



RESOURCE SECURITY WATCH

The American Foreign Policy Council's Review of
Changes to the Global Strategic Environment

Resource Security Watch No. 45

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Related Categories: Economic Sanctions; Energy Security; Warfare; Resource Security; China; Europe; India; Middle East; Russia; Ukraine

UKRAINE WAR CONTRIBUTING TO SPIKE IN GLOBAL HUNGER AND MIGRATION

The latest international report on global food security has painted an exceedingly bleak picture of current conditions. The study – coauthored by the World Food Program (WFP), the UN Food and Agriculture Organization, the UN Children's Fund, the World Health Organization and the International Fund for Agricultural Development – stresses that "the world is moving backwards in its efforts to end hunger, food insecurity and malnutrition in all its forms." Much of the decline is attributable to the deadly combination of the COVID-19 pandemic, Russia's war in Ukraine, and global climate change, with many nations experiencing a surge in starvation and mass migration.

In 2021, analysts estimate, 828 million people were affected by hunger – a 46 million increase from 2020 and a 150 million increase from 2019. These figures, moreover, are poised to surge, because Ukraine and Russia previously accounted for almost a third world's supply of wheat and barley exports and half of its sunflower oil – and a significant percentage of these supplies has been interrupted by the current conflict. The WFP's latest analysis reports 345 million acutely hungry people on the brink of starvation worldwide, representing a 25% increase as compared to January 2022. (United Nations, July 2022; Reuters, July 6, 2022; *NPR*, July 7, 2022)

OPEC'S GRIM OUTLOOK

Amid ongoing energy tensions worldwide, the Organization of Petroleum Exporting Countries (OPEC) is predicting an oil squeeze in the coming year. The cartel has outlined that it expects global demand growth to exceed supply by one million barrels a day in 2023. The bloc would need to hike production to fill the resulting gap, but OPEC members are already falling behind on existing targets due to underinvestment and political instability. With crude prices above \$100 per barrel, the current pinch on production further exacerbates the high cost of living resulting from the pandemic and is viewed as a contributing factor to the threat of a global recession.

It's an issue that the Biden administration is actively trying to resolve. During his July visit to the Middle East, President Biden met with OPEC leaders in Saudi Arabia in an effort to spur greater production. The U.S. bid was at least partially successful; Saudi Crown Prince Mohammed bin Salman subsequently announced that the Kingdom will increase its oil output to 13 million barrels daily, with the deal formalized at the August 3, 2022 OPEC summit. (*Bloomberg*, July 12, 2022; *Anadolu Agency*, July 16, 2022)

OLD AND NEW ALLIES PROPPING UP RUSSIA'S ECONOMY

Despite western sanctions, Russia's economy seems to be thriving on at least one front: energy sales. China and India have taken advantage of discounted Russian energy in the past weeks, and Brazil has been quick to follow their lead. In July, Brazilian Foreign Minister Carlos Franca explained that the country is seeking to import as much diesel as possible to support its agriculture industry and drivers. "We rely heavily on fertilizers exported from Russia and from Belarus as well," Franca said. "And of course, Russia is a great provider of oil and gas."

Russia is now India's second-largest source of oil, and is surpassing Saudi Arabia in terms of the volume of Chinese purchases. Wei Cheong Ho, Vice President of downstream at the Rystad Energy consultancy, remarked, "[t]he expectation that Russian crude would cease to be traded on international markets has not transpired, and instead, the steep discount on Russian crude has seen vessels redirected to alternative markets." Since being blacklisted by the West, the government of Russian President Vladimir Putin has shifted its focus to trading with BRICS nations [Brazil, Russia, India, China, and South Africa.] According to Kremlin estimates, trade with those nations increased by 38% between January and March 2022. (Associated Press, July 12, 2022; *Business Insider*, July 13, 2022)

FRANCE, UAE STRIKE ENERGY DEAL

Since the onset of the war in Ukraine, European governments have coalesced around the notion that it is now time at long last to wean themselves off reliance on Russian energy. France is leading the way in this regard. In July, French and Emirati officials signed a strategic energy cooperation agreement as part of Paris' efforts to diversify sources of energy supply. The new "partnership aimed to identify joint investment projects in France, the UAE or elsewhere in the sectors of hydrogen, renewable and nuclear energy," according to an official French government statement. Also in July, French energy giant Technip Energies and the UAE's National Petroleum Construction Company established a joint-venture to develop energy transition projects. The moves are part of contingency planning at the Quai D'Orsay. "France needs to prepare for the worst-case scenario on energy matters," French Energy Minister Agnes Pannier-Runacher has outlined. (Reuters, July 17, 2022; Anadolu Agency, July 19, 2022)