

Answers to Political Questions

Oil prices, Erdogan's visit to Britain, Malaysia's Elections, Armenia

(Translated)

First: The Question: Oil prices rose on 24/5/2018 to striking numbers, where the price of Brent crude reached \$79 a barrel, and Texas crude at \$71 a barrel. This is after the drop witnessed in 2014. Does this mean that the world has entered a new era of high oil prices? Are we heading towards the past similar rise of \$150 a barrel? And what caused this?

Answer:

Oil, like any other commodity, is affected by supply and demand. However, unlike other commodities, the stability of oil prices is negligible. In other words, every change in supply or demand has a direct impact on the price of oil. This is due to the nature of the oil market. This is in addition to the impact of speculation, especially when political disturbances affect market instability. To illustrate this we show the following:

1- Regarding the Supply:

a- The Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC countries have agreed to limit the supply of oil in the market. In an agreement between Russia and OPEC countries at the end of 2017, a decision was made to reduce crude oil production by 1.8 million barrels per day, to remove excess supply on the market and increase the price of oil. A study by OPEC's Standard & Poor's Global Platts revealed that OPEC's crude oil production in April fell for the third consecutive month to its lowest level in a year, producing 32 million barrels per day last month, i.e. 140,000 barrels per day lower than in March. And today production is 32.73 million barrels per day, i.e. less than the OPEC limit by approximately 730,000 barrels per day. OPEC's agreement will last for one year. If current conditions continue, the price of crude oil is likely to rise further. The head of long-term research at "Energy Aspects" advisory, Matthew Barry said: "What we see happening, and will happen more in the future, is that supply problems or threats begin to impact more and more clearly on prices". (<https://www.marketwatch.com>)

b- The political and economic situation in Venezuela has had a significant impact on the country's ability to achieve its production targets, producing 1.41 million barrels per day in April 2018, less than 80,000 barrels per day as of March 2018, and less by 540,000 barrels per day for the year 2017CE. One of the main reasons for the decline is the policy of the Venezuelan state; the oil company (PDVSA) had poor management, and last month (ConocoPhillips) won the case against the oil company (PDVSA) worth \$ 2 billion, because of the confiscation of two oil projects in Venezuela. And (PDVSA) has already failed to repay its \$ 2.5 billion debt. All of this has affected the Venezuelan state's oil production and therefore has contributed to a reduction in supply. Thus prices are raised due to decrease in supply.

c- President Trump's announcement of a withdrawal from the nuclear agreement with Iran raised the prospect of new sanctions on the Iranian oil industry. A similar sanctions regime was first established in 2012 under the Obama administration. In theory, Iran's production could fall by 20% or 500,000 to 400,000 barrels per day, which would be equivalent to about \$1 billion per month at current prices (<http://foreignpolicy.com>). While the United States did not disclose what action it might take against Iran, there is speculation about a kind of sanctions regime targeting the Iranian oil industry.

All these three measures contributed to the decline in supply and the result is the observed rise in prices.

2- Regarding the Demand:

a- There has been an increase in demand for oil, and the International Energy Agency expects global oil demand to rise from 97.8 million Barrels per day (bpd) in 2017 to 99.3 million bpd this year. The Paris-based International Energy Agency (IEA) raised its forecast for oil demand growth in 2018 earlier from 1.3 to 1.4 million bpd. This is after the International Monetary Fund raised its estimate for global economic growth this year and next year. The International Energy Agency said in its monthly market report that demand for oil grew by 1.6 million barrels per day in 2017 (<https://www.reuters.com>)

b- Another area of growth in oil demand is China. In April 2018, it was expected that China would consume more than 9 million barrels per day of crude oil, more than any time before, and this is almost 10% of global consumption and more than one-third of the total demand in Asia. And if crude oil reached \$ 75 a barrel, it means that the monthly import costs of China of more than \$ 20 billion. This record demand comes despite the maintenance season, which usually a fall in imports happens at this time of year, and it shows that China's oil requirements are greater than expected. Goldman Sachs Bank said in a note to customers: "Chinese demand indicates robust growth, and may be higher than current estimates" (<https://www.reuters.com>)

Based on the above, there is growth in demand, which has resulted in the observed rise in prices.

3- **Speculation:** Speculation is activated in the event of rapid changes in supply and demand for oil, in addition to market sentiment that is difficult to determine. Thus, speculation becomes clearer when there is a significant increase or decrease in the price of oil. Large hedge funds play a role in the oil market either by buying or displaying large oil contracts. Therefore, speculation is a double-edged sword that may affect the increase in demand and thus increase the prices and may affect the decline in demand and lower prices. In any case, the impact of speculations has not been significant in the current price increase, but the most predominant role was the issue of supply and demand as described above.

4 - The rise in oil prices as the previous high numbers, such as reaching up to 150 or so, is unlikely to happen because the global economic conditions can not bear this, so it is expected that the price of oil will continue to rise slowly until it stops without reaching a hundred, especially that the impending trade war between the United States and China will lead to demand reduction and then oil prices will fall easily. In addition, the American pressure on OPEC through Saudi Arabia in particular to boost production would have a similar effect if prices rose to an undesirable level to America.

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Second: The Question: Erdogan arrived in London on Sunday 13/5/ 2018 for a three-day visit. Erdogan met during the visit with Queen Elizabeth and Prime Minister Theresa May. Erdogan's visit comes a few weeks before the early presidential and legislative elections in Turkey on June 24. It is known that Erdogan's relationship with Britain is tense since the failed coup failed, so how did this visit surface and what is its purpose? Has it succeeded in its purpose?

Answer: To demonstrate the purpose of the visit, we review the following:

1- It is known that Erdogan seeks to consolidate his authority through the presidential system where the authorities lie in the hands of the President, while the country is under the state of emergency. The state of emergency in Turkey saw the arrest of 160,000 people and almost the same number of government employees has been arbitrarily dismissed in many cases. Since the failed coup against the Turkish government in 2016, thousands of dissidents, including officials, lawyers, police officers and academics have been removed; many of them

are loyal to Britain. However, before departing Istanbul to London, on Sunday, (Erdogan described the United Kingdom as a "strategic partner and ally," and he said he would discuss bilateral, regional and international issues with May on Tuesday, and he said it would include the latest developments in Cyprus as Turkey and Britain as its guarantors, as well as discussing the "joint action plan" in the Middle East. Erdogan also stressed that his visit would also focus on increasing trade between Turkey and Britain. "We want to continue our economic relations without interruption after Britain leaves the European Union," he said. 13/05/2018 <http://www.elfagr.com>)

2- It is understood from his statements that he discussed with May the regional and international issues, the latest developments in Cyprus and the plan of action in the Middle East, and increased trade between Turkey and Britain. As for the plan of action in the Middle East, it is not Erdoğan that May will discuss with these international issues. The focus of talks between the two sides on economic issues and increasing trade exchange between the two countries, as Erdogan said in a press conference at Istanbul's Ataturk airport before leaving, is not true because economic and trade matters to increase the trade between two countries need an atmosphere of political stability between the two countries. And this does not exist, especially after the failed coup. What confirms this is that he did not announce the signing of any significant economic project during the visit. The issue of Cyprus remains, it is still possible to discuss it because the two sides are in guarantors of peace and security on the island, but this happens when there is tension on the island, which does not exist now. This means that all that Erdogan has declared as the purposes of his visit have no evidence, but rather a distraction from the real cause.

3- The real reason can be known by studying the reality of events since the failed coup and link those events with the fact that the visit came before the elections, and then show the real purpose of Erdogan's visit to Britain:

- As for the reality of the events, it is known that the failed coup was effectively conducted by the British agents in Turkey. Erdogan has taken very harsh measures against the agents of Britain, especially in the army as stated in the question and more. This resulted in this great anger in Britain against Erdogan. .

- As for the fact that the visit came before the elections and the link between them, Britain has led the Turkish opposition parties loyal to Britain, led by the Republican People's Party, to form an unusual coalition against Erdogan to obtain a majority in parliament, and it followed the usual tactics in such cases, i.e. to undergo parliament elections with as a coalition to attempt to transfer the presidential election to the second round at least, to show that Erdoğan lost to the majority of public opinion as he claims, and shake his image even if he succeeds later. This, of course, is Erdogan's fear.

Thus, the trip was more like appeasing Britain before the June 24th Turkish elections. This is why Erdogan tried to convince the British in exchange for some concessions, such as taking British agents out of jail, and praise Britain as a strategic ally, as in his statement, and to entice Britain by halting the wide "cleansing" campaign carried out by Erdogan against British agents in exchange for easing the confrontation of the British agents in the election campaigns. This is more likely the real reason behind Erdogan's visit to Britain.

4- Did he succeed in achieving his purpose? It seems that he failed, and the indicators are:

"The trial of those who tried to topple a democratically elected government is right," said May, standing beside Erdogan at her Downing Street office after the meeting. "But it is also important that Turkey does not ignore the values it seeks to defend while protecting democracy" ... (16/05/2018 alarab.co.uk) That is, May criticized Erdogan in front of journalists while he is her guest!!

- Freedom of expression groups protested were moved against Erdogan: "The protest in front of Downing Street government headquarters involved members of freedom-of-expression groups such as the "PEN", the "Index to censorship", and "Reporters Without Borders". (Nafahat Al-Qalam page 15/05/2018), and pro-Kurdish activists carried banners bearing pictures of Erdogan and the word "terrorist" (Al-Ain Al-Akhbariyah, 15/05/2018)

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Third: Question: The Malaysian elections took place on 9/5/2018. The result was the fall of Prime Minister Najib and the return of Mahathir to the presidency of the ministry, noting that he exceeded 90 years of age, as if there was a specific planning behind these elections. Were there external motives or that the subject as it is said a local democratic game?

Answer:

1- Malaysia comprises the southern part of the Malay Peninsula and the northern parts of Borneo Island. They are separated by a wide stretch of the South China Sea. Islam began to spread in the region through Muslim merchants in the thirteenth century CE, where rulers and elites embraced Islam first, before spreading among the general public. The Malacca Sultanate, which is located in the Malay Peninsula, gained prominence due to the increase in maritime trade when the land trade was interrupted by the Mongol invasions. The Sultanate gained independence from the Chinese influence in the fifteenth century CE, and soon embraced Islam and it was spread rapidly throughout the region due to the strength and status of this Sultanate. However, this region was colonized by the Portuguese through the Sultanate itself in 1511 after they bribed a person from inside to open the fort gate of the capital from the inside.

Then the Dutch came in 1641 and the British colonization of the peninsula started in 1786 through trade and port chartering, and through Britain's strategy of exploiting the different races of the "population" so that they become the actual rulers, keeping the remaining sultans to be largely symbolic rulers. The Malayan Union of the Peninsula achieved official independence from the British in 1957. The State of Malaysia was established in 1963 after the unification of the Malaya Federation with Borneo Island and Singapore (despite the dissolution of Singapore by voting in the Malaysian Parliament in 1965)

2- It is clear that even after independence, Britain continued to have political control over Malaysia, for example:

a- Malaysia remained a member of the British Commonwealth and a member of the Non-Aligned Movement (which it joined in 2003). It is also a founding member of the Association of Southeast Asian Nations and the Organization of the Islamic Conference, and Prime Minister Tonko Abdul Rahman was its first Secretary-General.

b- In 1971, the five-force defense arrangements were signed between the United Kingdom, Australia, New Zealand, Malaysia and Singapore after the withdrawal of the British East Suez. It should be noted that in 1971, Australia was ruled by the Liberal Party, which remained pro-British during the twentieth century.

c- Prime Minister Mahathir Mohamad opposed the establishment of the pro-American organization "APEC", which was launched by Australia under the leadership of the pro-American Labour Party chairman Bob Hawke in 1989. Hawke's successor is the leader of the Labour Party, and Prime Minister Paul Keating described Mahathir as "rebellious" for not attending the APEC Summit in 1993 in Seattle, USA.

d- As an alternative to APEC, Mahathir Mohamad proposed in 1997 the formation of the East Asian Economic Community, which excludes America and Australia, but this idea failed and was later transformed into the East Asia Summit meetings, which included Australia but

under the chairmanship of the pro-British liberal Prime Minister John Howard, however, America was excluded. (America and Russia were not able to join the group until 2011).

3- Britain has noted that America is flirting with former Prime Minister Najib Razak and feared of his shifting towards America, although he was a minister in the former pro-British Malaysian governments and came from the same party, the Malaysian National Movement (MNM) that ruled Malaysia since Independence. Some indications of this concern include:

a- Barack Obama visited Malaysia in April 2014, the first US president to visit Malaysia in nearly 50 years, where he decided to "upgrade the Malaysian-US relationship to a comprehensive partnership," which was part of Obama's Asia Axis policy.

b- Nagib and Obama were friends playing golf together in Hawaii in December 2014. Obama visited Malaysia again in November 2015.

c- Nagib strongly supported the Trans-Pacific Partnership, an American initiative, and insisted on US participation, and then worked with Japan to continue the Trade Point Program after the withdrawal of the United States during the Trump era. (Vietnam and Malaysia played key roles in saving the 11 countries in the Trans-Pacific Partnership Trade Agreement, which came close to collapse after the US withdrawal).[[https://asia.nikkei.com/Economy/Vietnam-and-Malaysia-play-vital-roles-in-making-TPP- 11](https://asia.nikkei.com/Economy/Vietnam-and-Malaysia-play-vital-roles-in-making-TPP-11)]

4- As the 2018 election approached, it seems that Britain has once again turned to its old and devout servant (Mahathir Mohamad), who used the opposition platform to return to power, and so it was. Malaysia is now expected to move away from US policies and resume work to reduce US intervention in the region according to British policies.

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Fourth: Question: On 8/5/2018, the Parliament of Armenia approved the election of the opposition leader Nicole Pachinyan as prime minister, closing the page of more than three weeks protests against the pro-Russian government in Armenia. The question is how large is this political transformation in Armenia? Does this mean that Russia's influence will be removed from Armenia? Does the West "Europe and America" have a role in this?

Answer: To clarify these things we review the following:

1- Armenia is a small country of "4 million people". Its independence was part of the wave of the breakup of the Soviet Union in 1991. The Republican Party, whose leader was ousted by the protests, has ruled Armenia since 1999, and its leader, Serzh Sargsyan, has completed two terms since 2008. His rule is widely described as dictatorial and pro-Russian despite the presence of opposition parties with representation in parliament. And because the country's constitution does not allow more than two terms for the presidency and in order to continue to govern, he sponsored constitutional changes that made the post of president honorary and transferred the actual authorities to the prime minister. As soon as his second term ended, President Sargsyan moved to become prime minister; (The Armenian parliament elected former Armenian president Serzh Sargsyan as prime minister, in a move that would strengthen his grip on power, despite the demonstration of thousands in Yerevan protesting his stay as the head of government.

The parliament approved 63 year old Sargsyan to take the post. He won the new post with 77 votes for and 17 votes against, after his second and final presidential term ended last week...Al-Nahar, April 17, 2018). Popular protests against this appointment broke out, especially since the Sargsyan era was characterized by the economic hardship experienced by the Armenians and lack of opportunities available, primarily as a result of government corruption, which is added to the country's lack of natural resources such as oil, gas and raw materials. The "Yelk" opposition party focused on all these issues and sparked the protests in

Armenia, which soon highlighted a new "popular" leadership represented by the opponent Nicole Pachinyan.

2- The protests in Armenia were mainly driven by the deteriorating economic situation under President Sargsyan. Like the other countries of the Soviet system, the administrative and financial corruption dominates the government in Armenia. Bribery is rampant in the government and it suffocated the people. People are unhappy with the ruling because of hardship in their livelihoods. They were counting the days for the end of Sargsyan's second term. But he planned to return with the prime minister post! So people rebelled against his rule, and matters ended with his resignation and the appointment of Pashinyan as prime minister. As the economic issue is pressing and is accompanied by the local democratic issues, the new Prime Minister Pashinyan, in his formation of the government, stressed the need for parliamentary elections and that his government should embark on "wide-ranging reforms in various fields." Pachinyan earlier pledged "Democratization of Armenia", the strengthening of the rule of law, the separation of special economic interests from the Government and the drastic improvement of the investment climate. (Armenian 14/4/2018).

Thus, it is clear that the political change in Armenia was locally driven primarily.

3- Reactions:

A- During the protests, America announced that it was closely monitoring the situation in Armenia and it looks like it was considering possible opportunities to extend its influence there. After Pashinyan was installed as prime minister, (US State Department spokeswoman Heather Nauert said in a statement late on Tuesday: "The United States congratulates Nikol Pashinyan as the new Prime Minister of the Republic of Armenia" and she said: "The U.S. Department of State looks forward to working closely with the new government and with the people of Armenia on the many areas of shared interest between the two countries, including increasing trade, working in support of democracy and rule of law, and safeguarding regional and global security." (Armenian News website 9/5/2018)

B- Europe's reaction: European Union foreign affairs and security policy representative, Federica Mogherini, made a phone call to Armenian Prime Minister Nicole Pachinyan. In a press release issued by the European Union (EU), Mogherini called on Pachinyan to visit Brussels at the earliest opportunity. The statement stated: European Commission Vice President Federica Mogherini spoke yesterday afternoon by telephone with Nicole Pachinyan to congratulate him on his election as the new Prime Minister of Armenia "They agreed on the importance of the partnership between the European Union and Armenia and looked forward to meeting in person," The EU foreign policy chief, Federica Mogherini, also invited Pashinyan to visit Brussels "at the earliest opportunity". (ARMENPRESS 9/5/2018).

C- Russia's reaction: after the election of Pachinyan by Parliament as prime minister on 8/5/2018: Russian President Vladimir Putin sent a cable of congratulations to Pachinyan in which he expressed his hope that the latter's work would help consolidate the relations of partnership between Russia and Armenia and bilateral cooperation between the two countries within the framework of the Commonwealth of Independent States, the Eurasian Economic Community and the Collective Security Treaty Organization. Pashinyan had earlier expressed his conviction that the strategic partnership and military cooperation between his country and Russia are the basis for the security of the Armenian state. Pashinyan said in a special session in parliament that the strategic partnership with Russia will remain a priority to Armenia. He said that his country would not exit from the Collective Security Treaty Organization, nor from the Eurasian Economic Union, which includes Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan. (Russia Today 8/5/2018).

In order to reduce Russian fears in Armenia, Pashinyan said: "The political process that began in Armenia does not, in essence, have any geopolitical context." He said: "Our

movement is not guided by the interests of the United States or the European Union but rather the interests of Armenia and its people, he continued: "Our protest is not directed against Russia, as well as it carries no features of the Ukrainian event." (DARAJ site 1/5/2018)

4- Thus, it is clear that Russia's chance to maintain its influence in Armenia is still present, so Russian President invited Pashinyan for a meeting in Sochi-Russia, and in their first meeting between them: Prime Minister Nicole Pashinyan told Russian President Vladimir Putin on Monday that he would like to develop relations more closely with Russia in the military field, and no one questions the importance of strategic relations between the two countries. (Reuters 14/5/2018)

"I think that no one in Armenia has questioned and will never question the strategic importance of Armenian-Russian relations ... We intend to give new impetus to these relations, politically, economically and commercially," said Pashinyan. The Armenian leader in particular noted that the people of his country appreciated the highly balanced position taken by Russia during the recent political crisis in Armenia. (Russia Today 14/5/2018)

And what reinforces Russia's chances of maintaining its influence in Armenia is what we might call the "Armenian complex", which is stopping the opposition from turning its back on Russia; Armenia is living in the vicinity of Muslims, and it has a constant sense of fear of its Islamic surrounding. It is next to Azerbaijan, where there is a conflict on the territory of Nagorno Karabakh, and Turkey that the Armenian accuses of committing large massacres there at the beginning of the twentieth century, as well as its proximity to Iran. Although Armenia is not in direct geographical contact with Russia, it is separated by Georgia from southern Russia, which is rife with Islamic separatism movements as in Chechnya. But Russia, as the closest international force, provided the Armenians with a sense of security in the face of the Islamic surrounding,

Since its independence, Russia has been providing military support to Armenia especially against Azerbaijan in the Nagorno-Karabakh issue. It has been providing loans and grants for energy and fuel supplies. Armenia has a weak economy, dependent on aid and remittances from Armenians abroad. Armenia strongly trusts Russia to protect it from Islamic dangers, and thus it can be considered that Russian military bases in Armenia and strategic partnership with it are the cornerstone of Armenia's foreign policy. Even the statements that emerged during the protests of some protesters about the withdrawal of the Russian military base in Armenia, that were reported in Russia Today on 26/04/2018, these statements are just to deflate the feelings of some of the unwary protesters of the reality of the opposition leader Pashinyan, as evidenced by his friendly practical statements in favour of the survival of the Russian military influence.

5- In conclusion, the nature of the protests are local so that the opposition takes the ruling, and although the former ruling was tied to Russia, because Sargsyan was a "neck bone" for Russia and that Pashinyan was in the opposition and Sargsyan was closer to Russia, the power of protests made Russia accept the one furthest from it than the nearest! It rode the wave and accepted the opposition, with reassurance of the difficulty of breaking the Russian –Armenian influence by the West, for the reasons we mentioned above. However, it is not expected that the West, especially America, will leave the Armenian arena exclusive to Russia, as is customary in the international colonial conflict with its many malignant methods.

10 Ramadan 1439 AH

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