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Russia ‘Almost Certainly’ In Syria Due To Low Oil Prices, Lack Of US Leadership

Andrew Follett

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People are beginning to openly wonder if low oil prices had an effect on Russia’s decision to intervene in Syria. Steve Croft of 60 Minutes asked President Barack Obama directly Sunday what he thought Moscow’s reasoning was.

“The fact that they had to do this is not an indication of strength, it’s an indication that their strategy did not work,” Obama responded. He went on to say that Russia’s Syrian offensive came from a position of weakness.

Indeed, Russia’ economy is being hampered by low crude oil prices, and cheap oil is driving Russia’s foreign policy. Billionaire Investor T. Boone Pickens cut straight to the point when he told CNNMoney’s Cristina Alesci, “[Putin] wants a higher price for oil … This escalation certainly increases uncertainty in the oil-rich Middle East, thus boosting oil prices.”

Russia heavily relies on oil to buoy its economy and fund the government. In 2013, crude oil exports accounted for 68 percent of total export revenues, and low prices means less revenue to fund the country’s domestic and foreign policy agenda.

“Low oil prices are almost certainly involved in Russia’s decision to get involved in Syria, since the impact of low prices combined with U.S. and EU sanctions is seriously hurting the Russian economy,” Emma Ashford, a foreign policy expert at the libertarian Cato Institute, told The Daily Caller News Foundation.

“Russia’s Syrian intervention is almost certainly intended by the Kremlin, at least in part, for a domestic audience, distracting them from the poor economy and the effective failure of the war in Ukraine,” Ashford said.

President Vladimir Putin’s administration has indeed been active in pushing its foreign actions. Russia is openly supporting the Syrian regime’s offensive by targeting Islamic and American-backed forces like the Free Syrian Army and increasing its involvement in Syria. Additionally, Russia is ramping-up the propaganda in the continuing conflict between Ukraine and Russian-backed separatists.

The forecasts for Russia's economic growth are pretty grim. The International Monetary Fund predicts that Russia's economy will shrink 3.4 percent this year, the most of any major emerging market. The Russian central bank has previous predicted that if oil prices remain near $40 dollars a barrel, the economy could contract by up to 6 percent. In the first two quarters of 2015, Russian GDP shrunk by 1.6 and 2.0 percent respectively and 60 of Russia's 83 regions are now facing a debt crisis. According to the private intelligence firm Stratfor, sanctions and low oil prices have combined to be a "perfect economic storm." Even the Russian government is worried, cutting its growth forecast for 2015 and predicting that the economy will fall into recession.

"It's quite possible that if oil prices remain at low levels for long, oil production could decline, as had been the case before" Russian Deputy Prime Minister Arkady Dvorkovich recently told reporters in Moscow. Significant declines in the amount of oil produced could prove devastating to Russia, but producing more oil at low prices would only help keep the price low, trapping Russia in a lose-lose situation.

The Stanford Institute for Economic Policy Research predicts that low prices are likely here to stay because of weakening OPEC, increasing American oil production, new drilling technology and increased natural gas usage. Inflation in Russia reached almost 17 percent in the first two quarters of 2015, deeply cutting the purchasing power of ordinary Russians and hampering the government's ability to pay for continued military modernization.