-called oil rent) that is used to support and perpetuate the inefficient structure. For the sake of social and political stability, a large share of Russia’s oil and gas rents is distributed to the production enterprises that employ the inherited physical and human capital. The production and supply chains in that part of the economy are in effect “rent distribution chains.” A serious attempt to convert Russia’s economy into something resembling a modern Western economy would require dismantling this rent distribution system. This would be both highly destabilizing, and costly in terms of current welfare. Current efforts for “diversification” do not challenge the rent distribution system. On the contrary, the kinds of investment envisioned in those efforts will preserve and reinforce the rent distribution chains, and hence make Russia more dependent on oil rents. 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.

#### **Russia’s oil dependence is impossible to change**

Gaddy, 11

(Clifford G., Senior fellow at the Brookings Institution, Washington, 6/16, Rianovisti, “Will the Russian economy rid itself of its dependence on oil?” <http://en.rian.ru/valdai_op/20110616/164645377.html>, Accessed: 7/5/12, GJV)

Certainly, there are issues with oil. It is a highly volatile source of wealth. But there are ways to hedge those risks. A bigger problem is that oil will eventually lose its special status as an energy source and therefore much of its value. But that time is far off. It will not happen suddenly. In the meantime, sensible policies can deal with the problems. Otherwise, the approach should be to generate the maximum value possible from the oil and protect that value through prudent fiscal policies. Russia should not, can not, and will not significantly reduce the role of oil and gas in its economy in the foreseeable future. It will only harm itself by ill-advised and futile efforts to try.

### Russian economy diversifying now

#### Russia is diversifying economy.

Denisov 5/9

(Anton, reporter for RT, RT(major Russian news sorce)“Making and selling to be the future of Russian economy”, <http://rt.com/business/news/government-economy-tasks-opinion-598/>, accessed 7/9)

Diversification of the economy is going to be the main challenge for the new Russian Government according to experts. Retail and manufacturing would have to become the main drivers of Russia’s economy in the near future. ­They agree Russian non-commodity related industries have a great potential for growth, while the resource sector that has been pushing forward Russia’s economy for the last decade is slowing down. “Over several years since 2005 with the only exception being the crisis in 2009 the manufacturing sector has grown faster than the oil sector, which says Russian economy is diversifying,” Alexey Devyatov, Chief Economist at Uralsib told RT. “It is a kind of slow process but we see it happening”.

#### Russian economy is diversifying.

Hadley 7

(Steve, July 2, National Security Advisor, “Press Briefing by National Security Advisor Steve Hadley”, <http://merln.ndu.edu/archivepdf/russia/WH/20070702-1.pdf>, accessed 7/9)

It was a wide-ranging discussion. There was also some discussion about economic issues in Russia. The President talked about some of that today. One of the interesting things that President Putin talked about was their economy is growing at, sort of, 6 percent, 7 percent, 8 percent a year. This last year, I think, he said it was 7.7 percent. And only 1.6 percent of that was attributable to oil revenue, which is an indication that the Russian economy is diversifying. And this is something President Putin wants to do.

#### Russian economy is diversifying.

Chadwick 11

(Bruce, 11/2, PhD in international relations“Russia: Some BRICs Are Different”, <http://post.nyssa.org/nyssa-news/2011/11/russia-some-brics-are-different.html>, accessed 7/9)

Russia’s economy is widely known to be closely linked to commodity prices, making it prone to booms and busts. The 2008 commodity collapse and financial crisis definitely hit Russia harder than most emerging markets, but it recovered readily afterwards. Russia is diversifying its economy, particularly in areas such as high-end software services, nanotechnological materials, and biomedical research. The concentration of wealth impedes trickle-down effects, but the quantities are large enough that some profits are able to find their way across the economic spectrum.

### Russia modernizing market

#### Russia is becoming dependent on scientific innovation.

[Korniliev](http://www.huffingtonpost.com/kirill-korniliev) 6/26

(Kirill, 6/26/12, IBM Russia executive, Huffington Post, “Innovation Propels Russia's Economic Growth -- And Not Just in Moscow”, <http://www.huffingtonpost.com/kirill-korniliev/ibm-innovation-propels-russia_b_1627264.html>, accessed 7/7)

There is huge potential in Russia's regional cities. That is why IBM this week announced its plans to [double its presence](http://www-03.ibm.com/press/us/en/pressrelease/38053.wss) in Russia and the broader Commonwealth of Independent States (CIS) region this year. In recognition of the great potential for growth and to increase support for customers and partners in Russia's regional cities and across the CIS, IBM is rolling out a major program of geographic expansion. Through a $6 million incremental investment this year into our sales, support and services network, we will open 10 new branches extending our footprint in the Russia/CIS region to 22 branches covering 7 Russian Federal Districts and 7 time zones -- from St Petersburg in the West to the Russian city of Khabarovsk on the North East border with China. We will also double the number of staff in the Russian regions and the CIS this year and extend our network of business partners to over 4,000. Companies and government organizations in Russia's regional cities are turning to technology to transform the way they work, drive operational efficiencies and increase competitiveness. While the early stages of IT market development in these cities are largely related to the implementation of basic infrastructure, the infusion of hi-tech skills into the local IT market paves the way for the development of smarter city systems that address such issues as transportation, healthcare, utilities, education and public safety. Of course we are not the only ones to spot the potential of Russia's regions. With the realization that regional cities are key to Russia's economic future, the Russian government is focused on a number of modernization initiatives supporting regional development covering such diverse areas as trade, education, tourism, healthcare and pharmaceuticals. As for Russia's innovation agenda, the Russian government has a number of high-profile initiatives that are attracting global attention. Perhaps the best known is the work of the [Skolkovo Foundation](http://www.sk.ru/en.aspx) -- a non-profit organization established by the Russian Government to accelerate the transformation of Russia from a resource-based to an innovation-based economy. Its flagship project is the Skolkovo Innovation Center currently being constructed in Moscow and which is set to become a major hub for Russian innovation. IBM is working closely with the Skolkovo Foundation and assisting in the development of an Intellectual property management system to help identify and evaluate technologies of high potential commercial value. IBM will also establish a Science and Technology Center within the future Skolkovo Innovation Center. In addition to Skolkovo, IBM is working with a number of Russia's innovation giants such as Rosnano, Rostelecom, Russian Venture Company and ITFY to leverage the power of cloud computing and provide access to global best practice in microelectronics. Innovation is becoming Russia's new shining star of future economic growth. However, it is only by investing in the Russian regions and bringing into play the vast wealth of IT skills from across the country that Russia can truly realize this vision.

#### Russia’s economy is transitioning to technology.

Xuequan 11

(Mu, 12/21, editor at xinhuanet,(major Chinese news site) “Putin vows to modernize economy, improve business climate”, <http://news.xinhuanet.com/english/world/2011-12/21/c_122463026.htm>, accessed 7/9)

MOSCOW, Dec. 21 (Xinhua) -- Prime Minister Vladimir Putin on Wednesday pledged to launch a re-industrialization and modernization program in the country and allocate 43 trillion rubles (1.36 trillion U.S. dollars) to the national economy by 2015. Addressing the Business Russia forum, Putin said the government would change the structure of the Russian economy and create some 25 million jobs in three years. Putin said the government is seeking to accelerate the national economy's growth to 6 to 7 percent annually and join the list of the world's top five economies over five years. The prime minister pointed out that global capital markets have shrunk considerably due to the economic situations in Europe and the U.S. He said that he has ordered changes in the government's fiscal policy in a bid to offer opportunities for domestic investments. "We must turn the (capital) flows to the high technological and processing business," Putin said, adding that otherwise Russian economy would remain rely on raw materials export.

## ! – Russia

### Impact – Nuclear War

#### Russian economic collapse causes prolif, terrorism, pandemics, environmental collapse and nuke war

DAVID 99

(Steven, Professor of Political Science at Johns Hopkins, Foreign Affairs, Jan/Feb)

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.

#### Russian economic decline leads to nuclear war

Filger 9

(Sheldon, writer and founder of globaleconomiccrisis.com, Global Economic Crisis, “Russian Economy Faces Disastrous Free Fall Contraction” <http://www.huffingtonpost.com/sheldon-filger/russian-economy-faces-dis_b_201147.html>, 7/8/12 MDRJ)

In Russia, historically, economic health and political stability are intertwined to a degree that is rarely encountered in other major industrialized economies. It was the economic stagnation of the former Soviet Union that led to its political downfall. Similarly, Medvedev and Putin, both intimately acquainted with their nation's history, are unquestionably alarmed at the prospect that Russia's economic crisis will endanger the nation's political stability, achieved at great cost after years of chaos following the demise of the Soviet Union. Already, strikes and protests are occurring among rank and file workers facing unemployment or non-payment of their salaries. Recent polling demonstrates that the once supreme popularity ratings of Putin and Medvedev are eroding rapidly. Beyond the political elites are the financial oligarchs, who have been forced to deleverage, even unloading their yachts and executive jets in a desperate attempt to raise cash. Should the Russian economy deteriorate to the point where economic collapse is not out of the question, the impact will go far beyond the obvious accelerant such an outcome would be for the Global Economic Crisis. There is a geopolitical dimension that is even more relevant then the economic context. Despite its economic vulnerabilities and perceived decline from superpower status, Russia remains one of only two nations on earth with a nuclear arsenal of sufficient scope and capability to destroy the world as we know it. For that reason, it is not only President Medvedev and Prime Minister Putin who will be lying awake at nights over the prospect that a national economic crisis can transform itself into a virulent and destabilizing social and political upheaval. It just may be possible that U.S. President Barack Obama's national security team has already briefed him about the consequences of a major economic meltdown in Russia for the peace of the world. After all, the most recent national intelligence estimates put out by the U.S. intelligence community have already concluded that the Global Economic Crisis represents the greatest national security threat to the United States, due to its facilitating political instability in the world.

#### Russia is willing to go to war with the US

NewsMax, 3

(5/16, news website about current issues, “Russia Prepares Mock Nuclear Attack On US And Britain” NewsMax, <http://www.newsmax.com/archives/articles/2003/5/16/102442.shtml>, 7/9/12 MDRJ)

Though Russia's military has been considerably downzied since the end of the Cold War, and its conventional forces hold little weight against a modern, equipped army, Russia has continued to invest heavily in strategic and tactical nuclear weapons. Sometime during the 90s, Russia attained nuclear superiority over the U.S. While Russia's large, strategic nuclear weapons have remained in parity with the U.S., Russia's tactical nuclear arsenal has been estimated to include between 20,000 to 40,000 weapons. At the same time Russia has continued its nuclear buildup, the U.S. has virtually destroyed its arsenal of tactical nuclear warheads. Under orders from the Bush administration, the U.S. has also been moving to further reduce the U.S. strategic arsenal. Currently, the nation's most modern fleet of ICBM, the MX missiles, are being destroyed. The Russian military exercises show a desire by the Russian military to deal with the huge technological lead U.S. conventional forces have, demonstrated by Operation Iraqi Freedom. According to Nezavisimaya Gazeta, the Russian exercises "will be linked with destroying the U.S. satellite group in order to neutralize the NAVSTAR global navigation system, the Keyhole optoelectronic intelligence satellites, and the Lacross radio-locating intelligence satellites." The paper said these maneuvers, "Under actual conditions of a war this would 'blind' the Pentagon and does not let the U.S. use high-precision weapons against Russian military groups."

### Impact – Extinction

#### That causes the only scenario for extinction

Bostrom 2

(Nick, Professor, Faculty of Philosophy at Oxford University, March, Journal of Evolution and Technology, Vol. 9, No. 1, <http://www.nickbostrom.com/existential/risks.html>, 7/8/12 MDRJ)

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 – Accidents

#### Economic decline increases risk of accidents

Bukharin, 3

(Oleg, P.hD and has studied and written about the Russian nuclear complex for 14 years, “The Future of Russia: The Nuclear Factor,” Priceton University, <http://www.princeton.edu/~lisd/publications/wp_russiaseries_bukharin.pdf>, 7/8/12, MDRJ)

The rapid withdrawal of nuclear weapons from East European countries and former Soviet republics, and massive reductions in the nuclear stockpile due to the implementation of the INF treaty, 1991 unilateral initiatives on tactical weapons, and retirement of obsolete warheads stressed Russia’s warhead transportation, storage, and dismantlement infrastructure and raised concerns about safety and security of nuclear warheads. The consolidation of nuclear warheads to approximately 80 locations within Russia was largely completed by 1994 and became a major security improvement. Security and safety of nuclear weapon shipments were facilitated by assistance from the United States and other western countries. The U.S. assistance, administered under the DOD-run Cooperative Threat Reduction (CTR) program, included the provision of nuclear weapon supercontainers, kevlar blankets to protect weapons from small-arms fire, and railcar upgrades.9 The CTR program continues working with the Russian Ministry of Defense to upgrade security of nuclear weapons in storage and in transit. Because of the weakness of the Russian economy and problems in the military (ranging from an epidemic of mental and emotional breakdowns of individual servicemen to widespread crime and corruption), however, the risk that a nuclear warhead(s) would be stolen or damaged remains.

#### Russia’s economic decline leads to accidental nuclear war

Forden 1

(Geoffrey, 5/3, Policy Analysis, “Reducing a Common Danger Improving Russia’s Early-Warning System,” <http://www.cato.org/pubs/pas/pa399.pdf>, 7/8/12, MDRJ)

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.

### Impact – Proliferation

#### Russian economic prosperity key to checking nuclear security and proliferation

Bukharin 03

(Oleg, August, he is affiliated with Princeton University and received his Ph.D. in physics from the Moscow Institute of Physics and Technology “The Future of Russia: The Nuclear Factor”, <http://www.princeton.edu/~lisd/publications/wp_russiaseries_bukharin.pdf>, CL)

There are presently no definite answers about the future of the nuclear security agenda in Russia. The Russian nuclear legacy – its nuclear forces, the nuclear-weapons production and power-generation complex, huge stocks of nuclear-useable highly enriched uranium and plutonium, and environmental clean-up problems – is not going to go away anytime soon. What is clear is that nuclear security and proliferation risks will be high as long as there remain their underlying causes: the oversized and underfunded nuclear complex, the economic turmoil, and wide-spread crime and corruption. The magnitude of the problem, however, could vary significantly depending on Russia’s progress in downsizing of its nuclear weapons complex; its ability to maintain core competence in the nuclear field; availability of funding for the nuclear industry and safeguards and security programs; political commitment by the Russian government to improve nuclear security; and international cooperation. Economically-prosperous Russia, the rule of law, and a smaller, safer and more secure nuclear complex would make nuclear risks manageable. An integration of the Russian nuclear complex into the world’s nuclear industry, increased transparency of nuclear operations, and cooperative nuclear security relations with the United States and other western countries are also essential to reducing nuclear dangers and preventing catastrophic terrorism.

#### Russian economic decline ensures nuclear threat

Brookings Review 99

(Summer, Brooking Review, “Russia’s Aging War Machine”, <http://www.brookings.edu/press/review/Summer99/Blair.pdf>, CL)

But even a comprehensive nuclear stand-down falls short over the long run. As long as Russia remains mired in economic, political, and military despair, the nuclear threat will continue. Russia will not be able to reduce its reliance on nuclear weapons until it can afford an adequate conventional military force. It will not be able to ensure control over its nuclear weapons and materials until it has a strong state, one based on a healthy economy and a civil society. The West’s vital stakes in this process of nation-building have not diminished, despite all the failures and frustrations of the past decade. If anything, those stakes have grown—as have the cost and effort needed to stabilize and transform Russia.

#### Russian economic decline leads to NBC proliferation

RAND 05

(nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world, Diversion of Nuclear, Biological, and Chemical Weapons Expertise from the Former Soviet Union Understanding an Evolving Problem, <http://www.rand.org/pubs/documented_briefings/2005/RAND_DB457.pdf>, CL)

The problem of illicit diversion of NBC weapons expertise from the FSU is often presented as a problem of supply and demand in which normal market forces are at work. On the one hand, there is a huge supply of NBC-critical knowledge in the region. The FSU’s NBC complexes were larger than any other nation’s in history. On the other hand, states, terrorist groups, and individuals interested in developing NBC weapons have demonstrated a strong desire for weapons-critical knowledge and a willingness to pay for it. Indeed, many of the early assessments of the problem noted the large supply of expertise in the FSU and the unstable political, economic, and social circumstances that made that expertise ripe for acquisition by states, groups, and individuals who aspired to acquire unconventional weapons.

#### Nuclear proliferation leads to extinction

Kroto 9

(Sir Harold, January 20, Nobel Prize winner for chemistry, INESP, “Open Letter to the President of the United States of America Barack Obama”, <http://www.wagingpeace.org/articles/2009/01/20_open_letter_obama.pdf>) CL

We are inspired by your public statements, that you will seek a world in which there are no nuclear weapons. This fundamental change of thinking deserves our full support. We agree that the dangers of existing nuclear arsenals of the five acknowledged nuclear weapon states and the four de-facto nuclear weapon states (more than 100,000 Hiroshima bomb equivalents) as well as the dramatically increasing risks of nuclear proliferation to other states and terrorists require new political concepts and technical approaches. Nuclear weapons are inherently inhumane because they can cause the extinction of all humankind and have long-term genetic and ecological effects.

#### Biological warfare is the only impact that risks extinction

Ochs 02

(Richard Ochs, Chemical Weapons Working Group Member, 2002 “Biological Weapons must be Abolished Immediately,” June 9, http://www.freefromterror.net/other\_articles/abolish.html)

Of all the weapons of mass destruction, the genetically engineered biological weapons, many without a known cure or vaccine, are an extreme danger to the continued survival of life on earth. Any perceived military value or deterrence pales in comparison to the great risk these weapons pose just sitting in vials in laboratories. While a "nuclear winter," resulting from a massive exchange of nuclear weapons, could also kill off most of life on earth and severely compromise the health of future generations, they are easier to control. Biological weapons, on the other hand, can get out of control very easily, as the recent anthrax attacks has demonstrated. There is no way to guarantee the security of these doomsday weapons because very tiny amounts can be stolen or accidentally released and then grow or be grown to horrendous proportions. The Black Death of the Middle Ages would be small in comparison to the potential damage bioweapons could cause. Abolition of chemical weapons is less of a priority because, while they can also kill millions of people outright, their persistence in the environment would be less than nuclear or biological agents or more localized. Hence, chemical weapons would have a lesser effect on future generations of innocent people and the natural environment. Like the Holocaust, once a localized chemical extermination is over, it is over. With nuclear and biological weapons, the killing will probably never end. Radioactive elements last tens of thousands of years and will keep causing cancers virtually forever. Potentially worse than that, bio-engineered agents by the hundreds with no known cure could wreck even greater calamity on the human race than could persistent radiation. AIDS and ebola viruses are just a small example of recently emerging plagues with no known cure or vaccine. Can we imagine hundreds of such plagues? HUMAN EXTINCTION IS NOW POSSIBLE.

### Impact - Nationalism

#### Russian economic decline spurs nationalism

Graham 9

(Thomas, Special assistant to the president and senior director for Russia on the National Security Council staff, The Century Foundation, “Resurgent Russia and U.S. Purposes”, [http://tcf.org/events/pdfs/ev257/Graham.pdf)CL](http://tcf.org/events/pdfs/ev257/Graham.pdf%29CL)

No one would gainsay the Russian temptation to counter the United States at times, especially along Russia’s periphery; or the obstacles to Russia’s long-term accumulation of power; or the vexations in engaging Russia, particularly now. A decade of socioeconomic collapse and national humiliation (at the hands of the West, Russians believe), followed by the remarkable recovery of the past eight years and efforts to reclaim Russia’s great power status (against the West’s wishes, they are certain), now threatened by the mounting global economic crisis (made in the United States, they say) has produced a heady nationalism, a petulant brew of pride and resentment, of self-confidence and self-doubt, often expressed in caustic anti-American rhetoric and actions.

#### Russian economic decline spurs anti-democracy

Talbott 4

(Strobe, American foreign policy analyst associated with Yale University and the Brookings Institution, Council on Foreign Relations Inc, “Democracy and the National Interest”, <http://www.clas.ufl.edu/users/bmoraski/Democratization/Talbot_FA96.pdf>) CL

Throughout the post-communist world, especially in the former Soviet Union, relief and a sense of good riddance at the dismantling of the inefficient, top-heavy command system has given way to widespread resentment at what often seems to be the capriciousness and inequity of the market, and to insecurity over the absence of a safety net. Without the prospect of broad-based economic development, voters are likely to become disillusioned with politics and politicians, and thus with democracy itself. Newly enfranchised citizens tend to have unrealistically high expectations about what their elected leaders can accomplish, how long it will take, and how much hardship will be involved. When those expectations are disappointed, voters become vulnerable to demagogic purveyors of foolish or dangerous nostrums based on nostalgia or fear.

#### Russian economic decline promotes anti-western/democracy

Brookings Review 99

(Brookings Review, “Russia’s Aging War Machine”, <http://www.brookings.edu/press/review/Summer99/Blair.pdf>, CL)

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.

#### Russian nationalism leads to nuclear war and extinction

Israelyan 98

(Victo, Soviet ambassador, diplomat, arms control negotiator, and leading political scientist. The Washington 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

#### Russian arms race will cause nuclear war

Halperin 2k

(Morton H., Director of Policy Planning at the State Department,

The Nuclear Dimension of the U.S.-Japan Alliance, http://www.nautilus.org/archives/library/security/papers/Halperin-US-Japan.pdf)

If conflict is to occur among the major nuclear weapons powers, it is most likely to take place in Northeast Asia. The United States, Russia, and China all have substantial military forces in the region as well as major stakes in the area; in addition, there are many sources of potential conflict among the three and their allies within the region, including the future of both the Korean peninsula and Taiwan, and control of both natural resources and territory in local seas. Not only do these three most active nuclear weapons states confront each other in this area, but it is also the home to four other states — Japan, Taiwan, South Korea, and North Korea — that have contemplated the development of nuclear weapons and have the capacity to develop a serious nuclear weapons capability.5 Thus, there is no doubt that the future of nuclear weapons in the international system will be determined in substantial part by what happens in Northeast Asia, and the future of international politics in this area will have a major impact on efforts to control nuclear proliferation.

#### Russian nationalism leads to aggressive anti-semitism and genocide

Copila, 8

Emanuel, teaching assistant and a PhD candidate within the Faculty of Political Sciences, Philosophy and Communicational Sciences, from West University of Timisoara (Romania) “ BETWEEN CONTINUITY AND CHANGE:THE RESURGENCE OF NATIONALISM IN POST-SOVIET RUSSIA” Romanian Review on Political Geography, <http://www.scribd.com/doc/45787088/Cultural-Ideal-or-Geopolitical-Project-Eurasianism-s-Paradoxes> NEH)

The anti-Semite dimension of the Russian nationalism Anti-Semitism is almost inherent to any form of aggressive nationalism. The allogene, depicted best in this type of discourse by the image of the stateless Jew, corrupts and undermines the nations in which he carries out his activities, thus national mobilization must be firstly directed towards the subversions and strangers from within and only then towards external dangers. During the Soviet era, after the year 1960, anti-Semitism had become a requisite of the all finer refined Russian nationalism, reaching all the way to the roots of the October Revolution. Therefore, the true Bolshevik heroes were only Lenin and Stalin, Trotsky and his partisans being only a subversive clique oriented towards the divergence of the Revolution so it would benefit the global Jewish establishment. The Zionist movement 48 was blamed for repeated tentative of destabilizing and compromise on worldwide communism, Fascism and Zionism being considered equal. Dozens of books, hundred of articles have confirmed (…) that Judaism had no other goals than to install a worldwide Fascism. Jews were portrayed as the everlasting aggressors, chauvinists, assassins, parasites. Their aim? To dominate the world through astuteness, corruption and murder. Pioneers of capitalism, they were accused of being the source of all historical plagues, being on top of the fight against communism, especially against Russia, which they were trying to destroy. History had been rewritten. (…) Hitler and his Nazis were depicted as puppets in the hands of the Jews. In 1941, they pushed the Fuhrer into attacking the USSR. Their complicity with National Socialism went up until encouraging the extermination of the poorest of the lot in the death camps Emanuel COPILA Ş 72 From the manifestos of the Pamjati national movement, active only in the late 80s, we find out that in the first government of the Soviet Union, made up of 22 members, only two were Russians, the rest being “nationalistic Jews”. These would have contributed actively to the demolishment of churches and of worship houses and of the deportations of intellectuals in camps. Even in Gorbachev’s time, the Jews were accused of occupying the best places in the Russian economy and that they had access to higher education in a much larger proportion than the rest of the population. 50 Among the diseases of the Russian nationalistic sentiment after 1970, anti-Semitism is a constant presence. Everything that goes on in Russia, and also all around the world, and is not agreed by the extreme nationalists, must necessarily be corollary of Jewish or freemason intrigues. 51 Not even today, at the beginning of the 21st century, does the anti-Semitism in Russia show any signs of fading. Moreover, the concept has been reinforced, and the consequences it has triggered at a social level are unsettling: the numbers of neo-Nazi groups and their victims are increasing day by day. Only in 2004 the neo-Nazi organizations, among which The Movement for Russia’s National Unity stands out, have killed 44 people, a considerable figure which says a lot about the radicalization of the Russian nationalism. 52 A frequently met tendency of the Russian neo-Nazis is to organize “squads” made up of volunteers that will act out at the outskirts of large cities so as to fight against the crimes caused by Asian or Muslim immigrants

#### Genocide risks destruction on a global level – allowing future genocide causes extinction

Campbell, 1

(Kenneth J., - Professor Of Political Science And International Relations,University of Delaware, Assistant Genocide and the Global Village, p. 15-16)

Regardless of where or on how small a scale it begins, the crime of genocide is the complete ideological repudiation of, and a direct murderous assault upon, the prevailing liberal international order. Genocide is fundamentally incompatible with, and destructive of an open, tolerant, democratic, free market international order. As genocide scholar Herbert Hirsch has explained: The unwillingness of the world community to take action to end genocide and political massacres is not only immoral but also impractical. [W]ithout some semblance of stability, commerce, travel, and the international and intranational interchange of goods and information are subjected to severe disruptions. Where genocide is permitted to proliferate, the liberal international order cannot long survive. No group will be safe; every group will wonder when they will be next. Left unchecked, genocide threatens to destroy whatever security, democracy, and prosperity exists in the present international system. As Roger Smith notes: Even the most powerful nations—those armed with nuclear weapons—may end up in struggles that will lead (accidentally, intentionally, insanely) to the ultimate genocide in which they destroy not only each other, but [humankind] mankind itself, sewing the fate of the earth forever with a final genocidal effort. In this sense, genocide is a grave threat to the very fabric of the international system and must be stopped, even at some risk to lives and treasure. The preservation and growth of the present liberal international order is a *vital* interest for all of its members—states as well as non-states—whether or not those members recognize and accept the reality of that objective interest. Nation states, as the principal members of the present international order, are the only authoritative holders of violent enforcement powers. Non-state actors, though increasing in power relative to states, still do not possess the military force, or the democratic authority to use military force, which is necessary to stop determined perpetrators of mass murder. Consequently, nation-states have a special responsibility to prevent, suppress, and punish all malicious assaults on the fundamental integrity of the prevailing international order.

### Impact - Terrorism

#### Russian economic decline spurs terrorism

De Haas 05

(Dr. Marcel, defence and foreign policy advisor of the Dutch Reformed Political Party SGP and he received a MA in Soviet Studies from the University of Leiden, February, Conflict Studies Research Center, “Putin’s External and Internal Security Policies”, <http://studies.agentura.ru/centres/csrc/Policy.pdf>, CL)

In 2002 President Putin took a large number of measures in order to adapt legislation and to reform the troops of the MoD and of the other ministries with armed formations to handle the threat of terrorism. Beslan has shown that new laws and military reforms are insufficient. Legal and military measures are not enough. At the bottom of the threat of terrorism are social and economic roots: unemployment, poverty, lack of education, housing and medical care. Putin has announced that he will also take measures in the social-economic field. However, Russian governments have made similar statements after the first (1994-1996) and second Chechen wars. It will be for the benefit of the population of Russia as a whole when this time these promises will be fulfilled.

#### Terrorism leads to extinction

Alexander 3

(Yonah, August 27, Professor and Director of Inter-University for Terrorism Studies, The Washington Times, Terrorism Myths and Realities, , <http://www.washingtontimes.com/news/2003/aug/27/20030827-084256-8999r/>) CL

Last week's brutal suicide bombings in Baghdad and Jerusalem have once again illustrated dramatically that the international community failed, thus far at least, to understand the magnitude and implications of the terrorist threats to the very survival of civilization itself. Even the United States and Israel have for decades tended to regard terrorism as a mere tactical nuisance or irritant rather than a critical strategic challenge to their national security concerns. It is not surprising, therefore, that on September 11, 2001, Americans were stunned by the unprecedented tragedy of 19 al Qaeda terrorists striking a devastating blow at the center of the nation's commercial and military powers. Likewise, Israel and its citizens, despite the collapse of the Oslo Agreements of 1993 and numerous acts of terrorism triggered by the second intifada that began almost three years ago, are still "shocked" by each suicide attack at a time of intensive diplomatic efforts to revive the moribund peace process through the now revoked cease-fire arrangements (hudna). Why are the United States and Israel, as well as scores of other countries affected by the universal nightmare of modern terrorism surprised by new terrorist "surprises"? There are many reasons, including misunderstanding of the manifold specific factors that contribute to terrorism's expansion, such as lack of a universal definition of terrorism, the religionization of politics, double standards of morality, weak punishment of terrorists, and the exploitation of the media by terrorist propaganda and psychological warfare. Unlike their historical counterparts, contemporary terrorists have introduced a new scale of violence in terms of conventional and unconventional threats and impact. The internationalization and brutalization of current and future terrorism make it clear we have entered an Age of Super Terrorism (e.g. biological, chemical, radiological, nuclear and cyber) with its serious implications concerning national, regional and global security concerns.

## Answers

### AT: Russian economy resilient

#### Russian economy unstable if it isn’t diversified

Laaksonen 10

(Eini, University Teacher at Pan-European Institute, University of Turku, Pan-European Institute, Baltic Rim Economies Expert Articles 2010,

<http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/BRE%20Expert%20Articles%202010%20netti.pdf#page=115> CL)

When talking about the need of modernisation, the Russian President stressed the necessity of economic diversification. Due to the financial crisis and its economic repercussions, it has become more than obvious that Russia, by mainly basing its economic growth on revenues from its natural resources, has built its economic progress on an unstable ground. In order to gain more independence from developments on the oil and gas market, Russia has to diversify its economy. Other areas of interest to a comprehensive modernisation have been added quickly: technological development, financial sector reform, infrastructure investment and social policies.

#### Russian economy is unstable

Laaksonen 10

(Eini, University Teacher at Pan-European Institute, University of Turku, Pan-European Institute, Baltic Rim Economies Expert Articles 2010,

<http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/BRE%20Expert%20Articles%202010%20netti.pdf#page=115> CL)

There seems to be a consensus among analysts that the Kremlin started making noises about the need of a thorough modernization of Russia’s economic system having been seriously alarmed by the impact of the global crisis. No wonder – as the world-wide economic downturn has hit Russia particularly hard: by the end of 2008 Russia looked more like a fragile and unstable petro-state rather than a mighty energy superpower as its rulers chose to cast it during the pre-crisis “fat years” of the sky-rocketing fuel prices.

### A2: Nationalism Impact Turn

#### Power is zero-sum – a weakened Russia emboldens nationalism

Barry 9

(Moscow correspondent for The New York Times (1/12/2009, Ellen, “U.S.-Russia relations at a crossroads; Moscow can elect path of cooperation or one of retrenchment”, The International Herald Tribune, Lexis) MGM

But others see the crisis pushing Russia in the opposite direction. The second scenario is one of retrenchment and nationalism. ''Less resources means more selfish behavior,'' Sergei Markov, director of the Institute of Political Studies in Moscow, said. In this scenario, Russia finds itself facing internal dissent and the threat of regional separatism, while also short of the oil money that it used to disburse to maintain control. When forced to fight for their own survival, political leaders tailor their policies to public opinion. They tend to focus on an external enemy, for instance the United States, which Russian leaders already blame for the financial crisis and for provoking Russia by trying to exert military influence over Ukraine. By this logic, it would be absurd for Moscow to cede ground to the West now, after the long-awaited taste of satisfaction that Russia experienced with the recent war with Georgia. Indeed, many Russians see the war last August as having restored Russia's rightful place in the world. ''Russia has returned, period,'' Vyacheslav Nikonov, president of the Kremlin-aligned Polity Foundation, said. ''That will not change. It will not get back under the table.'' So which scenario is more likely? First, it is clear that the Russian authorities are preparing to defend their political power. After presenting himself as a liberal modernizer, Medvedev has made it a priority to extend the presidential term to six years from four. Meanwhile, the president also signed a law last week that eliminates jury trials for ''crimes against the state'' and that, pending legislation, would expand the definition of treason.

## A2: Russia expansionism

### Russian Army Sux

#### No impact to Russian war – their army sucks

Trenin 2009

(Dmitri, director of the Moscow Center of the Carnegie Endowment for International Peace, Russia and the United States, July, [http://www.stimson.org/nuke/pdf/Russia\_US\_Format\_FINAL.pdf 7/8/12](http://www.stimson.org/nuke/pdf/Russia_US_Format_FINAL.pdf%207/8/12), MDRJ)

Russia has declared that, in order to defend its own sovereignty, territorial security, and the territorial security of its allies, it would use nuclear weapons, even if it were the first nation in the conflict to use of them. This is a striking departure from the Soviet declaratory stance which proclaimed a “no-first-use” doctrine. This declaratory change of heart is attributable to the dramatic change in its own condition and resources, including its military capabilities, rather than Russia’s strategic environment. Russia’s conventional forces have been redeployed from the forward positions they previously occupied in Central and Eastern Europe, Central Asia and the Caucasus, Afghanistan, and Mongolia. Russia’s defense perimeter has moved closer to Moscow, reducing its strategic depth in the west by about 1,000 kilometers (km). Russia’s conventional forces, also reduced to about one-third of their Soviet size, have still not been restructured for modern warfare and their quality has deteriorated drastically. Russia’s military has a top-heavy structure, with an outsized overhang of flag officers and colonels, a pathetic shortage of company officers, and a complete lack of professional non-commissioned officers (NCOs). Its weapons and equipment are obsolete, with virtually no combat systems purchased since the collapse of the Soviet Union. Its training exercises have only been resumed recently, after a break of a decade and a half. Russia took a long time and a lot of effort to defeat the insurgency in Chechnya, and although it did defeat Georgia in the short war in 2008, its conventional forces are no match for the forces of its principal neighbors—NATO in the west and China in the east. As a result, Russia has adopted a version of NATO’s 1970s doctrine, which envisaged the first use of nuclear weapons in response to a massive conventional attack by much larger enemy forces. Occasionally, Russia points to the continuing presence of US tactical nuclear weapons (TNW) in Europe as justification for its new policy and maintenance of TNW in support of it, but Moscow has no interest in eliminating TNW altogether. The likelihood of any attack on Russia is judged to be minimal in the west and – for now – very low in the east. In 1990, the Conventional Forces in Europe Treaty eliminated the material possibility that NATO could potentially launch a surprise attack.

### No ! – Russia wants peace

#### Russia is moving toward cooperation now

Novosti 11

(Novosti, Russian news source, 12/11, “Russia wants better cooperation with U.S. – Putin,” Novosti, <http://en.rian.ru/russia/20111215/170277377.html>, 7/8/12, MDRJ)

Russia will continue cooperation with the United States despite the perception Washington needs to do more to achieve real consensus with its friends and allies, Prime Minister Vladimir Putin said on Thursday. “Sometimes I think that America does not need allies, it needs vassals. But we want and we will develop cooperation with the United States, because I see that a transformation is taking place inside the United States itself,” Putin said during a four-hour Q&A session on Thursday.Russia, which opposes a monopolar world, is not going “to live as a country surrounded by enemies,” Putin said.

### No ! - Domestic

#### Russia cannot go to war due to domestic problems

Lieber ‘08

(Robert, a professor of government and international affairs at Georgetown, “Falling Upwards”, World Affairs, <http://www.worldaffairsjournal.org/article/falling-upwards-declinism-box-set>, 7/9/12, MDRJ)

Farther East, and despite its economic recovery and the restoration of central power under Putin, Russia remains overwhelmingly dependent on the current boom in energy and commodity prices—and correspondingly vulnerable in the event of their decline. The country suffers from pervasive corruption, with a ranking from Transparency International that puts it at 121 among 163 countries in this category. Its population, already less than half that of the U.S. and plagued with alcoholism, chronic violence, a decrepit health-care system, and a male life expectancy of fewer than 60 years of age (lower than that of Bangladesh), shrinks by some half a million people per year. And its army, while bidding for attention and resources, remains weak and in disarray. As The Economist recently summarized Putin’s Russia, it has become one of the most “criminalized, corrupt and bureaucratized countries in the world.” True, the Putin regime plays to its domestic base with strident nationalism and xenophobia. In doing so, it has actively opposed and occasionally subverted American policies on some issues while providing a degree of cooperation on others. Instances of the former include opposition to NATO enlargement and to the stationing of anti-missile systems in Poland and the Czech Republic, the use of oil and gas resources as leverage against neighboring countries, overt and covert pressure against former Soviet Republics, and arms sales to Syria and Iran. Yet Moscow grudgingly collaborates where it has shared concerns, as with North Korea and combating terrorism. Russia presents a problem for the United States, but its erratic behavior, its priorities at home, and its own internal decline put it well short of being a major power challenger.

# AFF Answers

## UQ Answers

### Russian UQ – Growth Down

#### Russia’s growth **is** declining – ruble proves.

Jordan, 7/8

(Jack, 2012, “Ruble Weakens To Dollar, Bond Yields Rise On Growth Concerns” Bloomberg, <http://www.bloomberg.com/news/2012-07-09/ruble-weakens-to-dollar-bond-yields-rise-on-growth-concerns.html>, 7/8/12, MDRJ)

The ruble depreciated for a fourth day against the dollar and yields on Russia’s international bonds rose after signs global economic growth is slowing cut demand for riskier assets. The Russian currency lost 0.3 percent to 32.915 per dollar as of 10:06 a.m. in Moscow, heading for the weakest close since June 28. The country’s $2 billion of Eurobonds due April 2017 fell, increasing the yield by two basis points, or 0.02 percentage point, to 2.971 percent. Investors pared bets on higher-yielding assets after Chinese Premier Wen Jiabao said downward pressure on the world’s second-biggest economy is still “relatively large.” Urals crude oil, Russia’s main export, dropped 2 percent to $98.12 per barrel by the July 6 close after the U.S. Labor Department reported non-farm payrolls increased less than expected last month. The ruble weakened 0.2 percent to 40.505 per euro and 0.3 percent to 36.3579 against the central bank’s target dollar-euro basket. Investors increased bets on the currency weakening, with non-deliverable forwards showing the ruble at 33.5052 per dollar in three months, compared with expectations of 33.3865 per dollar on July 6.

#### Russian economy is on the brink

Tanas, 6/22

(Olga, writer for gazeta.ru, 2012, gazeta.ru, “Forum: Govt. and Business aren't in sync over Russia's future,” <http://en.gazeta.ru/news/2012/06/22/a_4637745.shtml>, 7/7/12, MDRJ)

"If the economic recession coincides with the ongoing political unrest, it will become 'a perfect storm' for Russian stability," one of the respondents said. Uncertainty about whether Russia will be able to sustain the current level of oil and gas production in the future, as well as the dramatic changes in world economy, might lead to Moscow finding itself on the edge, the SPIEF report says. "Russia is now more vulnerable to oil exports than 10 years ago," one of those questioned said. "The crisis of 2008-2009 ended in a good way not because Russia managed to create strong reserves during high oil price periods, but because the price reduction did not last very long," another respondent added. Russia is more sensitive to external shocks, such as the crisis in the Eurozone, than many people think," one of the respondents said.

#### Oil price declines impact the Russian economy

Pavliva, 7/8

(Halia, 2012, “Worsening Outlook Sinks ADRs as CTC Tumbles: Russia Overnight” Bloomberg Press, <http://www.businessweek.com/news/2012-07-08/worsening-outlook-sinks-adrs-as-ctc-tumbles-russia-overnight>, 7/8, MDRJ)

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.

### Russian UQ – Stability Down

#### Russian political stability low now

Shevtsova, 5/30

(Lilia, writer for Carnegie Moscow Center, 2012, “Russia is Awakening: Will it implode or transform?” Carnegie Moscow Center, [http://carnegie.ru/publications/?fa=48278&solr\_hilite=political#](http://carnegie.ru/publications/?fa=48278&solr_hilite=political), 7/9/12, MDRJ)

Have you ever seen how a tsunami begins? The first wave comes slowly and subsides, then another one dies in the sand, and another one... until, after a treacherous lull, the water rises high and crushes everything in its way. This is what Russia may have in store - the country has already passed the fork before which other options might have been (at least, theoretically) feasible. Russia has once again failed to find a graceful exit from its centuries-long wanderings in the dark and is instead rushing along a familiar path of fury, rebellion and revenge. Putin's return to the Kremlin and the ruling team's arrogant demonstration that they are prepared to rule indefinitely have buried all hopes of a velvet reform from the top, leaving Russia only one solution - pressure from below. Revolution has always been Russia's way of cleansing the scene for another cycle of personalised power, each time in a more ruthless and predatory form. It is still unclear this time whether Russia can free itself from its historical trap and find another way out of its predicament.

#### Russian stability low now

Shevtsova, 5/30

(Lilia, writer for Carnegie Moscow Center, 2012, “Russia is Awakening: Will it implode or transform?” Carnegie Moscow Center, [http://carnegie.ru/publications/?fa=48278&solr\_hilite=political#](http://carnegie.ru/publications/?fa=48278&solr_hilite=political), 7/9/12, MDRJ)

The patient may have woken, but he cannot yet leave the hospital where he has been kept for years, drugged and tangled. His keepers have rushed to silence him - if cajoling will not help they are ready to shackle him. But he is becoming more and more restless. And at some point he may become so agitated that he will destroy everything around him. At the moment, though, the patient seems ready to allow his keepers to calm him down. But in Russia impressions can be deceptive. There are many factors that continue to mitigate the Russian situation and could keep both Putin's regime and the system limping on for an indefinite time. The key economic and political conditions for maintaining the Russian status quo are well known: the deep-reaching demoralisation of society; the people's populist expectations, still looking with hope to the state; the squabbles and infighting among the opposition groups and its leaders; and the lack of a consolidated political alternative that could acquire a broad social base. Other factors are well known by all Russia observers.

#### Putin is losing political stability

Shevtsova, 6/26

(Lilia, writer for Carnegie Moscow Center, 2012, “Putin's Ironic Potential” Carnegie Moscow Center, http://carnegie.ru/publications/?fa=48666&solr\_hilite=stability, 7/9/12, MDRJ)

Vladimir Putin’s recapture of the Russian presidency has been met with widespread derision, both at home and abroad. But the autocrat’s return to the Kremlin could be Russia’s best hope to escape stagnation. With his open contempt for Russian society – exemplified in his mocking response to widespread demonstrations – as well as his arrogance, readiness to stifle dissent, and fear of competition, Putin has singlehandedly quashed the long-held myth that he himself propagated: personalized power can modernize the country while preserving stability. To be sure, Putin’s Kremlin – and his corrupt cohorts – still calls the shots. And, while his decision to return to the presidency has vexed the most dynamic elements of Russia’s urban population, the rest of the country’s citizens remain unhappy but quiescent. Likewise, Russia’s demoralized intellectuals and political class, on whom the population relies to advocate change, neglect to act. The global rise in oil prices, endemic fear of change, lack of a viable alternative, and reliance on state hand-outs are keeping Russia in a state of inertia.

### Oil Demand Low

#### Oil demand falling

AP 6/14

(AP, worldwide news source, 2012 “OPEC moves to bridge Saudi-Iran rivalry” [http://www.businessweek.com/ap/2012-06/D9VCSTB00.htm MGE 7/10/12](http://www.businessweek.com/ap/2012-06/D9VCSTB00.htm%20MGE%207/10/12) MDRJ)

Plentiful supply and weakening demand from the United States, China and the European Union have caused prices to sink more than 20 percent over recent months, with U.S. benchmark crude now about $83 a barrel and Brent, used to price international varieties of crude, below $100 a barrel. "Relative to a year ago, global demand for oil is weaker ... while supply is robust," analyst Stephen Schork said in a research note Wednesday. Iran and its backers have been usually defeated by Saudi Arabia -- OPEC's powerhouse that accounts for nearly a third of the organization's production -- and its Gulf supporters, and Naimi signaled ahead of Thursday's meeting that his country was not prepared to cut back output . "When customers come, what do you do?" he asked reporters. "They say we want oil -- what do you do? "You give it to them. That's the business we are in."

#### Oil consumption the lowest in 12 years

Crooks ’12

(Ed, Financial Times Writer, 3/1 “ US crude oil imports fall to 12-year low,” , Financial Times, <http://www.ft.com/cms/s/0/4611795a-63bb-11e1-9686-00144feabdc0.html#axzz1yZCgLaGi> 7/10/12, MDRJ)

US crude imports have fallen to their lowest level for a decade as a result of weak demand and growth in domestic production, making the economy more resilient to oil price rises. The US imported 8.91m barrels a day of crude oil last year, according to the US Energy Information Administration, the lowest amount since 1999. More Imports as a share of US oil consumption dropped to 44.8 per cent, the lowest proportion since 1995, down from a peak of 60.3 per cent in 2005. Rising fuel prices, driven by tensions with Iran, have become a big political issue in the US and raised concerns that the economic recovery could be derailed.

#### Demand for oil is lowering now

Yergin ’12

(Daniel, writer for Foreign Policy Magazine, How Is Energy Remaking the World?, FP, issue, http://www.foreignpolicy.com/articles/2012/06/18/how\_is\_energy\_remaking\_the\_world)

Another major story is the changing picture of global demand. Oil consumption may be destined to continue to rise in emerging markets, but not in the traditional major consumers. U.S. oil demand, in fact, is down about 10 percent since 2005. Simply put, the United States and other developed countries have hit "peak demand." An overwhelming share of respondents are convinced this is mainly a lasting structural change -- the product of more efficient automobiles and shifting demographics -- though, as one noted, it is "exacerbated by recession." Over the past few years, governments have heavily promoted renewable energy sources such as solar and wind. The FP Survey respondents believe renewables will grow dramatically as a percentage of U.S. energy consumption -- nearly tripling by 2030. Wind energy alone will grow fivefold, they suggest, while solar energy will grow an astonishing 30-fold. But renewables are still growing from a very small base. Thus, by 2030, the respondents estimate, oil, natural gas, and coal will still account for 69 percent of U.S. energy, compared with 82 percent in 2011. Natural gas will gain markets, while coal will experience the steepest relative drop in market share.

#### Oil Demand is low now – predictive evidence

Bird, 7/10

(David, writer for NASDAQ, 2012, “U.S. Oil Use Seen Hitting 15-Year Low,” NASDAQ, <http://www.nasdaq.com/article/us-oil-use-seen-hitting-15-year-low-20120710-01302>, 7/10/12, MDRJ)

U.S. oil demand will drop by 155,000 barrels a day, or 0.8%, to a 15-year low of 18.68 million barrels a day this year, government forecasters said Tuesday. The drop projected by the Energy Information Administration is twice the size of a decline of 75,000 barrels a day, or 0.4%, the EIA forecast a month ago. The decline follows a 1.8% fall in 2011 and would be the sixth drop in the past seven years in consumption in the world's biggest oil user. Demand is expected to rise by 0.4%, or 70,000 barrels a day, in 2013, to 18.75 million barrels a day, but that's 130,000 barrels a day below the June forecast for 1.1% growth. The EIA lowered its forecast for 2012 growth in real U.S. gross domestic product to 2% this year from a forecast of 2.2% in June. The 2013 growth rate estimate was slashed to 1.9% from 2.4% in the June forecast. The EIA's estimate for oil demand in the 2012 second quarter was cut by 150,000 barrels a day, or 0.8% from a month earlier. The EIA said year-on-year demand fell in the April-June quarter, to 18.55 million barrels a day, the lowest for the quarter since 1997 and a decline of 200,000 barrels a day, or 1.1%, from a year earlier. The EIA reduced its outlook for third-quarter and fourth-quarter demand by 0.5% and 0.4%, respectively, from the June forecast, and sees demand up 0.7% from a year earlier for each of those quarters. U.S. "oil demand is expected to turn around from the decline seen in the first six months of 2012 to an increase during the second half of this year, due mainly to higher distillate fuel consumption as the industrial sector continues to grow and heating demand in the fourth quarter is expected to be near normal levels," said Adam Sieminski, EIA administrator. "Gasoline demand, however, remains unchanged from the same period last year as continued increases in vehicle fuel efficiency offset modest growth in highway travel."

#### Oil demand is falling – prices match

Gulf News 6/24

 (News source, 2012, “Oil near $91, up from 18-month low; as Gulf storm builds” Gulf News [http://gulfnews.com/business/oil-gas/oil-near-91-up-from-18-month-low-as-gulf-storm-builds-1.1039485 7/9/12](http://gulfnews.com/business/oil-gas/oil-near-91-up-from-18-month-low-as-gulf-storm-builds-1.1039485%207/9/12), MDRJ)

Reflecting investor caution, volumes were subdued, with Brent trading 4.2 per cent below its 30-day average and US crude down 10.4 per cent also from its 30-day average. Early on Friday, oil and other commodities and global equities came under pressure after the ratings agency Moody’s downgraded the credit ratings of 15 of the world’s biggest banks to reflect potential losses from volatile capital markets. On Thursday, oil futures tumbled as data showed US factory output grew at its slowest pace in 11 months in June, business activity across the euro zone shrank for a fifth straight month and Chinese manufacturing contracted for an eighth month. STRONG SUPPLY While oil demand prospects are dimming, supply of oil remains ample. The Organisation of the Petroleum Exporting Countries is pumping about 1.6 million barrels per day (bpd) more than the demand for its oil and its own supply target, Opec figures show. Much of the extra oil has come from top exporter Saudi Arabia, as well as from an export capacity expansion in Iraq and a recovery in Libyan output. At its meeting last week, Opec agreed to keep its oil output limit at 30 million bpd, with several members urging the Saudis to cut back supplies to reach the target. “We are heading for a weak third and fourth quarter, so prices could go a lot weaker,” said Leo Drollas, chief economist at the Centre for Global Energy Studies. “The Saudis at the end of the day will have to cut back themselves.”

### Russian UQ – Nationalism Up

#### Russian nationalism on the rise now

Ottens, 7/10

(Nick, writer for the Atlantic Sentient, 2012, “Russian Nationalism on the rise, much to Putin’s Dismay,” The Atlantic Sentinent, <http://atlanticsentinel.com/2012/07/to-putins-dismay-russian-nationalists-on-the-rise/>, 7/11/12, MDRJ)

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.

#### Russian nationalism high now

Pew Research Center, 5/23

(International relations and general research facility, 2012, “Russians Back Protests, Political Freedoms

And Putin, Too” Pew Research Center, <http://www.pewglobal.org/2012/05/23/chapter-5-nationalism-and-russias-global-image/>, 7/10/12, MDRJ)

Nationalism remains a potent sentiment among Russians today, and a plurality believe it’s natural for the country to have an empire. At the same time, the prevailing view is that Russia is more disliked than liked around the world, while nearly three-in-four say their country deserves greater respect internationally. Roughly half of Russians (53%) agree that their homeland should be for Russians only; four-in-ten disagree. The public voiced a similar degree of ethnic chauvinism in 2009, when 54% said “Russia should be for Russians.” In contrast, when the Soviet Union was in its last throes in 1991, 69% disagreed and only 26% agreed with that notion that Russia should be exclusively for Russians. Along with strains of ethnic nationalism, the image of Russia as an imperial power persists among a substantial number of Russians today. A 44%-plurality say it’s natural for their country to have an empire, compared with 31% who disagree and a quarter who do not have a definite opinion. In 2009, roughly the same number (47%) felt it was natural for Russia to have its own empire. Two decades ago, with the Soviet Union on the verge of collapse, only 37% shared this view.

#### Russian Nationalism on the rise

Bratersky, 7/6

(Alexander, writer for The Moscow Times, 2012, “Ultranationalists on the Rise,” The Moscow Times, <http://www.themoscowtimes.com/news/article/ultranationalists-on-the-rise/461672.html#ixzz20IeSPBFW>, 7/10/12, MDRJ)

As the opposition movement gains strength, the ultranationalist groups that have joined its ranks are drawing more attention from the public — as well as the Kremlin. 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. A Great Russia spokesman said after the rally that the group would continue to wear their Nazi-style uniforms, much to the dismay of moderate nationalist leaders who have distanced themselves from the fringe element. When Ivan Mironov, 31, deputy chairman of the nationalist All-Russian People's Union, took to the stage during the rally, his emotional speech about the ruling regime's imminent demise was met with resounding applause. But speaking from the same stage a short while later, liberal-leaning former Prime Minister Mikhail Kasyanov was booed over similar comments. Vladimir Sungorkin, editor of the Kremlin-allied Komsomolskaya Pravda newspaper, cited the sharp contrast to rouse liberals to rally behind President Vladimir Putin. "If the regime would fall, it's not Kasyanov who'd win, but guys like Ivan Mironov," Sungorkin said in a recent interview with the liberal Dozhd television station. A historian by background, Mironov spent three years in pretrial detention for the attempted murder of Anatoly Chubais, the architect of Russian privatization, in 2005. He was found not guilty. Mironov's father, Boris Mironov, was a press minister under President Boris Yeltsin. He was fired for anti-Semitic remarks. "Not every enemy of Putin is your friend," liberal politician Leonid Gozman said by phone, referring to ultranationalists at the June 12 rally. "Fascists in power are much worse than Putin." The Kremlin genuinely fears the rise of ultranationalist groups, which have the potential to sow mass disharmony throughout a nation already divided about the staying power of the ruling regime. Though in the past the Kremlin has used ultranationalists to its advantage in election years, like when it hurriedly formed the Rodina party in 2003, it has been careful to prevent them from gaining too much power. Keeping Close Watch Alexander Verkhovsky, an analyst at the Sova think tank, which studies nationalist movements, said the government started to monitor radical nationalist groups more closely in 2006, when a dispute in the Karelian city of Kondopoga escalated into widespread ethnic violence. That dispute, between locals and businessmen from the Northern Caucasus, was exploited by ultranationalist leaders to push an anti-migrant agenda. "After Kondopoga, authorities understood that the challenges coming from those groups might be on a bigger scale," Verkhovsky said. Since that time, law enforcement officials have disbanded several ultranationalist groups, including the notorious National Socialist Society, members of which were given lengthy prison sentences in 2011 for two dozen killings of non-Slavs. Verkhovsky said that while he sees danger in groups like the National Socialist Society, he sees no potential for ultranationalist movements to besiege the nation's political arena. "Maybe the next regime will be more nationalistic, but it won't be formed by the current leaders of the far right," Verkhovsky said. "It will be people among the establishment."

## Link Answers

### (Turn) High Econ Leads to Econ collapse

#### Boost in Russian Economy causes overheating and collapse -

Aris 12 (Ben Aris - Ben is the editor/publisher of[bne](http://www.bne.eu/) and an Eastern Europe specialist. He has worked as Moscow bureau chief for the Daily Telegraph, contributing editor at The Banker and Euromoney - Russian Economy Showing Signs of Overheating http://www.themoscowtimes.com//article/russian-economy-showing-signs-of-overheating/461657.html#ixzz1zttKtz9A)

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. 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.'" 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.

### US oil market not key

#### US does not consume enough oil to hurt Russian market.

European Energy Commission 11

(December 1, EU organization in charge of tracking energy usage“EU-Russia Energy Dialogue 12th Program Progress Report”, <http://ec.europa.eu/energy/international/russia/doc/20111201_eu_russia_report.pdf>, accessed 7/8)

88% of Russia’s total oil exports 70% of its gas exports and 50% of its coal exports are directed to the EU. In 2010, volumes of Russian export of crude oil and oil products to the EU amounted to 173,97 million respectively 83,6 million tonnes, the export of gas – 121,34 bcm, 59,96 bcm of coal and 16,8 billion kwh of electricity.

## Internal Link Answers

### Russia is corrupt, no economic gains

#### Russia’s government is corrupt and bureaucratic.

Melik 6/28 (James, 6/28/12, BBC reporter, “Russia's growth stifled by corruption”, <http://www.bbc.co.uk/news/business-18622833>, accessed 7/9)

Furthermore, despite Russia's rich resources and its place among the world's fastest-growing economies, there remains a general feeling that the country is underperforming and falling far short of its potential. According to Angus Roxburgh, former BBC Moscow correspondent and later a public-relations adviser to the Kremlin, there is one overriding reason why Russia is failing to achieve its economic potential and failing to attract outside investors: corruption. Worsening scenario "It is something the government acknowledges but seems powerless to combat, despite a regular stream of anti-corruption decrees and initiatives," he says. "In fact, it gets worse year by year. According to official figures, the average bribe in Russia is more than $10,000," he notes. Transparency International, which ranks countries according to perceived levels of corruption, says Russia has slumped from 46th place in 1996 to 143rd in 2011. Continue reading the main story “ Dozens of entrepreneurs are in prison on charges trumped up by officials” Angus Roxburgh Author That makes it one of the most corrupt countries on earth. Bureaucrats in charge of state tenders routinely ask for enormous bribes from companies bidding for the contracts, which adds to the cost of the bills that the state pays. "A year or so ago, three seniors officials were convicted - a rare occurrence - for demanding $1m to take the Japanese company Toshiba off a fictitious blacklist, which was preventing the company bidding for a contract," Mr Roxburgh recalls. The case of Sergei Magnitsky, the lawyer employed by a western investment fund, who exposed corruption and then found himself thrown in prison by the very people he had accused, and who then died in prison, has served as a dire warning to all potential investors.

#### Russia’s bureaucracy causes corruption.

Dalziel 10 (Stephen, April 7, Executive director of the Russo-British Chamber of Commerce, Telegraph, “Russian bureaucracy leads to corruption”, <http://www.telegraph.co.uk/sponsored/russianow/business/7564203/Russian-bureaucracy-leads-to-corruption.html>, accessed 7/9)

When I ask members of the Russo-British Chamber of Commerce what the biggest problem is doing business in Russia, the most frequent answer is "bureaucracy". You have to have forms for this, forms for that, stamped and signed by the right authority, often in triplicate Russians seem to have thought up rules and regulations just for the sake of it. Two years ago, I thought I had hit on a sensible economy measure. The Chamber runs two major events in the year: the Business Forum in London in June, and ?RussiaTALK in Moscow in October. Why, I suggested did we not produce double the number of delegate bags for the Forum, bearing the Chamber's logo, then send the second half to Moscow for RussiaTALK? Staff agreed this was a good idea; but when we went to ship the bags to Moscow, we were told there is a special tax slapped on imported goods which are made of cloth and bear a logo. If anyone can see the sense in this, I should be delighted to have it explained to me. The problem with such nonsensical rules is that they inevitably lead to corrupt practices. We were lucky; we had another event in the UK where we could use our bags, albeit a year later. But a commercial company under time pressure may have been tempted to try to come to "an agreement" with the Russian authorities, avoiding the tax but reaching a compromise figure which may have gone into an individual's pocket instead. This is the real danger of petty bureaucratic rules. Rather than going through an exhaustive and possibly costly legal process to ensure that all the rules have been followed to the letter, there will often be the temptation to bypass them by placing money in a brown envelope which benefits only the recipient. So, although our members may put "bureaucracy" rather than "corruption" at the top of their list of problems doing business in Russia, these things are really two sides of the same coin.

#### Russian corruption is killing their economy.

Associated Press 11 (March 28, CBC World News, “Russian corruption up tenfold: report”, <http://www.cbc.ca/news/world/story/2011/03/28/russia-corruption.html>, accessed 7/9)

Opposition leaders alleged on Monday that corruption in Russia shot up tenfold under Vladimir Putin's rule, and his friends and relatives have abused their positions for personal gain. Ex-Prime Minister Mikhail Kasyanov, former deputy premier Boris Nemtsov, and two other opposition figures presented a report alleging corruption under Putin, who became prime minister in 2008 after serving two presidential terms that began in 2000. Former lawmaker Vladimir Ryzhkov cited data by the respected think-tank Indem, saying corruption in Russia increased between 2001 and 2005 to well over $300 billion US, or a quarter of Russia's economy. "Corruption is killing the country's economy, welfare, hurts its morals, political system and robs Russia of a future," Ryzhkov told reporters. President Dmitry Medvedev, who has focused his first two years in office on a campaign against corruption, said last year that some $35 billion US of governmental funds was stolen in state contracts in 2010 alone. Medvedev repeatedly lamented that his campaign has brought no visible results.

#### Corruption is taking away profits from companies.

Fin 5/28 (Al, Oilprice.com “Russia's Dysfunctional Economy Fails to Attract Investment Vital for Energy”, <http://oilprice.com/Energy/Energy-General/Russias-Dysfunctional-Economy-Fails-to-Attract-Investment-Vital-for-Energy.html>, accessed 7/9)

Russia is a difficult country to analyse. It is the largest nation on Earth, rich in natural resources and human resources. And yet it is burdened with dysfunctional government, a dysfunctional economic and legal system, and an atmosphere of vague despair that lingers despite multiple changes in leadership over the decades. The Russian market this spring fell faster than other so-called BRIC countries of Brazil, Russia, India and China and since mid-March is down 18.8 percent. Global oil prices have slumped, reducing expected earnings. But even taking earnings into account, investors take a dim view of Russian equities. The Russian stock exchange now trades at an average price to estimated earnings ratio of 4.28, compared with the MSCI Emerging-Markets Index average. It is a glum statistic for Russia, particularly as President Vladimir V. Putin is planning a wide-ranging sale of state assets to raise money for increased military and social spending promised during his campaign. The price-to-earnings ratio comparison means that, statistically, a company that mines gold or pumps oil in Russia is worth less than half as much as a company that extracts the same amount of gold or oil just as efficiently in Brazil or Indonesia. For all the value in the Russian economy, this wealthy industrial superpower cannot convince investors that it is safe place to put money — even an oil company is a hard sell. \_NYT No wonder. When wealthy Russia cannot convince insurance companies to insure joint projects inside Russia, of course it will not be able to convince most investors to take the huge risks of exposing valuable assets to the kleptocratic Russian bear. The Russian government treats all assets -- public or private -- as its own little treasure chest of goodies. Sergei Aleksashenko, a former deputy finance minister, said in an interview that Russian energy companies are routinely subjected to this “system of unofficial requests,” from the Kremlin — for financing everything from presidential palaces to ski resorts to military installations. “It doesn’t really matter what it is for,” Mr. Aleksashenko said. “You receive a request and you cannot refuse.” \_NYT Mr. Putin and his friends have their fingers in all the concentrations of wealth and power inside the country. The corruption takes place overtly and covertly, legally and quasi-illegally. It is organised crime on a massive scale, and shows no sign of being curtailed -- particularly as long as weak and inept clowns such as US President Obama are in charge of the western bloc.

### Oil controlled by mafia

#### Russian oil controlled by the mafia.

Behar 6/25

(Richard, 6/25/12, Forbes reporter, “Hess Oil's Russian Mob Problem”, <http://www.forbes.com/forbes/2012/0625/feature-moscow-bochkarev-hess-oil-russian-mob-problem_6.html>, accessed 7/9)

EVEN BY RUSSIAN STANDARDS, Samara Oblast, a grim region 535 miles southeast from Moscow, is a dangerous place. There are four cities here. One of them, Togliatti, the country’s automaking capital, endured a six-year mafia killing spree that claimed more than 100 lives. A second city, Novokuibyshevsk (Novo, for short), boasts a collection of oil and gas refineries--and a powerful local mob organization known as “Indeitsy,” which is Russian for “Indians,” as in the raiding parties of Western lore. After reviewing over 200 documents, and interviewing scores of local police officials, government investigators and oil executives over the past few months, FORBES has learned that Indeitsy controls the oil-industry rackets in Novo. The group’s 400-odd members and associates (including 50 at the top) have created a lucrative niche for themselves by cutting into pipelines in ever more sophisticated ways and then trafficking in the stolen crude, as well as oil products and related plastics. This shouldn’t come as a shock: Back in 1994 Boris Yeltsin called his country the “superpower of crime,” and little has changed since then. Far more surprising, though: Indeitsy has operated partly through what seems to be a clear affiliation with New York-based [Hess Corp.](http://finapps.forbes.com/finapps/jsp/finance/compinfo/CIAtAGlance.jsp?tkr=HES) ( [HES](http://finapps.forbes.com/finapps/jsp/finance/compinfo/CIAtAGlance.jsp?tkr=HES) - [news](http://search.forbes.com/search/CompanyNewsSearch?ticker=HES) - [people](http://people.forbes.com/search?ticker=HES) ), America’s seventh-largest oil company (2011 sales: $38 billion).

#### Mafia controls government and oil industry.

Behar 6/25

(Richard, 6/25/12, Forbes reporter, “Hess Oil's Russian Mob Problem”, <http://www.forbes.com/forbes/2012/0625/feature-moscow-bochkarev-hess-oil-russian-mob-problem_6.html>, accessed 7/9)

One of Bochkarev’s employees, Inna Narykova, says she’s lost count of all those inspections and searches, to the point where “I can’t tell who is government and who is a gangster.” The company’s chief accountant, Natalya Rybalko, recalls men in black masks holding 30 of the company’s employees in a single room from 8 a.m. to 11 p.m. one day, threatening them all with prison: “People here have been furiously beaten, we’ve had endless tax audits. … I’ve been afraid to go to work, but I can’t leave my boss in that situation alone.” Bochkarev, ultimately, was arrested in 2010--and jailed for months--for possession of illegal guns and 45 grams of cocaine. While in prison, he says, a cell mate named Valery Plotnikov, an alleged Indeitsy member, told him his troubles would vanish if he simply gave up his land. Instead, Plotnikov himself vanished and has been missing for a year. (“This is not a subject for the telephone,” says Plotnikov’s sister, Ekaterina, who adds that the investigators on her brother’s case have changed so often that she no longer knows who is handling it.) “The criminal group trying to take Yuri’s company is supported by local government and local law enforcement, so it’s very difficult to break the wall, to get justice for Yuri,” adds Bochkarev’s attorney, Pavel Afanasyev. “The whole of Russia is in the same situation.” Afana­syev describes using his car to block an exit during a raid on Coral, only to see it torched later, with two buckets of gasoline left atop the car as a warning. A vicious internal battle preceded this external war against Coral. Bochkarev says that a partner named Yuri Milov wanted to do shady deals with criminals involving the theft of oil and a falsified note to try to take control of the company. Aiding Milov in the latter effort, says Bochkarev: Alexey Veiman. Both Milov and Veiman deny the allegations. Veiman says he worked at a bank and the partners approached him for a loan. Milov tells FORBES that the fight stemmed from Bochkarev’s attempt to take all the assets for himself.

#### Profits just go to the government.

Bershidsky 4/2

(Leonid, correspondent for World View, Bloomberg,“Shuvalov Tests Russia's Corruption Laws: Leonid Bershidsky”, <http://www.bloomberg.com/news/2012-04-04/shuvalov-tests-russia-s-corruption-laws-leonid-bershidsky.html>, accessed 7/9)

A top government official reaps millions in profits with the help of the nation's wealthiest businessmen. That definitely sounds illegal. So when the international media last week reported such dealings by Russian Deputy Prime Minister Igor Shuvalov, one might have expected a public outcry. In Russia, however, things are much more complicated. Plenty of commentators, including President-elect [Vladimir Putin](http://topics.bloomberg.com/vladimir-putin/)'s spokesman, have defended Shuvalov, and it appears that he truly has not broken any Russian laws, such as they are. The facts, denied by no one, are as follows. In 2004, a Bahamas company called Sevenkey Ltd. entered into two stock market trades. It invested $17.7 million in the Russian natural gas monopoly Gazprom with the help of billionaire Suleiman Kerimov, and another $49.5 million in European steelmaker Corus via another billionaire, [Alisher Usmanov](http://topics.bloomberg.com/alisher-usmanov/). In 2007 and 2008, Sevenkey exited the trades with a profit of almost $200 million. Shuvalov's wife, Olga, is listed as Sevenkey's beneficiary. Both deals were consummated when Shuvalov was an economic aide to Putin. The profits were reaped when he was Putin's deputy in the Russian government.

### Oil companies bad – hoard wealth

#### Oil companies use profits for self use.

LA times 11 (May 29, “Q&A: Taking on Russian corruption”, <http://articles.latimes.com/2011/may/29/world/la-fg-russia-corruption-qa-20110529>, accessed 7/10)

It all started about five years ago as I realized that I needed to do something to safeguard my personal investments. The most interesting investment venues in Russia are oil- and gas-sector companies. These are a bunch of so-called major companies in Russia. Some of them are formally private, but they are all under state control. When I started to invest in those companies, I quickly saw that the dividends were very small while their management were leading luxury lives in their lavish villas in France, Spain and so on.

#### Oil company wealth doesn’t trickle down to the public.

[KRAMER](http://topics.nytimes.com/top/reference/timestopics/people/k/andrew_kramer/index.html?inline=nyt-per) 11 (Andrew, March 28, reporter for the New York times, “Russian Site Smokes Out Corruption”, <http://www.nytimes.com/2011/03/28/business/global/28investor.html?pagewanted=all>, accessed 7/10)

That scheme, presented as a cautionary tale for those tempted to invest in Russian energy stocks, described executives’ setting up a series of shell companies to pose as contractors for Transneft’s project to build a 3,000-mile pipeline to China. One shell, for example, was registered in the name of a Siberian man who had lost his passport, according to the Navalny report. The post included an audit indicating that the contracting fraud had cost Transneft $4 billion. Both Transneft and the government accounting office, whose documents Mr. Navalny said he leaked on his site, have denied the corruption claim. But Prime Minister Vladimir V. Putin took the posting seriously enough to ask for an investigation, which is still pending. Mr. Navalny, whose fame and unabashed political ambitions are surely helped by his blue-eyed good looks and acidic sense of humor, has clearly touched a nerve in Russian society. His blog appeals to Russians who wonder: if the country’s vast [oil](http://topics.nytimes.com/top/news/business/energy-environment/oil-petroleum-and-gasoline/index.html?inline=nyt-classifier) wealth is not trickling down to the public, where is it going? “I do this because I hate these people,” Mr. Navalny said gleefully of his Web postings, which take aim at those he describes as the self-dealing managers in the oil and natural gas business.

### A2: Economic crash stops oil pipeline

#### Russia won’t stop investment in pipelines-key to their economic prosperity and increased competition

Stulberg, 11

(Adam N., Associate Professor *and* Co-Director, Center for International Strategy, technology, *and* Policy in the Sam Nunn School of International Affairs, Russia in Global Affairs, “Eurasia’s Pipeline Tangle,” September 24, 2011, <http://eng.globalaffairs.ru/number/Eurasias-Pipeline-Tangle--15337>, Accessed: 7/9/12, LPS.)

Russia’s “gas wars” with Ukraine and Belarus and pointed objections to Europe’s “third energy package,” as well as heated competition to develop rival and commercially dubious “southern” energy transit routes, have re-ignited concerns about pipeline politics across Eurasia. Typically, Western commentators and policymakers regard Russian-backed pipeline projects as tantamount to “steel umbilical chords” of dependence, ripe for commercial and strategic exploitation. Even champions of “resetting” relations with Russia caution against complacency, advocating multiple and transparent Eurasian pipelines to temper coercive inclinations over vulnerable downstream customers across Europe and Asia. Similarly, Russian officials and policy experts who trumpet both a new “business-oriented” foreign policy and “eastern vector” for energy exports complain that the volatile Eurasian energy transit landscape handicaps pragmatic pursuit of energy security to the detriment of Russian suppliers and their international customers alike. Arbitrary shifts in terms of transit for Russian energy, Western suspicions about Russia’s entry into the LNG market, as well as the push to construct the Nabucco gas pipeline – a project that would bypass Russia but that remains mired in controversy over sources of throughput and financing – feed Moscow’s anxiety over antagonistic “politicization” of Caspian energy exports. The angst surrounding these episodes is symptomatic of broader debate over the strategic dimensions to cross-border Eurasian energy transit in which pipelines are viewed as either instruments of competitive resource nationalism or conduits for strengthening interdependence and regional cooperation. This, in turn, betrays a conventional wisdom that politics and geostrategic posturing trump the economics of pipelines, rendering the “lands between” Russia/Caspian suppliers and markets in Europe and Asia as mere pawns in the global quest for energy security.

#### Pipeline capacity to be doubled by 2014- current economic state relies on oil pipeline-investment won’t stop

Galpin, 9

(Richard, Correspondent for BBC News, BBC News, “Energy Fuels new ‘Game Change’ in Europe,” <http://news.bbc.co.uk/2/hi/8090104.stm>, Accessed:7/10/12, LPS)

Projected European gas pipeline routes The first pipeline, called Nord Stream, would go from western Russia under the Baltic Sea to Germany, while the second, called South Stream, would go from Russia's south coast under the Black Sea to Bulgaria, eventually ending up in Italy. Gazprom wants to pump gas under the sea directly to Europe so it can avoid transit countries such as Ukraine which lie along the existing land routes. It argues this will improve Europe's energy security. But it will also give Russia the ability to pump much more gas to Europe. Mr Medvedev of Gazprom believes that by 2020, Russia's share of the European gas market will increase from 26% to 33% "because local production is going down and demand is increasing". Energy 'weapon' Construction of the first stage of the Nord Stream pipeline is already underway. Anybody who links up with that gas pipeline and becomes dependent on Russia is very much at their mercy Professor Marshall Goldman Harvard University The Gazprom workers can be found deep in the mosquito-infested forests of Western Russia about two hours' drive from St Petersburg. We were allowed onto an old airbase once used by Soviet nuclear bombers, where pipes have been piled up ready to be welded together. We were then taken to see completed parts of the pipeline being laid in a freshly-dug trench stretching through the forest far into the distance. It was an impressive operation and it was advancing steadily towards the coast. Workers told us they expected early next year to reach the Baltic Sea, where the pipeline will disappear under the water on its way to Germany, assuming all the necessary environmental agreements are signed with countries bordering the sea route. The pipeline is due to start delivering gas in 2011, with a second pipe ready by 2014 that will double the capacity. Energy expert Marshall Goldman, a professor at Harvard University, is convinced that Europe is sleep-walking into an increasingly dangerous level of dependence on Gazprom, a state-owned company with close links to the Russian government.

#### EU backs pipeline investment- Russia won’t stop investment

Galpin, 9

(Richard, Correspondent for BBC News, BBC News, “Energy Fuels new ‘Game Change’ in Europe,” <http://news.bbc.co.uk/2/hi/8090104.stm>, Accessed:7/10/12, LPS)

He argues that Europe has already been divided by Moscow's skilful political use of its energy resources. Individual EU countries such as Germany which have signed big bilateral energy deals with Russia, he says, have "started pulling their punches, fearful of provoking the Russians" when it comes to raising sensitive political issues with Moscow. Nord Stream is being built by a consortium which includes top German and Dutch energy companies, and which has the former German chancellor, Gerhard Schroeder, as chairman of its shareholders' committee. It also has some backing from the European Commission, which describes it as a "project of European interest". Competing projects While the Commission seems unconcerned by the long-term implications of Nord Stream, there is real worry about Gazprom's other big pipeline project, South Stream. No construction work has begun on it yet, but Gazprom insists feasibility studies will be completed this year and the pipeline will be built across the Black Sea to Bulgaria and into the heart of Europe by 2015. Advertisement Austria is home to one of the largest gas-storage facilities in Europe For Europe this could spell disaster. It could kill off one of its most important schemes for breaking away from its dependency on Russia. For five years, the EU has been pushing for a pipeline to be built from the Caspian region to Austria which would carry gas from Central Asia, the Caucasus and Middle East. Crucially, the pipeline called Nabucco would not go across any Russian territory. But like South Stream it would enter Europe via Bulgaria and possibly use several of the same European transit countries.

## Oil Dependence Turn

### Russian economy dependent on oil

**Russia’s Economy is Heavily Dependent on Oil**

**Buckley, 12**

(Neil, 6-20-12, FT Economy, “Economy: Oil Dependency Remains a Fundamental Weakness,” [http://www.ft.com/intl/cms/s/438712b2-b497-11e1-bb2e-00144feabdc0,Authorised=false.html?\_i\_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F438712b2-b497-11e1-bb2e-00144feabdc0.html&\_i\_referer=http%3A%2F%2Fthegwpf.org%2Fenergy-news%2F6019-oil-dependency-and-the-russian-economy.html#axzz1yOJForM6](http://www.ft.com/intl/cms/s/438712b2-b497-11e1-bb2e-00144feabdc0%2CAuthorised%3Dfalse.html?_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F438712b2-b497-11e1-bb2e-00144feabdc0.html&_i_referer=http%3A%2F%2Fthegwpf.org%2Fenergy-news%2F6019-oil-dependency-and-the-russian-economy.html#axzz1yOJForM6), 7-4-12, GHK)

**Oil dependency is** seen as **Russia’s biggest weakness.This year’s budget needs an oil price of more than $120 a barrel to balance**, lifting **the non-oil deficit**, the shortfall excluding oil and gas revenues, to 12.5 per cent **of GDP**. It **was below 5 per cent before 2008. Oil prices would need to grow by $10 to $15 a year**, he adds, **otherwise the “budget will not be affordable”, forcing Russia to increase borrowing or reduce spending**. Economists have also warned that, with budgetary spending becoming a bigger contributor to growth, and that, in its turn, increasingly funded by oil and gas revenues, Russia is drawing too heavily on its energy wealth. That drives up prices and costs, crowds out private sector investment and makes manufacturing uncompetitive, all classic symptoms of the so-called Dutch disease. This hinders what should be its main policy aim: diversifying the economy away from reliance on extractive industries.

#### Without economic reform, economic collapse is inevitable despite high oil prices

RT, 12

(3/27, RT, “Oil prices: The make or break of the Russian economy - World Bank,” <http://rt.com/business/news/world-bank-report-russia-543/>, Accessed: 7/11/12, GJV)

Russia has to thank high oil prices for the better state of its economy. A World Bank report says it has the edge over other emerging countries and the EU, but the rosy picture will become bleaker unless the country deals with a number of challenges. The growth rose from 3.8% year-on-year in the first half to 4.8% in the second half of 2011 and in September was 0.3% better than predicted in the previous Russian Economic Report. Restocking and growing consumptions were the most important growth drivers in 2011 after the sharp decline in 2009. Private consumption was supported by growing employment, solid wage growth, lower inflation, and a strong rouble in the first half of the year. Although the Russian economy returned to pre-crisis level by the end of 2011, the recovery from the crisis was slower than that in 1998. By comparison, GDP took 7 quarters to recover to pre-crisis level after 1998 crisis, yet twice as long after the 2008 crisis. However consumption held up better in 2008 than in 1998 partly due to stronger fiscal policy. Imports recovered faster in 2008. The capital investment showed slowest recovery in 2011. Overall investment reached 22% of GDP in the third quarter of 2011, some 4.4% of GDP below the pre-crisis level in the second quarter of 2008. “It is going to be very important for the Russian government to make sure that investors want to put money in Russia,” said Kaspar Richter, World Bank's Lead Economist and Country Sector Coordinator for Russia. “Macroeconomic policy should emphasize stability; all buffers have to be rebuilt. So when the next crisis comes Russia is a good place to address this crisis”.

### Low oil prices key to ween Russia off oil dependence

#### Turn – Low oil prices ween Russia off oil dependence

RT.com 12

(6/22, In an interview with Jim O’ Neill, “Lower oil price ‘good for Russia’,” <http://rt.com/business/news/oil-price-russia-economy-497/>, Accessed: 7/7/12, GJV)

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](http://rt.com/business/news/putin-joins-calls-for-brics-getting-more-voting-rights-in-the-imf-385/) 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.”

### Transition away from oil profits key to Russian econ

#### Turn - A transition from Russia’s oil dependency would benefit their economy

Bogatova, 12

(Margarita, correspondent at Mergermarket Financial Times group, 6/26, The Voice Of Russia, “O’Niel: Russia should be less dependent on oil prices,” <http://english.ruvr.ru/2012_06_26/79409411/>, Accessed: 7/5/12, GJV)

Russia should keep in mind that oil prices may go down and that only economic diversification can produce the results that would allay investor skepticism, Goldman Sachs Board Chairman Jim O’Neil, the author of the BRIC term, said in an interview this week. He spoke about the general state of the Russian economy and the effect of the recent opposition protests on Russia’s development. In O’Neil’s opinion, investors would like to see proof that the economy is really being diversified. He feels that the best proof would be the downsizing of government stakes in corporate mergers. Also, foreign investors want corporate decision-making to be more transparent. Alexander Aivazov, a co-founder of the Nord Capital investment group, thinks that the worrying prospect of a sharp dip in oil prices could drive Russia to focus more on branches other than energy, such as innovative activities, the consumer sector, pharmaceuticals and show business. He agrees that Russia needs a more transparent economy. "The Russian economy is almost completely closed to the public – there are only a handful of companies on the open market. Normal Western capital has virtually no access to small companies in Russia. If Russia perseveres in turning Moscow into a global financial center in Moscow, this will create conditions that will bring small companies into the open market, and that may lure small-scale Western investment companies that are keen to invest in retail business and other branches, and not just the fuel and energy sector or metal production." Russia, the world’s ninth economy, has improved its initial growth forecast and may post a 4%-5% year-on-year GDP increase in 2012. Contrary to expectations, the opposition protests of the past few months have not scared investors. Rather, they are perceived as evidence that the Russian democracy is on the right track, says Ivan Rodionov, a professor of the Higher School of Economics. "The protests have not affected the investment climate because no one understands what the opposition wants. But the fact that the opposition does exist is a positive factor perceived as progress in the right direction. Earlier, it was strange that everything was well in Russia, but there was no opposition. Now everything is still well and we also have the opposition. They cannot say what they want and they have no political platform, but that’s actually good."

### Russian oil dependence causes economic crash

#### Russia’s dependence on high oil prices hurts their economy in the long run

Grinkevich, 12

(Vlad, RIA Novosti economic commentator, 1/27, RIA Novosti, “High Oil Prices Open “Window of Opportunity” for Russian Economy,” <http://en.rian.ru/analysis/20120127/170994608.html>, Accessed: 7/11/12, GJV)

IMF experts believe that high oil prices will allow the Russian government to take measures to strengthen, protect and reform the economy. Russia is benefiting from the rising tensions in the Middle East, which are driving up the price of a barrel of oil, but experts believe this geopolitical factor will soon subside. Moreover, expensive oil is slowing down Russia’s economic growth, and without economic reforms even expensive oil cannot guarantee economic stability.

### Oil Dependence prevents economic modernization

#### **Oil dependence prevents Russian modernization**

Pirani 10

(Simon, Senior Research Fellow on the Natural Gas Research Programme at the Oxford Institute for Energy Studies, 5/10, Emerging Markets, “RUSSIAN ECONOMY: Russia’s oil problem,” <http://www.emergingmarkets.org/Article/2682714/Europe/RUSSIAN-ECONOMY-Russias-oil-problem.html>, Accessed: 7/7/12, GJV)

Russia has emerged from recession with rising domestic demand and sound finances, say the optimists, and oil wealth brought onshore will fund investment – including the kick-start to modernization that the government craves. The trouble is, say the sceptics, that the government’s plan to run a fiscal deficit up to 2015 could crowd out private investment, hold up infrastructure renewal and hobble growth. And with an oil price perhaps as high as $95 a barrel needed for Russia to break even, external factors could upset the whole applecart. There’s a consensus that Russia’s economy is recovering, albeit with difficulty, and will probably grow by 4–5% this year. But the scale of last year’s slump brought the category Brics (Brazil, Russia, India and China) into sharp relief, raising doubts over whether Russia deserved to be included: its GDP fell by 8%, while Brazil’s growth was flat and China’s (+8.7%) and India’s (+5.7%) roared on. The recession was a devastating reminder of Russia’s economic dependence on natural resources, mainly oil. And the differing interpretations of the recovery often rest on contrasting views about how easy it will be to escape that dependence. The enthusiasts focus on the fruit that government efforts to marshal oil funds to diversify the economy will bear. But the doubters worry that oil dependence will not be conquered without stronger policies to ensure sufficient private investment flows, properly targeted.

#### Modernization is key to Russian economy

Kliment, 10

(Alexander, analyst in Eurasia Group’s Europe and Eurasia practice, 10/29/10, Foreign Policy, “Can Russia make modernization work in the 21st century?” <http://eurasia.foreignpolicy.com/posts/2010/10/29/can_russia_make_modernization_work_in_the_21st_century>, Accessed: 7/7/12, GJV)

"Today Russia has a new agenda, one that incorporates sustainable development and the modernization of key economic sectors. I believe we stand a good chance of seeing these plans materialize." -Prime Minister Vladimir Putin, Oct. 5, 2010 "Modernization and the introduction of high technology is a key feature of our activity. I repeat that this is key." -Putin, Oct. 18, 2010 "The modernization of Russian democracy and establishment of a new economy will, in my opinion, only be possible if we use the intellectual resources of post-industrial societies. And we should do so without any complexes, openly and pragmatically." -President Dmitry Medvedev, in "Go, Russia!" Sept. 10, 2009 The idea of "modernization" is hardly new to Russian politics. From Peter the Great to Stalin to Putin, Russia's leaders have always been obsessed with "catching up" to a more modernized Europe. But over the past two years, the word has become a kind of magical catch-all term in the Russian political lexicon. The word is on the lips of just about every mayor, governor, minister and businessman in the country. A flurry of [high level](http://government.ru/gov/agencies/138/) governmental [commissions](http://archive.kremlin.ru/articles/216634.shtml) has been formed to address the issue. Moscow has even contracted a New York PR firm to gin up [a website](http://www.modernrussia.com/) that shows -- depending on your point of view -- how "modern" Russia is or how far the country has to go. The trouble with all this is that it's still very hard to understand what modernization really means for the people who use it and what it would actually take to "modernize" Russia. Most Russian officials agree that their economy is far too vulnerable to price fluctuations in international commodities markets and that Russia's industrial base is in sorry Soviet shape. Beyond that, however, agreement breaks down. Each of the country's various political and economic interest groups has its own conceptions of what the modernization of Russia means and how best to go about achieving it. And as with interest groups everywhere, the definitions are often self-serving.

### High oil prices prevent economic diversification

#### **High oil prices prevent Russian economic diversification**

Moiseev, 12

(Alexey, head of macroeconomic analysis at VTB Capital, London, 7/6, Telegraph, “Modernisation is Russia’s cure for ‘Dutch disease’,” <http://www.telegraph.co.uk/sponsored/russianow/business/9382538/russia-dutch-disease.html>, Accessed: 7/8/12, GJV)

The conclusion that we can draw from this is that it is almost impossible to achieve effective and successful economic diversification away from oil or other commodities when their prices are high and when an economy is fully integrated into the global trade system. That is, it’s almost impossible to achieve this through purely administrative or similar measures. What can be done, and  has to be done, is to achieve non-price competitiveness through processes of modernisation. For these particular processes, high commodity prices can in fact be a very positive force as they produce the ample cash flows that are essential to finance such efforts. However, if the conditions are not right then the money earned by selling commodities at a time of high and rising prices will not be returned to Russia, and therefore cannot be used to contribute to the government’s modernisation and diversification agenda.

#### Diversification is key to Russia’s economy

Kopinski, 11

(Mark, Chief Investment Officer, International Equity, 1/19, American Century Investments Blog, “Russia’s Push for Economic Diversification and Modernization,” <http://americancenturyblog.com/2011/01/russia%E2%80%99s-push-for-economic-diversificationand-modernization/>, Accessed: 7/8/12, GJV)

About 25% of the government’s operating budget is linked to oil and gas revenues, so Russia’s goal of economic diversification will not be an easy task. Yet its leadership is becoming increasingly aware of the fact that it must endure some short-term pain—weaning itself off the windfalls from commodity exports—to ensure long-term economic growth and prosperity. In the meantime, however, Russia is trying to improve its investment climate by fostering better relations with the West, becoming more cognizant of property and intellectual rights, and reducing the state’s influence in the economy.

## Russian Pipeline Impact Turn

### High Oil Prices and Russian Pipelines

#### Russian oil industry high in the status quo-Russian pipelines capitalize even more

Kramer, 12

(Andrew E., Employee/Freelancer/Contractor The New York Times, The Ne York Times, “An Embargo and a Boon,” February 16, 2012, <http://www.nytimes.com/2012/02/17/business/global/russian-oil-industry-set-to-capitalize-if-embargo-hits-iran.html?pagewanted=all>, Accessed:7/9/12, LPS)

MOSCOW — For months, the Russian government has opposed the idea of Western petroleum sanctions against Iran. But new threats to Iranian oil flow could have at least one beneficiary: Russia. A refinery south of Budapest at the receiving end of the Druzhba pipeline, which Russia could use to supply Iran's traditional oil customers in Europe. A petroleum refinery operated by OAO Lukoil in Nizhny Novgorod. Russia stands ready to serve customers willing to pay a premium price — with a grade of oil closely resembling Iran’s. The Russian oil industry was already reaping the rewards of higher global oil prices from Iranian tensions, even before Tehran raised the stakes Wednesday by threatening to cut off oil to six European nations. Now, whether Iran carries out that threat immediately or Europe proceeds with its previously planned embargo of Iranian oil this summer, the Russian industry could capitalize more directly. Its pipelines stand ready to serve customers willing to pay a premium price — with a grade of oil closely resembling Iran’s. “It’s pretty good for Russia right now,” Jesse Mercer, a senior oil analyst based in Houston with PFC Energy, said in a telephone interview. Russia is now the world’s largest oil producer, pumping about 10 million barrels of oil a day, slightly more than Saudi Arabia. Of this, Russia exports seven million barrels a day. Most of it goes to customers in Europe and Asia, although small amounts from Siberia make it as far as the West Coast of the United States.

#### High oil prices help Russian pipelines

Cohen, 11

(Ariel, Senior Research Fellow for Russian and Eurasian Studies and International Energy Policy, The Heritage Foundation, The Russian and Eurasian Energy Outlook and US National Interests, “The Russian and Eurasian Energy Outlook and US National Interests Testimony before the Europe and Eurasia Subcommittee, House International Relations Committee,” June 2, 2011, <http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CE8QFjAA&url=http%3A%2F%2Fforeignaffairs.house.gov%2F112%2Fcoh060211.pdf&ei=tpX7T_6OA43LqQHwpsmNCQ&usg=AFQjCNEjK_BX7pDJUy4eZTpWTRHOfYpEIA&sig2=EwsGxRNSvNGrPyvb4JJhbw>, Accessed: 7/9/12, P. 2, LPS)

As a giant energy producer and major energy transit country, Russia is an important player in the field of global energy production. Russia has the largest reserves of natural gas in the world, and possesses some 79.4 billion barrels of oil, approximately 6.4% of the world‘s total.1 In 2009 oil production, Russia accounted for 9.9 million barrels per day (mbd), competing only with Saudi Arabia for the title of number one oil producer.2 Total Russian net oil exports reached 7 mbd the same year.3 Russia produced 527.5 billion cubic meters of natural gas during the recession in 2009, second only to the United States.4 In addition, large areas of Eastern Siberia and the Arctic are still unexplored and, according to experts, are expected to yield up to a quarter of the world‘s energy supply. Despite its vast resource base and its formal assurances of its reliability as a partner, Moscow has already proved that it is willing to hike up oil and gas prices to match the general trend of higher energy prices, engage in anti-free market practices, especially at home and in Europe, and use energy as a foreign policy tool. Russia is willing to use force to achieve its geo-economic goals as well. Control of energy corridors from the Caspian Sea to the Black Sea and beyond was an objective of the Russian military operation against Georgia in August 2008. This has been clearly confirmed by other incidents involving delays in energy supplies to Ukraine, Azerbaijan, Belarus, Georgia and the Baltic states. Many argue that Moscow‘s international energy behavior leaves its partners insecure and makes observers doubt that Russia is a responsible player, especially when unconstrained by competition and powerful investment sources. To this day, Moscow is dependent upon the massive pipelines built during the Soviet era. Russia‘s energy policy is facilitated by the Soviet-era oil and gas infrastructure that ties Central Asian producers to Russia for their access to external markets. As part of its strategy, Russia works to maintain control over energy transportation routes and opposes any projects that could provide Europe with alternative supply lines. European demand was very high before the recent economic crisis, and is projected to grow further provided the current geopolitical instability does not cause another global recession. Eastern Europe consumes even higher percentages of Russian energy, with several countries entirely dependent on Russian gas. However, US and Europe should have serious reservations concerning Russian practices that limit access to the market, tend to promote corruption, and expand Moscow‘s energy transport agenda.

#### Oil production sector and high prices increase Russian pipeline

Cohen, 11

(Ariel, Senior Research Fellow for Russian and Eurasian Studies and

International Energy Policy, The Heritage Foundation, International Energy Policy, The Heritage Foundation, 6/2, The Russian and Eurasian Energy Outlook and US National Interests, “The Russian and Eurasian Energy Outlook and US National Interests Testimony before the Europe and Eurasia Subcommittee, House International Relations Committee,” June 2, 2011, <http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CE8QFjAA&url=http%3A%2F%2Fforeignaffairs.house.gov%2F112%2Fcoh060211.pdf&ei=tpX7T_6OA43LqQHwpsmNCQ&usg=AFQjCNEjK_BX7pDJUy4eZTpWTRHOfYpEIA&sig2=EwsGxRNSvNGrPyvb4JJhbw>, Accessed: 7/9/12, P. 6, LPS)

Russia has criticized Europe‘s approach to international energy security as limited to the interests of energy importers. Under Russia‘s presidency in the Group of Eight (G8), then President Vladimir Putin made energy relations a central theme at the 2006 summit in St. Petersburg, presenting his own vision for ―global energy security‖.5 While talking of interdependence and dialogue, Russia insisted on demand guarantees for the producers, and sharing responsibilities and risks among energy suppliers, consumers, and transit states. Putin spoke of joint commitments to work on the energy arena with coordination and distribution of profits and risks to prevent energy conflicts.6 This would not be a problem if Russia allowed international oil companies (IOCs) minimally restricted access to its energy resources. Unfortunately, since 2003 this hardly has been the case, as the state has pursued a policy of monopolizing gas production and oil and gas pipeline transportation, and has tightened its grip on the quickly growing oil production sector by effectively expropriating YUKOS and buying the Sibneft and Russneft oil companies. The trend toward marginalizing and even actively persecuting independent Russian energy businesses has continued, with the controversial re-sentencing of Russian oil magnate Mikhail Khodorkovsky in December of 2010, resulting in six more years in prison for the former businessman.7

#### Increasing oil prices leads to increasing Russian oil company revenue

Cohen, 11

(Ariel, Senior Research Fellow for Russian and Eurasian Studies and

International Energy Policy, The Heritage Foundation, International Energy Policy, The Heritage Foundation, 6/2, The Russian and Eurasian Energy Outlook and US National Interests, “The Russian and Eurasian Energy Outlook and US National Interests Testimony before the Europe and Eurasia Subcommittee, House International Relations Committee,” June 2, 2011, <http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CE8QFjAA&url=http%3A%2F%2Fforeignaffairs.house.gov%2F112%2Fcoh060211.pdf&ei=tpX7T_6OA43LqQHwpsmNCQ&usg=AFQjCNEjK_BX7pDJUy4eZTpWTRHOfYpEIA&sig2=EwsGxRNSvNGrPyvb4JJhbw>, Accessed: 7/9/12, P. 6, LPS)

BP, however, signed what its chief executive, Bob Dudley, termed a ―milestone‖ a jointventure contract with Russia‘s Rosneft oil giant to develop the oil reserves in Russia‘s Arctic regions in January 2011.28 However, relations between AAR and BP remain problematic, as the oligarchs sued BP in Great Britain and prevented its agreement with Rosneft from being executed. At this point, BP is trying to buy out AAR from the TNK-BP joint venture. While BP‘s leadership may envision a new strategy in Russia aimed at overcoming its troubles in the Gulf of Mexico, Russia‘s past relationship with foreign oil companies and with BP in particular raises many risk management questions. Due to the resumption of global economic growth, and even before the current instability in the Middle East, oil prices have been increasing since January 2011, and consequently,

Russian oil companies been enjoying higher oil revenues.

### Middle East Impact

#### On-going frictions with the Middle East due to Russian pipeline

International Energy Policy, The Heritage Foundation, The Russian and Eurasian Energy Outlook and US National Interests, “The Russian and Eurasian Energy Outlook and US National Interests Testimony before the Europe and Eurasia Subcommittee, House International Relations Committee,” June 2, 2011, <http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CE8QFjAA&url=http%3A%2F%2Fforeignaffairs.house.gov%2F112%2Fcoh060211.pdf&ei=tpX7T_6OA43LqQHwpsmNCQ&usg=AFQjCNEjK_BX7pDJUy4eZTpWTRHOfYpEIA&sig2=EwsGxRNSvNGrPyvb4JJhbw>, Accessed: 7/9/12, P. 9, LPS)

There are also ongoing frictions in the Balkans and the Middle East, where Russia has opposed Western policies. This happens both because of the ample funding available to finance a more ambitious foreign policy due to energy revenues and the self-assurance which comes with general economic prosperity, as well as from Moscow‘s tendency to use energy as a foreign policy tool. As oil prices rise, it is safe to expect Russia‘s cockiness to return. Russia‘s strategic goals include preventing countries around its borders from becoming pro-American as well as increasing control over the transportation of Russia hydrocarbons through the territory of its neighbors. Furthermore, the Kremlin aims to control the export of oil and gas from neighboring countries by directing their flow via the Russian pipeline system. By locating pipelines and gas storage facilities in Austria, Hungary, Bulgaria, Greece and Turkey, Russia connects them to Moscow with ties that bind. Sometimes, these ties also include lucrative personal economic deals, as demonstrated by the employment of Gerhardt Schroeder as Chairman of the North Stream gas pipeline consortium, and similar arrangements for other prominent European politicians.

#### Russian threats over the Trans-Caspian pipeline leads to nuclear war

Crisisboom.com, 12

(Crisisboom.com, “Russian Threats of Nuclear War Grow Louder,” January 21, 2012, <http://crisisboom.com/2012/01/21/russian-threats-of-nuclear-war-grow-louder/>, Accesse:7/9/12, LPS)

The most recent threats of nuclear war come from the Russian foreign minister. Foreign minister Sergey Lavrov is threatening a “very big war” with “suffering across the world” if the west encourages anti-government uprisings in the Middle East and North Africa. Russian threats of nuclear attack started out in Georgia back in 2008. These threats expanded to the trans-Caspian gas pipeline. Then they moved onto the expansion of NATO. Then onto Iran and Syria. Now these threats have expanded onto the entire Middle East and North Africa. Does anybody see a problem here? Back in August of 2008 we got a first taste of Russia’s nuclear threats: Moscow has issued an extraordinary warning to the West that military assistance to Georgia for use against South Ossetia or Abkhazia would be viewed as a “declaration of war” by Russia. Military help for Georgia is a ‘declaration of war’, says Moscow in extraordinary warning to the West**.** Later Russia issues an implied nuclear threat if Georgia joins NATO. Obvously, attack on Georgia would then be an attack on NATO which would quickly go nuclear.Russia’s foreign minister has warned of a repetition of its 2008 war with Georgia if the South Caucasus state joins NATO. Russia says Georgia’s entry to NATO could lead to war Here Russia threatens to use military force to stop Europe’s oil pipeline project with Turkmenistan. This would obviously go nuclear if Europe (NATO) fought back. Was Moscow bluffing?.. Threats to prevent the construction of a trans-Caspian gas pipeline by military force are also a form of Kremlin art: bluff in their substance, even if brutal in their form. Pursuant to President Dmitry Medvedev and the Russian Security Council’s October 14 decision (see EDM, October 21), Moscow is undertaking diplomatic and political countermeasures to the EU-planned gas pipeline from Turkmenistan to Europe.

#### Russia is using energy as a political weapon strong than cold war nuclear weapon-that leads to great oil wars with Central Asia and the Middle East

Galpin, 9

(Richard, Correspondent for BBC News, BBC News, “Energy Fuels new ‘Game Change’ in Europe,” <http://news.bbc.co.uk/2/hi/8090104.stm>, Accessed:7/10/12, LPS)

"Russia is using energy as a political weapon and I would argue that it is stronger than during the Cold War when it had nuclear weapons," he says. Pipe-laying in the Baltic Nord Stream will go from west Russia under the Baltic Sea to Germany "The Europeans have to have a better appreciation of just how powerful a weapon energy is. Anybody who links up with that gas pipeline and becomes dependent on Russia is very much at their mercy." One European Commission official told the BBC that there was now a "war of gas pipelines" going on with Russia, with "harsh competition as each side tries to gather support for its plans". 'No escape' This "war" is being fought on two fronts - firstly securing the gas supplies in the Caspian region and secondly signing up transit countries. European leaders meet Russian Prime Minister Vladimir Putin in Sochi (15 May 2009) South Stream has secured initial backing from several European states Gazprom holds many of the trump cards. It already has the pipelines and agreements in place to buy gas from the major Central Asian suppliers and is currently in talks with Azerbaijan.

### Asia War Impact

#### And leads to war with China

(Crisisboom.com, “Russian Threats of Nuclear War Grow Louder,” January 21, 2012, <http://crisisboom.com/2012/01/21/russian-threats-of-nuclear-war-grow-louder/>, Accesse:7/9/12, LPS)

Gen. Nikolai Makarov, chief of the General Staff of the Russian armed forces, cautioned over NATO’s expansion eastward and warned that the risks of Russia being pulled into local conflicts have “risen sharply.” … Makarov added, according to Russian news agencies, that “under certain conditions local and regional conflicts may develop into a full-scale war involving nuclear weapons.” A steady decline in Russia’s conventional forces has prompted the Kremlin to rely increasingly on its nuclear deterrent. Makarov warned that the planned pullout of NATO forces from Afghanistan could trigger conflicts in neighboring ex-Soviet Central Asian nations that could “grow into a large-scale war.” In its military doctrine, Russia has also described U.S. missile defense plans as another major security challenge, saying it could threaten its nuclear forces and undermine their deterrence potential. Russia keeps threatening and threatening, and so far the west has towed the line. Leaders in the west don’t really believe Russia, but they don’t want to find out. How long can we live in a world where Russia is constantly threatening nuclear war? Now the west is under Russia’s thumb and must do Russia’s bidding. But will Russia’s friends play nice? While the west is tied down, Iran, Syria, Hezbollah, Hamas and now Egypt are free to cause as much trouble as they wish. Will Russia stop Hamas from firing rockets into Israel? What if Israel responds aggressively? This situation is intolerable and cannot last long. The west is going to find out soon if Russia is bluffing. As if the problems with Russia aren’t bad enough, now China’s Hu is asking the Chinese navy to prepare for warfare. Chinese President Hu Jintao Tuesday urged the navy to prepare for military combat amid growing regional tensions over maritime disputes and a US campaign to assert itself as a Pacific power. The navy should “accelerate its transformation and modernisation in a sturdy way, and make extended preparations for military combat in order to make greater contributions to safeguard national security,” he said. Addressing the powerful Central Military Commission, Hu said: “Our work must closely encircle the main theme of national defence and military building.” His remarks, which were posted on a statement on a government website, come amid growing US and regional concerns over China’s naval ambitions, particularly in the South China Sea. China claims all of the maritime area, as does Taiwan, while four Southeast Asian countries declare ownership of parts of it, with Vietnam and the Philippines accusing Chinese forces of increasing aggression there. In a translation of Hu’s comments, the official Xinhua news agency quoted the president as saying China’s navy should “make extended preparations for warfare.” But the Pentagon on Tuesday downplayed Hu’s speech, saying that Beijing had the right to develop its military, although it should do so transparently.

#### Increasing Russian pipelines will lead to entral Asian military conflicts- that leads to war

Galpin, 9

(Richard, Correspondent for BBC News, BBC News, “Energy Fuels new ‘Game Change’ in Europe,” <http://news.bbc.co.uk/2/hi/8090104.stm>, Accessed:7/10/12, LPS)

South Stream also has initial backing from Bulgaria, Serbia, Italy, Greece and Hungary, which have agreed to carry out feasibility studies as transit states. Austria and Slovenia are reportedly close to signing similar agreements. And in a sign of growing confidence, a plan was recently announced to double the capacity of the pipeline. Nabucco on the other hand is still struggling to find sufficient sources of gas to make it viable and ironically may end up transporting Russian gas. "We did not eliminate from the very beginning of our project any source," says Reinhard Mitschek, managing director of the Nabucco pipeline consortium. "We will transport Russian gas, Azeri gas, Iraqi gas." Meanwhile Gazprom has also been extending its influence in Europe by investing in energy companies and facilities in many countries across the continent. We'll continue to work with Russia because Russia has energy resources European Energy Commissioner Andris Piebalgs These include strategic gas storage facilities vital for Europe's energy security in a time of crisis. While the European Commission insists it has several plans other than Nabucco to lower the dependency on Russia, it also admits there is no real escape. "We'll continue to work with Russia because Russia has energy resources," says European Energy Commissioner Andris Piebalgs. "I think I could be confident there will be no interruption from Russia of supplies because we really have been working on an early warning mechanism and personal contacts." But this is cold-comfort for those hardest-hit during the crisis in January such as the people of Bulgaria. And Moscow itself is now openly saying that competition for energy supplies in areas including Central Asia and the Caspian Sea could lead to military conflicts along its borders over the next decade. A security strategy document, published in May, was signed by the Russian President Dmitry Medvedev.

## Russian Expansionism Impact Turn

### Strong Econ – Expansionism Link

#### Strong Russian economy and oil profits fuel aggressive expansionism

Schneider 08 (Andrew C. Schneider, Associate Editor, The Kiplinger Letter - Market Forces Will Limit Russian Expansionism -http://www.kiplinger.com/businessresource/forecast/archive/market\_forces\_will\_limit\_Russian\_expansionism\_080903.html)

Capital flight may prove the most effective check on Russian aggression in Georgia, as well as a means to prevent similar moves by Russia elsewhere in the “near abroad” of former Soviet republics. Moscow will ignore diplomatic efforts by the U.S. and Europe to persuade it to back off and give its neighbors room. But it’ll be harder for the Kremlin to ignore the more immediate and harsh discipline of the market. “This has not been a free exercise for the Russians,” says James Collins, U.S. ambassador to Russia under President Clinton and director of the Russia and Eurasia program at the Carnegie Endowment for International Peace. “All sorts of negative economic indicators suggest this has not been a good thing from the businessman’s point of view.” Moscow’s foreign reserves fell $16 billion in a week. Stock values on the Russian Trading System have gone down 15% over the past month. The value of state energy giant Gazprom, Russia’s largest corporation, fell $16 billion in a single day. The ruble is down 5% against the dollar. Risk premiums for doing business in Russia are soaring, making it more difficult for firms to obtain insurance or credit for operations there. Russian and foreign investors alike have been growing increasingly nervous over the Kremlin’s behavior in the past few months. Prime Minister Vladimir Putin’s veiled threats against Russian firm Mechel in late July caused the metals and mining company to lose half its market value in a matter of days. The politically connected Russian co-owners of energy company TNK-BP are using a full-scale campaign by Russian law enforcement and government inspection agencies to force out their British partners. For many investors, the war in Georgia was the last straw. U.S. firms that haven’t fled already might want to wait it out. Russian soldiers certainly won’t leave Georgian territory overnight, but any real sign that they intend to make a significant move would be a go-ahead signal for investors. “People who thought doing business with Russia was going to be easy have already left,” says Toby Trister Gati, a senior international adviser with law firm Akin Gump Strauss Hauer & Feld. Gati notes that firms looking to break into the market for the first time face the biggest challenges. Those that have been operating there for a while are in a better position to cope with the uncertainty. “Russia looks a lot scarier from a boardroom here than for a rep on the ground.” Moscow can’t turn a blind eye indefinitely to investor discontent. Its growth plans depend on access to foreign capital and the ability to expand into foreign markets. Whether or not the European Union can act collectively to impose sanctions, its members will be far less willing to go along with Russian investment in their energy sectors. Russian trade with and investment in the U.S. is minuscule compared with its trade with Europe, but Russian businesses have been hoping to change that. In recent months, for example, Moscow-based steel producer Severstal has acquired Wheeling, W.Va.-based Esmark Inc., Warren, Ohio-based WCI Steel and the Sparrows Point steel mill in Baltimore, Md., formerly owned by ArcelorMittal. Future Russian investments in U.S. firms will come under the microscope in Washington, providing a fresh test of the 2007 reforms to the Committee on Foreign Investment in the United States (CFIUS). Moscow and Washington are wielding double-edged swords in this situation. The U.S. won’t give the nod to Russia’s joining the World Trade Organization until Moscow stops playing the bully at home But Washington wants Russia in the trade organization so that it and others can check unfair trade moves. The WTO, Collins notes, “is a forum in which members have to behave in certain ways. Having them outside the WTO means they don’t have to care what those rules are.” Russia has announced it will ban imports from 19 U.S. poultry firms, allegedly on health and safety grounds but almost certainly in response to U.S. condemnation of the Georgia war. Putin and new Russian President Dmitry Medvedev are in a tight spot. If they feel too much pressure from the U.S. and others to back down in Georgia, they could turn down the natural gas and oil spigots. The country’s gross domestic product has grown by more than 7% for four of the past five years, and its international reserves have climbed to $580 billion, almost entirely due to the high price of its oil and gas exports. That gives it something of a cushion. But the Russian economy is more fragile than its rapid growth suggests. “'Dutch disease’ is the problem,” says Anders Åslund, senior fellow at the Peter G. Peterson Institute for International Economics. The phenomenon is a trap that often afflicts economies that have become too dependent on income from natural resources, as the Netherlands did after its discovery of natural gas in the 1960s. Dramatic inflows of foreign currency drive up prices and wages, making it that much more difficult for businesses outside the natural resource sector to develop. Russia is already experiencing inflation of 15%. If its domestic economy deteriorates too fast, political unrest in Moscow will make the Georgia situation the least of its cares.

### Uniqueness

#### Russian sphere of influence low now, but they want to expand without the US intervening – Kyrgyzstan conflict proves

Sestanovich 10 (Stephen, Writer for the Council on Foreign Relations, “Why Russia Didn’t Act”, http://www.cfr.org/publication/22503/why\_russia\_didnt\_act.html?breadcrumb=/publication/by\_type/region\_issue\_brief)

As the killing in Kyrgyzstan escalated, some American analysts feared that Moscow saw disorder there as a chance to throw its weight around in its own neighborhood. There can be little doubt that Russia wants to create a sphere of influence, but in this case that goal was better advanced by passivity than by activism. Intervening in Kyrgyzstan would, as a practical matter, have required a great deal of international coordination and approval. And that--above all, when the states of the former Soviet Union are involved--is something Russian policymakers still have trouble with. It's for this reason--limiting the role of outsiders, whatever the human cost--that Russia has long blocked efforts to expand the peacekeeping role of the Organization for Security and Cooperation in Europe (OSCE). For years it has professed support for the U.S. military campaign in Afghanistan, but without ever supporting its obvious prerequisite, U.S. access to Central Asian airbases. (Just last week, Medvedev repeated that use of the airfield in Manas must not continue indefinitely.) Given this record, it was no surprise that Russian diplomats also dragged their feet in letting the UN Security Council even issue statements on events in Kyrgyzstan.

#### Russia wants to expand its influence now – Kyrgyzstan proves

Sestanovich 10 – (Stephen, Writer for the Council on Foreign Relations, “Why Russia Didn’t Act”, http://www.cfr.org/publication/22503/why\_russia\_didnt\_act.html?breadcrumb=/publication/by\_type/region\_issue\_brief)

Understanding events that don't happen can sometimes be as important as understanding the ones that do.

Russia's non-intervention in Kyrgyzstan earlier this month is a good example that should be on the minds of U.S. policymakers when Presidents Obama and Medvedev meet on June 24. Some of Russia's reasons for not acting were reassuring, others less so. Ethnic cleansing and mass disorder ought to be a reminder that Russia and the United States can have common interests. But these events also make clear why real cooperation is so hard. Let's start with the good news. It turned out that Moscow wasn't just looking for an opportunity to nail down its sphere of influence or revive the nationalist excitement created by the war against Georgia in 2008. Despite the Kyrgyz government's request for help, Russian policymakers made the legal point that the Collective Security Treaty Organization (CSTO)--a mutual defense pact joining Russia and six other post-Soviet states--was created to deal with aggression, not internal conflict. Russia was willing to provide equipment and advice, not troops. Getting in might look easy, it was said, but solving the problem was likely to be too long a slog. Modest goals, narrow legalism, respect for sovereignty, sober practicality--these are traits that Russian policy has not always displayed, and we should be glad to see them when they appear. They reflect lessons learned in Afghanistan a generation ago, and in more recent conflicts as well. A Russian leader who has been through the Chechen meat-grinder (or remembers how poorly many Russian units performed in Georgia two years ago) knows that turning the army loose means relying on hot-headed generals and half-trained conscripts. That may be a risk worth taking when you want to bloody an adversary or teach him who's boss. When the task at hand is to keep drunken gangs off the street and protect international relief workers--in another country, no less--it's a lot harder to justify.

#### Russian wants to expand now – Georgian Conflict proves

Kramer 08 –(Andrew, Writer for the NY Times, “Russia Claims its Sphere of Influence in the World”, http://www.nytimes.com/2008/09/01/world/europe/01russia.html?\_r=1)

MOSCOW — President Dmitri A. Medvedev of Russia on Sunday laid out what he said would become his government’s guiding principles of foreign policy after its landmark conflict with Georgia — notably including a claim to a “privileged” sphere of influence in the world. Speaking to Russian television in the Black Sea resort of Sochi, a day before a summit meeting in Brussels where European leaders were to reassess their relations with Russia, Mr. Medvedev said his government would adhere to five principles. Russia, he said, would observe international law. It would reject what he called United States dominance of world affairs in a “unipolar” world. It would seek friendly relations with other nations. It would defend Russian citizens and business interests abroad. And it would claim a sphere of influence in the world. In part, Mr. Medvedev reiterated long-held Russian positions, like his country’s rejection of American aspirations to an exceptional role in world affairs after the end of the cold war. The Russian authorities have also said previously that their foreign policy would include a defense of commercial interests, sometimes citing American practice as justification. In his unabashed claim to a renewed Russian sphere of influence, Mr. Medvedev said: “Russia, like other countries in the world, has regions where it has privileged interests. These are regions where countries with which we have friendly relations are located.” Asked whether this sphere of influence would be the border states around Russia, he answered, “It is the border region, but not only.”

### Impacts – NATO Module

#### Obama’s BMD concessions set the stage for domestic opposition and Russian expansion into Europe

Reid 09 (Tim, in Washington for The Times. “Eastern Europe fears ‘Russian expansion’ as Obama scraps missiles.” <http://www.timesonline.co.uk/tol/news/world/europe/article6839192.ece>)

The call the Polish Prime Minister had been dreading came from President Obama yesterday morning exactly 70 years after the Soviet invasion of Poland. It was to deliver news that appalled America’s new allies in Eastern Europe while triggering declarations of victory in Moscow. Mr Obama, who had earlier called the Czech Prime Minister, told Donald Tusk, of Poland, that he was scrapping plans for a US missile defence system based in their two countries. The move, one of the sharpest breaks yet with the policies of George W. Bush, signalled a huge diplomatic gamble by Mr Obama and a major concession to Russia, whose co-operation he desperately needs to achieve much of his foreign agenda. The $14 billion Bush-era programme — ten permanent interceptor missiles in Poland and a radar site in the Czech Republic — had infuriated the Kremlin. Moscow claimed that it would have been a direct threat to Russia’s nuclear arsenal, despite US insistence that it was solely aimed at defending Europe from Iranian weapons. The plan had thus become a major impediment to Mr Obama negotiating a new nuclear arms-reduction treaty with Moscow, and of persuading Russia to back tough new sanctions against Iran. Yet the system had been looked to by Eastern European governments as a US bulwark against the increasingly aggressive and expansionist behaviour of Russia, their former Cold War master. The decision to scrap it bought immediate expressions of dismay in the region, where governments are already unnerved by Washington’s recent efforts to “reset” relations with Moscow. A spokesman for the Polish Foreign Ministry described it as “a catastrophe”. Lech Walesa, the former Polish and Solidarity leader, said that the move was “not good”. Alexandr Vondra, the former Czech Deputy Prime Minister intimately involved in negotiations with the Bush administration over the system, said: “We expect the US to honour its commitments. If they don’t, they may have problems generating support for Afghanistan and other things.” Mr Obama, in remarks he later delivered in the White House, sought to justify the decision. He said there was new intelligence about Iran’s missile capability that negated the need for a permanent, long-range missile defence system in Eastern Europe. He also said the US had made advances in alternative missile defence technology, primarily its sea-based Aegis interceptor system, together with mobile land-based interceptors and a range of sensors in Europe. In essence, the new missile defence system will move further south in Europe, will involve no permanent station, and will be based on technology already in existence. The SM3 interceptor, already in operation on sea-based Aegis destroyers, has been successfully tested 19 out 23 times since 2002. The Eastern European system scrapped by Mr Obama yesterday has never been tested. “To put it simply, our new missile defence architecture in Europe will provide stronger, smarter and swifter defences of American forces and America’s allies,” Mr Obama said. He added that it will be cheaper than the Bush-era programme. Yet there were deeper and more profound calculations behind yesterday’s move. Mr Obama had never been fond of the plan for an Eastern European defence shield. The new intelligence on Iran’s struggle to develop a long-range missile was just the excuse he needed to scrap it, and with it make a bold overture to Russia to start co-operating on issues to kick-start a US foreign policy agenda that has largely stalled. Russia had already said that the missile shield was a major impediment to negotiating a successor to the Start nuclear arms reduction treaty, which expires at the end of this year. Mr Obama wants a new treaty where both countries pledge to slash their stockpiles to as little as 1,500 weapons each. He also calculates that Russian co-operation in confronting Iran’s nuclear ambitions could trigger a foreign-policy chain reaction with profound implications for the entire Middle East. Russia has been leading resistance inside the UN to a tough new set of sanctions against Tehran. The hope is that by scrapping the missile defence shield, Moscow might reverse course and even reduce its considerable economic and civilian nuclear aid to Iran. Yet the decision to scrap the missile shield is a huge gamble. It threatens to leave Mr Obama open to charges domestically from political opponents that he is weak, something foreign adversaries could also seize upon. Mr Obama’s very public overtures to Iran this year have been met with derision by Tehran. Moscow has stubbornly refused to help on the Iranian issue, and there was little indication yesterday that it is about to change course. After Mr Obama’s announcement, the Russian Foreign Minister Sergei Lavrov said further sanctions against Tehran over its nuclear programme would be “a serious mistake”. He added that the Iranian nuclear problem could only be resolved by negotiation. “Attempts to use force would have a catastrophic effect for the entire Middle East region,” he said. If Mr Obama receives little or no payback for his move he will be open to more criticism, especially from Republicans, that on the world stage he has been naive and weak. Many are already claiming that his offer of talks with Tehran and his concessions to Russia are a form of dangerous appeasement.

#### Russian expansionism collapses NATO

Sidorov 8 (Dmitry Sidorov, RusData Dialine - Russian Press Digest, October 8, 2008. “Anti-Russian defense system” LexisNexis.)

The influential nongovernmental organization American Enterprise Institute held a conference in Washington entitled "Beyond Georgia: Securing America's Allies on Russia's Periphery." The topic of discussion was the war in the Caucasus and its consequences for the United States and its NATO allies. Participants in the conference were harshly critical of Moscow and equated its actions in the Caucasus with the beginning of a new Russian expansion into post-Soviet and European territory. Among the responsive measures recommended by the AEI experts for the next American administration was the supply of arms to Russia's neighbors. Kommersant Washington correspondent Dmitry Sidorov has the details. The main speakers at the conference were military historian and AEI expert Frederick Kagan and Prof. Stephen Blank of the U.S. Army War College in Pennsylvania, who specializes in national security issues. Kagan set the tone for the discussion with the first words of his presentation criticizing Moscow for its "military invasion of Georgia." The Medvedev-Sarkozy plan fared no better in Kagan's eyes. Recalling that one of the clauses in the plan called for international discussion of the status of South Ossetia and Abkhazia, he sarcastically asked how negotiations can be possible after Russia has recognized their independence. In Kagan's opinion, events connected to South Ossetia and Abkhazia are developing in a way that will lead to their annexation by Moscow. Recalling the real feeling of alarm that ran through the Western European NATO countries, Poland and the Baltic, Kagan came to his main point: grounds for claiming a new Russian threat. He said that the NATO military doctrine can no longer be based on the principle that there is no longer a threat to NATO members from Russia. Therefore, the alliance's tasks and goals should be radically reconsidered. The next administration in Washington should consider providing the Baltic countries with an interceptor system for Russian planes, Kagan added. He explained that such a step was necessary because the current NATO concept does not allow the Baltic states to create their own air defense systems. That was not all Kagan had to suggest. The expert also insisted in his presentation that the management, oversight, communications, planning and intelligence systems of the air forces of all the countries of Central and Eastern Europe had to be improved, airspace observation systems had to be installed, including pilotless aircraft and Georgia and the Baltic countries had to be equipped with Polish-made Grom ballistic missiles. Kagan was forced to admit, however, that there are at least two impediments to his plans. The first is the schism between eastern and western NATO members. The second is the need for Russia's cooperation on Iran, although Kagan called this a "myth," saying that the Russians never cooperated in the solution of the Iranian problem and so the U.S. has no right to sacrifice its allies for it.

#### Collapse of NATO causes superpower nuclear war

O'Sullivan 98 (John O'Sullivan - editor of the National Review and founder of the New Atlantic, 6-1998 [American Spectator])

Some of those ideas--notably, dissolution and "standing pat"--were never likely to be implemented. Quite apart from the sociological law that says organizations never go out of business even if their main aim has been achieved (the only exception being a slightly ominous one, the Committee for the Free World, which Midge Decter closed down after the dissolution of the Warsaw Pact), NATO's essential aim has not been permanently achieved. True, the Soviet threat is gone; but a nuclear-armed and potentially unstable Russia is still in the game; a major conflict has just been fought in the very Balkans which sparked the First World War; and there are a number of potential wars and civil wars lurking in such regions as the Tyrol, the Basque country, Northern Ireland (not yet finally settled), Corsica, Belgium, Kosovo, and Eastern Europe and the Balkans generally where, it is said, " every England has its Ireland, and every Ireland its Ulster." If none of these seems to threaten the European peace very urgently at present, that is in part because the existence of NATO makes any such threat futile and even counter-productive. No nation or would-be nation wants to take NATO on. And if not NATO, what? There are international bodies which could mediate some of the lesser conflicts: the Organization for Security Cooperation in Europe is explicitly given that responsibility, and the European Union is always itching to show it can play a Big Power role. But neither body has the military heft or the prestige to deter or repress serious strife. The OSCE is a collective security organization, and as Henry Kissinger said of a similar body: "When all participants agree, there is no need for it; when they split, it is useless." And the EU only made itself look ridiculous when it attempted to halt the Bosnian conflict in its relatively early stages when a decisive intervention might have succeeded. As for dealing with a revived Russian threat, there is no military alliance in sight other than NATO that could do the job. In a sense, NATO today is Europe's defense. Except for the American forces, Western armies can no longer play an independent military role. They are wedded to NATO structures and dependent on NATO, especially American, technology. (As a French general admitted in the Gulf War: "The Americans are our eyes and ears.") If NATO were to dissolve--even if it were to be replaced by some European collective defense organization such as a beefed-up Western European Union--it would invite chaos as every irredentist faction sought to profit from the sudden absence of the main guarantor of European stability.

### Impacts – Iran Module

#### Russian expansionism allows Iranian nuclearization

Friedman 8 (George Friedman - chief executive of STRATFOR, a private global intelligence firm he founded in 1996; former professor of political science at Dickinson College; briefed senior commanders in the armed services as well as the Office of Net Assessments, SHAPE Technical Center, the U.S. Army War College, National Defense University and the RAND Corporation, on security and national defense matters; B.A. at the City College of New York, where he majored in political science, and a Ph.D. in [government](http://en.wikipedia.org/wiki/Government) at Cornell University, “The Russo-Georgian War and the Balance of Power” Docudharma.)

Putin did not want to re-establish the Soviet Union, but he did want to re-establish the Russian sphere of influence in the former Soviet Union region. To accomplish that, he had to do two things. First, he had to [re-establish the credibility of the Russian army](http://www.stratfor.com/russia_putins_cfe_gambit) as a fighting force, at least in the context of its region. Second, he had to establish that Western guarantees, including NATO membership, meant nothing in the face of Russian power. He did not want to confront NATO directly, but he did want to confront and defeat a power that was closely aligned with the United States, had U.S. support, aid and advisers and was widely seen as being under American protection. Georgia was the perfect choice. By [invading Georgia as Russia did](http://www.stratfor.com/analysis/georgia_russia_operations_over) (competently if not brilliantly), Putin re-established the credibility of the Russian army. But far more importantly, by doing this Putin revealed an open secret: While the United States is tied down in the Middle East, American guarantees have no value. This lesson is not for American consumption. It is something that, from the Russian point of view, the Ukrainians, the Balts and the Central Asians need to digest. Indeed, it is a lesson Putin wants to transmit to Poland and the Czech Republic as well. The United States wants to place ballistic missile defense installations in those countries, and the Russians want them to understand that allowing this to happen increases their risk, not their security. The Russians knew the United States would denounce their attack. This actually plays into Russian hands. The more vocal senior leaders are, the greater the contrast with their inaction, and the Russians wanted to drive home the idea that American guarantees are empty talk. The Russians also know something else that is of vital importance: For the United States, the Middle East is far more important than the Caucasus, and [Iran](http://www.stratfor.com/analysis/iran_tehrans_view_crisis_caucasus) is particularly important. The United States wants the Russians to participate in sanctions against Iran. Even more importantly, they do not want the Russians to sell weapons to Iran, particularly the highly effective S-300 air defense system. Georgia is a marginal issue to the United States; Iran is a central issue. The Russians are in a position to pose serious problems for the United States not only in Iran, but also with weapons sales to other countries, like Syria. Therefore, the United States has a problem - it either must reorient its strategy away from the Middle East and toward the Caucasus, or it has to seriously limit its response to Georgia to avoid a Russian counter in Iran. Even if the United States had an appetite for another war in Georgia at this time, it would have to calculate the Russian response in Iran - and possibly in Afghanistan (even though Moscow's interests there are currently aligned with those of Washington). In other words, the Russians have backed the Americans into a corner. The Europeans, who for the most part lack expeditionary militaries and are dependent upon Russian energy exports, have even fewer options. If nothing else happens, the Russians will have demonstrated that they have resumed their role as a regional power. Russia is not a global power by any means, but a significant regional power with lots of nuclear weapons and an economy that isn't all too shabby at the moment. It has also compelled every state on the Russian periphery to re-evaluate its position relative to Moscow. As for Georgia, the Russians appear ready to demand the resignation of President Mikhail Saakashvili. Militarily, that is their option. That is all they wanted to demonstrate, and they have demonstrated it. The war in Georgia, therefore, is Russia's public return to great power status. This is not something that just happened - it has been unfolding ever since Putin took power, and with growing intensity in the past five years. Part of it has to do with the increase of Russian power, but a great deal of it has to do with the fact that the Middle Eastern wars have left the United States off-balance and short on resources. As we have written, this conflict created a window of opportunity. The Russian goal is to use that window to assert a new reality throughout the region while the Americans are tied down elsewhere and dependent on the Russians. The war was far from a surprise; it has been building for months. But the geopolitical foundations of the war have been building since 1992. Russia has been an empire for centuries. The last 15 years or so were not the new reality, but simply an aberration that would be rectified. And now it is being rectified.

#### Iran nuclearization would destabilize the Middle East, start a war with the U.S. and destroy the world economy

Phillips 06 (Research Fellow for Middle East­ern Affairs in the Douglas and Sarah Allison Center for Foreign Policy Studies, a division of the Kathryn and Shelby Cullom Davis Institute for International Stud­ies, at The Heritage Foundation, 06

(James, June 2, “U.S. Policy and Iran’s Nuclear Challenge” <http://www.heritage.org/Research/Iran/hl942.cfm>)

There is no guaranteed policy that can halt the Iranian nuclear program short of war, and even a military campaign may only delay Iran’s acquisition of a nuclear weapons capability. But U.S. policy­making regarding the Iranian nuclear issue inevita­bly boils down to a search for the least-bad option. And as potentially costly and risky as a preventive war against Iran would be, allowing Iran to acquire nuclear weapons would result in far heavier poten­tial costs and risks. The U.S. probably would be able to deter Iran from a direct nuclear attack on American or Israeli targets by threatening massive retaliation and the assured destruction of the Iranian regime. But there is a lingering doubt that a leader such as President Ahmadinejad, who reportedly harbors apocalyptic religious beliefs, would have the same cost-benefit calculus about a nuclear war as other leaders. The bellicose leader, who boldly called for Israel to be “wiped off the map” before he acquired a nuclear weapon, might be sorely tempted to follow through on his threat after he acquired one. Moreover, his regime might risk passing nuclear weapons off to terrorist surrogates in hopes of escaping retaliation for a nuclear surprise attack launched by an unknown attacker.Even if Iran could be deterred from considering such attacks, an Iranian nuclear breakout would undermine the Nuclear Non-Proliferation Treaty and trigger a nuclear arms race in the Middle East that could lead Saudi Arabia, Egypt, Turkey, Iraq, and Algeria to build or acquire their own nuclear weap­ons. Each new nuclear power would multiply the risks and uncertainties in an already volatile region.

Iran also may be emboldened to step up its sup­port of terrorism and subversion, calculating that its nuclear capability would deter a military response. An Iranian miscalculation could easily lead to a future military clash with the United States or an American ally that would impose expo­nentially higher costs than a war with a non-nucle­ar Iran. Even if it could not threaten a nuclear missile attack on U.S. territory for many years, Tehran could credibly threaten to target the Saudi oil fields with a nuclear weapon, thereby gaining a potent blackmail threat over the world economy.

#### Economic collapse leads to nuclear wars culminating in extinction

Bearden 2000(T.E., Director, Association of Distinguished American Scientists (ADAS) Fellow Emeritus, Alpha Foundation's Institute for Advanced Study, “The Unnecessary Energy Crisis”, June 24, Online)

Bluntly, we foresee these factors — and others {[5]}{[6] } not covered—converging to a catastrophic collapse of the world economy in about eight years. As the collapse of the Western economies nears, one may expect catastrophic stress on the 160 developing nations as the developed nations are forced to dramatically curtail orders. History bears out that desperate nations take desperate actions. Prior to the final economic collapse, the stress on nations will have increased the intensity and number of their conflicts, to the point where the arsenals of weapons of mass destruction (WMD) now possessed by some 25 nations, are almost certain to be released. As an example, suppose a starving North Korea {[7]} launches nuclear weapons upon Japan and South Korea, including U.S. forces there, in a spasmodic suicidal response. Or suppose a desperate China — whose long-range nuclear missiles (some) can reach the United States — attacks Taiwan. In addition to immediate responses, the mutual treaties involved in such scenarios will quickly draw other nations into the conflict, escalating it significantly. Strategic nuclear studies have shown for decades that, under such extreme stress conditions, once a few nukes are launched, adversaries and potential adversaries are then compelled to launch on perception of preparations by one's adversary. The real legacy of the MAD concept is this side of the MAD coin that is almost never discussed. Without effective defense, the only chance a nation has to survive at all is to launch immediate full-bore pre-emptive strikes and try to take out its perceived foes as rapidly and massively as possible. As the studies showed, rapid escalation to full WMD exchange occurs. Today, a great percent of the WMD arsenals that will be unleashed, are already on site within the United States itself {[8]}. The resulting great Armageddon will destroy civilization as we know it, and perhaps most of the biosphere, at least for many decades.

## Russian Military Impact Turn

### Military Uniqueness

#### Russia Military growth low now – poor economy

Adomanis, 12

(Mark Adomanis - educated first at Harvard and then at Oxford and received - written for True/Slant, INOSMI, and Salon - Russia's Arms Buildup Is Still Proceeding at a Snail's Pace - <http://www.forbes.com/sites/markadomanis/2012/07/06/russias-arms-buildup-is-still-proceeding-at-a-snails-pace/>)

Part of the reason that I am so sanguine about the “threat” posed to the United States by Russia is because Russia’s entire military industrial complex essentially collapsed in on itself during the 1990′s and is only very slowly starting to be rebuilt. The Russians can still create some top-flight weapons systems, but even those are usually delivered years past the original deadline and with significant cost overruns. Since Russia has less than half the US’ population and a much weaker economy, there’s simply no way for them to compete with the United States on the full spectrum of military hardware. I don’t want to ramble on in a lot of detail right now (the topic deserves its own post) but at a very basic level the Russians had to re-learn and re-build every facet of their defense industry, down to the way in which assembly lines functioned. They were also forced to confront a situation in which many crucial sub-contractors were located in foreign, and often unfriendly, countries. So grievously inefficient were the methods employed under Communism, and so dependent were they on connections with former Soviet republics, that the Russians basically had to start from scratch. To me the much-publicized travails of Russia’s defense industry, including a few very spectacular failures in naval construction, are far less about the corruption and unaccountability of Putin’s regime than they are the fact that Russia had to re-learn a lot of very complicated manufacturing processes on the fly and on a shoestring budget. When you consider that the Soviet Union routinely spent something like 34%\* of GDP on defense and that Russia spends somewhere around 5%, the difficulties of the Russian military industrial complex start to come into perspective: if the Pentagon were forced to cope with an 80+% budget cut, I’d imagine its procurement activities would also suffer.

### Strong Russia Econ causes military spending

#### High Russian Economy fuels its military spending and modernization

Forecast International 11

(provides Market Research, Market Analysis, Intelligence and Consulting for the Aerospace / Aviation, Defense, Power Systems and military electronics - Three Key Factors at Play for Russian Military Modernization http://www.defencetalk.com/three-key-factors-at-play-for-russian-military-modernization-33469/)

The Russian government is intent on reviving the nation’s arms industry while simultaneously modernizing the armed forces. To this end, the Kremlin has revised its State Armaments Program (SAP) and is now calling for RUB20 trillion ($704.9 billion) to be spent on the military’s modernization from 2011-2020. There are three key factors that will determine the extent to which the SAP can be implemented. First, in order to meet the funding goal of RUB20 trillion, approximately 4.5 percent of the nation’s GDP must be directed toward military funding. However, given Russia’s current financial position, this may be a bit ambitious. According to Rebecca Barrett, Eurasian defense analyst at Forecast International, the recent global economic crisis “exposed the structural faults of the Russian economy.” She noted, “While equity markets have improved since mid-2009 and capital markets have re-opened, the repair of the financial system is far from complete.” The government is now hoping that the economy will reach pre-crisis levels by the end of 2012, at which time GDP should be on par with the levels achieved in 2008. At the same time, the crisis has also exposed the financial weaknesses of the Russian aerospace and defense industry. Fortunately for Moscow, the timing could not have been better. The Kremlin leveraged this exposure to consolidate the defense sector under government control and will now use the industry’s capabilities to complete the military’s modernization plan. However, Barrett points out in the “Market Overview” report on Russia that the government must invest in research and development programs for the defense sector in order to stave off the pending industrial decline. Without the investment, the industry’s defense technology base could become a major impediment to the SAP. The third key factor is the defense budget. The MoD has begun transitioning funding streams to support additional arms procurements through two major reform processes. The first is a cost-saving reform which calls for the reduction of some 200,000 personnel by 2012. The second major reform is the adoption of a new budgetary framework. According to Barrett, “The process is designed to modernize the Kremlin’s fiscal practices and provide longer-term price and policy signals to the Russian defense industry.” In order for the SAP to be fully implemented, the government must continue to invest heavily in both the military and the nation’s defense industry. Furthermore, because the SAP calls for 11 percent of existing military equipment to be upgraded and a full 70 percent to be replaced with modern weapons, the Russian defense industry needs to stay afloat and the economy must continue to rebound at a steady rate.

#### Oil prices feed military spending

Harding and Traynor 07

(Luke Harding is an award-winning foreign correspondent with the Guardian. Ian Traynor is the Guardian's European editor. He is based in Brussels - Big rise in Russian military spending raises fears of new challenge to west - http://www.guardian.co.uk/world/2007/feb/09/russia.usa)

In 2002, Mr Putin and George Bush signed a treaty obliging both sides to cut strategic nuclear weapons by about two-thirds by 2012. But Russian-US ties have since worsened steadily over disagreements on Iraq and other global crises, and US concerns about an authoritarian streak in Russia's domestic policy. The modernisation of the armed forces has been made possible by Russia's spectacular economic resurgence based on oil and gas revenues. After the Soviet Union's demise, Russia's vast military economy collapsed. The squeeze continued in the 1990s, but since 2000 spending has gone up, with this year's budget of $31bn almost four times the amount spent in 2001. Russian defence analysts point out, however, that defence spending is still well below that of the mid-1980s Soviet Union, and only a 20th of the US's current military budget.