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Subject: Thanks to oil prices, it has not been a good year for dictators.

And as the world economies grind to a halt, the price of oil has fallen by more than two thirds from its highs last July and is now at \$45 per barrel, a level not seen in over four years. OPEC recently said it would cut output by 7%, or about 2.2 million barrels a day, a huge cut by OPEC's standards. It is telling that oil prices continued falling despite this announcement.

While lower oil prices are welcome news for the US consumer and for consumers in other economies that rely on importing oil, the situation is very different around the world. The strain of dropping oil and gas prices has changed domestic policies in petrol based economies, where major social programs are being shelved.

Facing declining energy prices, Iran needs to cut its budget drastically, as oil and gas are 85% of its income. A \$45 per barrel of oil makes a different budget than oil at \$100 a barrel. If you plan to spend money based on 4 million barrels a day, as is the case in Iran, and their price drops from \$100 to \$45 as it did in the last four months, it means a deficit of \$220 million every day, which must result in lower subsidies and less welfare to the masses.

The corrupt and incompetent Chavez regime in Venezuela is losing popular support for exactly the same reasons: dropping oil prices translate into less social programs. Add food shortages and inflation, and you have explosive social unrest.

All this is making it harder for dictators to bolster their internal legitimacy with lavish spending.

The new reality also reverberates in the realm of foreign policy: Chavez's Venezuela, Putin's Russia and Iran are all weakened, and so are the Arab members of OPEC, some of whom are the breeding grounds for Islamist terrorism. Venezuelan president Hugo Chavez is no longer the beacon of financial promise for wayward regimes in Latin America, now that he is struggling with his own economy. And Iran will most likely have to reduce funding to its ambitious nuclear program, after years of spurning the toothless sanctions imposed on it by the United Nations.

Similarly, Russia will have to curtail its political ambitions of leadership on the world stage. Recently Russia sent its army into Georgia and its navy to Cuba, in a show of military power not seen in two decades. With oil prices above \$100 Russia was an important power, flush with cash and flexing its muscle. But producing 10 million barrels a day, Russia is experiencing some \$500 million of daily shortfall. That soon adds up to real money. Because Russia pegged its 2009 budget on much higher oil prices, their social programs have to be slashed, and military spending is next. The Putin government is dealing with angry protests and trying to avert public panic while supporting its declining currency.

Thanks to oil prices, it has not been a good year for dictators.