

**T.C.  
ISTANBUL AYDIN UNIVERSITY  
INSTITUTE OF SOCIAL SCIENCES**



**IMPACT OF OPEC POLICIES OVER THE GLOBAL ECONOMY: CASE  
OF USA**

**THESIS**

**Ameer Mahdi Nassrullah MZWRI**

**Department of Political Sciences and International Relations  
Political Sciences and International Relations Program**

**Thesis Advisor: Assist. Prof. Dr. Filiz KATMAN**

**DECEMBER 2016**



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T.C.  
İSTANBUL AYDIN ÜNİVERSİTESİ  
SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ

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**Ameer Mahdi Nassrullah MZWRI**





Every challenging work needs self-efforts as well as guidance of elders especially those who were very close to our heart.

I dedicate this project to the following:

- ❖ My Beloved Parents (Who educated and enabled me to reach at this level)
  - Mr. Mahdi Nassrullah MZWRI
  - Mrs. Nahida Hamad Karim
  
- ❖ To my siblings
  - Farida Mahdi Nassrullah MZWRI
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  - Muhammed Mahdi Nassrullah MZWRI
  
- ❖ Wonderful Supervisor;
  - **Assist. Prof. Dr. Filiz KATMAN**
  
- ❖ Along with all hard working and respected teachers

I wish that this thesis will be useful for researchers in further study on fields related to this topic.



## **FOREWORD**

I take this opportunity to thank my university for providing me with this entirely fulfilling opportunity and supporting me throughout, special thanks go out to my thesis advisor Assist. Prof. Dr. Filiz KATMAN, for all her support, guidance, motivation, courage and patronage in this project. Without the loving assistance of her, I would not have been able to accomplish this project. I also take this opportunity to recognize, acknowledge and appreciate the efforts of my family members, my father and mother, siblings and all my friends for their valuable assistance and support throughout my academic tenure. Without their loving presence and appreciation, I would not have amassed the courage to aim high and finally achieve it. I wish my family and friends would stay by me in future times, as I will endeavour across newer horizons by the will of God Almighty.

The idea to study how OPEC impacts on U.S. policies stemmed from increased global debates and conflicts over oil overdependence and foreign economic stability in the world. I was interested to know how OPEC, with all its member states, can play a role in guiding the U.S. oil policies and impacting upon its resource distribution and consumption patterns.

Organization of Petroleum Exporting Countries (OPEC) is a unique organization as its participating member-states are independent nations. In this study, energy issue in the U.S. will be investigated based on OPEC policy consequences with a perspective on how OPEC policies can further impact upon the world oil dependence and consumption.

**OCTOBER 2016**

**Ameer Mahdi Nassrullah MZWRI**



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## **ABBREVIATIONS**

<b>CPEs</b>	: Centrally Planned Economies
<b>EIA</b>	: Energy Information Administration
<b>FSU</b>	: Former Soviet Union
<b>GFC</b>	: Global Financial Crisis
<b>GDP</b>	: Gross Domestic Product
<b>OECD</b>	: Organization for Economic Cooperation and Development
<b>OPEC</b>	: Organization of the Petroleum Exporting Countries
<b>USA</b>	: United States of America

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## OPEC POLİTİKALARININ KÜRESEL EKONOMİ ÜZERİNDE ETKİSİ:

### ABD ÖRNEĞİ

#### ÖZET

Bu araştırmaya dayalı çalışma, OPEC politikalarının küresel ekonomik görünümü tarihsel olarak nasıl şekillendirdiğini Amerika Birleşik Devletleri örneğiyle açıklamaktadır. Bu çalışmanın temel amacı, OPEC politikalarını ön plan düzeneği şeklinde kullanan ABD'nin küresel ekonominin güçlenmesindeki rolünü derinlemesine araştırmak ve süper güç ABD'den etkilenen OPEC politikaları sebebiyle dünya ekonomilerinin (özellikle de gelişmekte olan ülkelerin) karşılaştığı temel sorunlara ilişkin bir anlayış ortaya koymaktır. Ayrıca ABD'nin petrol bakımından OPEC'e olan aşırı bağımlılığını azaltma hususunda nasıl çaba sarf ettiğine ve petrol bağımsızlığı kazanmak adına ulusal kaynakları nasıl korumayı ve geliştirmeyi amaçladığına da değinilmektedir. Çalışma, OPEC politikalarının sonuçlarının, özellikle OPEC üyesi ülkelerle pekiyi ilişkileri olmayan ABD'ninki olmak üzere, dünya ekonomilerini şekillendirmede nasıl yardımcı olduğunu incelemek üzere karma metodolojiler kullanarak yürütülmüştür.

**Anahtar Kelimeler:** *OPEC, Petrol Bağımlılığı, Ekonomi, Ekonomik Kalkınma, Sürdürülebilirlik.*

# **IMPACT OF OPEC POLICIES OVER THE GLOBAL ECONOMY: CASE OF USA**

## **ABSTRACT**

This research-based study identified how OPEC policies have historically shaped global economic outlook; with a case example of United States. The main aim of this study was to reflect upon US's role in strengthening of global economy using OPEC's policies as the frontline mechanism and demonstrate an understanding of the key challenges confronted by world economies (especially emerging countries) by OPEC policies influenced by the super-power US. This also mentions how US has made efforts in reducing its overdependence on OPEC for oil, and how it aims to preserve and enhance national resources so as to gain oil independence. The study was directed using mixed methodologies to examine how the consequences of OPEC policies are helping shape world economies, especially of the US since it does not have very good relations with the OPEC member states in particular.

**Keywords:** *OPEC, Oil Dependence, Economy, Economic Development, Sustainability.*

## **1. INTRODUCTION**

In this decade, we have faced a new big crisis since 2014. This ends the super cycle of commodity prices which was 105 dollars per barrel during four years of comparative stability before 2014. So, in terms of microeconomics, I will discuss the factors made the oil price declined. This decline in the oil prices is important; however, research indicates there were valid reasons behind this trend. Over the past three decades, oil prices fell in other episodes by more than 30%. The recent oil price decline has several features that can also be compared with the situations faced during 1985-1986 followed by strong expansion of oil supply from producers not belonging to OPEC and is the result of OPEC's decision to increase production. Other incidents included weakening global oil supply and demand that happened during the US recession of the 1990s, the recession of 2000, the Asian crisis in 1997, and the global financial crisis in 2008. All these incidents were eloquent of the fact that without a well-placed policy-relevant structure and framework, oil price declines would not be largely controllable. Apart from the production of unconventional oil, there are many reasons cited for oil price decline; one of the main reasons out of this was changes in OPEC policies which the global economies could not follow. Currency appreciation of the U.S. dollar and weakening global oil demands were also noteworthy factors behind this situation. The world, in recent years, is witnessing a new trend that has perhaps, weakened the powers and authority of the OPEC; this translates into the development of non-OPEC economic institutions supplying oil which are not bothered by the OPEC policies, rather they devise their own plans and policies, and act by it.

Although there can be different factors involved in an examination of the actual phenomenon, the waiver by OPEC for price-supporting mechanisms and expansion of unconventional oil supply played a decisive role on the world economy since 2014. Until this time, OPEC policy contributed specifically to support prices to a certain extent. Empirical evidences indicate certain related for further explanation

regarding the decline in prices to the applicable factors available. Irrespective of being applicable in the short-term only, oil price decline should have remained on a sustainable level and its volatility should have been decreased as much as possible.

Over the years, various researchers indicated that these trends have been prevalent and are somewhat in conjunction with previous research insights. It is found that factors related to demand contributed only about 20-35% to the decline in prices. According to these researchers, the main factors are thus, attributed to oil-supply and OPEC's decision not to cut production account for most of this decrease. The weakness of global demand explains only about two-fifths of the price drop. So, half of that decline reflects the cumulative effects of supply shocks and demand prior to June 2014; the other half is explained by shocks that occurred after, especially a weakening of oil demand linked to the slowdown in the global economy in December; by cons, no significant shock offer appears to have occurred between June and December 2014.

The oil price fall led to substantial income transfers from oil exporting to importing countries, which will stimulate economic activity in the medium term. In this case, the analysis of historical data lead Baffes and co-authors estimate a drop of 45% oil price related to the offer to supply tends to increase global growth of 0-7 or 8 percentage points in the medium term and reduce global inflation by about 1 percentage in the short term. As foodstuffs are energy intensive, the same decline should lead to 10% decline in food prices, contributing to lower inflation. Economic activity in the importing country will help stimulate: the oil price drop will reduce production costs of enterprises and increase the purchasing power of households. The external balance of importing countries will tend to improve.

The economic impact on the exporting countries will be negative and more immediate, to say the least. Exporting countries will experience deterioration in their external balance with the contraction in export value, but also significant fiscal imbalance with the consumption of tax revenues during oil exports. Fiscal authorities could be suggested regarding consolidations for greater financial management that could also assist in boosting activity in the domestic context. Importing countries will tend to know outflows, losses on their reserves and sharp depreciation of their currency. Central banks are then encouraged to tighten monetary policy to stabilize inflation and maintain market confidence, which will also help to depress domestic

activity. In addition, several factors can reduce the expansionary impact in importing countries. The slowdown in oil price drop makes a priori tasks of central banks of importing countries by reducing inflationary pressures. However, in developed countries, the slowdown in inflation, in a context where it is initially low, increases the risk that inflation expectations are more anchored and the economy slides into deflation. In this case, several banks have reduced their interest rates closer to zero, so they can hardly ease their monetary policy any further.

The mission of OPEC takes on various little steps to ensure where it wants to go; the first measure being its commitment towards preventing decrements in the prices of oil, at a high level. OPEC's member nations realize 40% of world oil production with almost half their share in exportation of oil reserves across the globe. In the year 2007, around 338 billion dollars was generated from eleven member states from oil exportation which constitutes an increment of around 13% since the year 2003. A major point in perspective here is the influence of changes in U.S. currency (i.e. dollar) which impacts on OPEC's policies since international trade in oil is done in this currency. As a supposition, if the dollar decreases in its value (currency depreciation), the purchasing power of OPEC states would decrease as well, due to which export ratio would be decreased by these states to be able to increase the real prices of oil. On a bi-annual basis, the OPEC member states conduct meetings within themselves to assess and study policy developments while examining economic trends that might alter the performances of international oil markets. Various decisions are taken in these meetings regarding actions to stabilize the market. Transparency and accountability in these meetings is very important as major policies with regards to changes in oil production and its world-wide distribution takes place therein.

The main aim of this research is a critical assessment of the profound impacts of OPEC policies on the global world economy keeping in retrospective view the case of United States. This aim of the study had been obtained from the following objectives:

- To identify how OPEC policies have historically shaped global economic outlook;

- To demonstrate an understanding of the key challenges confronted by world economies (especially emerging countries) by OPEC policies influenced by the super-power U.S;
- To reflect upon U.S.'s role in overall strengthening of global economy using OPEC's policies as the frontline mechanism;
- To recommend further actions based on aspects of strengthening and stabilising the world economy using OPEC policies as a definitive tool.

## **2. CONCEPTUAL FRAMEWORK: GLOBAL ECONOMY, OPEC**

### **2.1 Global Economy**

How OPEC evolved into a global one, and how the different events in past affected its influence over world economies. In times where increased oil dependence of non-oil producing countries including U.S. and widely-condemned manipulations of the cartel organization has been matters of hot debate, the actual extent of efficiency of the organization is indeed, debatable. In the light of given research along with the learning obtained from data collected for this research, OPEC countries does not hold responsibility for world oil shortages despite their control of oil production and supply (Greene, 2010). It also confirms to the belief that the cartel is definitely not an intergovernmental organization for manipulating prices of oil commodities for its own interest; rather the main purpose of it has always been related with global economic development and sustenance. Some issues related to OPEC's internal working environment suggested that indeed, there are fallacies with the global organization that need immediate rectification, especially those in relation with monitoring mechanisms and regulatory revisions. However, on the same hand, this research lent support to the idea that oil supplies are still better regulated and managed with the presence of this organization. It has also been discussed as the main frame of debate in this project that the U.S. government is very concerned and is visibly aware of the economic consequences its dependence on oil, that is forwarded to it via OPEC member states (Drezner, 2014). Also, OPEC's dominant price-setting influence can be internationally noticed where surging oil dependence on OPEC members have made consuming countries and regions realize that this dependence cannot be controlled without the support and collaboration of every nation-state in maintaining fair oil distribution and supply system in the world (Reboredo & Rivera-Castro, 2013; Baumeister & Peersman, 2013).

As we know that whenever OPEC effects the US's economy, this pressure on US directly affects the whole global economy. So that, based on the findings and



discussion, it was emphasized that U.S. should pay more attention towards R&D (Research and Development) initiatives that could be beneficial for both private and public sectors while also carrying out strategic planning for domestic oil production that might be less compelling in the shorter-run but will eventually be more fruitful in the long-term. The research suggested that the position of OPEC is unlikely to change in near future and unless substantial reforms are in place to meeting growing demands from reserves within, the situation of U.S. getting affected by OPEC's policies is certainly not changeable. Since oil is an essential commodity for commercial and personal use, OPEC's significance as the world oil regulator and swing producer would not be eliminated unless every emerging and developing economy finds alternative measures to rely on (Van de Graaf & Verbruggen, 2015). Another key aspect of the reforms could mean following the same strategy as Africa and former Soviet Union: keeping production steady.

Higher fuel taxes bring with it political pressures that aggravate the issue of oil dependence for the world economies. Some attention has been paid towards decreasing the usage of crude oil and other crucial petroleum products in the U.S automobile industry, which also directs these organizations towards findings alternative energy resources. The government of the United States also issued some standard codes of conduct on higher fuel economy for new passenger vehicles in order to limit consumption. As a result, the governmental attention towards eliminating oil dependence is somewhat recognizable. In the coming decades, many more stringent strategies will be needed to encourage automobile and other manufacturing and service sectors to limit their usage of oil through energy-efficient product design and using different green technologies to better reduce carbon emissions while also considering the perspective of the environment (Van de Graaf & Verbruggen, 2015). Fuel prices should be under control of government for domestic use which will not only encourage and compel more people to come with vehicles on the road but is most likely to increase the rate of road accidents which are negative elements attached with the initiative. One of the obvious expectations in the light of observed practices and phenomenon is that OPEC is not going to allow oil-consuming nations not to pay higher prices for consuming increasing amounts of oil (Greene, 2010). Of course, there has to be contingencies planned for, keeping in close consideration that OPEC's policies are at the most, only slightly alterable.

Deliberate control of oil supply continues to pose the most penetrating effects on U.S. economy; although, anti-inflationary effects, as a result of timely interventions of OPEC being a price regulator, create long-lasting advantages (Fuinhas, Marques & Quaresma, 2015).

The research provides an outlook on the ways and means in which U.S. economy is affected by OPEC's role as the world's swing oil producer and oil price regulator. Despite an understanding of the primary functions of the cartel, it has been attributed to give way to more price shocks in the world than there occurred before its evolution. This research contributed to the existing research on the topic but emphasizing the need of research and development towards alternating energy resources that can help the world gain more sustainability than merely depending on oil from OPEC nation-states. The surging oil prices and oil consumption rates across the world, especially in the United States, spark a wave of having more alternative routes to valuable energy resources than through OPEC, only. However, given the possibility that if U.S.'s thirst for oil from OPEC is unabated, there will soon be a time when it will have to extract oil from unconventional reserves (Reboredo & Rivera-Castro, 2013).

## **2.2 OPEC as a Cartel**

OPEC's objective is to coordinate and unify of member states on oil, ensure price stability on the world markets and prevent sudden fluctuations, and provide sustainable income for oil producing countries and effective supply for oil consumer countries (Kuchyk, 2005). Also, the primary motives and main missions, which are keeping the oil market supplied and stabilizing oil market, behind the formation have not been altered since the day it has been formed. A different number of economic, technological and political changes disrupted the economies of key OPEC members; however, its fundamentals remained as they were, before (Cairns & Calfucura, 2012). With the coordination of the member countries' oil policies start OPEC's objectives which also include ensuring that the prices remain stable in the world's oil market. Furthermore, stability to the nations in terms of consistent revenues from oil-productions and efficient and reliable support to the consuming nation-states remains at the heart of OPEC's preliminary mission. OPEC also attempts to ensure that the investors making substantial investments to the oil industry get a fair return and that

their rights are protected by all means. A reaffirmation to the commitments of OPEC's member states took place in the year 2000 where its preliminary initiatives and plans were reassessed (Rowland & Mjelde, 2016). Oil, being OPEC'S main interest has contributed significantly to the world economies over the past two centuries, and due to this significance, has gained the status of a commodity. The analysts agreed to the idea that better exploration of hydrocarbons is necessary as it is the most important energy source for the future years. The World Summit ceremony of OPEC held in Johannesburg ensured that proper energy supply is given to all countries irrespective of their economic status (poor or rich) because of its contribution to their sustainable prosperity and development (Huppmann & Holz, 2012).

An important factor to take into notice here is that OPEC's policies do not bind according to the circumstances of its members nor are time-bound, as well. Its policies are instead of a relatively permanent nature, and bind around the roles played by the organization towards energy industry progressions with the help of petroleum (Eichengreen, Rose, Wyplosz, Dumas & Weber, 1995). This way, the organization involves close coordination amongst member states and their cooperation towards taking its policies on the international economic stage. While different researches centre on the role of OPEC not being just a cartel, majority of the people insist on calling it by this term. A sovereign organization with permanent and realistic goals of progression with a mission to serve its member states in terms of petroleum supply and consumption is what OPEC is all about.

### **3. HISTORICAL FRAMEWORK: OPEC**

#### **3.1 Historical Progress of OPEC**

The Organization of the Petroleum Exporting Countries (OPEC) was conceived in 1960 at the Baghdad Conference where Kuwait, Iran, Iraq and Venezuela joined it immediately. These founding nations were later joined by Gabon, Angola, Qatar, Indonesia, Nigeria, Algeria, Ecuador, Libya and United Arab Emirates (Reynolds, 2011). Having discussed the main objectives and milestones of this organization above, the following section shed light on the progressions of the organization made throughout the decades after it was created:

##### **3.1.1 The decade of 1960s**

OPEC's formation in 1960 with five oil-producing countries happened at a moment where there were huge transitions and transformations occurring on the international economic and political platforms. Trends such as widespread decolonisation and the independence of new nation states were already giving the world politics a new meaning by this time (Reynolds & Kolodziej, 2007). While the international oil market, at this time, was severally dominated by few companies, the whole mechanism was totally out of control from the centrally planned economies (CPEs) and the former Soviet Union (FSU). With the inception of OPEC, there was a remarkable change to this economic discourse as a new organization stepped in with a wholly new set of vision and missions (Smith, 2009; Nystad, 1988). With the adoption and implementation of Declaratory Statement of Petroleum Policy in Member Countries' in the year 1968 (Mensi, Hammoudeh & Yoon, 2014), OPEC emphasized on its obligatory role towards sustaining the world petroleum industry regardless of the economic status of the participating-nations (Akacem, Faulkner & Miller, 2015). It also focussed towards the rights and sovereignty of each country to preserve its natural resources for availing positive outcomes for economic sustainability and progression in the world. The organization made considerable

progress during the very first decade, as its membership continued to grow (Reynolds & Kolodziej, 2007).

### **3.1.2 The decade of 1970s**

The decade of 1970s marked huge significance for the organization as it gained the enterprise huge world-wide attention and visibility. It was also during this decade that the member countries assumed complete and autonomous control over their petroleum sectors, and realized significance pricing control in the world crude oil marketplace (Smith, 2009). This meant that the influence of member-states towards controlling world crude oil prices rose considerably while this involvement helped them take notice of growing market volatility. Two historic events that triggered the volatility of world petroleum industry were marked by the Arab oil embargo in 1973 and Iranian Revolution in 1979 (Cairns & Calfucura, 2012). Arab oil embargo in 1973, it also was called Yom Kippur War in which Egypt and Syria launched a surprise campaign against Israel because Israel had already occupied some places from them, but only six days had gone when U.S. supplied Israel with arms. Therefore, OPEC members announced an oil embargo against United States, United Kingdom, Canada, Japan, and Netherlands. That is why the price of oil rose from 3 U.S. dollars to 12 dollars per barrel which was called the 'first oil shock'. Moreover, Iranian Revolution in 1979 happened after massive protests against monarchy when at the time the Shah of Iran was Mohammad Reza Pahlavi who fled his country in early 1979, after that Ayatollah Khomeini became the new leader of Iran. For that reason, global oil supply decreased by four percent. So that second oil shock occurred in the United States due to decreased oil output because of Iranian Revolution (Darmstadter, 2013).

These events invited huge worldwide debate on the need for international cooperation amongst oil-producing nations for greater stability of market performance (Ronit and Schneider, 2013). It was during this time that the OPEC Fund for International Development was created for implementing aspiring strategies for socio-economic development of nation-states. By the mid of 1970s, the membership of OPEC grew to about 13 participating countries (Reynolds & Kolodziej, 2007). Various dictated agreements and coordinated initiatives were also

a part of this era that necessitated OPEC's contributions to improve the global oil market downturns.

### **3.1.3 The decade of 1980s**

During the start of 1980s, crude oil prices reached their all-time high and started to weaken till 1986 followed by big oil gluts as consumers shifted away from hydrocarbons to alternative energy resources (Reynolds & Pippenger, 2010). There was also a price war ensued that indicated how OPEC could have lost its power of setting prices; however, instead of this, it indicated the central importance of improving relationships between OPEC and non-OPEC members towards greater oil supply coordination as well as peace in the region. The share of the organization in smaller markets fell drastically while the total revenue of the industry dropped down to minimal. These performance measures created significant issues for all member states as they faced economic turmoil resulting from these patterns of behaviour. It was only in the ending part of the decades that OPEC began recovering from these troubles, as its share of world output for petroleum limped back to normal (Cairns & Calfucura, 2012). This improvement was attributed to the production ceilings offered by its member states, and the success of dialogues between different OPEC and non-OPEC nations while this was also deemed highly significant for balanced oil prices and stability. Different environmental issues were introduced to the world during the ending part of this decade while higher awareness levels about key role of petroleum products in polluting the air, was further stressed upon (Huppmann & Holz, 2012).

### **3.1.4 The decade of 1990s**

This decade encountered a relative stability in the prices which did not move as drastically as the 1970s or 1980s. Different hostilities faced by the Middle Eastern region in 1990-1991 could not hamper OPEC's missions due to its implementation of concerted strategies at the right time (Smith, 2009). General weaknesses in price and excessive market volatility were few lasting issues faced during this time, followed by severe economic decline for South-East Asian region and a solid requirement of recovery from the hardship was realized. Technological advancements and growing globalization rates however, combated the issue for OPEC and helped it regain its position in the world oil market (Rowland & Mjelde, 2016). Advances in the relations between OPEC/non-OPEC countries along with producer-consumer

cooperation helped OPEC recover from the turmoil, and face the world economic pressures with renewed spirit and commitment. Earth Summit of 1992 was a direct result of growing environmental tensions in the world where OPEC vouched for a rigorously-monitored treatment of oil supplies while few suspensions to its membership also took place at this time (Akacem, Faulkner & Miller, 2015; Bremmer & Hersh, 2013).

### **3.1.5 The decade of 2000s**

Early 2000s brought stability to crude oil prices around the world followed by strategic oil price band mechanisms by OPEC. This, along with a variety of market forces, transformed the entire market situation by 2004 (Akacem, Faulkner & Miller, 2015), where the existence of a stabilized and well-supplied crude oil marketplace could be accomplished. Treated as an asset class, significance changes to prices and increasing volatility of the marketplace further conditioned the situation while bringing about distinct changes to the overall prices that reached its all-time high in the middle of 2008 (Rowland & Mjelde, 2016; Ronit and Schneider, 2013). The 2008 Global Financial Crisis (GFC) deteriorated the situation where severe economic collapse in the world financial sector brought with it, severe impoverishments for world economies. OPEC's summits in Caracas and Riyadh in the years 2000 and 2007 helped the organization play its part in sustaining the environment while establishing guiding themes for effective environmental control. It was during this era that Angola joined OPEC in 2007 (Cairns & Calfucura, 2012; Balcilar, Gupta & Miller, 2015); Ecuador reactivated its participation in which it had already joined OPEC in 1973, but later it suspended its membership in 1992. While the third nation, Indonesia suspended its membership in 2009 in which it had joined OPEC in 1962.

### **3.1.6 2010-Present**

The main risk of this decade was the volatility of global oil markets which was further reinforced with macroeconomic uncertainties surrounding the financial landscape of world economies. While social unrest and political tensions continued to haunt the nationals in some of the countries, the overall crude oil market remained subtle with few hiccups. The demand and supply schedules were significantly affected due to risk possibilities however, the aftermaths was not blatant (Ravenhill, 2014; Cairns & Calfucura, 2012). During 2011 and 2014, oversupply of oil prices

along with their speculative regulations resulted in price stability, and caused a fall to them eventually. One of the other patterns of changed market behaviour during this time was the shifting of trade patterns while demand schedules continued to grow far in Asian region and finally facing shrinkage in the Organisation for Economic Co-operation and Development (OECD) (Mensi, Hammoudeh & Yoon, 2014). There was a need for new UN-led climate change agreement as the world's assertiveness grew sharper with respect to protecting the environment (Rowland & Mjelde, 2016; Painter, 2012). OPEC continued to strive for greater cooperation between its members and non-members while seeking more stability in the international crude oil marketplace. However, it was during this era that Indonesia re-joined OPEC in December 2015, while it has suspended its membership in 2009. Also, the second country that re-joined OPEC again, it was Gabon which for the first time joined OPEC in 1975, and it terminated its membership in January 1995. But, it re-joined OPEC again in July 2016.

### **3.2 Challenges to OPEC**

While OPEC is greatly mindful of its role in the evolution of the global oil market and in turn, the world economy, there are definitely some hindrances that impede OPEC's exercise of power over oil reserves, and dilutes its strength. For almost 50 years after its inception, there are still some persistent challenges encountered by OPEC which were prevalent since 1990s onwards; these challenges are briefly discussed in the following passages:

- Geopolitical tensions and internal conflicts: The foremost factors that dents OPEC's ability to influence and monitor oil prices is due to geopolitical turmoil and internal conflicts which are greatly borne by the age-old divide between pro and anti-American members thus, intensifying conflicts (Ronit & Schneider, 2013). Being a traditional support to the U.S. Saudi Arabia is in continuous struggle with its relationship against Venezuela and Iran which are two anti-American nation states hence the influence of these countries over oil prices has been largely reducing. These tensions and rifts goes beyond ideological dissimilarities to suggest that OPEC's jurisdiction is perhaps, limited,



and only those countries are interested in its influencing ability which wants to use OPEC as a weapon (O'brien & Williams, 2013);

- Powers exerted by non-member states (Russia and others): OPEC is a syndicate that does not exert any pressure or obligations on non-member countries such as Russia. This has aggravated quite few problems for the organization since Russia is more concerned about producing oil than thinking about the pros and cons (Cohn, 2015). Boosted by large-scaled investments and reserves, the initiatives of OPEC are clearly in strong contrast to those of non-members such as Russia. Whereas OPEC wants to maintain the price, Russia is clearly participating in a race for more and more production for the sake of more market share.
- Growing production of unconventional hydrocarbons in the United States: This is also a potential problem at hand that is reducing the power and influence of the OPEC in addition to the new fields discovered in Brazil and Canada that will alter the international reserves and its distribution, while ending into new challenges for the organization. In periods of difficult global economy, the growth of nations such as BRIC (Brazil, Russia, India and China) culminates in a declining influence of OPEC unless there are more states joining the organization to help neutralize the effect (Cohn, 2015).
- Need for sustainable business model: Except for countries such as Qatar and Kuwait, the members to OPEC would require a sustained business model that can produce or be reliant on oil reserves for almost half its Gross Domestic Product (Ronit & Schneider, 2013). Till this time, political bodies favour these weaknesses since reliance on oil revenues helps increasing military activities in area sufficient in this commodity.

A combination of these few factors says a lot about the geopolitical effects of OPEC while highlighting how the world competition is greatly influenced by it. The future outlook presents yet other forms of severe challenges for the organization unless it attempts on overcoming those through urgent and immediate policy adjustments. This is only a broader context of the case that will be illustrated in the preceding sections; however, a large section of the review of literature will be borrowed from these insights.

## **4. MACROECONOMIC IMPACT OF OPEC POLICIES**

### **4.1 OPEC Policies and Economic Development**

OPEC's policy frameworks have created quite a number of benefits and advantages for world economies and their national economic subsystems. Some of these benefits include creating enormous wealth for oil producing nations and consumers, while controlling and stabilizing prices for growing number of customer countries, and ensuring oil security across the world. It also guarantees the stability of oil resources to the suppliers and plays a central role in controlling the demand and supply schedules (Sovacool, 2013; Greene, 2010). The strategic position and geopolitical stance of member countries gives OPEC an edge over non-OPEC countries in playing its part for greater economic development (Mensi, Hammoudeh & Yoon, 2014). These member countries can allocate a portion of their revenues in helping other neighbouring countries which would be a big step towards harmonizing the region and ensuring sustained oil supply. Enhancement in regional development would ensure that the political and economic cooperation between neighbouring countries is sustained which would be a lesson to the entire world (Greene & Liu, 2015). Iran, Kuwait, Saudi Arabia and Iraq are strategically located in the region where they can be a source of regional investments to Arab states while Libya, Algeria and Nigeria can contribute towards African development. While Venezuela is located to contribute towards the development of Latin America and Brazil, Indonesia can provide monetary resources for Southeast Asia. In this manner, every member country can should perform its obligatory part to enhance the world economic progress and stability on the global scale. In general sense, OPEC countries are transforming oil revenues into sustained projects for long-term investments that guarantee more economic progress than other initiatives (Balcilar, Gupta & Miller, 2015).

The participating nation-states in OPEC assume their responsibility by working closely with the government in an effort to promote local investment projects while attempting on greater economic success (Ftiti, Guesmi, Teulon & Chouachi, 2015). Sectors such as telecommunications, agriculture, healthcare and others can work with the OPEC member states to help achieve mutual objectives. Apart from this, since OPEC countries are a part of a large ecosystem where their existence is considered powerful, they can use this power rationally in achieving their countries' objectives and goals while helping other nations, as well (Fuinhas, Marques & Quaresma, 2015; Ghassan & AlHajhoj, 2016). It is therefore, one of the main aims of the organization to allow significant developmental progress to each participating nation so that they open their doors to others at the same time. According to popular arguments made by Bremmer and Hersh (2013), while these member nations possess adequate oil-producing experience, they lack expertise in oil marketing especially because they do not have knowledge about its significance for the whole process. However, in this course, it is worth understanding that the position of OPEC has always been an international one, rather than an intergovernmental participation which means that whatever strategies OPEC takes on will have an ultimate international implication for all nations.

**Table 4.1:** Some Statistics on OPEC Countries 1993-2002

**SOME STATISTICS ON OPEC COUNTRIES 1993–2002**

	Average. exports (thousands barrels per day) (1)	Correlation with OPEC exports	Per Capita Growth (%) (2)	Ratio Oil Output / GDP (%) (2)	Share of Oil on Exports (%) (3)	Share of Oil on Tax Revenues (%) (3)	Ratio Investment / GDP (%) (3)	Population Growth (%) (2)
Algeria	1,214	0.51	0.45	31.3	96.8	64.6	15.8	1.8
Indonesia	629	-0.17	2.40	8.8	21.8	25.0	25.0	1.4
Iran	2,472	0.01	2.29	7.9	80.8	52.6	24.9	1.5
Iraq (4)	1,052	0.78	-1.16	--	95.0	--	--	2.4
Kuwait	1,876	0.23	0.16	46.7	91.8	64.8	13.6	4.9
Libya	1,237	0.19	-0.92	--	93.7	59.6	12.8	1.9
Nigeria	1,815	0.90	-0.52	41.0	96.0	20.9	19.9	2.7
Qatar (4)	649	0.76	--	55.0	85.0	70.0	--	2.0
Saudi Arabia	7,686	0.18	-0.81	45.0	90.0	75.0	19.1	2.7
U. Arab Emirates	2,108	0.87	-0.17	23.5	48.7	63.9	--	4.3
Venezuela	2,662	0.88	-1.58	26.1	82.2	55.4	17.3	2.1

Source:

(1) USA Department of Energy;

(2) World Bank;

(3) IMF Country Reports;

(4) CIA World Factbook

Note: All statistics show the average between 1998 and 2002, except for average exports, which is between 1992 and 2002.

OPEC's strategies about levels of oil production in the world affect all nation states since the global oil market is increasingly inter-connected and oil production is transferred from one country to another (Greene, 2010). With more technologies in place and refineries suitably working to fulfil more demands, the supply schedule of crude oil in one part of the globe will naturally affect the crude oil production dynamics in the other. This way OPEC can easily impact upon the supply and demand schedule of these nations by controlling oil prices, which would ultimately affect other parts of the world, as well. There have been numerous ongoing debates regarding the prospective role of OPEC for oil-producing regions, and the efficacy for these regions to join the organization (Colgan, 2014; Guo & Kliesen, 2005). In this context, there are two kinds of goals that need to be emphasized through producers' inclusion in OPEC: economic development and reduced market volatility. Because oil revenues carry immense significance for OPEC nations, the participating nations can find a manner in which OPEC policies drive economic innovation within these countries as well as bring stability to the oil markets through making concerted adjustments between demand and supply. Secondly, according to arguments put forward by Parry and Darmstadter (2003), Fuinhas, Marques and Quaresma (2015), and Schandl, etc., (2015) high oil dependence serves as a motivation to oil producing OPEC countries which must perform well to maintain their current or future living standards. However, in reality, OPEC countries are not able to keep the market going in a much sustained manner and effective resource utilization within OPEC seems difficult at this point. Many scholars and researchers are of the view that OPEC has evolved in these decades and that it has turned into a huge market phenomenon. Since the 1970s, a substantial re-integration between different major and smaller OPEC nation states has been visible due to which the organization's overall influence has enhanced (Lutz, Lehr & Wiebe, 2012; Hughes & Long, 2015). Moreover, OPEC's impact on the economic growth of its member states had been higher through fair returns of capital that is a determinant of their sustainability in the international perspective. Since these countries derive a huge share of their revenues from oil and gas exportation, there have been significant improvements to their economic and business activities (Brown & Huntington, 2013).

OPEC's investment initiatives in the member countries do not come without a reason: it is the economies of these countries that are highly influential on OPEC

being one of its aims for development, as well (Greene & Liu, 2015). Oil export revenues, as mentioned before, forms the main source of oil income for the member states; however, there would be a time where oil resources would fall short for the region, at that point investments in a timely manner would suit the needs and fill in the gaps to compensate for resulting economic losses. Investments towards economic diversification and in sectors such as healthcare, telecommunications, education and transportation would carry huge world-wide ramifications, and its after-effects or advantages would be thoroughly transferrable to other regions beyond OPEC's jurisdiction (Greene, Jones & Leiby, 1998; Greene, 2010). In this light, it can be said that OPEC has embodied a permanent economic character whose effects could be realized all across the world. OPEC's initiatives and investment policies carry social and economic benefits for all nation-states, not just for voluntary participants.

A key impact of OPEC's policies to member states comes in the form of an undisputable bargaining power of the organization, coupled with its non-Westernized influence that can be identified as greatly beneficial for the member states (Esfahani, Mohaddes & Pesaran, 2014). Having said this, it can be argued that since the member countries' revenues come from their fair share of oil exports and oil resources, securing these from the Western pressures would ultimately guaranteed sound economic growth and prosperity. Another non-economic advantage that can easily be derived through this is that OPEC attempts to promote and endorse the interests of all its member nations in the world oil markets as well as on other international pedestals (Parry & Darmstadter, 2003; Golub, 1983). This way, along with increasing budgets for developmental assistance, OPEC has pushed its members forward with lesser debts and reduced poverty rates. Another key perspective that must be accounted for is that OPEC was established in a period of unrest where the cold war had just ended and greater international attention was diverted towards the tensions between the Western powers and the Eastern blocks. Hence, there is potential amongst OPEC countries to influence Western nations, being highly dependent on OPEC oil and playing an important role in world oil industry (Golub, 1983).

OPEC's short and long-term policy structures carry huge impact on international affairs, economically, socially and politically. For example, during Arab-Israeli conflict, OPEC imposed sanctions on its industrial members as a short-term policy so

that their foreign policy is changed accordingly (Ftiti, Guesmi & Teulon, 2014; Parry & Darmstadter, 2003). In this case, OPEC can gain success in several ways: sharp increases in oil prices, change in foreign policies of industrialized nations and provide a lesson that economic drivers are essential than political pursuits almost majority of times. The present century marks a period where energy dominance is most strategically exercised by oil-rich countries to dominate regions which are dependent on a sound and cost-effective supply of oil. This is the reason why even President Bush adopted a “quiet diplomacy with OPEC” as a strategy in 2001 contending they needed to build strong diplomatic relations with OPEC member states for mutual economic harmony (Fuinhas, Marques & Quaresma, 2015, p. 88). Even the long-term policies and regulations of OPEC are firmly utilized to build businesses across participant nations while controlling oil prices. The initiative of OPEC to set production quotas during 1982-1985 was also a measure to attain price stability that caused different international reactions (Greene, 2010).

Lack of disciplinary mechanism and monitoring instruments at OPEC has led to a dubious character of its members since many a times, cheating and miscalculations had been reported. This way a fraudulent practice may not be instantaneously defined or identified, but as soon as it is, OPEC treats the manhandling seriously. In cases of an identified error, all member countries need to agree by standard quotas as a result of which smaller or ‘minor’ participants face problems in reducing their productions on a pro rata basis which has been OPEC’s tradition for years (Balcilar, Gupta & Miller, 2015; Akacem, Faulkner & Miller, 2015). These momentary restrictions in output have raised many doubts across members and non-member countries while suggesting the urgent need of formal governing and monitoring mechanisms. Apart from this, price wars are another natural observation as a result of receiving implicit threats by members whereas strategic treatments to price wars between member countries can minimize the issues.

#### **4.2 Macroeconomic Impact of Opec Policies**

The recent eras have witnessed widespread criticism directed at the policies and frameworks of OPEC nation-states, which has sparked huge debates around its efficacy and influence in the global oil marketplace (O'brien & Williams, 2013). There is still a need to analyse the impact of OPEC’s policies on the world

(especially on the United States) while assessing if the organization has actually succeeded in maintaining its power and influenced in the international petroleum sector. Strong speculations revealed that OPEC has lost considerable power in the world economy owing to its declining influence and because of the emergence of non-OPEC countries on world oil regulatory platforms. The unearthing of oil reserves in the North sea along with those in Mexico, Alaska and the Gulf have further aggravated OPEC's miseries, while contributing towards the market modernization (Huppmann & Holz, 2012).

Economic analysts have contested several theories to determine the actual influence of OPEC policies on the macro-economic outlook of the global area; while some theories discussed the efficacy of its independent initiatives and actions, others were more deeply interested to unveil its role as a 'classical cartel' (Ghassan & AlHajhoj, 2016). The inside truth however, still shows that OPEC's member states are not responsible for world oil shortages despite their control of oil production and supply (Nystad, 1988; Brown & Huntington, 2013; Van de Graaf & Verbruggen, 2015). With respect to its macroeconomic impact, the official website of the organization could be quoted whereby the organization strongly affirms its role for the stability and harmonious supply of petroleum to both oil-consuming and producing nation-states. The member to this organization, in an attempt to fulfil these stated obligations, have been known to keep strong checks on the forecasted developments within this sector as well as the fundamental forces that shape and regulates it. Uninvited surges in oil prices could be regulated and out under reasonable control followed by OPEC's increased oil production (Mensi, Hammoudeh & Yoon, 2014; Greene & Liu, 2015). Producing about 42% of global crude oil, the organization however, makes it clear through its official web presence that it does not stand as the only controller of world oil marketplace (Dike, 2013). It also maintains that its primary capacity lies in increasing or decreasing the oil production due to which global oil market would automatically be affected (Nystad, 1988; Ravenhill, 2014; Mensi, Hammoudeh & Yoon, 2014; Fuinhas, Marques & Quaresma, 2015; Golub, 1983). Furthermore, OPEC's provision of fair and transparent pricing of oil regulates oil consumption practices while keeping oil sellers under stringent monitoring through coordinated efforts. Voluntary production of less oil and other such initiatives seeks to guarantee oil price stability while also preventing uncertain and

swift fluctuations. A key pointer in this regard is OPEC's deliberation that it is not responsible for setting the prices in the global oil markets as movements in three main exchanges - the Singapore International Monetary Exchange, New York Mercantile Exchange and the International Petroleum Exchange in London are responsible to influence it (Greene & Liu, 2015; Mander, 2014). Another research by Akacem, Faulkner and Miller (2015) indicates that market scepticism about OPEC's spare capacity and problems surrounding its influence over pricing has also led several countries including U.S towards disbelief that OPEC would hamper economic growth and stability for them. The world views OPEC as an influential price controller that can decrease its production while increasing the prices so that the member countries could enjoy inflowing revenues from residual demands that have to import oil in any case from the organization.

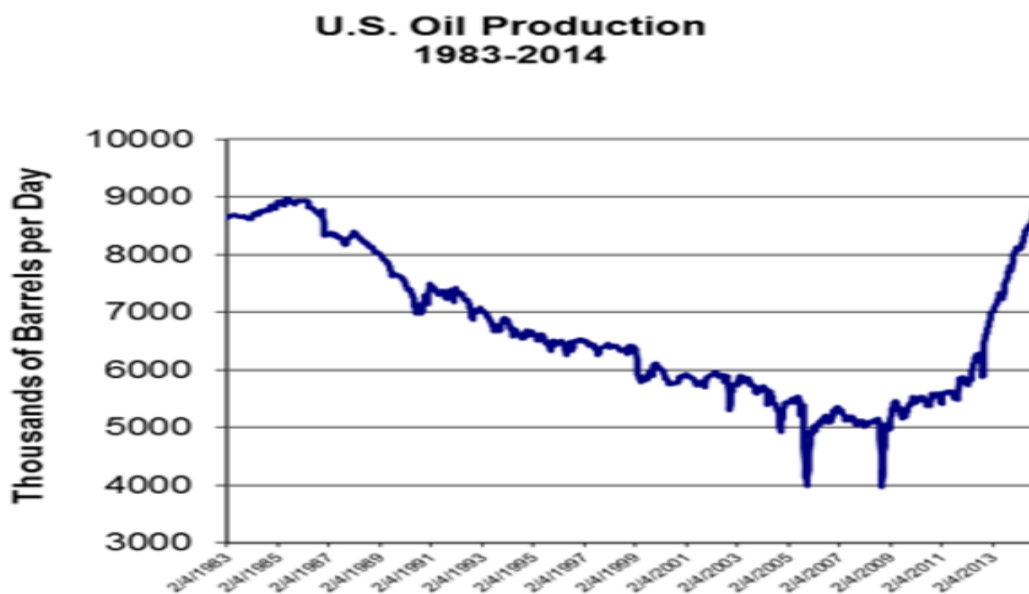
One of the many profound impacts of OPEC policies had been related with its effects in supporting economic recession through oil price disruptions (Ftiti, Guesmi, Teulon & Chouachi, 2015; Sovacool, 2013). The policies of pricing implementation by OPEC as well as control over its output from the member countries had known to be one of the reasons behind economic recession and its related turmoil. Moreover, policies of resource nationalism had adversely impacted on the Western investment projections through OPEC's output and policy pricing mechanism (Colgan, 2014). Since the productive capacity of the organization has also decreased over time, the production rates at present are still insufficient to fulfil increasing demands.

#### **4.3 US dependence on OPEC and its economic impacts**

U.S. oil dependency on OPEC countries causes various consequences for national and global security apart from other effects. Oil dependence has long-remained a national threat to energy stabilization, economic development and stability of U.S. Questions about national security cause threats to economic progress while challenging the national energy policies (Bremmer & Hersh, 2013; Esfahani, Mohaddes & Pesaran, 2014). During 1980, oil dependence of U.S. reached its peak for almost \$350 billion while in 2008 (Brown & Kennelly, 2013); it reached to about \$500. While this created potential losses in the Gross Domestic Product (GDP) of the nation, it also challenged the national economic systems questioning whether this dependence would ever be reduced or controlled, at least (Greene, Jones & Leiby,



1998; Mead, 2013). A direct answer to this miserable situation comes in the form of increasing local and regional oil production while depending lesser on foreign resources. Inflated energy prices, as argued by Brown and Kennelly (2013) are the direct cause why the United States could not, as such, develop policies for its oil independence. Unless the issue is sufficiently addressed, the nation is going to suffer with increasing costs and risks of energy security while having a threatened economic position, as well. The U.S. realizes that in order to stabilize its markets and provide them better safeguards, it has to ensure that oil dependence on OPEC countries are remarkably reduced (Rowland & Mjelde, 2016).



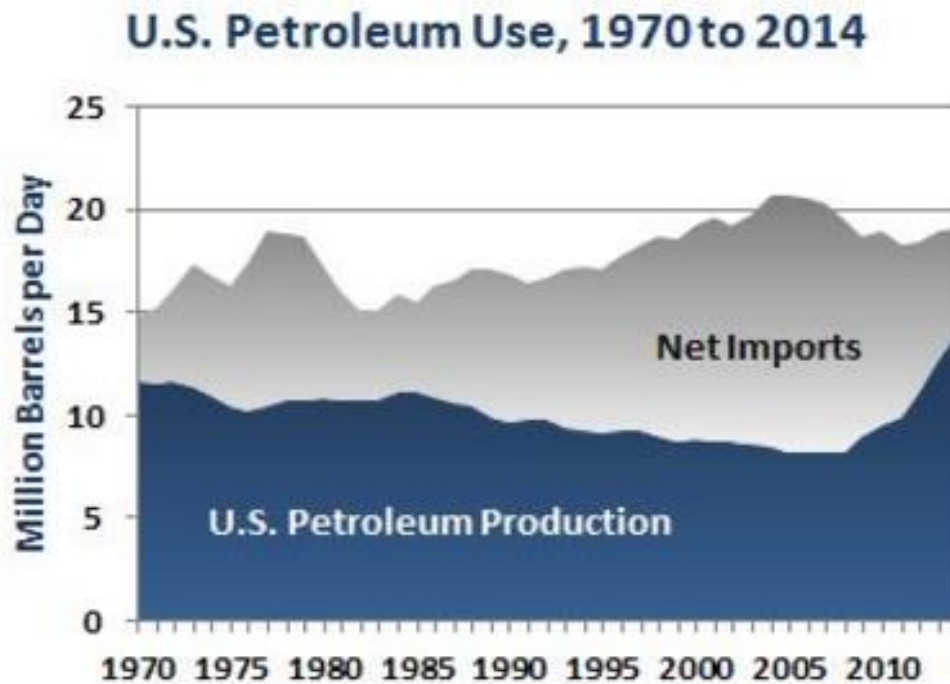
Source: <http://seekingalpha.com/article/3236756-opec-vs-team-usa-oil-shalers-round-one>

**Figure 4.1:** U.S. Oil Production 1983-2014

The rise of American oil dilemmas in the 1970s gave boost to OPEC’s influence in world oil markets due to two reasons: firstly, this situation was attributed to the Arab oil embargo that was a source of energy crisis in the same decade. There were extreme shortages observed in commodity goods as U.S. economy was left to suffer. Secondly, the initiative of Carter Administration for promoting conservation through increasing gas prices further added to the issues (Bremmer & Hersh, 2013; Eckes, 2014). Price effects resulted in shrinking supplies throughout the economy whereby oil-price controls delivered as they pleased. As domestic production continued to

reduce, OPEC availed the opportunity to enter through the opened doors with its imports and flooded the oil markets. As a result of U.S. embargoing its own oil reserves, a critical share of significance was very easily taken up by OPEC in the international oil markets (Parry & Darmstadter, 2003; Guo & Kliesen, 2005; Parry & Darmstadter, 2003).

Purchase of oil from volatile member nations of OPEC is a matter of severe consequences for U.S. Since the funding from oil purchase goes to these member states, America is involuntarily funding wars, and is helping these states develop nuclear weaponry. Moreover, U.S. national security is greatly threatened by its unintentional contributions towards establishing weapons and funding terrorism. The ongoing political tensions between different OPEC countries located in the Middle East takes uncertain and incidental decisions that disrupt the entire international oil market by inciting embargoes merely due to political rivalries (Bremmer & Hersh, 2013; Guo & Kliesen, 2005). There is a need to reconsider the extent to which political problems of member countries should be allowed to affect the world oil markets; otherwise, the efficacy of OPEC and the effectiveness of the organization's initiatives would rather appear challengeable. The following graphical representation illustrates the use of petroleum by U.S. and indicates huge oil dependence:

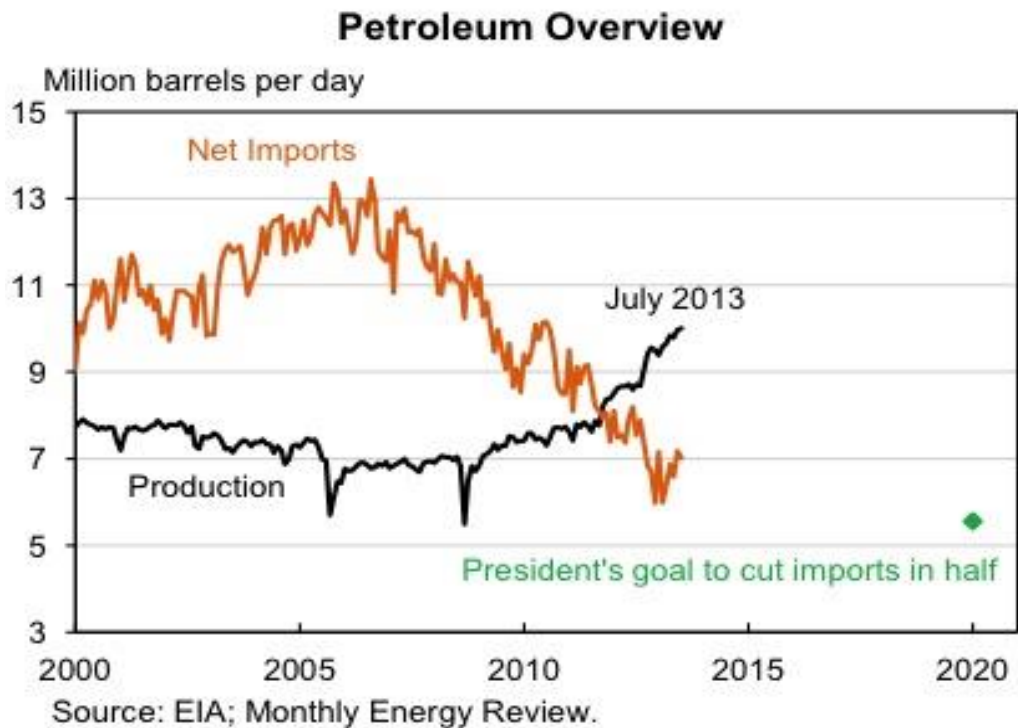


Source: <https://www.fueleconomy.gov/feg/oildep.shtml>

**Figure 4.2:** U.S. Petroleum Use, 1970 to 2014

Reduction in oil dependence is an urgent economic issue for US whose stance on these economic costs of this dependence unveils their tragic economic conditions. Two major issues underlying this dependence comes from oil price shocks of OPEC and their manipulation of pricing mechanisms as indicated by U.S. analysts. Furthermore, another common reason behind this dependence comes from a control on around over 73% of oil reserves by OPEC which leaves no chance for U.S. to avoid this increased dependence. While research does not depict clear-cut solutions for reduction in oil imports, there are still chances whereby the market control of OPEC can be somewhat minimized so as to allow U.S. in aiming for sufficiency or at least, in reducing the impacts of price shocks through a minimal petrol use. Researches by Ghassan and AlHajhoj (2016) and Fuinhas, Marques and Quaresma (2015) indicated that the U.S. economic decision-makers and Bureau of Economic Analysis are still unsure whether or not new fuel economy standards would be any useful in decreasing the impacts and allowing for a control over greenhouse gas emissions. Some of the possible solutions to this dependence come in the form of increasing U.S. real-world fuel economy to about 45 mpg which could further

enhance the situation. The fuel costs should further be cut down for the customer to more than \$ 1.7 trillion.



**Figure 4.3:** Petroleum Overview

Research also indicated that U.S. is destined to reduce its oil dependence on OPEC by 2025 to about 2 million barrels per day which would be 50% less oil that it imports from OPEC countries at present per day. This also implies the implementation of new technological solutions for the country as it needs to upgrade its vehicle technologies for more energy-efficiency while devising new methods for minimal energy use (Bremmer & Hersh, 2013; Brown & Kennelly, 2013). Moreover, investments in cutting edge technologies are another solution to address the issue. This also manifests in developing alternative energy resources for cost-effective and clean use of petroleum while undertaking substantial research to explore new means of saving it. In this wake, there is a need to devise and execute a substantially-efficient energy policy which must focus on the following aspects of the dependency issue:

- There is a need to avoid and minimize abrupt disruptions in oil supply that causes a very adverse effect on every American's lifestyle;

- Costly conflicts and sudden disruptions in oil supply can lead to various actions that consumes significant financial resources (Fuinhas, Marques & Quaresma, 2015);
- Subsequent conflicts over oil dependence results in a reduction in military efficiency while compromising on other peacekeeping measures and activities;
- The economic reliance on Middle Eastern and other OPEC countries should be reduced and minimized;
- Oil dependence is mainly intensified due to commercial and transportation uses which should be monitored and controlled to avoid future shortages;
- Conflicts with oil producing nations should be controlled as it lends support to anti-peace movements and inter-regional riots in the region; and

Exploration of alternative carbon fuels is necessary for economic stability while also seeking solutions to environmental hazards (Van de Graaf & Verbruggen, 2015).

If the supplying of crude oil resources by OPEC countries does not suffice, according to the expected rises in demand, the resultant rise in prices on a very sharp scale can mean economic turmoil for several countries including the United States. According to the respondents, 70% of the proven world oil resources were held by OPEC, which serves as not less than a magnanimous controlling ability over the total oil production capacity of the world. Price manipulation was also cited as the most important yet critical reason for the negative effects on U.S economy (Luft & Korin, 2013; Garner & Scott, 2013). There had been several opinions regarding the repercussions of the increments in oil price that also affects U.S economic growth by slowing down the stock markets. The participants were of the view that the biggest effect is realized as a result of this manipulation whereby supply is deliberately controlled to ‘mismatch’ the hiking demands. Both the production as well as the Gross Domestic Product (GDP) is badly damaged with the increase in the oil prices. One of the respondents were also of the view that there can be unexpected potential impacts of OPEC policies on US economic development and sustenance as the country is already passing through a phase of great structural development. On the other hand, the anti-inflationary effects on U.S economy resulting from declined oil

prices also tend to cast an advantageous impact which benefits the U.S economy (Luft & Korin, 2013).

The main point of discussion that was also one of the main findings of the session was the participants' perceptions and viewpoints regarding embargos. One of the respondents claimed honestly that these embargos are mostly politically-influenced on the OPEC member-states which then have no other option than to implement them. However, another surprising fact with respect to these group discussions was regarding the responses obtained against hostile attitudes of Iran and Iraq towards U.S. One of the participants opined that it is due to U.S-led policies that economic destruction took place and countries such as Iran or Iraq are not to be held responsible for it. Moreover, it was also suggested that the aftermaths of quota-cuts can only be avoided if subsidies are provided at the right time followed by effective measures of economic stability in the long-term using sound economic policies (Reboredo, Rivera-Castro & Zebende, 2014).

Apart from the widely-discussed production controls, other less significant effects of OPEC policies on U.S and other economies were attributed to be the products of changes in taxation system, and nationalization of concessions. Tax reference pricing system or mechanism, as claimed by one of the respondents, was under review of alteration since it received criticism for being economically oppressive by the United States. These participants, being representative of their country, were positively aware of the fact that some measures of OPEC, while being advantageous to some, might mean danger and devastation to other economies. However, it was informed that structural alterations and few other process improving steps and actions are underway, and hopefully future situation is going to be better.

Based on the perceptions of the participants, various policy implications have served as determinants of the success of interactions between U.S and OPEC. Over time, various events and historic policy alterations built hostility between some economies while considerably benefitting the rest. Therefore, decreased dependence is perhaps the only solution before the United States to prevent itself from substantial influences from OPEC cartel. These reviews, perceptions and beliefs further contemplated that the futuristic policies of OPEC aims at addressing the issues of mutual hostility that should fade in the light of strategic policies aimed at not undermining economic growth of any nation but for regional cooperation and collaboration. Respondent

insights also suggested that in order to decrease their oil dependence, major disruptions in the supply of petroleum should be controlled and regulated. Further opinions also supported the idea that OPEC should revisit its ties with U.S economies to suggest better solutions to the issue rather than only talks and discussions.

The generalized perceptions of Western control over natural resources was another dimension in which the respondents threw light at how the Western countries feel as if it is their right to access natural resources and contribute towards stabilizing the oil prices. Another insight that was quite visible in the interview discussion was the role of financial markets in stabilizing oil prices, and affecting the rate of currency in some nations at the expense of the others. As a non-OPEC country, the role of U.S in the international oil crude markets may just be of a buyer yet it had its own set of effects and impacts as without the demands of buyers expressed in an explicit manner, the suppliers' move to distribute oil resources across the world may be meaningless. The respondents also opined that over time, less attention has been paid towards the role of crude oil markets in the international business sphere and its connection with US dollar exchange rate. This has an important stake in the U.S economy as per the co-integration theory (Rowland & Mjelde, 2016; Feilzer, 2010). These respondents were also of the view that variations in oil prices cause variations in exchange rates and vice versa.

The effects of OPEC policies and steps regarding oil market stability and crude oil price regulations do not only affect the United States; it carries important implications for other net petroleum importers as well. The participants cited the main rationale behind the recent price slump to the economic turmoil faced as a result of China's consumption patterns which rose to multiple barrels per day compared to previous numbers. The United States must acknowledge, according to the participants, that their dollars spent on oil is outgoing money that does not return. However, with the impactful attributions of OPEC policies, such expenditures are 'channelized' if not minimized altogether (Reboredo, 2012). These opinions were largely based on pointing out how U.S must play a role in understanding how it aims to outgrow its economy in line with OPEC policies rather than saying or feeling that OPEC policies are totally wrong altogether.

The growing reliance on OPEC is likely to continue in the future as well, since OPEC has been its initiatives have a longstanding effect on how different economies regulate their oil production or consumption. In this sense, the production of petroleum and related products are likely to continue in the coming years. A major point of analysis with regards to OPEC's policy objectives was its shift to maintaining market share from targeting an oil price band. This has been recorded as a severely-influencing tactic in which OPEC cartel's inanities will come to light. However, changes in the objectives always relate with alterations in the implications, as well. With the advent of technology, power related with regulating crude oil as a community, has largely been shifted from strong sellers to weak buyers. This is to say that OPEC's policies are also largely influenced by the non-OPEC countries including the United States. A major implication of this effect can be witnessed as the measures of expanding local U.S. industry that will shape the capacity of oil production, and will gradually reduce demands from OPEC alone.

Vast proven crude oil reserves have reshaped OPEC as a highly lucrative company whose main business lies in supplying oil and stabilizing global oil reserves (Creswell, J., 2005, 2011). However, United States would primarily be interested in seeing how OPEC policies impact its own economic situation, it must also assess how fluctuating oil prices also impact on OPEC economies. Another reason why price hikes exist is due to uncertainty and price volatility coupled with changing geographic composition of demands. It also demands how cautious responses to price shocks across OPEC territories can produce sustainable results for the world in the longer-run.

The research study has also found out how an energy-efficient United States is still dependent on OPEC for foreign oil. The consequential costs of this dependence are a product of oil price shocks, non-competitive behaviour in global crude oil market and prices higher than the competitor's. Magnanimous amounts of oil use and imports coupled with a dearth of sufficient economic subsidies have also given rise to an increasing dependence on oil imports that has been a factor for economic pressures. These costs to the economy of the United States remain very large, and continue to grow (Reboredo, Rivera-Castro & Zebende, 2014). Over the last six years, approximately 2.1 trillion in U.S. dollars were the cost of this dependence that is indeed, huge. Additionally, as not included in normal terms in the overall cost of



dependence was the cost of wealth transfer that is still a share of the total dependence costs. This cost is attributed to a failing market structure that happens as a result of monopoly effect of OPEC cartel in the oil markets of the world (Lorenzo, Fraire & Vázquez, 2016). It is also likely that dependence costs, as discussed earlier, are underestimated rather than overestimated. Based on these observations and prior research information, it can be said that dependence on oil as supplied and managed by OPEC is a matter of substantial concern for the U.S economy. The following figure illustrates the costs of oil dependence to the U.S economy:

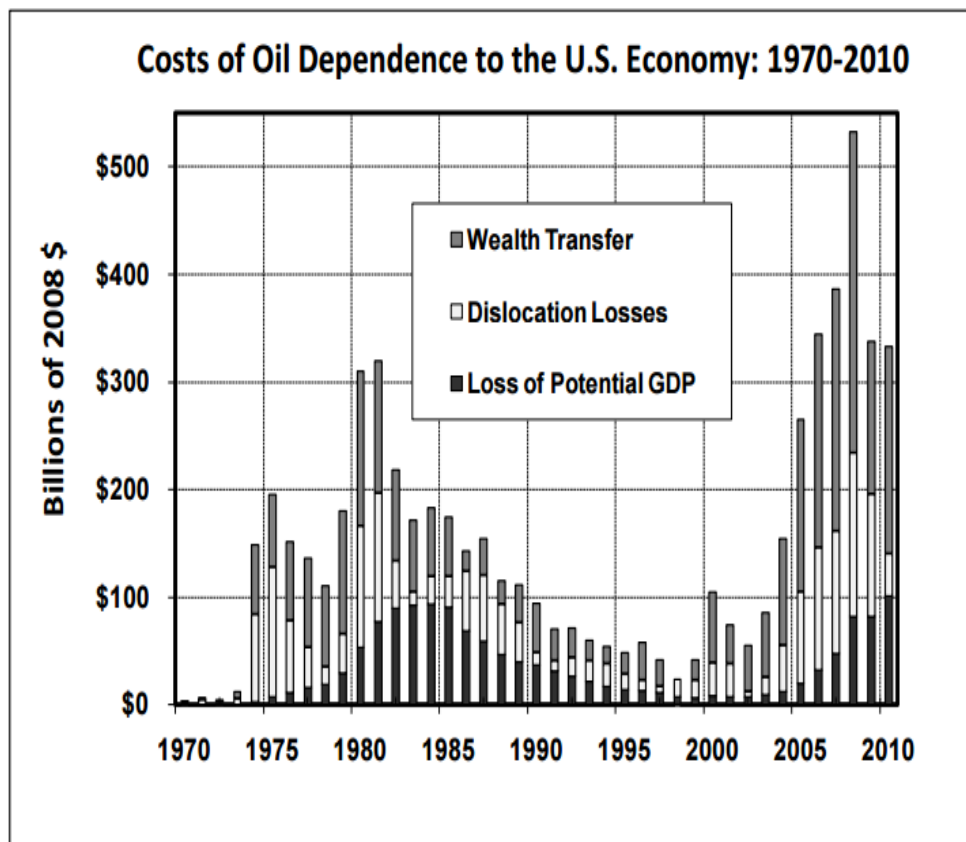


Figure 8. Estimated Costs of Oil Dependence to the U.S. Economy: 1970-2010.

Figure 4.4: Estimated costs of oil dependence to the US economy, 1970-2010

Source: <http://bakercenter.utk.edu/wp-content/uploads/2013/02/OilDependenceCosts2010-New-Cover021413.pdf>

There is some politics involved with respect to higher fuel taxes that aggravate the issue of oil dependence. However, there has been adequate attention paid towards decreasing the oil consumption rate or usage patterns in U.S. automobile industry, which is a great source to reduce dependence or seek alternative energy efficiencies.

The government also issued higher fuel economy standards for new passenger vehicles which was indeed, a critical decision to combat growing dependence. In future, tighter decisions or strategies will surely encourage manufacturers to modify designs in order to improve their use of fuel, despite limited efficiencies that could be obtained as opposed to higher gasoline taxes. If the government reduces the fuel price, it would serve as an incentive for more people to drive vehicles on the roads which will add to the traffic congestion and accidents as a result. In contrast, if the government pursues a policy of higher fuel costs, it will elevate the costs of driving. Some other measures can be adopted in order to make changes within the environment rather than criticizing the outside organizations such as OPEC of its inadequacies. One of the most discussed yet debatable measure in this regard would be an encouragement of policies for the development of alternative fuel technologies (such as electric and hydrogen automobiles, and hybrid, gasoline-electric vehicles etc. (Reboredo & Rivera-Castro, 2013). Moreover, based on the analysis of the discussion presented earlier, more research and developmental efforts are also needed on the public sector level to match with private-level initiatives and to carry over the spill-over benefits availed by new technologies to this and other sectors of the economy.

With the encouragement of domestic production of oil, comes the question of matching growing demands which seems less convincing since it would not suffice the amounts demanded. However, this can be a step in the right direction followed by other initiatives that could result in more progress economically and less dependence on oil importation. With a consensus over-ruling in the oil markets about mismatching surging demands through manipulations in oil supply, these efforts will prove to be productive, as well as, non-political for many reasons. Any policies pertaining to drilling oil or related initiatives should take into consideration, environmental and economic factors; otherwise, it would not be a worthwhile exercise to cause environmental degradation while attaining some economic sustenance. An important initiative of the United States Department of Energy by the name “Strategic Petroleum Reserve” was the product of its consideration for the emergency supplies of oil that might be needed through self-exploration of storage reserves within the region. As discussed earlier, it can assist the government in avoiding major oil disruptions, and in catering to the sudden increments in oil

demands, whatsoever. In the future times, more investment can be gained by this Reserve if it collaborates with large oil-importing regions, mainly for collaboration and reducing dependence on oil imports from OPEC cartel. Strategic decision-making with the embodiment of mutual interests would thus, be a good idea in this regard. Other than Texas and Louisiana Gulf Coasts, other regions within the U.S. should also join hands in exploring oil storage within the territory to reduce overgrowth of demands to be fulfilled with consequential and costly importations (Reboredo & Rivera-Castro, 2013).

There are two aspects of OPEC's nature that emerged as a response to the 1990s economic boom during which many oil markets tightened production- these are the roles of world's swing oil producer and a market regulator. OPEC is world's swing oil producer because it is cartel who is able to control its global deposits and possess large spare production capacity. In addition, it is a market regulator because OPEC dominates the market. Apart from other participating nations, Saudi Arabia exerted a greater influence over the world economies through an exertion of higher prices, something that resulted in consequences of largest magnitude. As a result, economies became aware of the negativities associated with OPEC apart from its role as a price leader or regulator during times of instability. Through historic, and during the emergence of OPEC as a worldwide cartel, the main lesson to be learnt regards to cutting demands to be able to reduce dependence. As discussed within the previous chapters, the position of OPEC in these times and in future is likely to undergo major transformations unless substantial initiatives reduce oil dependence through meeting demands with internal resources. Hence this is an essential condition if U.S. is to avoid or mitigate the negative effects of OPEC policies on its economic stability (Fatouh & Mahadeva 2013).

OPEC's ability to influence and monitor oil prices is declining within the world oil markets due to geopolitical conflicts and political tensions prevailing sooner now than ever before. Several factors intensify this conflicting nature of major world economies, while an analysis of their relationship with OPEC members further contradict with the belief that they enjoy smooth relations with each other. Major disruptions in the relationship between OPEC and the U.S emerged a result of its political and controversial ties with Venezuela and Iran, which are two anti-American states included under OPEC. Greater ideological dissimilarities between

these nations are further eloquent of their political issues and lasting tension in the region which of course, bears severe effects on oil dependence and consumption patterns, as well (O'brien & Williams, 2013).

An analysis of the powers exerted by non-members such as Russia also voices out the grievances of the wider communities that accuse OPEC of major price disruptions and manipulations. On one hand if OPEC attempts to maintain the price, Russia is undertaking efforts to gain more market share using the formula of “more and more” production. Furthermore, large-scaled investments and reserves further distinguish OPEC’s objectives from those of Russia. Another aspect of attention is the inclination towards growing alternative hydrocarbons in the United States that has the potential to reduce OPEC’s influence in near future; only if U.S. continues its pursuit of finding means other than depending on OPEC. In the coming times, while OPEC will remain concerned about its own power exertion on the Western world, the West should continue developing its internal self for more oil production so as to reduce the devastating economic impacts of continuous oil importation from the Middle Eastern countries.

The state of affairs involved in the relationship between OPEC and U.S has been referred to as a struggling one; where there is a struggle between different players achieving distinctive objectives which are also heavily contrasting and distinguishable. When the customers based in U.S. increase their demands for the oil, world demand cumulatively increase as well, giving rise to major economic upheavals, if left unattended. Raising world prices are resultantly, the result of not being able to meet growing demands and instead, using this as a means to manipulate higher prices and gain more money. Fuel prices should be under control of the U.S. government for domestic use which can encourage more people to drive using vehicles but is most likely to increase the possibilities of road accidents and other related mishaps. One of the obvious expectations in lieu of observed practices is that OPEC would not permit oil-consuming nations not to pay higher prices for consuming increasing amounts of oil. Of course, there has to be contingencies planned for, keeping in close reflection that OPEC’s policies are at the most, only slightly adaptable (Baumeister & Peersman, 2013). The analysis of the current situation also reflects how U.S. and OPEC countries’ political pressures are compelling them towards keeping at bay, and how these countries’ own political

motives have clashed with their economic agreements with each other, over the years. This can also be attributed to the fact that OPEC has always pursued policies in the best interest of its own countries, and have been somewhat negligent of what is happening beyond it. This research analysis depicted the facts that U.S. is heavily impacted upon by OPEC policies especially those resulting in price shocks and economic recessions over time. This can be attributed to the need of a more integrated system of expectations and actions whereby greater communication between oil producers and consumers is necessary (Baumeister & Peersman, 2013). As per the analysis, there has to be a stronger framework whereby every other nation, not only the United States should affirm and trust in the OPEC management and must pay attention towards its goals and actions.

Given the finding that 70% of the proven world oil resources were held by OPEC, it was likely to expect that effects of OPEC on the U.S. economy is not entirely avoidable (Luft & Korin, 2013). While, OPEC's price manipulation was quoted as the most perplexing element behind economic instability or sudden price shocks in U.S., it has its own set of positive outcomes related as well, only if the world regions join hands in doing what they are supposed to do: integrate and plan for meeting future needs with an orientation towards collective rather than 'individualistic' interest (Baumeister & Peersman, 2013). Deliberate control of oil supply continues to pose the most penetrating effects on U.S economy; however, anti-inflationary effects, on the other hand, as a result of timely interventions of OPEC being a price regulator create long-lasting advantages, as well. Embargoes were also evaluated as an intervening phenomenon to create coping mechanisms against OPEC's manipulations during the discussion. Moreover, the effects of U.S in political sphere also calls for improvements since as long as there are no political unrests between U.S. and the OPEC member nations, the feat of economic stability, growth and progress remain achievable (Van de Graaf & Verbruggen, 2015). This summary leads to the last chapter of this research whereby conclusive remarks will be given as well as recommendations, implications and future research direction will be introduced to the readers.

## **5. CONCLUSION**

This research holds significant implications from economic analysts' and managers' point-of-view simply due to its overriding purpose that assists the stakeholders in understanding how OPEC policies can affect their world economies not only that of the U.S. the findings of this research can be used by these economists to better understand the situation, especially from another angle where different countries perceive different benefits or losses from its affiliation or influence from OPEC. Hence, from a practical perspective, this research can provide useful real-world knowledge on the use of its findings in making informed decisions and relevant policy changes.

This research has yielded results that have insights on the role of OPEC as a cartel in global economic development; based on this knowledge, world economic reformers and organizations looking after economic outlooks of their respective countries can benefit from an enhanced understanding on the subject. This understanding was crucial because without rigorous knowledge about how the cartel works and what its real-world purposes and functions are, prevalent economic challenges faced by U.S. and other world economies cannot be properly understood.

The significance of research work lies in its contributions to a wide-level understanding that increasing awareness regarding alternative energy-efficient technologies as well as in other alternative commodities than oil is absolutely necessary in bridging the gap between OPEC countries and the U.S. For this, it is highly relevant that the member states of the cartel strategize in favour of regional harmony and progressions rather than for its own interest and sustenance. With an aligned vision towards "collective" rather than "individualistic" power, the cartel can use its supportive energies and its powerfulness in developing world economies as much as it is interested in doing it for its own people and nations. Economists should

develop policies and revise existing regulatory measures that should then provide incentives to different member and non-member countries which are willing to take part in enhancing joint collaboration amongst countries for greater 'global' economic development.

There have been great amount of worldwide debates and talks about the relationship that oil-consuming countries especially the United States have with the cartel. This section develops upon the findings and conclusions of this research in which it is significance for U.S. in harbouring good relations with oil-producing members of OPEC. While thesis worldwide debates and talks also suggest ways of improvement for the OPEC members in fostering regional harmony, solidarity and overall peacefulness. Over time, one of the most visible yet disturbing factors about OPEC's attitude to international issues had been related with a plurilateral approach, mainly within its own circle. One of the foremost recommendations in this regard would be to suggest OPEC in treating everyone with equality and in establishing contacts with oil consumers and producers even outside its territories. This will not only help the world understand and grasp OPEC's stance of major oil-related issues, but will also help OPEC in seeing widely across regions for a more holistic cooperative measure. This cooperation will bring market stability to the organization as well as will assist other countries in accessing OPEC resources, or at least, in learning about it. The significance and viability of dialogue between international organizations cannot be overemphasized. Still, with all this loud and clear understandability, some of the achievements of bi-lateral and multi-lateral dialogues between globalized organizations have still not seen the light of the day. There is a need to evaluate how different measures can be undertaken in promoting communication and understanding between the cartel, the wider regions and their communities. Excessive market volatility, policies of mitigation and impacts of climatic change and other such issues can be tackled with more precision and much more efficiency in case more people join hands in transforming the world together with the help of mutual dialogue and discussions rather than the use of brutal force.

Energy and oil dependence has severe consequences on the national security of the United States; this makes it more significant and essential to review the strategic importance tied with oil consumption and on its relations with the OPEC member-states. With time, the issues of undue power and influence over oil resources will

only multiply the grievances currently faced by the nation through raised prices and multiplied rents by the cartel administrations. The U.S. government, in this case, needs to be mindful about its own role in administering oil research and studying alternative course of actions while strengthening relations with most of the member states of OPEC. The integration of foreign policy with energy policy has been greatly emphasized by some nations whereby its effects on regional peace and stability would be much visible than the current state. The political pressures faced by some parts of the world can be nullified and void if they are counteracted by asking for support and collaboration against oil reserves and other infrastructural commodities. The Energy Act of 1974 holds further implications for the United States by which it can deepen its energy security system through bringing skills and competencies from other countries such as India and China. Better channelization of resources and cooperative support would then, go a long way in curing U.S. increased oil dependence while strengthening bilateral relationships with the involved nation-states.

It can also be recommended that subsidies for developing alternative fuel technologies should seriously be considered on a government level despite the fact that OPEC's significance still stands valid since oil is an essential commodity for commercial and personal use. While the U.S. initiatives to compel its citizens lower their oil consumption has been somewhat successful in warding off burdens by increased oil dependence, still there is a need for development of alternatives for a longer-term solution. Many other factors apart from the need of subsidies affect OPEC's strategic position and importance as an international cartel. In this regard, U.S. should think about reducing its long-haul dependence on OPEC oil producers with an intention to reduce their vulnerability so that mutual support and cooperation can result in a win-win situation for every nation-state. It is also projected that tight oil production by U.S. till the year 2020 will further aggravate this dependence coupled with declining production. In this regards, Canadian oil exports under Obama administration appears to be an optimistic alternative by which U.S. imports of oil from countries other than Northern America would be controllable. Growth in alternative fuel technologies and non-conventional oil can also promise good future for the U.S. economy without resulting in an utterly influenced position under OPEC. This also means the strategic projects of new pipelines in the region can mean more job opportunities for the locals while a positive effect on the economic condition will



also be realized. Bilateral cooperation between Canada and United States can mean more economic stability than simply depending on the cartel for oil consumption and importation.

Based on the findings of this research, it can be said that U.S. economy depends on OPEC for oil on a massive scale, and despite some meagre efforts, the larger picture remains the same. Crude oil exportation ban and other such impositions need to be urgently rectified and lifted up in case economy needs to sustain itself without falling prey to power and influence of foreign agencies including the OPEC. Initiatives such as natural gas exports (LNG) are much needed in this situation where there can be severe threats to national security if U.S. dependence on foreign oil continues. Major strategies should also be devised whereby U.S. would not be affected with the political and economic uncertainties in OPEC participating-nations. Severe oil market disruptions owing to this dependence should be avoided through sustaining U.S. local resources while strategizing about alternative routes and commodities. The inclusion of 'disruption risks' in overall decision-making is essential especially with respect to policies involving OPEC member states being hostile targets of terrorism, riots and trafficking. On the other hand, OPEC must also review its strategies, and minimize the negative effects of its price-setting role in the best interest of global peace and harmony among nations, be it the members or non-member states.

In future, more research needs to be carried out on heightened volatility and uncertainty in the oil price outlook that does not only affect the United State but is also deteriorating for every other nation-state. This will reinvestigate how OPEC related changes in U.S. economy shapes over time, especially with regards to OPEC's role in price manipulations. Furthermore, this research laid down the thoughts that much of OPEC's work is influenced by non-member states such as the United States. With this in consideration, expanding local U.S. industry is yet another milestone for future researchers who should develop upon this research as a stepping stone in realizing their contributions towards world economic development through applying research works to this developmental area.

Future research should emphasize on more holistic examination of how different policies of OPEC confirm to global economic conditions and how it plays a pivotal role in the sustenance and development of emerging and developed economies. Future research should also study political ramifications of OPEC countries (i.e. the

member states) in shaping their decisions and how it is perceived by different nations of the world. Different factors affecting international market's capability of responding to oil prices should also be studied in a greater depth to see how different countries undertake policies and procedures in their demands and how these demands are catered by oil producers.

The major effects of price shocks that ended in 2006 cost U.S. economy heavy amount of dollars in its treasury that has the most severe impacts to all walks of life that are shaped by economic production and consumption. Needless to say, the world should promote and divert its energies towards pursuing low-carbon energy sources and other hydrogen and alternative fuel options. This might be the only "stitch" in time that can save economies such as the United States trillions of dollars; however, this might not be a comprehensively practical solution as there are different elements to oil dependence that cannot be entirely diminished. Fundamental rethinking is essential in this regard, while mutual collaboration and cooperation can also go a long way in determining best possible options to utilize and better channelize the planet's valuable energy resources.

Therefore, U.S's growing dependence on foreign oil is a matter of interrelated elements that carries substantial economic, political, and security challenges for the country, to say the least. This research was one of the works on the exploration of these challenges especially those belonging to the economic side. Based on an examination of how OPEC affects the economy of the country through its policies and procedures, it is also indicative of the fact that few nations are able to exercise their price monopoly over super powers only due to their association and affiliation with OPEC. These small nations are responsible for the supply of oil and they have driven world oil demands towards their own discretion. The research explored how different, widely-criticized elements amongst OPEC policies have aggravated the problems of surging oil prices and price shocks, and how these have been a source of significant worry to the region under study. The recent shock of higher oil prices is eloquent of the U.S. vulnerability that it will never be able to forecast in future given its nature and unexpectedly high magnitude. In this wake, volume of oil imported and consumed should be reduced by all means; something that evolves as the only emergent solution to all U.S. problems. Based on the research conducted in this study, it can also be stated that OPEC, by all means, has a neutral policy towards oil

supply and global economic sustenance issues, and does not deliberately lend a malicious hand to the political actors for running their show. Despite being more of a political than economic nature, the relationship between U.S and OPEC is indeed, progressive and needs to be only better channelized. This report looked into the ways in which different practices and policy ramifications over time resulted in U.S's oil dependence being a more problematic issue than ever before. Situations such as economic downturn and sluggish economies have been frequently-noticeable in history, providing a background to sudden price shocks as well as giving world regions a hard time coping with it.

The research discussed how member states in OPEC held their responsibility in promoting opportunities of local investment projects while also reaching out for greater economic sustenance. Sectors such as agriculture, healthcare, education, telecommunications etc. can work with OPEC within different regions and territories on topics of common interest. One of the similarities related with working in partnership or collaboration of OPEC is economic gains which is every region's agenda. In addition to this, since OPEC countries are part to a larger ecosystem, their presence is indeed influential and they can use this influence in a rational manner to help each country pursue and accomplish its objectives rather than working on it individually. Therefore, this is one of the main aims of the organization to work for progress in the region and to engage other nations in a combined pursuit of economic development and harmony within. Sufficient oil-producing experience is another facet to OPEC's strengths that would benefit countries lacking needed skills in oil marketing or distribution specifically owing to scanty knowledge about it. It is worth understanding that the position of OPEC has always been an international one; as discussed earlier on; it is due to this position that there lies greater responsibility on OPEC being an international cartel to engage countries together regardless of political contention, and pursue economic stability with joined hands.

This thesis looked into some of the allegations on OPEC as an international swing producer of oil against transfers of large income from domestic oil users by price manipulation. This had been looked into with the help of literature works to determine how communication and interpersonal relationship between the cartel, world regions and their communities could be improved. This can also be concluded

with the determination that future should witness OPEC having more commitment towards furthering the interests of communities outside its immediate territories and that individual country's interest should not be preferred over collective interests, in any case. There is a need for globally integrated Middle East that could smoothen or strengthen the relationships between different world regions, as far as their economic progress is concerned. Unfortunately that has not been apparently achieved despite having much research available for addressing this issue. While, on the other hand, the biggest unresolved mystery for the United States over these years had been only a single question: how to reduce oil dependence? With an orientation towards steady production and need for exploration of oil reserves within its region, there is much more to do for the U.S. than is currently being planned.

To reduce oil dependency, beside steady production and need for exploration of oil reserves within the region, according to what we understood and found a solution from this research is that U.S. has to focus these aspects in order to independence OPEC such as, reducing or diminishing economic dependency on Middle Eastern and other OPEC countries, avoiding or minimizing abrupt disruptions in oil supply, controlling conflicts with oil producing countries, exploration for alternative carbon fuels.

With an aim to evaluate, assess and speculate the effects of OPEC policies on world economies, taking U.S. as the study case, it can be concluded that OPEC still has to go a long road before its relationships with the global world could be strengthened. Without an exploration of common solutions to grave political contentions between them, world's regions cannot prosper; let alone the Middle Eastern members. This research was a contribution towards unveiling how a relationship between different countries is affected by OPEC, and how different OPEC-related accusations have had a greater global aftermath. Cutting demands through alternative measures has been found as the only intervening policy action that can facilitate U.S. in reducing the dependence on oil-exporting OPEC. With a resolution towards cutting global demands while giving more consideration towards economic and environmental effects, this study aimed to establish that undue power and influence over oil resources would naturally be harmful for all economies, be it developing, non-developing or developed nations across the world.

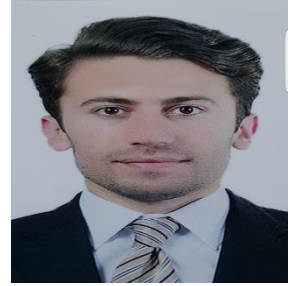
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