**Crude Oil being Crude? De-energizing the Oily Economies**

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When we talk about energy, crude oil claims a significant share. The word ‘Oil price war’ became trendy in the circles of diplomats and economists since the turn of the last century. It is opined by some of the analysts that the continuous war-like situations world over is more or less the result of failing economies rather than failing religions. It is alleged that some of these situations are result of the continuous efforts of global economies to secure energy sources and sustain a consistent flow to fuel their growing domestic energy needs. The oil prices have undergone massive fluctuations in the last ten years, post mid-2006, right from $83 per barrel to a high of $151, low of $28.50 and are playing around $45 as of now. Numerous events which unfolded within this time frame like the nuclear sanctions and subsequent deal with Iran, US war on terror, ISIS, surging US dollar, sectarian tussle in the gulf, decline and growth in demand… etc. might have caused these fluctuations. Crude oil forms a huge quantum of import basket of the growing economies like India and China, loaded with more than 50% of the world’s population. This means that the energy requirements of about half the world, which is still in the developing stage, is by no means going to dip for a foreseeable future.

Falling oil prices is a cause of concern for countries heavily dependent on oil export revenues. Oil stands as the number one export product in the world. Exporting countries like Saudi Arabia, Russia, Iraq, UAE, Iran and Canada are traditionally found to rule the game. The power play had been easy for the largest exporter, Saudi Arabia, for so long and easier further with sanctions in place against the then third largest exporter of oil, Iran. However, the game changer entered the scene as the US Congress approved export of crude oil around December last year. US started deploying latest technology and took over as one of the largest producers. This, along with the lifting of sanctions against Iran with the recently concluded nuclear deal, paved the way for easy exports by the country and further dragged the oil prices to record lows.

Two big players in the form of US and Iran stormed the market with crude oil supplies. Iran after so many years of sanctions, aiming to get back its original market share, resorted to offering huge discounts. This massive fall in the oil price globally made situations worse for royal economies of the likes of Saudi Arabia and UAE back home, as their dependencies on revenue have traditionally had been oil exports. Canada & Iraq also felt equal heat over reduced oil prices. Moscow is already reeling under pressure on its currency ‘Ruble’ due to west-led sanctions for its involvement in Ukraine and falling oil prices forced heavy cuts on budgetary spending. Venezuela announced a 60-day economic emergency to better the situation as 95% of its revenue is dependent on oil exports. The indirect effects of lower oil prices trickled down to loss of cushy jobs in the gulf and substantial reduction of remittances of nationals working in the region to India and Pakistan. In what can be regarded as an interesting twist, increasing number of cargo ships and transport vessels are now doing several extra thousand miles round the Cape of Good Hope instead of the traditionally preferred Suez Canal in a hope to make more profits by the end of the trip.

**Recent Geo-poli-nomics play in the Gulf**

Freezing the oil output in the short run is one of the strategies adopted to stop a freefall of oil prices in the market. OPEC hosted Doha talks inviting non-members like Russia also for a freeze agreement to cut oil production in April. The talks collapsed as the meeting saw Saudi Arabia insisting on participation of all the member nations, while Iran purposefully gave a miss. Speculations were rife even before the meeting about absence of Iran in these talks. The reason of absence is known to be conflicts with the Saudis regarding killing of a leading Shiite cleric, Yemen issue and the diplomatic firings to and fro from both the sides. Iran further declared increase in production of crude oil in an attempt to regain the lost market share, post withdrawal of sanctions. Raised output from OPEC and oil supplies from Washington continue to play spoilsport for the oil prices. The sectarian war, proxy conflicts and ISIS confrontation in the region also now factor in crude oil production and pricing.

While Saudi Arabia continued unabated to take the largest cake of India’s crude oil imports for many years, Nigeria, Iraq and Iran now compete for the position. Last year Saudi Arabia saw a successful visit by an Indian Prime Minister after six years. Both the countries signed several agreements on investments in energy, intelligence sharing on terror financing and money laundering. The kingdom, a known ally of Pakistan, bestowed its highest civilian honor to the Indian Prime Minister leaving Islamabad unnerved.

**Saudi Arabia - an Energy Economy in Shambles?**

Despite possessing the largest reserves of crude oil in the world, the Saudi royal family is now concerned. The concern is not just about the post-oil era, but the massive fall in oil prices, which has posed a formidable question regarding the immediate near future of the kingdom’s economy. The budget of the country had the biggest hit for the first time with falling oil prices. The 2016 budget was drafted assuming $45 average oil price per barrel. Reports suggest that their powerful oil minister has been sacked. The nation which is well-known for its orthodox and traditional set up, had to juggle up its finances with immediate effect. King Salman is learnt to have raised the domestic prices of petrol and plans to reduce public sector salaries.

The future leadership also seems to change the social outlook of the country with various steps like more freedom to women, modern facilities, and education, etc. The 30-year-old deputy Crown Prince Mohammad bin Salman, the Defence Minister and the Chief Economic Planner plans to move the kingdom towards oil-free economy by 2020. The Prince is keen to drive the process of reforming the mathematics of the economy himself. The kingdom mulls selling a stake in the state-owned oil company Aramco, implementing a distinct five-year “National Transformation Plan” and creating world’s largest sovereign-wealth fund for the future.

**Indo-Iran relations: Thicker than Oil**

Iran has historically maintained good relations with India. The chapter of Iran’s surgical killing of Pakistan’s last effort to table Kashmir issue in 1994 at an international forum is seen as the epitome of diplomatic cooperation with India. The world powers had slapped sanctions on Iran alleging Tehran of stealthily becoming a nuclear state. India, staunchly combating US pressure during sanctions against Iran, sustained a reduced, but consistent import of crude oil from the country. Persians again reciprocated this friendly gesture with good discounts, facility of payment in Indian rupees instead of dollar and free shipping all the while during the sanctions’ period. Tehran also went a step further by awarding Chabahar port project to India, soothing New Delhi’s tactical concerns regarding Chinese corridor development in Pakistan’s strategic Gwadar port.

The Indian Prime Minister visited Iran this May. The visit sealed twelve agreements in all, focusing on doubling the oil imports from Iran. The deals were expected to be signed in the backdrop of ongoing consultations and visits of Ministers Gadkari & Sushma Swaraj since last few months to Iran. The historical pact of all was the official sealing of development of Chabahar port project with a tri-lateral trade pact of India-Iran-Afghanistan. India has agreed to shell out $500 million for the project also aiming at facilitating access to landlocked Afghanistan via Iran. The trade with the landlocked nation remains affected due to restriction of direct trade route via Pakistan. As a symbolic gesture of solidarity, Afghan President Ashraf Ghani also arrived in Tehran on this historic occasion. Nuclear sanctions being lifted, India is now eyeing deeper energy ties with Iran and has already lined up $20 billion as investment in the oil, gas, petrochemical and fertilizer sectors. The visit is said to be important with respect to energy security of the country as the world is moving towards stricter pollution norms. If we look at the statistics of last five years, Iran’s share has been steady around 6% of our country’s import requirements compared to 16-17% of pre-sanction years. This means now that the sanctions are no more, Iran too will be eager to get back an equivalent weight in India’s oil imports.

**Indian Diplomacy walking the tight rope**

The year is also expected to witness first-ever visit of an Indian Prime Minister to Israel. Energy conservation science and Defense cooperation are important aspects of ties between India and Israel. The diplomatic skills of the South block will be tested in securing defense ties and energy security, while maintaining strategic partnerships. Only time will tell how successfully New Delhi balances the act with Tel Aviv, Tehran and Riyadh simultaneously in the coming years.