

A CLOSER LOOK

ANALYZING THE NEWS THAT
MAKES A DIFFERENCE

How Geopolitics Is Affected by Oil

AS PRICES DROP, WHAT WILL HAPPEN NEXT?

It's been five years since oil prices were this low. When a barrel of oil dropped below \$50 at the beginning of this week, consumers at gas station pumps started licking their lips. In some places across the US, a gallon of gas went for less than \$2. But oil prices have effects far beyond your ability to fill up your tank.

John Loftus recently discussed in this magazine the layers of geopolitical intrigue that may be going on in Russia and Saudi Arabia in relation to oil prices. But one

major effect of low oil prices for a number of countries is a simple one to describe: instability.

Professor Michael Klare, the Five College Professor of Peace and World Security Studies at Hampshire College, told *Ami*: "Whether a country is a democracy or a dictatorship, if the government's revenues are heavily dependent on oil sales, it will suffer because of low oil prices. That's not just US enemies like Russia and Iran. It includes Mexico, Nigeria, Algeria, and Saudi

Arabia. Even some US states, like North Dakota, Texas and Alaska, are suffering because of reduced oil revenues."

In countries like Russia, such instability could be bad news for the Jewish population; economic and political uncertainty is often accompanied by a rise in anti-Semitism.

GETTING OIL AND SELLING OIL

He says that you have to differentiate between the effects on geopolitics of oil availability and of oil prices. "I believe that

American foreign policy has been shaped to protect availability of supply. When Saddam Hussein invaded Kuwait, Saudi Arabia, which provided oil to the US, was threatened, and that's why there was such a robust response.

"President Obama's pivot to Asia, moving away from the Middle East, was dependent on the reduction in the US need for Middle East oil. That had the effect of allowing groups like ISIS to come to power. We've now pivoted back to the Middle East, but because of security issues, not oil."

He says that Russia's calculations about its regional power politics have also revolved around oil availability. "Russia's political interference in the Caspian Sea basin—in countries like Kazakhstan and Azerbaijan—has been in order to steer oil through Russian pipelines as opposed to other conduits. That effort has become more urgent when production in Russia declines, like in recent years."

But he says that oil prices have much more limited and specific effects on politics. "The US has a big dispute with Vladimir Putin over Ukraine. That's independent of oil prices, but the fall in prices bolsters American foreign policy, by making the sanctions give a stronger bite."

OIL VS. NATURAL GAS

Professor Jeff Colgan, the Richard Holbrooke Assistant Professor of Political Science and International Studies at the Watson Institute for International Studies at Brown University, says that there is a psychological effect that oil prices can have in international politics. "When oil prices are rising, there is also a rise in nationalism. Oil-producing countries are more assertive."

Professor Colgan also pointed to the sway that oil producers like Venezuela have had by providing oil subsidies to nearby countries. He says, however, that the geopolitics of natural gas are often more powerful than those of oil.



Prof. Colgan

"Venezuela is a ticking time bomb. It could go into default tomorrow or years from now."

"Natural gas involves much more bilateral dependence." That includes, for example, Europe's reliance on Russian natural gas, which is harder to transport long distances than oil. "The oil market is basically a fungible market. While there are fears of a repeat of [the oil crisis of] 1973, oil is not used as an instrument of national coercion in the same way natural gas is."

On the other hand, he says that natural gas prices aren't global. "There are three major markets for natural gas—North America, Europe, and Asia—and the prices are different in all three."

THE MIDDLE EAST

He says that in the Middle East, the politics are all dependent on the wealth of the affected countries. "In Iran, Iraq and Algeria, the low oil prices can really hurt. But the Persian Gulf monarchies can afford low oil prices."

"The Saudis are happier that the low oil prices hurt Iran than they are sad about the effect that the prices are having on their country. And the Saudis can now talk to Russia about restraining production, something that they've advocated for a long time. They can tell Russia, 'If we'd followed our plan long ago, we would have never come to this point.'"

He says that the situation for Iraq is particularly complex because oil revenue, which is shared, is a stabilizing force, while control of the oil production has been a point of contention.

Palestinians and Syrian groups that receive funding from oil producers may see donations dry up, but Prof. Colgan says that for countries like Israel, Egypt and Jordan, oil prices aren't among their top worries. "They have so many other issues," he says.

Prof. Klare points out that falling oil prices may have effects on both sides of the Syrian conflict. "Syria was an oil producer—not a big one, but it paid the bills for Assad. Now that it lost that production [to rebel groups, including ISIS], it's more dependent on Iran and Russia, which have less funds now because of the drop in oil prices." But he points out that ISIS, too, makes a good deal of money from oil exports and will now make less.

INSURRECTION

Both professors say that instability in some oil-producing countries should be a major geopolitical concern. "Venezuela is a ticking time bomb," Prof. Colgan says. "It could go into default tomorrow or years from now. And it could become quite ugly. The military is invested in the Chavista regime, and they may clash with the populace." Angola is another example of a country that faces possibly severe internal strife.

But he points out that some countries won't be as badly hurt as we might imagine. "Many oil-producing countries are subsidizing their own internal oil consumption. Nigeria is paying a lot of money for refined oil products." While lower gas prices won't entirely make up for what the country is losing due to the oil price drops, it will lessen the impact. ●



Professor Michael Klare