

# Oil, economic warfare and self-reliance\*

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**Abstract:** *This article examines the drastic recent decline in the price of oil and attempts to show that to the extent that this development was controlled, it constitutes, in combination with the growing sanctions against Russia, a new form of economic warfare aiming to bring the country to its knees and submit to the full integration of Ukraine into the New World Order.*

The dramatic fall in the price of Brent crude oil within a few months (its price has dropped by 25% in the last three months, from about \$115 a barrel in June to about \$85 today), and, even more important, the decision by Saudi Arabia, the main oil producer, not to cut production levels, so that the oil price could be stabilized at around the average of the last few years (around \$100 per barrel), has created the conditions for a new form of economic warfare, beyond the usual sanctions. Although there is no doubt that there are some economic factors at work behind the present drastic decline in the oil price, such factors cannot explain the striking inaction of Saudi Arabia, particularly when it is well known that, unlike most other oil producing countries, it has enough money in its budget to keep oil prices around \$80 per barrel for several years to come.<sup>1</sup>

The economic reasons behind the oil price decline refer to both the supply and the demand sides. On the supply side, the US oversupply of oil and energy in general in the last few years, thanks to the "shale revolution" and other technical advances, is well known. But, even more important is the long-term effect on the oil price because of the suppression of global demand, as a result of the emergence of a new kind of growth economy in the New World Order (NWO) of neoliberal globalization, as I attempted to show elsewhere.<sup>2</sup>

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<sup>1</sup> "Oil prices won't recover above \$100 — Russian Finance Ministry," RT (20/10/2014). <<http://rt.com/business/197380-oil-price-russia-100-budget/>>

<sup>2</sup> Takis Fotopoulos, "The new 'growth' economy of the New World Order," *The International Journal of Inclusive Democracy*, Vol. 10, Nos. 1/2 (Winter-Summer 2014).

The main mechanism in this new “growth economy” that brings about the suppression of aggregate demand is the opening and liberalization of markets, in other words, the lifting of any significant social controls on markets imposed in the past to protect society and environment from markets. Today’s social controls on markets are of the kind I called in the past **regulatory controls**,<sup>3</sup> which have usually been introduced by the Transnational Elite (TE) (i.e. the network of economic and political elites mainly based in the G7 countries) in control of the market economy in order to “regulate” the market. The aim of regulatory controls is to create a stable framework for the smooth functioning of the market economy without affecting its essential self-regulating nature. Such controls have always been necessary for the production and reproduction of the system of the market economy but whereas in the past the aim of such regulation was the control of the domestic market economy, today’s regulatory controls aim at the transnational market and are imposed through international institutions controlled by the TE, like the World Trade Organization, or the EU bureaucracy as far as the European market is concerned. The effective lifting of social controls aiming at the protection of society from the markets means that transnational corporations are today free to move capital and commodities all over the world having to face basically regulatory controls only. Furthermore, the “liberalization” of labor markets, which is part of the same process, implies effectively the lifting of social controls to protect labor, for the sake of attracting foreign capital (i.e. the transnational corporations), and making the economy more “competitive”. “Flexible” labor is the norm in this process and that implies a vast expansion of part-time or occasional labor, zero-contract hours etc. — all of which have the effect of artificially reducing the level of unemployment at the expense of real incomes which are essentially frozen in real terms.<sup>4</sup>

Thus, in contrast to the old type of “growth economy” founded on a mass consumer society that advanced capitalist countries had experienced since the 1960s, the new growth economy relies on growth for the few and de-growth for the rest and the consequent emergence of a new dual consumer society, that is:

- The usual consumer society, which, however, covers now only the needs (most of them being created by the consumer society itself) of the privileged social strata that benefit from globalization in both the “North” and the “South” — a small minority of the world population;
- The emerging today new “subsistence consumer society” covering the needs (mostly basic needs) of the rest of the population, which is

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<[http://www.inclusivedemocracy.org/journal/vol10/vol10\\_no1-2\\_The\\_new\\_growth\\_economy\\_Fotopoulos.html](http://www.inclusivedemocracy.org/journal/vol10/vol10_no1-2_The_new_growth_economy_Fotopoulos.html)>

<sup>3</sup> Takis Fotopoulos, *Towards An Inclusive Democracy* (London: Cassell, 1997), ch. 1.

<sup>4</sup> see e.g. Ed Conway, “The UK is paying the price of its jobs miracle,” *The Times* (14/10/2014).

condemned to either permanent unemployment or low wages/ salaries/ pensions, zero-hours contracts, part time or occasional employment etc.

This is particularly shown, for instance, in the EU periphery (Mediterranean countries and also the ex-soviet bloc countries) but it happens also in the G7 countries themselves where, as a recent *Times* editorial pointed out with reference to the rise of nationalist movements like the UKIP party in Britain, a "people's revolt" has developed lately as "the globalization of the economy has produced losers as well as winners. As a rule, the winners are among the better off and the losers among the least affluent."<sup>5</sup>

However, the fact that there are economic reasons for the decline in the price of oil does not negate the obvious intention of the TE and its client regimes like Saudi Arabia, to do everything they can to speed up this trend and intensify its effects, at this particular moment. That is, at a moment when it is well known that the US oversupply of energy may not last for more than a couple of years or so, when the "shale revolution" is expected to start giving diminishing returns. Furthermore this is the "moment" when Ukraine's future will be determined, i.e. the moment at which it will be decided whether the country as a whole, including the present rebelling parts of it, will be integrated into the NWO through its integration into the EU, as it was the aim of the February 2014 "coup from below". No wonder that the IMF and the EU assume in their bailout programs for Ukraine that Donetsk and Lugansk would remain parts of Ukraine, given the huge economic significance of these areas as the bedrock of Ukraine's coal, steel and chemicals industries, which contribute 16% of the country's economic output.<sup>6</sup> In view of this it is hardly surprising that Poroshenko, immediately after casting his vote in the farcical parliamentary elections yesterday, he declared, "I voted for a united, indivisible, European Ukraine." Given that Yanukovich's party, as well as the communist party, the strongest rivals of the pro-EU parties, were effectively (though not formally) banned in these "elections," one could safely predict a victory of pro-EU parties, making Poroshenko's prophesy a self-fulfilling one!

In the unlikely therefore case that this integration into the EU (and therefore the NWO) of the entire Ukraine is achieved and Russia, as well as the pro-Russia rebels, capitulate and accept the TE's demand to convert the present People's Republics of Donetsk and Lugansk into Ukraine's provinces with some degree of local autonomy, this would deprive them of the effective veto power they have at the moment on the crucial issue of the country's integration into the NWO, through joining the EU. Such a development would obviously have

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<sup>5</sup> Editorial, "The People's Revolt", *The Times* (11/10/2014).

<sup>6</sup> "Ukraine bailout could need extra \$19bn if conflict continues, warns IMF", *The Guardian* (2/9/2014).

catalytic effects on both Russia and the Eurasian Union. In other words, in this case, both Russia and the Eurasian Union will become subordinate members of the TE, exactly as the "globalist" part of the Russian elite wishes (i.e. all those benefiting from globalization and wishing integration into the NWO), i.e. all those that Putin rightly called in his Crimea speech the "fifth column". Although "globalists" represent a very small part of the Russian people, they seem to be holding dominant positions over crucial parts of the state mechanism, the media and the intelligentsia — apart, of course, from the economic elites. Their main aim is to expand further the present integration within the NWO, something that will mean the effective elimination of any elements of economic and therefore national sovereignty enjoyed by Russia today, which, as I showed in previous articles<sup>7</sup> are much stronger than those in the other BRICS countries, due, to the soviet legacy and the high degree of self-reliance achieved at the time.

It is therefore clear that the next two years are crucial for the elites constituting the TE, who saw a window of opportunity at this juncture to impose their will on Russia, as well as on anybody else who shows any signs of challenging their hegemony in the existing uni-polar world. So, the only realistic option available to the TE, having ruled out any kind of military conflict with Russia, was economic warfare. It is obvious that mercenary armies, on which the TE presently relies, may be useful in winning wars against weak armies of the South, but any war between countries in the North, as both previous world wars have shown, are bound to be mass conflicts and it is well known that very few consumer-oriented citizens in the West will be prepared to fight a war themselves, rather than delegating it to those recruited from the unemployed and low paid workers, as at present! Particularly so, if such a war would, at the end, be a war to defend the present huge concentration of power at the very few hands of the transnational economic, political and media elites. That is, a world in which 318 core companies, through interlocking ownerships, own 80% of global revenues<sup>8</sup>!

But let us see in some more detail why this juncture is so important for the TE. At the outset, it is evident that the longer Saudi Arabia keeps prices low, the higher the chances that not only Russia but also Iran and Venezuela, as well as some other countries in the TE's "axis of evil" which are also-oil producers (e.g. Algeria), characterized by a marginal degree of self-reliance, will also find it extremely difficult to cope with the combination of sanctions and low oil prices that the TE uses as effective ways to strangulate their economies and subordinate them to the NWO. In fact, most analysts expect, that if low prices

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<sup>7</sup> see, "BRICS and the myth of the multi-polar world," *Pravda.ru* (6/10/2014) and "Russia, the Eurasian Union and the Transnational Elite," *Pravda.ru* (1/9/2014).

<sup>8</sup> Andy Coghlan and Debora MacKenzie, "Revealed - the capitalist network that runs the world," *New Scientist Magazine*, issue 2835 (24/10/2011).

persist, Venezuela will default soon, and there will be huge budget deficits in Iran. As regards Russia itself, oil and gas account for about half of government revenues, so a price drop from \$100 to \$80 a barrel would cause a shortfall of about 2 per cent of GDP. As Sergei Guriev points out, showing the effects of the lethal combination used by the TE at the moment (fall in oil price plus sanctions) and hinting on Russia's present dependence on foreign investment for its development:

"Normally this would not be a great problem, as Russia would borrow in international markets, and Russian state-owned banks and companies would refinance their external debt (but) In the light of the west's sanctions, the situation is a lot more uncomfortable. (...) Russian government spending is denominated in roubles; if depreciation is strong enough, the budget may be balanced even if the oil price is at \$80. This will not solve Mr Putin's real problem: stagnating, and most likely declining, real incomes. Capital outflows will continue to result in lower investment, and therefore lower growth, in coming years. The government's 2 per cent growth forecast for 2015 already looks optimistic."<sup>9</sup>

However, the crucial issue is why the TE can so effectively use the economic weapon (sanctions is of course a clear form of economic violence) to subordinate its opponents? In fact, economic sanctions graphically show the importance of self-reliance in making a country invulnerable to the main weapon of the TE in the NWO. Although in the first two decades since the emergence of the NWO, sanctions used to be just one form of economic warfare, usually constituting only one step before an actual war, lately, with respect to Iran first and now Russia, sanctions became the main form of warfare.

Thus, UN sanctions were used successfully in the case of Serbia in the 1990s, and then in Iraq, following the Gulf war, during the decade or so before the invasion of the country by the TE.<sup>10</sup> Sanctions were also used against Libya (before the opportunistic about turn of Gaddafi to avoid the fate of Iraq and Saddam — which he did not avoid in the end!) and presently against Assad's

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<sup>9</sup> Sergei Guriev, "Russia can withstand lower oil prices but not for very long," *Financial Times* (19/10/2014).

<sup>10</sup> Takis Fotopoulos, "New World Order and NATO's war against Yugoslavia," *New Political Science*, vol. 24, no.1 (March 2002), pp. 73-104; "Iraq: the new criminal "war" of the transnational elite," *Democracy & Nature*, Vol.9, No.2 (July 2003), pp. 167-209.

<[http://www.democracynature.org/vol9/takis\\_war2.htm](http://www.democracynature.org/vol9/takis_war2.htm)>

Syria.<sup>11</sup> Yet, academic studies that examined the historical effectiveness of sanctions have shown that they are an ineffective form of warfare.<sup>12</sup> Therefore, the issue that arises today is why sanctions, which historically have generally failed in their aim to subordinate peoples — unless they were followed by military action — seem to be so successful in the NWO to bring peoples to their knees and make them willing to become subservient to the transnational elite. This had happened for instance in Serbia, where the integration of the country into the NWO was more the result of the sanctions than of the NATO war that was mainly used to further “soften” up the Serbian people. Similarly, if Iran eventually capitulates to the TE’s demands and if even Russia finally submits to the TE’s plans and Ukraine (apart from Crimea) is absorbed within the NWO as a subordinate member of the EU and the TE — all these crucial developments would, in fact, be the result of brutal economic sanctions by the TE.

So, the obvious question is why sanctions in the globalization era seem to be much more effective than before in subjugating countries? To my mind, there are two main reasons why economic sanctions today are so efficient that in some cases (the latest example being Iran), they could literally strangle the economy of a country and bring it to its needs.

The first reason is that there was never in the past such a concentration of economic power in so few hands, as is the case today with the TNCs, and the TE representing them. In the pre-globalization era, a country that was the victim of economic sanctions usually did not find it difficult to break them, simply by changing its trade and investment partners. This was particularly easy in the multi-polar world of nation-states before the Cold War but also in the bi-polar world that followed. However, today, when most countries in the world are fully integrated into the NWO and are therefore economically, as well as politically and militarily (e.g. as regards the sources of their armaments etc.), dependent on the TE and the main countries on which it is based (i.e. the G7 countries), breaking an embargo imposed by these countries is very difficult, even for a country of Russia’s size and capabilities, unless it is self-reliant, and Russia (though not as fully integrated into the NWO as China is) is far from self-reliant at the moment.

Thus, as a result of the dismantling of Russian’s productive structure following the catastrophe of marketization,<sup>13</sup> today, 70% of Russian exports consist of energy and raw materials and only 15% of manufactures (which is very similar to the export pattern of peripheral countries), versus 77% of exports

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<sup>11</sup> Takis Fotopoulos, *Subjugating the Middle East -Integration into the NWO*, Vol. 2: Engineered Insurrections, (Progressive Press, 2014).

<sup>12</sup> Peter Beaumont, “The currency war on Iran,” *The Guardian* (03/10/2012).

<sup>13</sup> Takis Fotopoulos, “The Catastrophe of Marketization,” *Democracy & Nature*, Vol. 5, No. 2 (July 1999).

of manufactures from the Euro area and 66% from the USA!<sup>14</sup> Of course, oil was the main source of export revenue during, also, the Soviet era but the growth of the economy, its productive structure and its consumption pattern (i.e. the degree at which USSR could meet the basic needs of all its citizens), was determined by domestic sources and considerations and not by export demand and imports. This was the inevitable result of the high degree of self-reliance achieved since collectivization and industrialization, in the framework of the five-year plans introduced in the early 1930's.<sup>15</sup> No wonder that exports played a small role in the Russian economy even when the Soviet Union was collapsing, and since then they had risen rapidly. Thus, the proportion of exported goods and services to GDP has more than doubled during the first post-soviet decade and fell to 30 percent in the second.<sup>16</sup> This implied a high degree of economic weakness, as Russia's level of national income and its growth depended on the vagaries of the demand for its gas and oil exports, as well as their market prices. No wonder the TE has already begun a systematic campaign, following the Crimea crisis, of reducing its dependence on Russia's energy exports. This, combined with heavy sanctions, and the present dramatic fall in oil prices could theoretically lead Russia to submission, unless it recovers its former self-reliance.

The second main reason why present day economic sanctions are much more efficient in achieving their aims than in the past seems to be the growth of the middle class in present consumerist societies. It seems that the existence of a significant middle class<sup>17</sup> plays an important role in the success of sanctions and it is well known that the fast expansion of the middle class is a relatively recent historical phenomenon coinciding with the emergence of the NOW — although the presently emerging new type of growth economy has an obvious adverse effect on the growth of the middle class which is only rising in globalization "paradises" like China and India but is declining in the main countries of the TE. Thus, both Serbia and Iran shared this important characteristic, i.e. a numerically significant middle class, whose members do not bother much about nationalistic or religious considerations, as long as they are left free to enjoy their individualistic way of life based on Western consumerism. The rule today seems to be that the bigger the size of the middle

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<sup>14</sup> World Bank, *World Development Indicators 2012*, Table 4.4.

<sup>15</sup> See e.g. Alan A. Brown & Egon Neuberger, *International Trade and Central Planning* (University of California Press, 1968).

<sup>16</sup> The proportion of commodity exports to GDP rose from 18 percent in 1990 to 44 percent in 2000 and then fell to 30 percent in 2010 (World Bank, *World Development Report 2000/2001*) Table 13 & World Development Indicators 2012 Table 4.8.

<sup>17</sup> Barbara Weinstein, A. Ricardo Lopez (eds.) *The Making of the Middle Class: Toward a Transnational History of the Middle Class* (Duke University Press, 2012).

class and the harder the sanctions, the greater their effect. This is why in cases where such a middle class was particularly strong — even if this strength referred mainly to its values rather than to its wealth, e.g. East Europe — no “softening up” by war was needed, whereas in other cases where the middle class was not so strong, and/or the regime had a strong power base in low income groups (e.g. Libya, Syria) some sort of military action was necessary for regime change, as a color “revolution” was not enough, by itself, to bring it about.

The fact that Russia has been characterized by a booming middle class in the last decade or so (due mainly to the energy bonanza which is now at a risk), particularly in the major urban centers (Moscow and St. Petersburg) is not irrelevant to the fact that the failed attempts for some form of velvet revolutions in the last few years were also concentrated in these urban centers. A strict sanctions regime could easily create the conditions for a repeat of the above described successful attempts to bring about regime change, particularly so if sanctions are accompanied by a recession that sanctions themselves help to generate. So, there is no doubt that the high degree of economic interdependence implied by the NWO of neoliberal globalization gives a very significant leverage to the TE, even over a country of the size of Russia, which is clearly not self-reliant any more, as it used to be in Soviet times when its industries were designed to be isolated from the rest of the world. As a senior US administration official aptly stressed, “targeted sanctions will have a disproportionate effect because Russia is now more integrated into the global economy”.<sup>18</sup> Not surprisingly, the *Financial Times* were enthusiastic about sanctions on Russia, stressing that “the US Treasury has learnt much from six years of carefully targeted sanctions on Iran. This is a powerful 21st-century weapon with which to punish a 19th-century act of aggression.”<sup>19</sup> What of course it omitted to mention was that the slaughtering of the peoples of Iraq, Libya and Syria at the hands of the TE and its proxies very much belongs to the 21st century as well!

As I tried to show elsewhere,<sup>20</sup> in discussing the institutional conditions required, so that the present essentially uni-polar world market system administered by the TE could be replaced by a democratic multi-polar World Order, we may distinguish between necessary and sufficient conditions for economic sovereignty, as a precondition for people's self-determination.

The fundamental necessary condition for real self-determination, so that the dependence on the NWO of neoliberal globalization and the TE

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<sup>18</sup> Geoff Dyer, “US revives cold war thinking on Russia, *The Financial Times* (23/4/2014).

<sup>19</sup> FT Editorial, “Hit Putin where it hurts”, *The Financial Times* (21/3/2014).

<sup>20</sup> Takis Fotopoulos, *Ukraine: The attack on Russia and the Eurasian Union*, (Published shortly by Progressive Press).



administering it could be eliminated, is self-reliance. The two main reasons for this are:

- First, the fact that economic self-reliance is the only way in which a country could become invulnerable to economic sanctions by the TE, which, as shown above, is the main form of economic warfare used by the TE in the globalization era.
- Second, the fact that self-reliance is the only way in which peoples could determine their country's production patterns in accordance with the consumption patterns they prefer, so that they will not be dependent on foreign (investment and finance) capital to develop their own productive resources and cover their needs.

As regards to the sufficient conditions for real self-determination, the main such condition is economic sovereignty as a precondition of national sovereignty, so that it is a country's people alone that determines the sort of economic policies and social controls required to meet the needs it decides to cover, through the methods of allocation of resources that itself determines, and without any foreign interference on this process. Needless to add that economic self-reliance does not just mean import substitution (i.e. the replacement of foreign products by Russian ones, let alone by Chinese products or BRICS products in general). It means fundamental economic, political and cultural changes, which could only be achieved within a Eurasian Union of sovereign nations, which will have to function as an alternative pole to the present uni-polar world run by the TE. So, self-reliance does not mean isolation, as globalists attempt to defame it. Instead, it means the creation of a new democratic world order of sovereign nations, which will determine collectively and democratically the division of labor between them, on the basis of principles of mutual aid and solidarity to meet their citizens' needs, rather than on the basis of principles of competitiveness drawn from an individualistic culture, like the dominant culture in the present World Order — a topic that transcends the scope of the present article.