## AT: Generic

#### Non-unique---prices just crashed

LA Times 7/27 (“Oil prices crashed and Chevron still made nearly $24 a barrel”, <http://www.latimes.com//money/la-fi-mo-chevron-oil-earnings-20120727,0,7043509.story>, ZBurdette)

Take just about any business situation in which the value of a company's primary product suddenly falls by more than 29% and it could be time to panic. Then there is the oil patch, where **billions of dollars in profits are possible even after that kind of collapse in crude prices.** Chevron Corp. of San Ramon, Calif., is just such an example.

**Even with the sharp drop in oil prices** that began in the first quarter and ran through the end of the second quarter -- **a decline from $109.41 a barrel to $77.69 a barrel** -- Chevron had a positive margin of $23.53 on every barrel of crude it produced, according to analysts. Chevron said its margin was actually $26 a barrel.

## AT: Russia Scenario

#### High oil prices cause Dutch Disease---that internal link turns Russian growth

Bernstam and Rabushka 1—Michael S. Bernstam, a research fellow at the Hoover Institution, Stanford University, is an economic demographer who studies economic systems in their relationship with income, population, financial development, natural resources, the environment, conflict, and other social change AND Alvin Rabushka is the David and Joan Traitel Senior Fellow at the Hoover Institution (“The Dutch Disease: Peter the Great's Real Legacy?”, July 2, 2001, <http://www.hoover.org/research/projects-and-programs/russian-economy/6020>, ZBurdette)

On June 29, 2001, **the Russian government stated that it would soon introduce legislation to reduce the obligatory selling of foreign currency proceeds by exporters to the Central Bank** from 75 to 50 percent. **This measure**, as we have discussed in detail with statistical evidence on this site ("The Secret of Russian Economic Growth: Testing an Old Hypothesis with New Data" and "Can More Liberal Subsidies Spur Growth and Reduce Inflation?"), **threatens economic growth and fiscal solvency**.

Nevertheless, **Russia is abuzz with talk of the Dutch disease**. The current conventional wisdom as summarized in a June 20, 2001, Wall Street Journal article entitled "Russia's Strong Ruble Damps Hopes for Extended Growth" is that high commodities prices are causing an economic slowdown, threatening Russia's recovery. This view holds that **high oil prices**, although the source of recent growth and strong profits in the oil sector, **are causing inflation and real ruble appreciation that will strangle the growth of non-oil industries** for years to come. There is a related, though somewhat contradictory, fear that profits in the oil sector (and equity prices) will decline if world prices fall while domestic production costs rise.

High oil prices are credited with Russia's strong 8.3% growth in 2000, the highest rate in more than 30 years. Every dollar rise in Russia's oil is said to contribute 0.4% to GDP. Energy and metals constitute 80% of exports and the bulk of the domestic equity market. The prevailing view in Russia is that devaluation of the ruble after August 1998 played an important role in recent growth by increasing domestic demand, as Russian consumers switched to cheaper domestic goods.

Subscribers to the Dutch disease argue that the conversion of large foreign currency earnings into rubles, which are sold to the Central Bank under its 75% repatriation rule, leads to increasing the monetary base, thereby inflation. **Since Russia's inflation exceeds that of its trading partners, the ruble is appreciating** in real terms, **which reduces the competitiveness of non-commodities producers.**

**Real ruble appreciation is thus presumably causing a slowdown in growth** (currently running at 5.4%) say those in the Dutch disease school of thought. With annual inflation running at 15-20% this year, **the ruble will appreciate as much as 15% in real terms. This ruble appreciation must be curtailed to restore** higher **growth**.

What's the policy answer to this conundrum?

On the above argument, the answer seems clear. **If high oil prices are the cause of ruble appreciation, economic slowdown, and the Dutch disease, which crowds out the development of non-oil production, then** lower oil prices are the cure**. Less** foreign earnings from **oil exports would reduce the rise in the domestic money supply, slow inflation, ease or halt ruble appreciation, thus stimulating growth** in non-oil industries. If so, **the Russian government should** simply **instruct the country's oil exporters to sell oil at a lower price.** Less foreign currency earnings would increase Russian growth. It would also curry favor with Western countries by reducing their oil import bills. Who knows? Perhaps Western Europe and the United States would buy manufactured Russian goods out of gratitude. Or write off some portion of Russian debt. Actually price-for-debt might be negotiated. There is probably no single gesture that would earn Putin more thanks in the West, and kudos from economists and bankers, than a decision to cut oil prices.

**It would be a small price to pay if lower oil prices reduce profits and equity values of energy firms since the** presumed **benefit would be** the promise of **higher future economic growth.** Sacrificing current growth from high oil earnings appears to be a price worth paying **to encourage an increase in domestic non-oil output and the promise of higher future growth from a weaker ruble.**

#### Russian economic collapse empirically doesn’t cause war

FAS 2k (Federation of American Scientists, <http://www.fas.org/news/russia/2000/russia/part08.htm>, ZBurdette)

SEARCHING FOR FOOD: Following the complete collapse of the Russian economy in 1998, the number of people living below the official poverty line--in Russia, a measure of truly desperate conditions--rose to nearly 40%. Seniors in urban areas--with no access to jobs or land--were the hardest hit. Unlike those in rural areas, who could subsist on homegrown food, they had nowhere to turn. As in Soviet times, Russians were waiting in lines, hunting for scarce goods, and hoarding what they could find. The devastation of Russian life was by all measurements worse than America's Crash of 1929. U.S. unemployment at the end of 1929 reached 1.5 million, representing 1.2% of the total population, but more than 11.3 million Russians were jobless at the end of 1998--7.7% of the nation's total population. In the 1929 crash, stock prices fell 17% by year-end--and 90% by the depth of the Great Depression, four years later. By contrast, the Russian stock market lost 90% of its value in 1998 alone. Millions of ordinary men and women who had deposited their money in Russian banks lost everything. Here, an elderly Russian woman takes fruit from a trash bin in Moscow, August 28, 1998. AP Photo/Misha Japaridze

## AT: No Dutch Disease

#### Russia is infected with Dutch Disease

Algieri 4(Bernardina, The University of BonnCenter for Development Research, “The Effects Of The Dutch Disease In Russia”, <http://ideas.repec.org/p/ags/ubzefd/18721.html>, ZBurdette)

This paper shows how the Dutch Disease has affected the Russian economy since the start of the transition in the early 1990s. Four symptoms have been detected, namely: 1) a real exchange rate appreciation, 2) a temporary improved economic situation, 3) an output decline in the non-booming-sector, 4) an export reduction in the non-booming-sector. An extended version of the Balassa-Samuelson model has been implemented to test symptom 1. Our results suggest a positive long-run cointegration relationship between the real exchange rate and the oil price. A 7% real appreciation is caused by a 10% oil price shock. Moreover, a 10% increase in oil prices leads to a 2% GDP growth, while a 10% real appreciation is associated with a 2.1% output decline. The total effect on GDP growth, considering the Balassa-Samuelson effect, confirms symptom 2. Finally, the domestic industrial production drops and high-tech and textile exports are crowed out. This indicates that the Russian economy is also affected by symptoms 3 and 4. We conclude that Russia's government should invest the tax revenues collected from the resource sector such that the structure of the economy becomes more diversified and less vulnerable to exogenous shocks.

## AT: Saudi Scenario

#### Saudi Arabia wants lower oil prices

Plumer 12(Brad, Washington Post, “OPEC is worried about cheaper oil. Why isn’t Saudi Arabia?”, <http://www.washingtonpost.com/blogs/ezra-klein/post/opec-is-worried-about-cheap-oil-why-isnt-saudi-arabia/2012/06/13/gJQA7F3ZaV_blog.html>, ZBurdette)

Right now, **the world is pumping more oil than it needs. That means falling prices:** good for oil consumers in the U.S. and Europe, bad for producers in the Middle East. So when OPEC meets Thursday, **some oil states like Iraq will ask the cartel to throttle output and push prices back up.**

**But Saudi Arabia, the world’s largest oil producer, appears to be okay with letting prices fall further** — even below their current price of $96 per barrel. At first glance, **that might seem odd. Shouldn’t the Saudis want sky-high prices?** Wouldn’t that mean more money for them? Perhaps. Yet according to energy economist Philip Verleger, the **Saudis have all sorts of subtle reasons for wanting prices to ease up further — from punishing Iran and Russia to staving off America’s quest for oil independence.**

The first thing to note, Verleger explained in a phone interview, is that Saudi Arabia is most concerned about two countries — Iran and Russia. Iran’s nuclear program is causing other Middle Eastern governments to sweat uncomfortably. And the Saudi king recently suggested, in a rare rebuke, that he was unhappy with Russia’s veto of a U.N. resolution to curtail the violence in nearby Syria.

Both Iran and Russia are major oil producers. And their economies would be hurt by lower crude prices. Many analysts believe that Iran needs oil prices well above $100 per barrel to balance its budget. That gives Saudi Arabia a lot of leverage. “The Saudis know that lower prices are a much better way to put pressure on Iran than sanctions,” says Verleger.

Second, Saudi Arabia is a member of the G-20 and wants to stay in the good graces of the United States and Europe. So, Verleger says, **the Saudis may want to let prices drop further** — even below their current, still-historically-high level of $96 per barrel — **to provide further economic stimulus to the rest of the world. “The Saudis believe that letting prices fall 50 percent in 1999 helped the world recover from the Asian debt crisis,”** Verleger says.

## AT: Saudi Scenario---Relations

#### Cooperation is low now and other factors maintain ties

Bronson 6 (Rachel, director of Middle East studies at the Council on Foreign Relations, “5 Myths About U.S.-Saudi Relations”, <http://www.washingtonpost.com/wp-dyn/content/article/2006/05/19/AR2006051901758.html>, ZBurdette)

Actually, **things were never that smooth. Historians refer to the "special relationship" established when** Saudi Arabia's King Abdel **Aziz and** President Franklin D. **Roosevelt met in 1945. But since then the relationship has endured oil embargoes, U.S. restrictions on arms sales to Saudi Arabia, and tensions around Israel and Palestine. Dissension permeates the entire history of U.S.-Saudi relations.**

**Since the end of the Cold War, relations have become particularly fraught, with the 9/11 attacks being the most recent issue. Oil, defense and some regional interests keep the countries together, but both sides have made clear that the relationship is less special today.** In 2005, Rice stated that "for 60 years . . . the United States pursued stability at the expense of democracy in this region here in the Middle East -- and we achieved neither."

## AT: Saudi Scenario---Instability

#### Saudi instability high now

House 12 (Karen, a former publisher of The Wall Street Journal, is a Pulitzer Prize winner for Mideast coverage, author on Saudi Arabia, WSJ, Saudi Succession and the Illusion of Stability, <http://online.wsj.com/article/SB10001424052702303703004577472272937948382.html>, ZBurdette)

The death and burial this weekend of Saudi Crown Prince Nayef, the second Saudi crown prince to die in less than a year, demonstrates the inherent instability of the absolute monarchy still being ruled by the geriatric sons of the founder of modern Saudi Arabia.

King Abdullah, who has outlived both of his presumed successors, is himself 89 and in failing health. So the looming question is will the ruling Al Saud family pass the crown to yet another geriatric brother of the king? Or will he seize this occasion to jump to a new generation of royals who might be presumed to have more vitality and vision to revitalize the moribund kingdom on which the world depends for so much of its oil? A formula to select a new crown prince exists in which some three dozen sons and grandsons of the founder would vote secretly to choose the new crown prince. This commission has a majority of grandsons who could vote for one of their generation.

Given the royal family's reverence for age, however, almost surely the next crown prince with be Prince Salman bin Abdul Aziz, 76, a full brother of the two late crown princes. While change sweeps much of the rest of the Middle East, the Saudi monarchy continues to cling to the status quo.

In the near term, the change from one elderly brother to another will not affect U.S. Saudi relations. For better or worse, the U.S. is wedded to the Al Saud family, not to a particular prince. But we should not confuse stagnation with stability. The fact that the royals continue to rule when autocratic regimes have been swept aside in Egypt, Libya, Yemen and perhaps soon in Syria, doesn't mean this U.S. ally is stable.

**The kingdom faces multiple problems: Unemployment is 40% among 20- to 24-year-olds, 40% of Saudis live on less than $1,000 a month, the kingdom's one-dimensional economy earns nearly 80% of its revenues from oil, and 90% of all workers in its private sector are foreigners. Moreover, the senior Al Saud rulers have an average age exceeding 80 while 60% of the country's population is below 20 years of age.**

Beyond all this, **the tension level in Saudi society is rising precipitously as the royals vacillate between seeking to satisfy modernizers' demands for more change and seeking to placate conservatives for whom the only acceptable change** **is a return to the religious purity of the Prophet Muhammad,** which many feel the royal family has abandoned. Saudi Islam increasingly is divided within itself, as is the royal family.

Prince Salman, the kingdom's defense minister since last November (after nearly half a century as governor of Riyadh), is more energetic and less rigid than the late Prince Nayef, but unlikely to initiate significant reforms. Nayef's death will please those Saudis who want at least a continuation of King Abdullah's modest reforms, including trying to curb religious control over education and providing Saudi women scholarships to study abroad, albeit accompanied by a male relative. These Saudis feared Nayef as king would roll back even such small gains to curry favor with the fundamentalist religious establishment.

But Prince Salman is no democrat. In an interview with me in his Riyadh office two years ago, he took pains to explain why democracy couldn't work in Saudi Arabia. "If Saudi Arabia adopts democracy every tribe will be a party," he said, adding that the country would be chaotic. Instead, he said, the Kingdom has shura, or consultation. "Government asks a collection of people to consult and when there is no consensus, the leader decides," he said candidly summing up Al Saud autocracy.

The problem is that **a growing number of Saudis are no longer content to obey authority. Saudi Arabia boasts 10 million Internet users**, up from only 500,000 a decade ago, and it is second only to much-larger Egypt in Facebook users. **Young Saudis know what is happening in the rest of the world and are frustrated at what they see as the lack of freedom and opportunity in their own country. This frustration is producing growing signs of sedition despite government deterrence by punishing those who step out of line.**

Recently, a young Saudi woman confronted by the country's religious police in a Riyadh mall for wearing nail polish told them her nails were not their business. She filmed her confrontation with authorities and posted it on YouTube. Last month, Manal al-Sharif, jailed a year ago for driving her car and posting a video of that forbidden act on YouTube, doubled down on her defiance by going to Oslo to speak at a freedom forum even though her employer warned she would be fired. A young Saudi male dared to film and post on YouTube the grueling poverty in Riyadh, concluding by interviewing a local imam who said young girls in the neighborhood are being sold into prostitution. The film went viral with some 800,000 Saudis viewing it before its youthful maker was arrested.

Clearly**, a growing number of frustrated Saudis no longer either respect or fear their leaders.** Saudis are not demanding democracy; only transparent, efficient, honest government. They want a leader who can make the sclerotic system function better. Yet, much like the Soviet Union in its final years when power passed from one old man to another—Brezhnev to Andropov to Chernenko—in quick succession, the Saudi royal family continues to pass the crown from one aged son of the founder to the next.

**Recall, the Soviet Union was widely assumed to be stable. In the end, it proved brittle. Saudi succession looks very much like a movie we've seen before.**

#### Saudi instability doesn’t escalate

Bronson 6 (Rachel, director of Middle East studies at the Council on Foreign Relations, “5 Myths About U.S.-Saudi Relations”, <http://www.washingtonpost.com/wp-dyn/content/article/2006/05/19/AR2006051901758.html>, ZBurdette)

5 The House of Saud is about to collapse.

**Not likely. Since the Saudi monarchy's earliest days, observers have anticipated its demise. However, it has shown a** remarkable ability **to overcome such challenges as palace infighting, assassination and incapacitated leaders.** There are still many sons of kingdom founder Abdel Aziz waiting in an orderly queue for their chance to reign.

## AT: Iran Scenario

#### The US doesn’t affect Iranian oil---Chinese imports solve

RT 12 (“China's oil imports from Iran hit records despite sanctions”, <http://rt.com/business/news/china-s-oil-imports-from-iran-hit-records-despite-sanctions-491/>, 22 June, 2012, ZBurdette)

A day after Hillary Clinton declared that **China** appeared to be curbing its **oil imports from Iran**, new figures show that those imports **are actually at record highs this year.**

**Beijing imported almost 524,000 barrels per day, a 35% jump from the previous month.**

**The rise comes even as the US has asked countries to cut oil imports from Iran and threatened to impose sanctions** against financial institutions doing business with Iran's energy sector.

Imports from Iran are core to Beijing's overall fuel imports. However, it has been under pressure to cut its imports after the US threatened firms dealing with Tehran's energy sector will be banned from the US financial system.

Beijing's now even urging Iran to sell its excess oil, amassed as a result of sanctions and lost exports to Europe. China's imports from Tehran had fallen significantly in the first four months of the year, but analysts said that was mainly due to the ongoing payment dispute and low seasonal demand.

China seems to be not the only country to bypass EU sanctions against Iran. Japan is one of the major buyers of Iranian crude oil, and says it is going to provide insurance cover for Iranian tankers and China is offering to use its own vessels for delivery in a bid to circumvent EU crude sanctions.

Earlier the United States promised sanctions against any country that continues to buy Iranian oil – apart from those it has made exempt.

**“The US can not sanction China, because China holds $3 trillion dollars of US bonds and China could quite easily get back at the US via a variety of ways.** Also the US is the biggest buyer of Chinese manufactured goods, so that deal is not going to go down. And if China and India refuse this, it would have bee a non-starter from the very beginning. So perhaps it would have been better for the Obama administration to admit that they have made a grave mistake,” says columnist and commentator Kian Mokhtari.

“It’s not prudent to declare unilateral actions against Iran and expect the world to put up with the hardships. The US is bankrupt with a hundred trillion dollars worth of debt.”

## AT: Iraq Scenario

#### No impact uniqueness---Iraq won’t stabilize now

AP 11 (“**Iraq a Long Way From Stability, Report Says**”, January 31, 2011, <http://www.commondreams.org/headline/2011/01/31-1>, ZBurdette)

BAGHDAD - Without more help provided quickly, **Iraqi security forces may not be able to protect the fragile nation from insurgents and invaders** after American troops leave at the end of the year, **according to a US report** released yesterday.

The semiannual report by the special inspector general for Iraq reconstruction also cites data by the US Embassy in Baghdad showing that **the nation's government, economy, legal systems, and basic services like electricity and water remain unstable.**

The 156-page report forecasts a dim outlook at best for Iraq's near future as the United States steps back after nearly eight years of war and billions of dollars in aid.

**It largely blames corruption in Iraq's military and police forces for wasted resources and bad planning in running its bases and maintaining its equipment.** Congress is weighing how much money to give Iraqi forces this year.

"Several US observers noted real or potential **gaps in Iraqi security forces** capabilities that **could affect its ability to lock in hard-won security gains,'' the report concluded.**

"The US faces the choice of making additional investments to fill essential gaps in Iraqi security forces' capabilities or accept the risk that they will fall short of being able to fully secure Iraq from internal and external threats by the time US forces depart.''

Under the security agreement between Washington and Baghdad, US troops will leave Iraq by the end of the year. The Obama administration would consider keeping some troops in Iraq beyond the Dec. 31 deadline, but only if Iraqi leaders ask for them.

More than 200 Iraqis, mostly security forces and Shi'ites, have been killed over the past two weeks in insurgent attacks that **underscore the country's** continuing instability**.** Still, **the report warns that a lack of electricity, water, and sewage pose** one of **the greatest threats to Iraq's shaky peace.**

**"The lack of sufficient basic services will be the most likely cause of future instability in Iraq,'' it said, adding that power demands probably will not be met until 2014 at the earliest.**