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## **OPEC: Future in Doubt After Tense Member-state Relations and Declining Oil Value**

**Summary:** Poor relations between OPEC member states, decreasing demand for oil globally, and growing uncertainty surrounding Venezuelan oil production will likely create an uncertain future for the organization. OPEC's uncertain future will likely decrease OPEC's global influence and create a more volatile oil market.

**Petroleum Cartel with Deep Roots:** In September 1960, Iran, Iraq, Kuwait, Saudi Arabia and Venezuela formed the Organization of Petroleum Exporting Countries (OPEC). Currently, 14 states comprise OPEC, and the US, India, and China comprise OPEC's top customers. OPEC seeks to control, coordinate, and unify petroleum policies of member countries to increase profitability.

**Strained Internal Relations Hurt OPEC:** Saudi Arabia and Iran have a very tense relationship that will likely deteriorate further. Sectarian conflict and Saudi alignment with Western allies have polarized Iran and Saudi Arabia, which have not re-established diplomatic relations since severing ties in 2016. Saudi Arabia, through its Gulf Cooperation Council (GCC), unites The UAE and Kuwait against Iran. Since the removal of Saddam Hussein in 2003, Iran supported Iraqi Shia militias such as the Mahdi Army, the Badr Alliance, and the Asaib Ahl al-Haq (AAH). Following the rise of ISIS, Iran increased support for these organizations, which combined into the Popular Mobilization Forces (PMF's). In the current Parliament of Iraq, many of these groups merged into a pro-Iranian voting alliance known as the Fateh Alliance. The Fateh Alliance currently holds 47 of the 329 votes in Parliament, making it the second largest voting coalition. Saudi Arabia likely feels threatened by the increased Iranian influence in Iraq and in response to this, relations between the two countries will likely deteriorate.

Qatar's decision to leave OPEC likely indicates worsening Saudi-Qatari relations and may weaken OPEC. Qatar terminated its membership in OPEC on 1 January, citing an interest in producing Liquid Natural Gas (LNG) as an alternative to oil. However, Qatar likely left OPEC in response to the Saudi-sponsored blockade and boycott of Qatar. Saudi Arabia imposed the blockade in response to alleged Qatari support to terror groups, and growing ties with Iran. The loss of Qatari oil revenue will probably continue weaken OPEC, given that it was the 9<sup>th</sup> largest producer in the cartel.

The decreased stability in Venezuela will likely strain OPEC member states. Venezuela ranks 6th among OPEC oil producers. The high viscosity and sulphur content of Venezuelan oil makes the country highly dependent on specially equipped oil refineries on the US Gulf Coast. United States sanctions on Venezuela will likely lower the oil production in Venezuela, creating tensions within OPEC over which countries get to replace planned Venezuelan output.

**Global Oil Market Trends Hurt OPEC:** OPEC's share of the of the world petroleum market has eroded and appears unlikely to rebound soon. In the last three years, the US purchased a decreasing amount of oil from OPEC countries and imported the least amount of oil since 1967. The US domestic oil production also surged recently. As of December 2018, Saudi petroleum output had fallen behind that of the United States, which now exports more than it imports.

In addition to purchasing less oil from OPEC, American oil may replace OPEC as India's energy supplier. On 19 February, India plans to meet with Saudi Arabia to request the elimination of the 3-dollar surcharge that OPEC placed on oil being exported to India. However, India will likely search for cheaper oil, probably from the United States. India may also choose to purchase from both OPEC and the United States. Either way, India will probably utilize less OPEC oil, and OPEC production will likely continue to face decreased demand as a result.

An emphasis on renewable energy may also hurt OPEC sales. The European Union (EU) intends to become more reliant on renewable energy. By 2030, the EU plans to utilize 27 percent of the world's renewable energy shares and claims that by 2040, renewable energy will surpass oil as the globe's primary energy source. India also wishes to produce more renewable energy but is limited by its lesser-developed infrastructure. As more countries agree on the need to mitigate pollution, demand for clean and renewable energy will likely increase.

World oil prices will likely erode, especially if the global economy slows. In 2019, the world oil demand will drop 0.23 million barrels per day due to new technology advancements in the energy and environmental field, according to OPEC's own forecasts. In December 2018, the OPEC Reference Basket (the weighted average of prices of petroleum blends produced by OPEC members) fell 12.8% for the second month in a row. The average for the last four months was 56.64 USD per month, which is the lowest monthly average since October 2017.

**Outlook and Implications:** Frictions within OPEC, an increasingly disadvantageous oil market, and the uncertain situation in Venezuela will put considerable strain on the organization, and possibly cause countries to leave OPEC. This increase in tensions on OPEC will likely lead to a more volatile oil market and a further-destabilized Middle East.

If member states start to leave OPEC, the organization will further lose influence because it will control less of a share in the market, weakening its power as a cartel. Venezuela has high production costs and its 98% oil-based economy collapsed after the price of oil per barrel fell from 100 to 30 USD between 2014 and 2016. Although the current state of Venezuela may not replicate itself to the same degree in other oil-based economies, such as other OPEC members, it demonstrates the uncertainty facing oil-reliant economies.

With OPEC members relations deteriorating and the possibility of member states leaving the organization, the Middle East could become more destabilized due to member states such as Iran and Saudi Arabia finding less of a reason to cooperate with one another. When Qatar left OPEC, relations quickly became hostile between Saudi Arabia due to a lack of incentive to pursue positive relations. In addition, the inherent weakening of OPEC's political standing caused by infighting and possible future member departures will likely cause remaining OPEC nations to perceive their political influence as weakening. Without the economic or political incentives to cooperate, it is plausible to assume that there will be an increase in armed conflict in the Middle East as OPEC nations attempt to compensate for their decreased standing.

[Allyson Campbell, Parker Labine, Nick Ciolelli, Elizabeth MacManus, Carlton Dorrough, Ronald J Scruggs.]

### **CHINA: Investment Deal to Expand Influence in Cambodia and Southeast Asia**

**Summary:** An investment of 7.66 million USD displays an expansive Chinese foreign policy in Cambodia and Southeast Asia, which China will likely use to further its goal in establishing regional dominance in Asia.

**Development:** On 14 February, China provided Cambodia with 7.6 million USD from the Lancang-Mekong Cooperation (LMC) Special Fund to implement 19 projects in the country. The LMC coalition includes six countries: China, Myanmar, Thailand, Laos, Cambodia and Vietnam. Beijing initiated the LMC Special Fund in 2016 to support projects in the region and to fulfill the LMC coalition's shared interest in economically modernizing the 3,032-mile-long Mekong River that flows through all six countries. Wang Wentian, Chinese Ambassador to Cambodia, stated that the contribution will bring benefits to the Cambodian people in areas of education, health, and tourism and that Beijing hopes to use the fund to eventually build the LMC Economic Development Belt.

**Analysis:** China's investment in Cambodia demonstrates its intent to bolster its influence in Southeast Asia. The Mekong River stretches through all six participating countries of the LMC, therefore China likely sees it as a strategic waterway along which to establish projects (using the LMC Special Fund) and thus maintain significant economic leverage in the region. Beijing's goal to build the LMC Economic Development Belt also indicates its desire to develop a comprehensive economic network in Southeast Asia similar to the China Pakistan Economic Corridor (CPEC) in South Asia. Like the CPEC, the LMC Economic Development Belt will also likely act as a key artery in China's One Belt One Road (OBOR) initiative, bringing it one step closer to its fulfillment. Additionally, China's enduring relationship with Cambodia will likely increase cooperation between the two countries and could possibly enable China to gain further influence among Cambodia's neighbors in the region as well.

[Tyler Smith]

## **NIGERIA: Electoral Delay May Lead to Violence**

**Summary:** The National Independent Electoral Commission postponed Nigeria's scheduled presidential election, possibly resulting in violent conflicts between voters and the police.

**Development:** On 16 February, the Nigerian National Independent Electoral Commission delayed the nation's presidential election by one week. The Electoral Commission denies claims that political pressure prompted the postponement and cites logistical issues as the reason for delay. While incumbent President Muhammadu Buhari called out the commission for "incompetence," his primary opposition, the People's Democratic Party, accused President Buhari of causing the delay in a bid to retain his power. Additionally, President Buhari made a statement urging security forces to be "ruthless" with anyone attempting to tamper with the already controversial election.

**Analysis:** The response to the election postponement, including opposition parties' outrage, may fuel violent actions throughout the country between groups of dissatisfied citizens, voters, and the police. President Buhari's orders for the police and military to be "ruthless" when dealing with election meddlers may make the use of violence more likely as it gives Nigerian security forces a justification to violently crack down on citizens with the slightest suspicion of election tampering. Given Nigeria's history of violent elections and the widespread outcry over the postponement, many potential voters in the nation may interact with security forces using Buhari's orders to act ruthlessly against citizens as they arrive at polling stations.

[Thomas Perkins]

## PAKISTAN-CHINA: Finalization of CPEC Projects

**Summary:** China's plan to develop the Gwadar Port may negatively impact Pakistan's influence in the Arabian Sea.

**Development:** On 10 February, China's socio-economic development team finalized all the projects from China-Pakistan Economic Corridor (CPEC). The Ministry spokesman for CPEC acknowledges the openness of the Gwadar Port, making it one of the main focuses for CPEC's projects. The Master Gwadar Plan will connect Gwadar to China, cutting supply time travel from forty to seven days. Additionally, China plans to use Gwadar Port as a naval base. Pakistan's loan to China for this project will cost 60 billion USD.

**Analysis:** China's plan to expand and develop the Gwadar Port will likely become a threat to Pakistan. Due to Pakistan's financial instability, it possibly has no choice other than accepting Chinese financial aid and its agreement to CPEC's project development. The Master Gwadar Plan will provide China with more access to trade and military support in foreign waters, and aligns with their greater One Belt, One Road initiative by utilizing the port for military and merchant operations. China's growing influence in the Arabian Sea will likely increase tension in South Asia and Middle East, especially if China decides to build more fleets in other nearby cities, add tariffs to trade, and continuing growing Chinese cultural influence into the region. Pakistan's influence on the Gwadar Port will probably decline if it lets the Chinese gain too much control of its port; possibly leading to Pakistan losing one of its most profitable cities. Pakistan's loss of control in Gwadar will possibly lead Pakistan's thoughts of a newly developed port city to a new Chinese colony.

[Allyson Campbell]

## POLAND-ISRAEL: Spate Unlikely to End Alliance

**Summary:** Poland cancelled talks with Israel following inflammatory statements made by two Israeli ministers, which, although causing short-term tensions, will likely not affect long-term relations.

**Development:** On 18 February, Poland and three other nations cancelled a summit with Israel following comments made by Israeli Prime Minister Benjamin Netanyahu on 14 February suggesting Poland cooperated with Nazis during World War 2. Netanyahu claimed Israeli press misquoted him, but the Polish government stated they did not find that explanation sufficient. On 17 February, Israel's acting Foreign Minister echoed Netanyahu's comments by calling Poles anti-Semitic. The three other nations scheduled to participate in the summit, The Czech Republic, Slovakia, and Hungary, stated they would schedule separate meetings with Israel at a later time.

**Analysis:** Poland and Israel likely see each other as important allies, and this dispute will likely not affect long-term relations. These Eastern European countries and Israel benefit from each other because they likely all seek to balance against the EU, which likely opposes increased nationalism in Eastern Europe and Israel. Though Poland and Israel share different strategic interests, they both share increasing favor towards more autocratic and nationalist governments, making them sensible allies. Netanyahu's re-election campaign likely pushes him to appear more nationalist to appeal to his base. Though Netanyahu will likely reflect on his statement as a mistake, he can likely refocus and improve relations, assuming that he wins reelection in April.

[Zach Coffee]

### **RUSSIA: Kremlin Seeks Revival of Influence in Cuba**

**Summary:** The Cuban government under President Miguel Diaz-Canel has finalized and accepted the terms of a 43 million loan from the Russian government.

**Development:** On 6 February, Russian officials confirmed Cuba's acceptance of a 43.27 million US loan, intending to use the funds to modernize the island nation's military. President Diaz-Canel began negotiations concerning the loan during his trip to Moscow in November 2018, and Dmitry Shugayev, head of the Russian Federal Service for Military-Technical Cooperation, officially accepted its terms on 6 February.

**Analysis:** Russia may be seeking greater leverage in the Western Hemisphere as substitute for the investments it made in the increasingly unstable Venezuela. Due to the continued degeneration of pro-Maduro support in Venezuela and the ensuing loss of significant Russian investment in the region, the Kremlin will likely increase its economic and military support for the Cuban regime, while breaking economic ties with the Venezuelan government. While Cuban-Russian relations remain relatively steady, the island's gradual re-alignment with the West alters the two nations' political ties. The size of this loan indicates the Kremlin's willingness to overlook what it views as a Cuban political mistake, so long as Russia is able to maintain a foothold in the Americas.

[William Restivo]



### **RUSSIA: Talks with Israel Focus on Containing the Iranian Threat in Syria**

**Summary:** Russian President Vladimir Putin and Israeli Prime Minister Benjamin Netanyahu will meet in Moscow on 21 February to discuss their countries' involvement in Syria.

**Development:** On 18 February, the Kremlin confirmed that it will host talks between Putin and Netanyahu regarding Israel and Russia's involvement in the Middle East. The summit will also emphasize the threat Iranian forces in Syria pose to regional stability and the implications of the United States' eventual removal of its forces from the country. Despite the accidental downing of a Russian military aircraft in September - for which Russia blames Israel - the Kremlin allowed Israel to continue airstrikes against Iranian forces and military infrastructure.

**Analysis:** Israel and Russia likely share strategic interests in Syria and this meeting may strengthen the two countries' diplomatic ties. At the same time, Russia provided Syrian troops with S-300 anti-aircraft missile systems, indicating that it will not tolerate Israeli intervention against the Assad government. Both actions point to the Kremlin's intention to tolerate Israel's presence in Syria in order to indirectly limit Iranian influence in the region, which if left unmitigated could lead to a resurgence of instability and conflict. Such an outcome would threaten the Kremlin's interests in Syria, particularly the maintenance of the country's sole foreign naval base - an asset Russia will work to retain. Any exacerbated conflict in Syria would further embroil Russia in a costly and unpopular war. The Kremlin, therefore, will likely seek closer ties with Israel to stymie Iran's growing influence without openly acting against the Iranian regime's forces in Syria.

[William Restivo]

**This is a global intelligence briefing prepared by the students of the Global Security and Intelligence Studies program at Embry-Riddle Aeronautical University in Prescott, Arizona. The views expressed in this briefing are those of the students, not the university.**

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**For questions or comments, contact Editor in Chief Zach Coffee at [editorsee@gmail.com](mailto:editorsee@gmail.com) or Eagle Eye Faculty Advisor Dale Avery at (928) 777-4708**