**Oil Prices Disadvantage**

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### **Summary**

This disadvantage argues that high oil prices are a good thing. Currently Venezuela is limited in the amount of oil it can produce. This helps keep the price of oil relatively high, around $100 a barrel. The plan would allow Venezuela to tap into one of the largest proven oil reserves in the world and bring that oil to market very quickly. This introduction of a new supply into the world’s oil market would collapse prices. High oil prices are good because they allow oil producing states like Saudi Arabia, Iran and Russia to afford social programs that keep their citizens happy. Happy citizens do not have revolutions and revolutions can quickly escalate.

### **Glossary**

CCP - Chinese Communist Party, the ruling political party in the People's Republic of China

Chavistas - supporters of Hugo Chavez, former president of Venezuela

Dissent - The expression or holding of opinions at variance with those previously, commonly, or officially held.

Empirically - Verifiable or provable by means of observation or experiment

Flooding the market - introducing a large supply of a product into a market to artificially reduce the price. Usually a tactic used by large producers to prevent new entrants into a market

Nicolas Maduro - newly elected president of Venezuela

OPEC (Organization of Petroleum Exporting Countries) - an organization formed in 1961 to administer a common policy for the sale of petroleum. Its members are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela

Zero Sum - a contest in which one person’s loss is equal to another person’s gain

### **Oil Prices Disadvantage 1NC (1/3)**

#### A. Uniqueness: Oil prices at 2013 high --- worries about supply availability and growing American demand are driving prices.

Otter, writer for Barron’s, 2013

(Jack, “Oil Prices Hit High For the Year, Energy Stocks Up,” Barron’s Stocks to Watch, 7-6-2013 http://blogs.barrons.com/stockstowatchtoday/2013/07/05/oil-prices-hit-high-for-the-year-energy-stocks-up/)

Oil prices hit a 2013 high today, driven higher by fears of unrest in the Middle East as well as evidence that the U.S. economy does, indeed have a pulse. Energy stocks, on the whole, moved higher. The Energy Select Sector SPDR (XLE) was up nearly 1% shortly before the market close.¶ Oil futures closed above $103, up almost 2% on the day and 7% on the week. The military coup in Egypt has raised fears of a supply disruption. There was more turmoil today and reports of shots fired in a confrontation between supporters of recently ousted president Mohammed Morsi and those who opposed his rule.¶ In domestic news, the Labor Department announced that the U.S. economy added 195,000 jobs in June, beating expectations and adding evidence that the recovery may be picking up steam. Better growth could push oil prices higher.¶ Even while the August futures contract increased, prices at the pump are falling, as inventories rise. The average price per gallon is $3.47 according to AAA, down 5% in less than a month.

### **Oil Prices Disadvantage 1NC (2/3)**

#### **B. Link: Increases in Venezuelan production drops oil prices globally.**

**Global Conflict Analysis, 2013**

("Effects of Hugo Chavez's Death on Global Oil Markets", Global Conflict Analysis, 4/19 globalconflictanalysis.com/2013/04/effects-of-hugo-chavezs-death-on-global-oil-markets/ // kdh)

¶ The first and most important issue is the future of the oil market in Venezuela. In 2010 OPEC claimed “Venezuela’s Orinoco Oil Belt contained tar sand deposits equivalent to around 300 billion barrels of oil– enough to fulfill current world demand for 10 years.” But even though Venezuela has the largest oil reserves in the world, Hugo Chavez’s dependence on PDVSA left the NOC with just US$11 billion – 9% of its income – to fund future operations (compared to Pemex’s 17% and Brazil’s Petrobras 29%).¶ ¶ This trend, which is not expected to change despite the death of Chavez, is of great concern to the US and other oil exporting and importing countries because it could have strong implications on global oil prices.¶ ¶ This is the case because despite the fact that Chavez has passed away, Chavismo is still alive; therefore, many analysts believe that his policy of depending on oil revenues to foster social programs at home and abroad will continue, leading to a continuation of a decrease in Venezuela’s oil production. If this is case – as is expected – global oil supply would decrease and oil prices would increase because demand would not change. This decline could have a negative impact on American and Western economies, since there would be less supply. This is a great opportunity for Mexico to step up its production and fill in the vacuum left by PDVSA’s decline because the US and other Western nations will need to import oil, and since the US is currently seeking to become energy independent in a North American context, Mexico must capitalize on Venezuela’s continuous expected decline.¶ ¶ However, this potential opportunity for Pemex and the Mexican oil and gas industry depends on the political future of Venezuela – which is expected to hold elections in the next 30 days. Whatever the outcome, if the newly elected Venezuelan president decides to open up the market and allow the return of foreign companies such as Exxon-Mobil and ConocoPhillips, the potential for oil production increase would rise, leading to a higher global oil supply and lower oil prices. This could have a potential negative effect on Mexico’s oil exports since potential oil companies could start focusing on Venezuela, even though PDVSA is not going to be turned around overnight and many energy analysts believe the political transition will most probably lead to similar style of government.

### **Oil Prices Disadvantage 1NC (3/3)**

#### **C. Impact: All producers will collapse without high prices---causes revolutions across the Middle East and wreck’s Russia’s economy---also impacts Africa.**

**Luft**, EXECUTIVE DIRECTOR, INSTITUTE FOR THE ANALYSIS OF GLOBAL SECURITY, **2011**

(TESTIMONY BY DR. GAL LUFT, EXECUTIVE DIRECTOR, INSTITUTE FOR THE ANALYSIS OF GLOBAL SECURITY (IAGS)ADVISER, UNITED STATES ENERGY SECURITY COUNCIL, Presented before, HOUSE COMMITTEE ON FOREIGN AFFAIRS, Subcommittee on Terrorism, Nonproliferation, and Trade “Changing Energy Markets and U.S. National Security” December 16, 2011 www.iags.org/HFC-Energy\_Dec2011.pdf)

The Arab Spring has exacerbated the situation. Hoping to avoid the fate of Egypt and Tunisia, Persian Gulf regimes of Saudi Arabia, Kuwait and the UAE showered their subjects with gifts and subsidies which increased their budget obligations significantly. Saudi Arabia alone almost doubled its $154 billion 2011 budget, committing $129 billion in salary hikes, subsidies and increase in pensions. Given that the primary income of these regimes is petrodollars, the bill for keeping the Persian Gulf monarchies in power is now being footed by every American. According to the Institute of International Finance, before the recent handouts were announced Saudi Arabia needed oil to sell for $68.50 a barrel to keep its budget balanced. The expensive response to the protests increased the breakeven price the Saudis need in order to balance their budget to at least $110 in 2015. The premium on the price of oil exacted by the increase in Gulf social spending has already added in 2011 about 35 cents to the price of a gallon of gasoline Americans had to pay at the pump or roughly $6 per fill up. Since oil price affects everything we buy from food to plastics, saving the House of Saud added roughly $1,500 annually to the expenditures of the average American family. At the very same time Americans are engaged in a heated debate about cutting entitlement programs at home, we are forced to fund more and more social programs aimed at keeping Middle Eastern dictators in power.

The need for high oil prices is not unique to Saudi Arabia. As Russia's population dwindles, and the output of its newer fields fails to offset fast decline at mature deposits, Russia's economy will growingly depend on high prices to meet its budgetary obligations. Contrary to popular belief, Russia is much more of an oil exporter than a gas exporter. In 2010, Russia produced 10.2 million barrels a day (mbd) of oil, while consuming only 3.2 mbd. This means that 70% of its crude production was exported or processed into petroleum products, half of which were sent abroad. By contrast, when it comes to natural gas, most of Russia's production remains at home. In 2010, Russia consumed 414 billion cubic meters (bcm) of the 588 bcm it produced, leaving only 30% of total production for exports. This means that Russia will strengthen its engagement and coordination with OPEC with the aim of keeping prices sufficiently high.

Iran, Iraq, Kuwait, Venezuela and Nigeria will all need a higher per barrel oil price as they move toward a rocky future. With a population of 73 million in Iran and 30 million in Iraq and vast governmental sectors and social expenditures, the two countries need today a breakeven price of $125. By 2025 their populations will stand at 88 million and 45 million respectively. Where will the money come from? There is a limit to the amount of money to be made from exporting carpets, dates and pistachio nuts. There is no limit to the amount of revenues to be made from oil exports.

### **Answers to: Low Oil Prices Inevitable**

#### **[ ]**

#### **[ ]Declining production will keep prices high---magnifies the link**

**BPN 8/31**

(Bunker Ports News, “Barclays' Brent Crude Oil forecast for 2013 is $125/bl; $180/bl by 2020” www.bunkerportsnews.com/News.aspx?ElementId=86b8fe0d-c717-482b-9dd0-9686132ac0f9)

The key difference Barclays sees between oil and most other energy markets is supply, where the challenge is replacing declining oil production. Demand, by contrast, responds to economic weakness to similar degrees across the energy spectrum. And with 3Q12 looking as if it will see a very significant tightening of the oil market, Barclays' key Global Energy Outlook recommendation is to stay leveraged to oil and to oil-biased equities and credits.

“Beyond our quarterly and annual oil price forecasts, we map the longer-term supply/demand picture, and the signals here are stark. Oil supply from existing fields is falling by close to 4m bls/d per year due to natural decline; global demand is rising by more than 1m bls/d each year, even in the current weak environment.” the bank said.

“Hence, the supply gap that needs to be filled each year from new fields is more than 5m bls/d. This presents a material challenge for the energy industry. While this long-term supply squeeze may have been less apparent in the quarter just past, 3Q12 looks as if it will see a significant tightening of the oil market, with a 2m bls/d upswing in demand and falls in both OPEC and non-OPEC supply.” the Bank added in a special report.

To this one can add minimal spare capacity and heightened geopolitical tensions in several regions. A release of US strategic reserves would provide only a slight and temporary respite.

“Thus, we continue to have strong oil price conviction, and our Brent forecast for 2013 is $125/bl. For the longer term, we expect prices to follow an inexorable, if volatile rise to above $180/bl before the decade closes.” Barclays predicted.

### **Answers to: Low Oil Prices Inevitable**

#### **[ ] Prices will stay high long-term because of supply concerns---the plan reverses that---best forecasts**

**Arabian Business 2012**

(Analysts raise oil price forecasts for 2012, 2013 www.arabianbusiness.com/analysts-raise-oil-price-forecasts-for-2012-2013-471309.html)

Analysts have raised their oil price forecasts for this year and 2013 due to supply concerns and to expectations for a further round of monetary policy stimulus, which could improve prospects for economic growth, a Reuters poll found.

The Reuters monthly oil poll, based on forecasts from 28 analysts, forecast Brent at an average of $109.50 a barrel in 2012, up $1.20 from the figure in the July poll.

Brent has averaged about $112 per barrel so far this year, up from $111 in 2011.

### **Answers to: shift inevitable**

#### **[ ]**

#### [ ] Unleashing Venezuela’s massive oil reserves leads to collapse of global prices --- 2002 coup proves, this gives the Middle East not time to adjust.

The Telegraph, 2013

(Garry White & Emma Rowley, “Death of Hugo Chavez propels Venezuelan oil production into the spotlight,” The Telegraph,3-10 http://uk.finance.yahoo.com/news/death-hugo-chavez-propels-venezuelan-160233918.html)

It is likely that oil output could rise, should there be an easing of the country’s antagonism to foreign investors. Some believe this could lead to a fall in the oil price and a consequent boost to the global economy.¶ “The death of Hugo Chavez may see oil prices fall as they did during the 2002 coup,” Gerard Lane, an oil analyst at Shore Capital, said. “With greater foreign investment it is foreseeable that the 30pc fall in Venezuelan oil production could be reversed.¶ Indeed the scale of potential oil output is enough combined with on-going shale oil production growth in the USA, suggesting that oil prices could fall.”¶ However, such a scenario is unlikely just yet. “Venezuela’s massive oil reserves will not be unleashed on global oil markets anytime soon, while the near-term impact on prices will be limited,” Ole Hansen, head of commodity strategy at Saxo Bank, noted.¶ “The state oil company PDVSA has increasingly been handing over its income to fund various government programmes, leaving it with negative cash flows for the past five years,” Mr Hansen added.¶ “The result of this has been a lack of investments as old fields matured and new ones were not explored, hence the drop in output.”¶ Mr Hansen believes reforms and the re-introduction of foreign investment will not happen overnight, possibly not for a few years.¶ “But once it does another source of increased supply will further help to alleviate some of the worries about future supply not keeping up with an increase in demand, especially from emerging economies,” Mr Hansen said.¶ Should production eventually rise, which seems likely, the main loser is likely to be Canada. Venezuela positioned its oil industry away from the US to the more “friendly” nationals of China and Russia.¶ Oil exports to the US are about 900,000 barrels of oil equivalent per day (boepd), down from a high of 1.4m boepd in 1998. This has benefited Canada, which has seen exports to the US double.¶ “Venezuela’s oil is of the heavy crude variety, which is also what the Canadians produce around Alberta,” Mr Hansen noted. “Companies operating in Alberta will be able to export their know-how, which is good for the companies. However, this may be less so for the overall economics around Alberta, with Venezuelan heavy crude being much cheaper to extract.”¶ However, the Canadian need not worry that the Venezuelans will get their act together quickly. This seems unlikely to happen for some time.¶ Goldman Sachs (NYSE: GS-PB - news) managed to sum up the consensus view, saying that Mr Chavez’s death should have “limited impact on the nation’s oil production in the short term” while a “change of leadership may foster longer-term investment and boost output.”¶ Venezuela needs foreign oil companies to boost this output. Once it accepts this, and invites the oil majors to use their skills, global oil prices should see some relief.

### **US-Venezuela Oil Trade Leads to Saudi Arabia Market Flood**

#### **[ ]**

**[ ] Competition is increasing – increased U.S. involvement with Venezuelan oil will incline Saudi Arabia to flood the market lowering prices.**

**Wall Street Journal, 2012**

(Benoît Faucon, Sarah Kent and Hassan Hafidh, “U.S. Oil Boom Divides OPEC”, Wall Street Journal, 5/27/2012, http://online.wsj.com/article/SB10001424127887323855804578508871186460986.html,)

The American energy boom is deepening splits within the Organization of the Petroleum Exporting Countries, threatening to drive a wedge between African and Arab members as OPEC grapples with a revolution in the global oil trade. OPEC members gathering on Friday in Vienna will confront a disagreement over the impact of rising U.S. shale-oil production, with the most vulnerable countries arguing that the group should prepare for production cuts to prop up prices if they fall any lower. "We are heading toward some problems," said a Persian Gulf OPEC delegate. African OPEC members such as Algeria and Nigeria—which produce oil of similar grade to shale oil—are suffering the worst effects from the North American oil boom. Nigeria Oil Minister Diezani Alison-Madueke deemed U.S. shale oil a "grave concern." Gulf countries, notably Saudi Arabia, pass relatively unscathed—and are the only OPEC members with the flexibility to cut production. But they are unlikely to let that happen at Friday's meeting, several OPEC delegates said. That would deepen power struggles that have dominated the organization in recent years. Iran, Venezuela and Algeria, who need high oil prices to cover domestic spending and offset falling production, have regularly clashed with Gulf countries led by Saudi Arabia, who have the financial strength to withstand lower prices. OPEC has overcome past rivalries to rally against an external threat, most notably in 2008 when it agreed to a production cut of more than four million barrels a day to stem a price crash during the financial crisis. But the uneven impact of the North American supply surge makes a collective response—such as a coordinated production cut to support prices—more difficult, said delegates on both sides of the divide.

### **New Production would lower prices**

#### **[ ]**

#### **[ ] Venezuela’s huge reserves will go untapped now, the plan unleashes an immense amount of oil onto the world market.**

**New York Times, 2013**

("Dwindling Production Has Led to Lesser Role for Venezuela as Major Oil Power", 3/8 www.nytimes.com/2013/03/09/world/americas/venezuelas-role-as-oil-power-diminished.htm // )

 Venezuela has huge reserves, including its Orinoco heavy oil belt, which the United States Geological Survey estimates to have 513 billion barrels of recoverable oil — enough potentially to make Venezuela one of the top three world producers. But foreign oil companies have been wary of investing. Jose Valera, a Houston energy lawyer, said that if Nicolás Maduro, Mr. Chávez’s vice president until he was sworn in as president on Friday, or another member of the Mr. Chávez’s movement was elected president in a special election “it is reasonable to expect continuity of a substantial portion of the policies.” But as for Venezuela’s economy, he argued, “the situation right now is not sustainable and it’s only a matter of time before some significant changes will have to be instituted.”

#### **[ ] Small changes in prices influence the global marketplace**

**Hill ,** Chief Economic Correspondent at Washington Times**, 2013**

(Patrice, “Major changes from oil revolution”, Washington Times, 2/3/2013, http://www.washingtontimes.com/news/2013/feb/4/sea-changes-from-oil-revolution/, JKahn)

“The region keeps erupting into one kind or another of violence or instability. So we have to be present,” he said on Platt’s Energy Week. “Oil is fungible. There is one international oil market. [If] prices go up because of shortages in one area, they are going to go up in every other area, even in the United States, even if we import from safer areas or produce it ourselves. “Even more importantly, at the very core of America’s security relationship since World War II has been guaranteeing supplies of oil and gas to our friends and allies. Even if we are independent in energy, most of our friends in East Asia and certainly in Europe, and elsewhere in the world are not.” Mr. Kingston sees another major question arising from the changing oil dynamics: “Why does the U.S. need to hold so much oil in the Strategic Petroleum Reserve if its import dependence is plummeting?” he asked. President George W. Bush undertook to fill the reserve to a record 727 million barrels, often at prices of more than $100 per barrel. Yet the oil has rarely been used, even though the U.S. from time to time has been threatened with oil shutdowns because of wars and embargoes in countries such as Iraq, Libya, Venezuela and Iran. The reserve contains enough crude to cover 90 days of imports at the current, reduced rate of consumption, Mr. Kingston said. Oil analysts expect that political leaders will be tempted to sell some of the oil in the reserve in the future either for political or budgetary reasons, to help at least temporarily reduce the budget deficit.

### **High Oil Prices Good- Political Stability**

#### **[ ]**

####  **[ ] All producer states need high prices for political stability---the alternative is revolution**

**Taylor**, editor of a magazine that provides background to current events, **2009**

(Rupert, is the "The Geopolitics of Oil: High Oil Prices Tend to Create Global Stability" Jun 2 2009 suite101.com/article/the-geopolitics-of-oil-a122340)

High Oil Prices Bring Political Stability

Several Persian Gulf States, Russia, former Soviet Central Asian Republics, Venezuela, Mexico, Colombia, and Nigeria depend heavily on high oil prices. The income from oil supports whatever political and social stability these countries have. But, in the spring of 2000, most of the nations listed were pretty shaky even with oil prices flirting with historical highs of $30 U.S. a barrel.

By the summer of 2008, oil was five times that price and talk of instability in oil-producing countries became very muted.

Oil Companies not in the Democracy Business

Few things can cause people in the boardrooms of international corporations to break out in a cold sweat more than political instability. If the certainty and stability that keeps executives calm is achieved through authoritarian governments, so be it. As far as corporations are concerned, their business generally is not promoting democracy.

Looking at the world’s major oil producers more than a few of them have non-democratic governments. In fact, the list is almost a roll-call of authoritarian regimes.

Saudi Arabia is an absolute monarchy. Kazakhstan is a dictatorship. Brunei (absolute monarchy); Turkmenistan (dictatorship); Libya (dictatorship); Iran (theocracy); Iraq (war-ravaged); Kuwait (absolute monarchy), and on, and on.

High Oil Prices Good for Security

Having really tough governments in place tends to ensure stability - for a while. But, the repression worries the people whose job it is to be anxious about global security. As they sit in their universities, and departments of strategic studies and suck on the ends of their pencils they visualize a world with low oil prices, and most of them don’t like what they see.

The conventional thinking is that a steady flow of oil wealth keeps the lid on revolution. Oil-rich dictators and monarchs can toss a few goodies to the masses in the form of hospitals and schools. This keeps them from agitating for freedom and democracy.

The New York Times reported on March 28, 1999 on the effects of low oil income: “In Mexico, Nigeria, Venezuela, Algeria, and even in the world’s largest oil producer, Saudi Arabia, shrunken budgets are straining social and political cohesion.”

### **High Oil Prices Good- Government Repression**

#### **[ ]**

####  **[ ] Collapse of state budgets causes waves of repression that wreck internal stability of producer states**

**Hulbert**, analyst at the Netherlands Institute for International Relations, **2012**

(Matthew is an "The political perils of low oil prices" European Energy Review, July 9 2012 [www.europeanenergyreview.eu/site/pagina.php?id=3796&id\_mailing=295&toegang=49182f81e6a13cf5eaa496d51fea6406](http://www.europeanenergyreview.eu/site/pagina.php?id=3796&id_mailing=295&toegang=49182f81e6a13cf5eaa496d51fea6406))

Fair enough, but what everyone wanted to know, and especially Iran, Venezuela, and Algeria, was how far and how fast Saudi was going to make cuts and 'balance' the market. With Brent prices regularly dipping well below $100 and WTI prices considerably lower, OPEC hawks are getting very nervous. Non-OPEC producers in Russia and Central Asia even more so. Assuming demand side dynamics don't drastically pick up in Asia, we can expect three things to sequentially happen.

The first is an international price war across all producer states to force Saudi Arabia to take assertive action to tighten the taps and raise prices. That will be a difficult process given Riyadh has its own strategic objectives to want a sustained period of moderate prices, well below $100/b.

Secondly, if petro-hawks lose this price war, their political bluster will subside, and a far 'cruder' trend will emerge. They will have to cut back on domestic spending, which is bound to lead to a new round of protests, and more importantly sharpened domestic repression.

Given repression is no longer the 'effective' tool it once was for producer states, that could well lead us to a third, and far more daunting prospect: any price floor will be set by producer states folding under the weight of political pressure when new crises hit. The flat price of crude will be influenced more by political unrest clipping production than by active supply restraint.

### **High Oil Prices Good- Government Repression**

#### **[ ]**

####  **[ ] Tight budgets due to oil price downturn force repression in producer countries worldwide.**

**Hulbert**, analyst at the Netherlands Institute for International Relations, **2012**

(Matthew is an "The political perils of low oil prices" European Energy Review, July 9 2012 [www.europeanenergyreview.eu/site/pagina.php?id=3796&id\_mailing=295&toegang=49182f81e6a13cf5eaa496d51fea6406](http://www.europeanenergyreview.eu/site/pagina.php?id=3796&id_mailing=295&toegang=49182f81e6a13cf5eaa496d51fea6406))

But it's only once you translate these abstract numbers into political realities that the scale of the producer challenge becomes clear. It's also where sharpened repression kicks into the equation once petro-hawks realise that a price war with Saudi Arabia can't be won. This isn't just a case of increasingly expensive social spending programmes petro-states need to appease restive populations, you have to price in bungs to bureaucrats, oligarchs, security services, and most importantly, on-going support of the military to politically sure things up. Just like in 2008/9, rather than engaging in constructive 'reform to preserve', petro-states are likely to turn to repression.

The key lesson most petro-states took from the Arab uprising is make sure you've paid off the right institutions to cover your back. Beyond the obvious ploy of tightening his grip over the resource sector, President Putin has already passed a law 'banning' protests; Algeria purged its state oil company; the 'Nasty Stans' across Central Asia pushed through snap elections, with Kazakhstan taking majority control of any new pipeline developments. Hugo Chavez is pulling out all the stops for a 'lifelong' Presidency in Venezuela. If Iran can't galvanise broad based support through its nuclear programme, it has no problem quelling the streets of Tehran by whatever means necessary. In the Gulf, Saudi Arabia made clear that revolution wasn't going to work in Bahrain; Kuwait proved very effective in drowning domestic dissent; the UAE drafted in a private military company for 'counterterrorism' and internal security purposes, just in case their own soldiers refused to open fire. And even where recent elections have taken place, the underlying role of the military remains an omnipotent presence, be it in Egypt, Nigeria or Indonesia. The tighter budgets get, the more likely it is these types of coping mechanisms kick in. Military hardware remains (in some cases) the first, but in all cases, the last line of resort.

### **High Oil Prices Good: Saudi Stability**

#### [ ] Saudi stability depends on high oil prices --- Arab Spring magnifies risk of conflict.

Allam, Staff Writer Financial Times, 2012

(Abeer, “Saudi Arabia: in a restless realm,” Financial Times Analysis, http://www.ft.com/intl/cms/s/0/59c7492e-e07b-11e1-9335-00144feab49a.html#axzz2YkfkIhpW)

Meanwhile the most urgent regional crisis – Iran’s pursuit of a nuclear programme and its perceived desire to dominate the Gulf – has intensified. The failure of Tehran’s negotiations with world powers has heightened the prospect of Israeli attacks that would further unsettle the region.¶ As a result, Saudi Arabia today faces one of its most difficult periods since it was founded 80 years ago.¶ The domestic situation compounds the problems. An ageing monarchy resistant to political change must focus on appeasing a young population – increasingly connected to the outside world – concerned about transparency in government decision-making; the distribution of the country’s resources, including oil wealth and land; and a dearth of jobs.¶ Oil prices, currently above $110 a barrel, have provided Saudi Arabia with a fiscal cushion. The central bank’s net foreign assets rose to a record $591bn in June from roughly half that level five years ago. The International Monetary Fund’s 2012 economic growth forecast is 6 per cent, a contrast with the outlook for struggling western states. But the country is still heavily dependent on oil; non-oil exports represented only 12 per cent of the total last year.¶ “Saudi Arabia has faced several challenges throughout its history, but after the Arab spring these challenges have become greater,” says Hassan al-Mostafa, a Saudi writer. “This is an extraordinary internal and external situation but they are trying to control it [by] using the oil bonanza and by ensuring a smooth transition of power.”

### **High Oil Prices Good: Saudi Stability**

#### [ ] Saudi Arabian instability leads to global economic turmoil --- experts agree.

Sambidge, staff writer Arabian Business, 2011

(Andy, “S&P says Saudi unrest could have adverse global impact,” Arabian Business, 4-23-13, http://www.arabianbusiness.com/s-p-says-saudi-unrest-could-have-adverse-global-impact-395636.html)

The global economy could be severely affected if the current wave of political uprisings spread to Saudi Arabia, the world's biggest oil producer, ratings agency Standard's & Poor's said in its GCC Q1 Outlook report.¶ While S&P analysts said they saw upheaval in the kingdom as "unlikely", they added that the impact would have a "tangible adverse economic impact" on oil importers and the global economy.¶ Kai Stukenbrock, a credit analyst, said in the report that the oil price "could rise beyond historical peak level" should serious uprisings take hold in Saudi Arabia.¶ Oil peaked at just below $148 a barrel in the summer of 2008 and is currently trading above the $120 mark as other Middle East and North African countries continue to struggle amid political unrest.¶ "If there were to be political upheaval in Saudi Arabia, a scenario which we currently consider unlikely, the ramifications, both geopolitical and well as geo-economical, could be severe," Stukenbrock added.¶ "Depending on the nature of such hypothetical events in Saudi Arabia, the oil price could rise beyond historical peak levels, and if sustained, would have a tangible adverse economic impact on oil importers and the global economy," he said in the report.¶

### **High Oil Prices Good: Iranian Economy**

**[ ] Low oil prices crush the Iranian economy**

**Farzanegan**, Professor – Dresden University of Technology**, 2009**

Mohammad Reza, “The effects of oil price shocks on the Iranian economy”, Energy Economics, 31(1), Science Direct, Deech)

The Iranian economy is highly vulnerable to oil price fluctuations. This paper analyzes the dynamic relationship between oil price shocks and major macroeconomic variables in Iran by applying a VAR approach. The study points out the asymmetric effects of oil price shocks; for instance, positive as well as negative oil price shocks significantly increase inflation. We find a strong positive relationship between positive oil price changes and industrial output growth. Unexpectedly, we can only identify a marginal impact of oil price fluctuations on real government expenditures. Furthermore, we observe the ”Dutch Disease” syndrome through significant real effective exchange rate appreciation. Oil and gas revenues play strategic roles in the structure of the Iranian economy. Holding 10% of the world's total proven oil reserves and as the second largest producer (after Saudi Arabia) within the Organization of Petroleum Exporting Countries (see OPEC, 2005), Iran both affects the international oil market and is broadly affected by it. Iran's economy relies heavily on crude oil export revenues, representing about 90% of total export earnings and, on average, 60% of government revenues in annual budgets (Central Bank of Iran, 2008). The share of oil value added in the GDP of Iran averaged about 20% between 1970 and 2006. In this situation, any shock to global oil markets can have a tremendous effect on the government budget and the structure of the economy. Fig. 1 (source: Central Bank of Iran (2008) and IFS-Database) illustrates the co-movement of the Iranian GDP per capita with fluctuations of real oil prices since 1970. We can observe that the former variable is linked to trend of the latter. The unique role of oil revenues in the structure of government budgets and social security programs distinguishes the Iranian economy from others. Despite higher oil prices and revenues in recent years, the Iranian government budget deficits are still a challenging issue, in part due to the large scale of state subsidies on energy and comestible goods. Possible sources of financing the annual budget deficits include issuing state bonds, foreign borrowing, privatization, and withdrawals from the Oil Stabilization Fund (OSF). The shares of various sources of financing the budget deficits in Iran over 2005 to 2007 are presented in Table 1. As is evident from this table, more than 90% of annual budget deficits in Iran is financed through withdrawals from OSF. This is like spending oil revenues directly and has strong inflationary effects through increasing money supply in the economy. Considering the high rigidity of current government expenditures in Iran, any significant negative oil price shocks will worsen the budget deficit of the government and create inflationary pressures for the whole economy.

### **High Oil Prices Good: Iranian Economy**

#### **[ ] Economic downturn causes Iranian lash out --- triggers a broader conflict**

Fishman, staff writre Y Net news, 2012

(Alex, “Beware Iranian desperation,” Y Net News, 1-17, http://www.ynetnews.com/articles/0,7340,L-4176675,00.html)

Everybody talks about the spring, because everyone is convinced that Israel will be striking Iran at that time, a move that will ignite the Middle East. The scenario is rather banal and emerges in every defense panel in the global media: This year, the Iranians will complete the task of moving their nuclear project deep underground, and from that moment an aerial strike would be much less effective. Hence, a strike appears to be required as soon as is possible. However, there is another possibility that is much more realistic, much closer to materializing, and unrelated to an attack on Iran’s nuclear sites. This scenario asserts that the ones to first pull the trigger will be the Iranians, against the backdrop of Tehran’s economic chokehold and growing global isolation. Iran is starting to be pushed into a corner in the face of existing pressure, and more so as result of pressures to be exerted very soon. Tehran’s economic collapse is already around the corner. The regime sees the thousands standing in line at banks these days in order to exchange the local currency for dollars – but there are none. On the black market, the gap already stands at 60%. Nobody can predict the breaking point that would prompt Ahmadinejad to act desperately; the point where the ayatollahs feel threatened enough to resort to a military provocation that would bully the world and exact such high price as to prompt the international community to lift the chokehold.

### **Answers to: Other issues with Iranian Economy**

####  **[ ] And --- only higher oil prices maintain growth in the Iranian economy.**

**Blas,** Correspondent – Financial Times**, 2012**

(Javier, “High oil prices shield Iran from sanctions”, Financial Times, 4-17, Proquest, Deech)

High oil prices are insulating Iran from the full impact of US and European sanctions on the sale of its crude, providing Tehran with breathing space as it prepares for a new round of nuclear talks with western nations next month. The Centre for Global Energy Studies (CGES), a London-based think-tank, estimates that Iran will earn $56bn selling its crude this year - its third-highest earnings ever - even after factoring in the loss of roughly a third of its export volume due to sanctions. However, analysts point out that Tehran is finding difficulties in repatriating the funds due to the sanctions on its central bank. Hellenic Petroleum, a Greece-based refiner, recently stopped importing Iranian oil as it was unable to transfer its payments. The Iranian rial has weakened significantly against the US dollar since December - a sign that Tehran faces difficulties obtaining hard currency.

**[ ] Emperical evidence proves that high oil prices support the Iranian economy.**

Aliyev, Analyst Ankara Strategic Institute, 13

(Bayram, B.A. – Qafqaz University, M.A. – Siegen University, Research Assistant –, “Basic Characteristics of Iranian Economy”, Independent Political Analysis, 5-10, http://www.politicalanalysis.info/basic-characteristics-of-iranian-economy.html, Deech)

Naturally, Iran’s Economy mostly based on energy because of its rich oil and natural gas resources. Namely, Iran’s proven oil resources are fourth in the world after Saudi Arabia, Canada and Venezuela, while it has second biggest natural gas reserves after Russia. Iran holds 137 billion barrels oil, with a 9. 3% percent of total oil reserves of World and 1.046 trillion cubic feet natural gas, which forms 15.7% percent of total natural gas reserves in the world. The approximate income per capita of country is $ 13.000 and according to data of World Bank, Iran is in the “high-middle-income countries” group. The revenues from Energy Sector (Oil and Gas) provided increasing of national income per capita around $ 7.000 to over $ 13.000 in 2012. In compare with other countries, according to above-mentioned data, Iran is seen such a “developed country economically” country. However, if we take into account that Iran holds very rich resources, then income and welfare level of society should be more than these indicators. Considering that the 70% of the revenue from the energy sector is transferred to the state budget, thus living conditions of society are expected to be more comfortable. However, the current image of country is seen opposite to this profile. A population of Iran is approaching 79 million and it has rich resources, however, it is seen that these labour and energy potential of country cannot be transformed opportunity for the country. During Power of Rafsanjani and Khatami, planned economic reforms have been applied and it was reached to 6% of economic growth rate during those years. In fact, stable growth of economy during 2002-2008 was mostly related with rising of oil prices. Iran’s economic growth rate has fallen gradually since 2008 to these days, because of the effect of sanctions that has been started.

### **High Oil Prices Good: Venezuelan Economy**

#### **[ ]**

#### **[ ] Oil price slide wrecks the Venezuelan economy**

Mander, staff writer at Financial Times, 2012

(Benedict Mander, Financial Times "Venezuela more prone to oil price jitters" July 15 www.ft.com/intl/cms/s/0/415985c2-7a88-11e1-8ae6-00144feab49a.html#axzz24lgnWrjK)

With fewer than 100 days to go until the October 7 presidential election, the issue of Venezuela’s growing “oil dependency” and the government’s record of economic mismanagement has come to the fore as recent polls show Mr Chávez in a statistical tie with opposition leader Henrique Capriles Radonski.

“There is no question about it. Venezuela is not only more dependent on oil, but it is more dependent on the price of oil, as production has not increased,” says Jorge Piñon, a research fellow at the University of Texas.

The rise in oil prices since Mr Chávez came to power in 1998 has been a boon in many ways, allowing him to bolster his popularity by splurging oil revenues on social programmes, in to which state-owned oil company PDVSA funnelled some $53bn between 2006 and 2010.

The problem, however, is that PDVSA has neglected to invest in its core business, causing production to decline: it spent just $1bn in exploration activities over the same period. Venezuela produced 2.72m barrels a day in 2011, according to BP’s annual statistical review, versus 3.48m bpd in 1998 when Mr Chávez was first elected. This has made the economy more dependent on oil prices staying high.

“Oil prices are the Achilles heel of the Venezuelan economy,” added Mr Piñon.

Venezuelan oil prices fell to a low of $86.17 a barrel last month, after peaking at $116.85 a barrel in March. Despite Mr Chávez’s wishful prediction recently that oil prices should stabilise at around $100, fears that prices will continue to slide have triggered concerns about Venezuela’s $340bn economy, which relies on oil for 95 per cent of export earnings.