To represent the common needs of producers, the idea for an association-OPEC (the Organisation of Petroleum Exporting Countries) -commenced in South America, not the West Asia. Venezuela was the world’s third largest oil producer at the close of World War II. In 1947, the government of Venezuela proposed the formation of a producers’ association to prevent the United States from importing lower-priced West Asian oil to undercut the prices set by the Latin American nation. The Venezuela government maintained that a producers’ association would prevent the United States from putting oil exporters against one another. The idea finally yielded fruit in 1960. Oil companies dropped prices in the wake of a recession in the west to stimulate demand. The consortia, by this time, were paying most oil producing nations fifty per cent of their profits. A drop in prices thus meant a drop in profits for producing nations. Annoyed representatives from five nations- Venezuela, Kuwait, Saudi Arabia, Iraq and Iran- agreed on the unification of the petroleum policies of member countries and the purpose of the best ways for safeguarding their interest.¹

**Origin and Importance of OPEC**

The Organization of the Petroleum Exporting Countries (OPEC) as an intergovernmental and permanent Organization was founded in Baghdad, Iraq, in September 1960 with the signing of an agreement by five countries namely Islamic Republic of Iran, Iraq, Saudi Arabia, Kuwait and Venezuela. They were to become the Founder Members of the OPEC. Later, nine other Members were also joined the five Founding Members: “Qatar (1961); Indonesia (1962) – suspended its

The objective of the OPEC (Organization of Petroleum Exporting Countries) is to manage and unify petroleum policies among Member Countries, in order to fix reasonable and stable prices for petroleum producers; to safeguard the stabilization of oil markets in order to secure an economic, efficient, and regular supply of oil to consuming nations; a stable income to producers and a reasonable return on capital to those investing in the petroleum industry. One of the principal objectives of OPEC is to decide the best means for safeguarding individually and collectively, the interests of its members. To eliminate harmful and unnecessary fluctuations in international oil prices OPEC also pursues ways and means. It gives due regard at all times to the necessity of securing a steady income to the producing countries and to the interests of the producing nations.

The ability of OPEC to determine prices and production, and thus affect the market, has been broadly criticized. When Arab members of OPEC used the ‘oil weapon’ during the Yom Kippur War by implementing oil embargoes and initiating the 1973 oil crisis the developed world was alarmed by this. However, in recent times, the ability of OPEC to control the price of oil has diminished due to the discovery and development of large oil reserves in Alaska, Canada, and the North Sea, the opening up of Russia, the Gulf of Mexico, and market modernization. Still, the OPEC nations account for two-thirds of the oil reserves of world and one-thirds of the oil production of world which gives them considerable control over the global market. The second oil crisis was caused by the Iranian war in 1979, when prices hit the highest point, before beginning a dramatic drop, which concluded in a collapse in 1986—the third
pricing crisis. At the beginning of 1990s a fourth pricing crisis was averted, on the outbreak of hostilities in the West Asia, when a sudden sharp rise in prices on panic-stricken markets was regulated by output increases by OPEC Members. Until 1998 Prices then remained relatively stable, when there was a downfall, in the wake of the economic recession in South-East Asia. A recovery was brought about by Collective action of OPEC and some leading non-OPEC producers. OPEC Members represented 33.3% of the oil world production in 1996 (including natural gas liquids, crude oil, etc...). OPEC Crude Oil production amounted to 26,507 b/d at the end of 1999, and OPEC supplied approx. 28,172 b/d in July 2000. The events of 11September 2001, the invasion of Afghanistan in 2001, and the Iraq war of 2003 whose consequences exist today have caused an important rush in oil prices in recent years, forcing countries such as Indonesia to remove itself from the Organization in a desperate strength to protect its national oil interests. Simultaneously, the Organization of Petroleum Exporting Countries (OPEC) has to deal with the issue of declining global oil demand.

Oil Shocks

Political events since 1970, in and between the major West Asian oil exporting countries have on several occasions caused sudden shifts in oil supplies that resulted in considerable moves in the oil price. “This has been the case in 1973-74, in 1979-80 and in 1986, and it was repeated in 1990, 1991 and again in 1998 and 1999.” Underlying economic forces of supply and demand make the ground for the changes of oil price, but the oil price discontinuities since 1973 have had a political cause in the West Asia. Saudi Arabia had replaced Libya as the major oil exporter in the early 1970s, but the instant growth of Saudi oil extraction could not continue at the same
speed (235 per cent a year). Before the autumn of 1973 the oil market was tense and a significant price increase had already demanded by OPEC.⁶

Most of the world was surprised by the energy crisis of the 1970s. Studies of the future made in the 1960s hardly point out energy as a potential problem. Energy in the early 1970s quite suddenly became a major issue in international politics and became a major concern for the world economy.⁷ During the course of the fourth Arab-Israeli War in October 1973, Arab countries and OPEC in order to put pressure on the collaborators of Zionism, reduced oil production and even introduced an embargo on supplies to the United States of America and certain other Western countries. Under these conditions OPEC separately announced a series of oil price rises, and brought it to the level of $11.65 per barrel in January 1974. It is notable that the embargo was of a short duration, and the curtailed of production was small. The oil cartels used this decision of the Arab countries to reduce their supplies to the market thus creating a scarcity of oil for the consumers.⁸ The political situation during the second half of 1973 exploded in the West Asia and the already insecure status of the oil industry in the area broken further. Oil was drawn into politics in a way it had never been intertwined before. In the Six Day War of June 1967 the continued Israeli occupation of large areas of Arab territory, “including the West Bank, Jerusalem, the Golan Heights and the Sinai Peninsula down to the Suez Canal, was a running sore.”⁹

Israeli forces bombed the export terminal of Banias in Syria during the first few days of the war which had started on 6 October, through which 700 kbd of Iraqi oil moved, and also bombed the Syrian terminal of Tartus, through which about 100 kbd was shipped. Saudi Arabia curtailed its movements of crude through Tapline as a safety measures by 50 per cent (250 kbd). Overall, from the Eastern Mediterranean that was a loss of 1 mbd of shortcut crude. The immediate effect of this was to push
tanker transport rates (already very high) up even further, since the short-haul crude would have to be substituted by long-haul crude form the Persian Gulf. At their height, the transport cost of moving a barrel of oil from the Persian Gulf to the United States East and Gulf Coasts was about $4.50/B, compared with, a year before, about $1.10/b. The next month, November 1973, with the embargo and resulting lower volumes, transport rates dropped back suddenly by about two-thirds. Arab Oil ministers from ten countries met in Kuwait on 17 October 1973 and decided to slash production by five per cent each month (from the earlier month) until the total withdrawal of all Israeli forces from the territories occupied during the Six Day War of 1967 was achieve. Saudi Arabia announced its decision on 18 October to reduce production by ten per cent until the end of November and to make further reduction at rates to be decided at the time. The United States announced on 19 October a massive new programme of military aid for Israel. Saudi Arabia announced on 20 October a total ban on shipments of oil to the United States. All the other Arab countries over the next couple of days, embargoed shipments of oil to the United States of America, and the shipments to the Netherlands was also embargoed by several of them, in retaliation for its support of Israel. The UN Security Council on 22 October called for a cease-fire. This was quickly accepted by Israel, Egypt and Jordan (focus to certain conditions) and soon after by Syria and other counties.

But this did not indicate the end of the embargo on the country, pressure for an adequate settlement was stepped up, Arab oil ministers met on 4 November in Kuwait and decided to hold productions down to twenty-five per cent below the September level. During November actual production was 4.5 mbd below September level. Productions in December 1973 and January 1974 were 4.0 mbd and 2.6 mbd below September, respectively. OPEC declared an oil embargo against the United States.
on October 19, 1973 which survived until June 1974. The price of oil consequently climbed to a fourfold increase of $12 per barrel by the end of 1973. In a perspective of high oil demand, of reduced additional capacity in developed countries and of no promptly energetic substitutes, OPEC (Organization of Petroleum Exporting Countries) gained the temporary capacity to control the price of oil. The first oil shock was caused by the market became controlled by supply (oil producers).\textsuperscript{11}

Oil cutbacks with no formal announcement were silently ended by early 1974, without satisfaction of any of the conditions Arab counties had imposed, and despite the fact that Israel had finally won the October War of 1973 (Yom Kippur War). Yet the earthquake they provoked had already destroyed post war economic certainties.\textsuperscript{12}

In 1973 the oil was firstly used as a weapon and had a dramatic and lasting effect on the western states and on the world economy. No one can deny its success, as a weapon of economic embargo, quadrupling (4 fold) the price of the major commodity of the world in the space of a few days. Most of the Arab demands with regards to the Palestinians and Israel remained unfulfilled in 1973, although a cordial cease-fire was brokered by the United States. Today in the West Asia it is widely accepted that, - “Economics…has taken priority over politics, co-operation has replaced confrontation”\textsuperscript{13}. The West Asia is not in the position it was in 1973 with respects to oil exports, and with natural gas and new oil finds outside the West Asia coming into play it does not have the type of monopoly on energy that it once had.\textsuperscript{14}

In 1979-80 the second outbreak of the energy crisis occurred. In between the United States of America, encouraged by the failure of the Arab oil embargo and facing the reluctance of the American monopolies to increase investments in the development of the local oil production while governmental control over the level of
oil prices was preserved, continued to enlarge their fuel imports. The share of the imported oil and oil products in the U.S. domestic consumption in 1978 reached 52 per cent and, the share of the Arab countries in 1977 in the oil imports was 47 per cent and in consumption was 21 per cent. According to OECD estimates, by 1979, inflation caused the real price of oil to come down as compared with 1974, by seventeen per cent, “which dealt a heavy blow not only to OPEC, but also to the old cartel whose real aggregate profits became 30 per cent less in the same period, according to the London ‘Economics’.”¹⁵ Instantaneously it became clear that the progress of alternative sources of energy, an important fundamental part of governmental programmes, proved impossible at the present price level, as the charges were much higher. Again the ‘Seven Sisters’ were intensely interested in raising oil prices.

To do so, after the 1978-79 revolution, they utilised the stop of Iranian oil supplies to the United States, though this oil accounted only for five per cent in the United States imports, and on the firm request of the Americans, Saudi Arabia increased its production and compensated the restrained commodity supplies from Iran. Therefore, there was no genuine oil shortage in the market. But in the summer of 1979 American monopolies once again created an artificial shortage of oil products in the United States local market. At that time the U.S. administration started to support financially its companies in order to buy fuel oil and diesel oil in Western Europe, which too created an oil shortage there in turn. Dealers’ companies in the Rotterdam spot market immediately raised four times the prices. Oil which was purchased by the monopolies from OPEC (Organization of Petroleum Exporting Countries) members at prices formed by long-term contracts was arranged to sell it at the spot market prices. OPEC members under such conditions, not wishing to be deprived, increased their
contractual prices; the price of the Arabian crude reached the figure of $32 per barrel till in 1982.

Thus the energy crisis this time too, was brought about by the monopolies, but the mistake was again laid by most Western mass media on OPEC (Organization of Petroleum Exporting Countries). Typically, the monopolies shifted the load of the rise in purchasing prices on to the consumers, having increased the prices on oil products and indicated a great increase of their revenue in 1974-75 and 1979-80.16

The price of oil took by the second oil price shock within a few brief months to incredible heights. Nothing could have been more different from the crisis of 1973 with which the second is sometimes matched. Their origin, sudden lives and outcome were quite contrasting each other in 1979-81, OPEC, distant from fighting for control over prices, was struggling to stop it from falling away. Inside divided, compelled by ill-conceived policies that destroyed the closest thing to allies that it had always had - the foremost oil companies in the upstream- it failed totally in the face of a destructive market storm driven up at first by fright then down by competition. “OPEC had been in the driver’s seat for a scant five years; once started to tumble, it had at best its hand on the brake”.17

The Iranian revolution of 1978-79 totally changed the political landscape of the West Asia. It also leads in the most chaotic period in the history of crude oil prices and markets. Then, and after the senseless war with Iraq that followed hard on the heels of revolution, once again the international oil industry found itself transformed. The ruins of the major companies’ vertical incorporation had all but disappeared; the ambitions of OPEC of price-administration lay in rags; and for a moment, prices and price expectations altered the whole world of energy as never before. And shockingly,
everything happened without at any time there exist the slightest shortage of supply. OPEC countries at the end of the 1980s and at the beginning of the 1990s lost their price-fixing power because of internal problems (geopolitical and economic conflicts between its members) and mainly with the arrival of new producers such as Mexico, Russia, Norway, Colombia and the United Kingdom. These new producers were not offered to OPEC policies and were exempt to fix their own prices. For instance, Mexico exceeded Saudi Arabia in 1997 to become the second largest oil exporter to the United States of America.

Differences occurred within OPEC members to fix prices and quotas from 1982, as competition increased. In addition, “the share of OPEC dropped from 55 per cent of all the petroleum exported in the 1970s to 42 per cent in 2000, with an all-time low of 30 per cent in 1985”19. Saudi Arabia that year lowered its oil price to increase its market share whereas OPEC members were challenging with each other to be allotted larger quotas. A choice was made to assign quotas in proportion to proven oil reserves, which lead to a group of ‘creative accounting’ practices in the estimation of reserves. Thus, to fit the production needs, reserves were indexed, leaving doubts about their true size. For example, reserves of Kuwait rose from 64 to 92 billion barrels in just one year and without any new discoveries. The reserves of the UAE (United Arab Emirates) were raised from 31 to 92 billion barrels. The real reserves of Iran were 93 billion barrels, higher from 47 billion barrels. Iraq showed the most significant ‘increase’ in oil reserves in 1985 when the reserves were went to 100 billion barrels, higher from previous figures of 47 billion barrels. Those raised and possibly missing reserve figures remain today. The result of this rise of reserves and the larger export quotas they permitted was an oil counter-shock that dropped the
barrel price under 20 dollars, even attaining a record low of 15(fifteen) dollars in 1988. The oil market was another time a market controlled by the demand.20

The United States depended on the West Asia for a third of its oil by the early 1970s. Finally the foreign oil producers were in a position to raise world oil prices. “The oil embargo of 1973 and 1974, during which oil prices quadrupled (4 fold), and the oil crisis of 1978 and 1979, when oil prices doubled graphically illustrated how vulnerable the nation had become to foreign producers.”21 The oil crises of the 1970s had an unexpected side-effect. Rising oil prices encouraged conservation and exploration for new oil sources. As a result of rising supplies and falling demand, oil prices dropped from $35 a barrel in 1981 to $9 a barrel in 1986. The sharp drop in world oil prices was one of the factors that directed Iraq in 1990 to invade neighbouring Kuwait in an attempt to gain control over 40 per cent of West Asian oil reserves.22 “The world’s first two oil crisis- following the 1973 Arab-Israeli war and the 1979 Islamic revolution in Iran-had four common elements. First, the disruption in oil supplies occurred at a time of rapid expansion in the global economy, which fuelled greater consumption of oil. Second, both disruptions occurred at a time when the world’s crude oil production was operating at virtually full capacity. Third, each crisis took place at a time when investment in oil exploration had been declining, making it impossible to achieve a speedy increase in non-OPEC production. Fourth, in both oil crises, as non-OPEC production stagnated, OPEC members deliberately reduced production in order to sustain higher prices.”23

The result of a reduction of oil output by Saudi Arabia, the United Arab Emirates and Kuwait, in October, November and December was essentially the first oil price shock of 1973. These three countries made up the important force of the Arab oil weapon that was triggered following the war between Egypt and Israel. Iraq
did not participate formally, but slashed volumes in October, and then benefitted from the event to increase oil production and exports. Iran also refrained from any action. The net result was a cut from the Gulf of about 15 per cent in oil supplies during October, November, and December, compared to September levels. The action was called off by February 1974, as Egypt had obtained Israeli withdrawal, but after that oil prices had moved to a level about four times higher than a year earlier.

Despite that fact that oil supplies from the gulf area in early 1974 were higher than early 1973, the new, much higher oil price wedged, and within vulnerable demand. One basis was that the action learned the market by surprise and created a psychological framework supporting the much higher prices, irrespective of the volume renewal. Yet if there was some disagreement within Organization of Petroleum Exporting Countries (OPEC) on the new level of our prices, especially between Saudi Arabia and Iran, there was sufficient consent to fix to the new level and ratify an agreement. A sudden transfer of income from oil-importing to oil-exporting countries was the immediate effect of the oil price rise, actually an international transfer of resources of an extent that was extraordinary at the time. In 1974 and 1975 this led directly to a critical recession in the oil-importing countries, with high price increases combined with high unemployment. In the following years, unemployment was decreased, but price increases stayed high and real oil prices were weathered as economic growth reaped up in the late 1970s and with it in particular oil demand and energy demand.

With a different turn, the oil price rise repeated itself in 1979-1980. The absolute inflation was even larger this time, although the relative inflation was less. In January 1979 the oil market started to panic as Iranian oil output declined because of an oil workers’ strike, which caused the Iranian revolution. Recognize oil prices shot
up, in spite of the fact that both Kuwait and Iraq used the occasion to raise volumes, while Saudi Arabia somewhat reduced volume. In any circumstance, the total Gulf area supply reduction was rational, and the total Gulf supply volume by the spring of 1979 had been restored to the pre-crisis level of December 1978. Even so, there was markedly higher oil prices and continued to rise. The nominal spot price by May 1979 for North Sea oil was twice the amount of December 1978, while total Gulf export volumes were to some extent higher. During the summer of 1979 the oil prices were sliding slightly upwards and rising total Gulf supply volumes did not prevent it. Oil prices continued to escalate in the autumn, ignoring Gulf supplies that were markedly higher than a year earlier. The market obviously then paid more attention to the Kuwaiti decision to curtail oil exports than to the higher volumes from both Iraq and Saudi Arabia, as well as the incomplete renewal of Iranian output.

In the late autumn of 1980 oil prices were peaking and started to decline in the winter of 1980, with the fall continuing all over the summer. However, at this point, total oil supplies of the Gulf did decline, as Kuwait, Iraq and the UAE (United Arab Emirates) were cutting volumes to protect high oil prices, and because of revolutionary turmoil Iranian oil exports were reduced. Another sudden transfer of income from oil importing to oil exporting countries were caused by the 1979-1980 double oil price shocks, this time of a nevertheless greater extent. In the oil importing countries, a severe recession was once again the result, with high price rises combined with high unemployment. Fighting inflation this time got a higher political importance than fighting unemployment, first through strong monetarist policies. The combination of expensive money and expensive energy caused a fast restructuring of the industrial economies, with the development of high technology, light industry and services, but with heavy industry climbed down or moved to countries with plentiful
and cheap domestic energy. Under the impact of the first oil price shock this restructuring had been commenced. Iraq’s attack on Iran in September 1980 was the next critical event. Instant results were reductions in both countries oil output and oil prices-rising again. In early 1981, the oil price escalation ended. The start was a combination of oil stock drawdown, shrunk consumption and growing Saudi output.

In both starting and ending the crisis Saudi Arabia had an important role. At the beginning of the crisis, as Iranian quantities fell, Saudi Arabia chose not to use extra capacity to compensate the shortfall, but in its place reduced its volumes. The motive was perhaps shock at the United States of America and the Camp David agreement concluding an autonomous peace between Egypt and Israel. Only in the autumn of 1980 did Saudi Arabia call upon extra capacity to reduce the price increase, as the oil price had risen to a large extent. Iraq’s occupation of Kuwait in August 1990 provoked the next oil market crisis.24

The war triggered by Iraq’s invasion of Kuwait in August 1990 was different. “It was also the first oil war—a war fought primarily over the control of oil: other motives were at best secondary”26. In 1988 Iraq’s war with Iran had ended with Iraq winning by a technical knock-out. From 2 August 1990 to the end of 1991, the United Nations Security Council passed some 27 resolutions relating directly to Iraq and more than another 30 subsequently. After all, the war was about oil, although sometimes its wider political consequences, for the balance of power in the West Asia, for relations between the West and the Arab world, and for relations among the members of the coalition, complicate that simple fact. Surprisingly, the result of the war on oil supplies and the markets was quit unexceptional compared with the previous crises of 1973, 1979 and 1980.
The sustainable production capacity of Saudi Arabia in August 1990 was estimated to be in the region of 7.5 mbd- approximately 2 mbd above actual output in July and the received intelligence at that time was that it would take 6 to 9 months to raise it by a further 1 mbd. “As it turned out, as a result of a crash program of de-mothballing previously existing above ground facilities,” a sustainable crude production capacity of 8.5 mbd was achieved by Saudi Aramco by December 1990. Overall, the eleven OPEC countries (i.e. excluding Kuwait and Iraq) succeeded in encouraging output by as much as 4.9 mbd. Over 3 mbd of the increase alone accounted by the Saudi Arabia, but to a certain extent a number of other members came up with (in some cases shockingly) substantial contributions, including the UAE, Iran, Venezuela, Nigeria, Libya and Indonesia. OPEC crude production registered for the year 1990 a substantial 8.5 per cent rise to twenty three mbd from twenty one mbd in 1989. As for the on the whole 1990 supply/demand balance, reported supply surpassed projected demand by a broad margin- closely 1 mbd.

Oil prices in the Gulf crisis of August 1990 within a month doubled as Kuwaiti oil production came to a stop and the output of Iraq was reduced to a little bit of its earlier level. Although Saudi Arabia raised output considerably, assembling extra capacity, and the UAE (United Arab Emirates) raised output more somewhat, the total Gulf oil supplies were not returned to previous levels up to properly after the crisis had ended. However, the difference was essentially covered by rising output from Venezuela and Nigeria. The moment the decision to attack Iraq and release Kuwait was made public, oil prices dropped.

The Gulf crisis was a significant example of how hostility, if not open dispute, between Kuwait and Saudi Arabia on the one hand, and Iraq or Iran on the other, causing the previous to increase oil output and drop oil prices. The requirement for
outside aid is important in this respect. The generousities represented an enormous
drain on the Saudi economy as the country had to pay for share of the United States
military efforts and simultaneously increase its own military expenditure. Oil prices
fell by about 40 per cent from October 1997 to August 1998 i.e. from $20 to $12 a
barrel. Oil prices in the autumn of 1998 were at a historical low in real terms, below
the point before the oil price rise of 1973. In contemporary times this is the second
most harsh oil price drop, in level exceeded only by the 1986 oil price collapse.

The 1998 oil price drop had combined causes, of which important one is the
East Asian economic crisis, but where political incidents and decisions in the West
Asia have been crucial. Assuming considerable oil demand growth in 1998, in the
summer and autumn of 1997 Venezuela increased output. Then in the late autumn of
1997 OPEC raised quotas, but instead as an approval of output increases that had
already taken place. The East Asian economic crisis in the meantime had weakened
oil demand and contributed to a deprived psychology in the oil market. This was
further intensified by a gentle winter at the same time in Europe, Japan and North
America, which far-off reduced oil demand and supported the doubtful mood in the
oil market. Ultimately, Iraq goes back to the market with large oil exports, increase
twofold output between January and August of 1998.

The Gulf suppliers were influential in bringing down oil prices. OPEC,
particularily the Gulf countries, needed a larger share of the oil market. The
background was conflict between Venezuela and Saudi Arabia over shares in the
United States market as well as a wish in the Gulf and in Iran to take places before
Iraq’s final return to the oil market. Practically all OPEC countries by the autumn of
1997 had budget and trade shortfalls and require for higher profits. The OPEC quotas
were raised by the November 1997 decision whose objective was to keep the real price
stable and allow OPEC receive most of the market growth. The belief was that the eventual return of Iraq to the market would be the subject of OPEC diplomacy, but Iraq achieved in returning to the market with a considerable export volume without any OPEC negotiating, thanks to the UN and indirectly the US. The agreement with the United Nations meant that up to late 1999 profit targets, not quantities, determined the oil sales of Iraq for medicine and food so that the export quantities of Iraq and market share increased as a function of dropping oil prices. The price risk from Iraq’s oil policy was effectively removed by the deal. Since the summer of 1998 Iraq’s oil output has been above that of Kuwait, nonetheless temporarily consolidating Iraq’s position in the oil market and in the West Asia.

Severe budgetary and balance of payments problems were caused by the low oil prices in most oil-exporting countries not minimum in Iran and Saudi Arabia. Several attempts were made at a deal during 1998 to raise oil prices and cut volumes, but agreement was reached by OPEC only in March 1999, with the exclusion of Iraq, but supported by Norway, Mexico and Oman. The oil prices increase from about $10 a barrel to about $17 was the immediate effect of volume restrictions. In the following year oil prices rise above $30 a barrel due to the strict devotion to quotas and flexible demand. “The 1999 OPEC agreement was possible because Iraq could no longer expand oil exports, since Venezuela under a new government chose to co-operate with the Gulf oil exporters rather than compete for market shares and especially since Iran and Saudi Arabia experienced a common predicament and had a mutual interest in higher oil prices.”

Limited OPEC producers, mainly Venezuela and Saudi Arabia, became together with non-OPEC Russia, Mexico and Norway- a member of the IEA (International Energy Agency) - and paved up an agreement to reduce output. By the full membership of OPEC the deal was later ratified. Further cuts in production
proved essential, and these plus the revival of the Southeast Asian economies, secured price to over $30 per barrel when prices drop for a second time in the late 1990s, and when exporters and other producers i.e. everybody, including the United States had by early 1999 enough of prices of around $10/b. In short, the oil price rise or decline, increase or decrease of export or import volumes, support or deal of OPEC members or other oil producing and exporting countries, various Gulf crises and oil shocks which were seen up to 1990s, also continues in 2000s.

So that, the beginning of the 21st century observed increased insecurities in oil supply, political burden, monetary degradation and military involvements; a third oil shock has widely spread between 2003 and 2008. The Second Gulf War of 2003, under the charade of fighting terrorism and obtaining weapons of mass destruction (which turned out to be unreal), viewed the American occupation of Iraq. The result was a greater control of long term petroleum supply sources but with increasing political instabilities in the West Asia. Oil output from Iraq has remained problematic, which credit for the fourth (4th) largest reserves on the world. In addition, insecurity in Venezuela (nationalisation and corruption) and Nigeria (civil conflict), have unfolded the world’s extra capacity narrow. Increased demands are also stretching global oil supplies, mostly from China which has become the second largest importer of the world. There are several challenges tackling the global oil industry in terms of additional capacity, purifying capacity and its distribution through a system of tankers and pipeline. The systematic ruining of the United States dollar by the Federal Reserves is also participating to higher oil prices through inflationary policies also pursued by the European Central Bank. Attempts at modifying the outcomes of an asset inflation phase prompted by accommodating credit creation policies have fallen over the commodity and energy sectors. Distinct the first two oil shocks, the third oil
shock was related to unfit mix of awkward supplies, monetary debasement and geopolitical risk.  

2008-2009 Crisis

The shock of the 2008-09 global financial and economic crises differed largely among three countries grouping in the Middle East and North Africa (MENA): the GCC (Gulf Cooperation Council), developing oil importers, and oil exporters. “Among these three groups, the GCC oil exporters were hardest hit because the crisis affected them directly through two different channels: (a) a negative terms-of-trade shock associated with the drop in oil prices; and (b) a financial shock, which destabilized overextended domestic banks and led to the bursting of a real estate bubble”. Growth nosedived for this group of countries from six per cent in 2008 to less than one per cent in 2009. Sufficient reserves and deported funds empowered the GCC governments to respond quickly with monetary and fiscal incentives and prevent a deeper braking in growth.

Due to the limited assimilation of their banking sectors into global financial markets, developing oil exporters understood the impact of the crisis mostly because of the negative oil price shock. Growth declined only to some extent from 2.9 per cent in 2009. Although naturally these countries carry out procyclical fiscal policies, during this crisis some governments answered with countercyclical measures, but the level to which they were skilled to do so depend on their fiscal space, reserves, and approach to external financing. Strong non-oil GDP (Gross Domestic Product) growth- at approximately 5 per cent in 2009- helped to moderate the decline in overall growth (World Bank 2010, recovering from the Crisis, Middle East and North Africa Economic Update, Washington; DC; World Bank). Oil-importing MENA (Middle
East and North Africa) countries were hurt mostly by the secondary effects of the crisis on remittances, trade, and FDI (Foreign Direct Investment). “Growth, which was high before the crisis, decelerated from close to 7 per cent in 2008, to a moderate pace of 4.8 per cent in 2009”\(^{32}\). Key non-oil sectors such as tourism and services remained relatively strong, while the drop in oil and other commodity prices limited the worsening of their external balances. Incentive packages in the Arab Republic of Egypt, Morocco, Jordan, and Tunisia also helped soften the braking in growth.

**Recovering from the Crisis**

By 2010 growth of developing oil exporters was assumed to step up to 4.2 per cent. On the evolution in the global demand for oil and oil prices the sustainability of their recovery hinged. Iraq and the Islamic Republic of Iran are especially susceptible to oil price volatility. Then, further upward pressure on oil prices is not expected due to sufficient spare capacity and little or no growth in oil demand in Europe, North America, and Japan. However, temporary points cannot be ruled out in response to unexpected shocks (Samba Financial Group 2010, ‘Oil Market Outlook and Implication for GCC Economies’, Samba Financial Group, Saudi Arabia).

The resurgence of oil importers in MENA (Middle East and North Africa) will depend critically on their key markets, especially the GCC countries and the European Union (EU). The weak recovery expected in the Eurozone will pull down growth in the near term, particularly the growth of those with strong connections to European Union (EU) markets. Growth of oil importers is expected to slow up a little to 4.5 per cent in 2010. Trade is picking up, with export profits of oil importers expected to grow by 7.7 per cent in 2010, after diminishing by 13 per cent in 2009. Dispatch flows are expected to grow by 1.3 per cent in 2010, although this speed is much
slower than the one observed during the précises years. The crisis has not led to any major reform difficulties, excluding perhaps a slowing of food and energy subsidy reforms, which have usually been very slow to progress. Some countries have steamed onward with the reforms started earlier to the crisis. These include the trade integration in Tunisia and the financial sector reform in Egypt.33
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