

THE OPEC IN THE CONTEXT OF CONTEMPORARY CHALLENGES

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The modern international scene is developing rapidly, it is full of problems and contradictions. Actually, the role played by some global actors is growing, whereas the level of the impact of the other ones on the world political development is declining gradually. Certainly, both sides of this fact relates to, inter alia, various international organizations (e.g. UN, NATO, GATT/WTO, OPEC), which globally gained momentum as significant players in the second half of the 20th century and are generally continuing to occupy an important place within the present system of international relations. It is suggested to talk about the role of the Organization of the Petroleum Exporting Countries (OPEC) in the changing world today in this article.

As is known, the OPEC is a permanent, intergovernmental organization, created at the Baghdad Conference in the year of 1960. As of January 2019, it has 14 member countries: Algeria, Angola, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, the Republic of the Congo, Saudi Arabia, United Arab Emirates and Venezuela [3].

As a matter of fact, the key objective of the Organization is to coordinate and unify the petroleum policies of its Member Countries and ensure stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital for those investing in the petroleum industry [5].

To date, the OPEC countries account for an estimated 44 percent of global oil production and 79,4 percent of the world's "proven" oil reserves, which allows the Organization to have a great impact on global oil prices [4].

In the 1970's, OPEC rose to international prominence during this decade, as its Member Countries took control of their domestic petroleum industries and acquired a major say in the pricing of crude oil on world markets. On two occasions, oil prices rose steeply in a volatile market, triggered by the Arab oil embargo in 1973 and the outbreak of the Iranian Revolution in 1979.

As for the 1980's, after reaching record levels early in the decade, prices began to weaken, before crashing in 1986, responding to a big oil glut and consumer shift away from this hydrocarbon. OPEC's share of the smaller oil market fell heavily and its total petroleum revenue dropped below a third of earlier peaks, causing severe economic hardship for many Member Countries.

In the 1990's, prices moved less dramatically than in the 1970s and 1980s, and a solid recovery followed in a more integrated oil market, which was adjusting to the post-Soviet world, greater regionalism, globalisation, the communications revolution and other high-tech trends.

In the 2000's, an innovative OPEC oil price band mechanism helped strengthen and stabilise crude prices in the early years of the decade. But a combination of market forces, speculation and other factors transformed the situation in 2004, pushing up prices and increasing volatility in a well-supplied crude market. Oil was used increasingly as an asset class. Prices soared to record levels in mid-2008, before collapsing in the emerging global financial turmoil and economic recession [2].

What could be said about the Organization nowadays? As for the author, the OPEC is slowly losing its abilities to meet the main challenge of regulating global oil prices and, therefore, stabilizing oil markets, which can be explained with the following reasons:

- the Organization unites the countries, which largely have opposite economic and political interests, and, as a consequence, there might be certain problems with conducting the coordinated petroleum policy: for

instance, some Members such as Saudi Arabia and the United Arab Emirates don't need to increase the level of oil production dramatically due to the relatively low level of population (and, therefore, the absence of poverty), significant foreign investment; Venezuela and Nigeria, in contrast to their "colleagues" from the Arabian Peninsula, are characterized by the low standard of living, which forces them to rise their level of oil production permanently (even when global oil prices are falling) in order to get higher revenues;

- there are no monitoring mechanisms to ensure implementation quotas for oil production by OPEC members within the Organization: although the Members successfully agree on quotas, this aspect allows them to produce more than their quota, which has an ambiguous impact on stabilization of oil markets [6];
- large-scale oil production by non-OPEC countries: obviously, it leads to a situation when shares of OPEC members within the global oil market tend to decrease, whereas market percentage non-OPEC oil exporters seems to be rising (in 2018: United States – 18%, Russia – 11%, Canada – 5%, China – 5%, Brazil – 3% etc.) [1]; it is considered as a reason of gradual reduction of the role of OPEC countries to determine world oil market conditions, especially when we are talking about regulating global prices;
- political instability in a number of OPEC countries (Libya, Iraq, Venezuela) complicating oil production there;
- U.S. sanctions against Iran and Venezuela, which almost dropped their oil exports to zero;
- the vulnerability of oil production infrastructure in some OPEC countries: the most extreme current case is drone attacks on the state-owned Saudi Aramco oil processing facilities in Saudi Arabia cutting Saudi Arabia's oil production by half, or about 5% of global oil production, which led to a sharp increase in global oil prices by 10-20%

(during one day) and, therefore, some destabilization of global oil markets.

Generally, the OPEC functioning under internal contradictions and external challenges today faces various difficulties, which hampers the Members to successfully carry out their major task within the Organization, namely coordinating and unifying the petroleum policies, and despite enormous oil reserves, the OPEC as a regulator of global oil market situation is being overshadowed.

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