

**REPUBLIC OF TURKEY  
ISTANBUL GELISIM UNIVERSITY  
INSTITUTE OF GRADUATE STUDENTS**

Department of Political Science and Public Administration

**THE IMPACT OF THE INTERNATIONAL MILITARY  
CRISIS ON OPEC POLICIES  
(1991-2011)**

Master Thesis

**Basir Ahmad JOYA**

Supervisor

Asst. Prof. Dr. Rahmat ULLAH

**Istanbul-2023**



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I hereby declare that in the preparation of this thesis, scientific ethical rules have been followed, the works of other people have been referenced in accordance with the scientific norms if used, there is no falsification in the used data, any part of the thesis has not been submitted to this university or any other university as another thesis.

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## SUMMARY

The current research uses the theoretical framework of economic realism, which focuses on the thoughts of Robert Gilpin, who believes in the central role of government in international political economy, including in international organizations. Also, by using the statistical data extracted from the scientific productions of some international organizations, especially OPEC and oil companies, I tried to estimate the impact of the three military crises of the Second Persian Gulf War, September 11, 2001, and the 2003 Iraq War on the energy economy and as much as possible scientific explanation, following the mentioned crises, the OPEC organization decided to control the oil market, and according to the research's findings, throughout the mentioned military crises, there was a decline in oil production, which led to an increase in its price.

Intending to increase the production of this energy carrier, OPEC has devised measures to address the market's needs, particularly the primary consumers, including the United States. These measures involve utilizing the surplus capacity of Saudi Arabia to meet the demand. However, following these actions, while diverging from the national interests of member states, especially the most powerful member, Saudi Arabia, has not been in the benefits to other members who seek to sell this energy carrier at a higher price.

**Key words:** OPEC, Impact, International, Military Crises, Policies

## ÖZET

Mevcut araştırma, ekonomik gerçekçiliğin teorik çerçevesini kullanıyor, uluslararası örgütler de dahil olmak üzere uluslararası politik ekonomide hükümetin merkezi rolüne inanan Robert Gilpin'in düşüncelerine odaklanıyor. Ayrıca başta OPEC ve petrol şirketleri olmak üzere bazı uluslararası kuruluşların bilimsel üretimlerinden elde edilen istatistiksel veriler kullanılarak, 11 Eylül 2001 İkinci Basra Körfezi Savaşı ve 2003 Irak Savaşı olmak üzere üç askeri krizin enerji ekonomisi üzerindeki etkisini ve söz konusu krizleri takiben mümkün olduğu kadar bilimsel açıklamaları tahmin etmeye çalıştım. Söz konusu krizlerin ardından OPEC örgütü petrol piyasasını kontrol altına alma kararı almış ve araştırmanın bulgularına göre söz konusu askeri krizler boyunca petrol üretiminde düşüş yaşanmış ve bu da fiyatının artmasına neden olmuştur.

Bu enerji taşıyıcısının üretimini artırmayı amaçlayan OPEC, başta ABD olmak üzere birincil tüketiciler olmak üzere pazarın ihtiyaçlarını karşılamak için önlemler almıştır. Bu önlemler, talebi karşılamak için Suudi Arabistan'ın fazla kapasitesinin kullanılmasını içeriyor. Ancak bu eylemlerin ardından, başta en güçlü üye olan Suudi Arabistan olmak üzere üye devletlerin ulusal çıkarlarından uzaklaşırken, bu enerji taşıyıcısını daha yüksek bir fiyata satmak isteyen diğer üyelerin çıkarına olmamıştır.

**Anahtar Kelimeler:** OPEC, Etki, Uluslararası, Askeri Kriz, Politikalar



## TABLE OF CONTENTS

<b>SUMMARY .....</b>	<b>i</b>
<b>ÖZET .....</b>	<b>ii</b>
<b>ABBREVIATIONS .....</b>	<b>v</b>
<b>LIST OF TABLES .....</b>	<b>vi</b>
<b>LIST OF GRAPHS .....</b>	<b>vii</b>
<b>INTRODUCTION .....</b>	<b>1</b>

### CHAPTER ONE

#### THE STRUCTURE OF THESIS

1.1. Statement of Problem.....	3
1.2. Purpose of the Study .....	4
1.3. Significance of the Study .....	4
1.4. Methodology .....	5
1.4.1.Theoretical Framework .....	5
1.5.2.Hypothesis.....	5
1.5.3.Research Question .....	5
1.5.4.Data Collection Technique .....	5

### CHAPTER TWO

#### THEORETICAL FRAMEWORK

2.1. Realism Approach in the Study of International Relations .....	6
2.1. Classic Realism.....	8
2.2. Realism in the 20th Century .....	8
2.3. Hans J. Morgenthau’s Realism .....	9
2.4. Neo-Realism .....	9
2.5. Kenneth Waltz’s Neo-Realism .....	11
2.6. International Cooperation from the Perspective of Neo-Realism.....	11
2.7. Robert Gilpin .....	12
2.8. Economic Realism is the Theoretical Framework for the Analysis of OPEC Policies towards International Military Crisis (1991-2011) .....	14

### CHAPTER THREE

#### THE ORGANIZATION OF THE PETROLEUM EXPORTING COUNTRIES

3.1. The Background of OPEC .....	19
3.2. The Reason of Establishment of OPEC .....	20
3.3. History of OPEC Performance .....	21
3.3.1.First Period (1960-1970):.....	21

3.3.2. Second Period (1970-1980): .....	22
3.4. Forces and Factions within OPEC Organization .....	22
3.5. Goals of OPEC.....	23
3.6. The Structure and Pillars of OPEC .....	24
3.6.1. Conference .....	24
3.6.2. Executive Board.....	25
3.6.3. Secretariat .....	25
3.6.4. Economic Commission .....	26
3.7. The Role and Performance of OPEC .....	26
3.8. Role in International Political Economy.....	26
3.9. Determination of Oil Price by OPEC Organization.....	28
3.10. Policy Framework of OPEC .....	28

## **CHAPTER FOUR**

### **THE CONSEQUENCES OF SECOND PERSIAN GULF WAR AND 9/11 INCIDENT ON OPEC POLICIES**

4.1. The Consequences of The Second Persian Gulf War on OPEC Policies .....	30
4.1.1. The Reasons for the Importance of the Persian Gulf in Global Geopolitics.....	30
4.1.2. The Reasons for Iraq's Attack on Kuwait.....	33
4.1.3. The Beginning of the Second Persian Gulf War, Extensive International Reactions.....	34
4.1.4. Beginning of Desert Storm Operation.....	35
4.1.5. Consequences of the Second Persian Gulf War on OPEC.....	37
4.1.6. OPEC Policies Regarding the Global Increase in Oil Prices after the Second Persian Gulf War.....	39
4.1.7. OPEC since the Gulf War .....	40
4.1.7.1. <i>The 1990 OPEC Meeting</i> .....	41
4.1.7.2. <i>Ups and Downs</i> .....	42
4.1.8. Oil Markets Leading up to the War with Iraq .....	43
4.1.8.1. <i>Falling price –Price/inventory/paradox</i> .....	43
4.1.8.2. <i>Rising Price-The War Premium</i> .....	44
4.1.8.3. <i>Falling Price-The Gulf War Syndrome</i> .....	44
4.2. The Consequences of the Incident of September 11, 2001 on OPEC Policies.....	45
4.2.1. The Terrorist Attacks of September 11, 2001 Events.....	46
4.2.2. The Impact of 9/11 Event on the Asian Economies .....	46
4.2.2.1. <i>Financial Markets and Capital Flows</i> .....	47

4.2.2.2. <i>The Impact of 9/11 event on OPEC Trade</i> .....	47
4.2.3. The Impact of the Events of September 11 on the Category of Energy .....	48
4.3. Us Security Policy in South Asia Since 9/11 .....	50
4.3.1. Pre-9/11 Relations with Afghanistan, Pakistan, and India .....	51
4.3.2. America's Security Policy in Afghanistan.....	51
4.4. OPEC's Policies Regarding the Global Increase in Oil Prices After September 11, 2001.....	54

## CHAPTER FIVE

### THE MILITARY CRISES IN MIDDLE EAST BETWEEN 2003-2011 AND ITS IMPACT ON OPEC

5.1. United States Invasion of Iraq (2003).....	59
5.1.1. The Events of September 11 and the Invasion of Iraq.....	60
5.1.2. The Beginning of the Invasion of Iraq in 2003.....	60
5.2. The Consequences of The Us Attack on Iraq in 2003 and Its Impact on OPEC Policies.....	63
5.2.1. The Long-Term Impact on OPEC .....	64
5.2.2. Iraq's Role in OPEC.....	66
5.2.3. OPEC's Response to the Iraq War.....	66
5.2.4. OPEC and Iraq's Oil Production.....	67
5.2.5. The Impact on OPEC's Unity .....	68
5.2.6. Oil Price.....	68
5.2.7. The Future of OPEC with or without the Presence of Iraq .....	69
5.2.7.1. <i>If Iraq Stays in OPEC</i> .....	70
5.2.7.2. <i>If Iraq Leaves OPEC</i> .....	70
5.3. The Arab Uprising and Its Impact on OPEC .....	72
5.3.1. Major Events in Arab Uprising .....	72
5.3.1.1. <i>Tunisia</i> .....	72
5.3.1.2. <i>Egypt</i> .....	73
5.3.1.3. <i>Libya</i> .....	73
5.3.1.4. <i>Yemen</i> .....	73
5.3.1.5. <i>Syria</i> .....	73
5.3.2. The Impacts on OPEC.....	73
5.3.4. The Syria Crisis and its Impact on OPEC .....	75
5.3.5. The Israel-Lebanon Military Crisis since 2006, and its Impact on OPEC.....	77
5.4. OPEC Policies Regarding the Global Increase in Oil Prices Before and After The 2003 War Against Iraq.....	78

**CONCLUSION AND RECOMMENDATIONS.....83**  
**REFERENCES.....88**



## ABBREVIATIONS

<b>BPD</b>	:	Barrels of Oil Per Day
<b>CEO</b>	:	Chief Executive Officer
<b>CIA</b>	:	Central Intelligence Agency
<b>CPEs</b>	:	Centrally Planned Nations
<b>CIEC</b>	:	The Conference on International Economic Cooperation
<b>FSU</b>	:	Former Soviet Union
<b>GNA</b>	:	Government of National Accord
<b>HTS</b>	:	Hayat Tahrir al-Sham
<b>ISIS</b>	:	Islamic States of Iraq and Syria
<b>ISAF</b>	:	International Security Assistance Force
<b>ICG</b>	:	International Crisis Group
<b>JMMC</b>	:	Joint Ministerial Monitoring Committee
<b>LNA</b>	:	Libyan National Army
<b>MENA</b>	:	Middle East and North Africa
<b>NGOs</b>	:	Non-Governmental Organizations
<b>NATO</b>	:	North Atlantic Treaty Organization
<b>OPEC</b>	:	The Organization of the Petroleum Exporting Countries
<b>OFID</b>	:	OPEC fund for international development
<b>PLO</b>	:	Palestine Liberation Organization
<b>UN</b>	:	United Nations

## LIST OF TABLES

<b>Table 1.</b> The effect of the Second Persian Gulf War on oil prices.....	43
<b>Table 2.</b> The opinion of the US Energy Information Administration.....	62
<b>Table 3.</b> The opinion of the US Energy Information Administration.....	85



## LIST OF GRAPHS

<b>Graph 1.</b> OPEC share of world crude oil reserves in 2017.....	31
<b>Graph 2.</b> The regional distribution chart of proven crude oil reserves.....	36
<b>Graph 3.</b> The regional distribution percentage chart of proven crude oil reserves.....	36
<b>Graph 4.</b> The effect of the Second Persian Gulf War on oil prices.....	43
<b>Graph 5.</b> Oil price during the second Persian Gulf War.....	44
<b>Graph 6.</b> The opinion of the US Energy Information Administration.....	62
<b>Graph 7.</b> The opinion of the US Energy Information Administration.....	85



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## INTRODUCTION

The expression of international military crises refers to a situation involving two or more countries that escalates into a significant and potentially dangerous conflict, often involving their armed forces. These crises can arise due to a variety of reasons, such as territorial disputes, political tensions, ideological differences, resource competition, or misunderstandings between nations. This thesis is selected regarding the impact of international military crises on OPEC policies from (1991-2011), that the present research is going to investigate, discover, and determine the military crises in the Persian Gulf or Middle East countries and the impact of these crises on OPEC (The Organization of the Petroleum Exporting Countries). On the other hand, it is also being tried to find out the OPEC policies regarding these crises which happened at the end of the 20<sup>th</sup> and beginning of the 21st century. Therefore, there are mainly three major crises that were found through this research and these are The Iraq invasion of Kuwait which began in 1991, the events of September 11, 2001, and the US attack on Iraq in 2003. Each of the aforementioned titles is basically known as the main crisis which brought about huge changes and has put many destructions for the countries which were involved in it beyond how much changes caused for OPEC and its member countries.

Iraq's invasion of Kuwait known as the Gulf War happened in 1990-1991, and the main reason for this war was the repayment of 80 billion dollars that Iraq borrowed from Kuwait to support its financial militaries during the war between Iraq-Iran when Kuwait asked for money, the government of Iraq rejected to repay it, but instead, they launched a war against Kuwait to occupy this country. The purpose of the Iraqi government was not only to repay the lends but also they wanted to have full dominance on oil. The Iraq government while Saddam Hussain was ruling could able to attack Kuwait on 02/August/ 1990 and occupied this country in two days, and as a result, Iraq ran the occupied territory under a puppet government known as the Republic of Kuwait. Thereafter, a coalition was formed among 39 countries against Iraq and was headed by the United States in order to attack Iraq. So, these countries attacked on Iraqi troops. Finally, they made Kuwait free from the invasion of Iraq.

Another big crisis is the event of September 11, 2001, which extremely shocked the world when it happened in a business center of the United States where nobody even believed it, and it completely had a negative impact on OPEC. This attack was in fact done by Al-Qaida, and therefore, the world instantaneously took seriously actions that Al-Qaida is a big danger to the world, they found the nest of these terrorists in Afghanistan because the Taliban were ruling

in Afghanistan and Al-Qaida was growing up under the support of Taliban. Therefore, America with its counterparts especially NATO entered Afghanistan and eradicated terrorism and extremism from Afghanistan, and the government of the Taliban collapsed as a result of this intervention by United States and NATO. The above-mentioned concepts are mainly another military crisis that has had a direct impact on the international oil market specifically OPEC.

The US invasion of Iraq in 2003 is also known as the biggest and major crisis while Saddam Hussain was the president of Iraq. After the events of September 11, America also addressed Iraq as a main source of terrorism and extremism, because Al-Qaida was consistently being supported by Iraq, and the Iraq government was directly providing the way for their development. In addition, the world especially United States of America and United Kingdom felt that Iraq accessed weapons of mass destruction, and they considered Saddam's government as a dictatorship government that definitely didn't pay attention to the world's expectations. On the other hand, America was also searching to find a way how to access the Gulf Persian countries to ensure its oil in the long term, and the presence of Al-Qaida and weapons of mass destruction was a good reason for America to enter Iraq and have dominant on OPEC or on Iraq's oil. Thus, the above-mentioned reasons paved the ground for America that attacked on Iraq with its counterparts and annihilated the government of Saddam. Apparently, America was successful and occupied Iraq in three weeks, captured Saddam, and put him in the prison. Finally, America made its puppet government in Iraq and had full dominance of oil sources.

To sum up, OPEC since its establishment had experienced many challenges, not only with its members but also with other countries, but the military crises which began from 1979 to 2011 had completely bad effects on this organization. Western countries always tried to access OPEC, and even they always tried to remove this organization because OPEC has had 65 % of world oil in its hands, it is in fact a huge amount, and for sure it is a big challenge for the countries of the world specially for America to just consider without having any access to the OPEC. So, America has never wanted these countries to have access to such huge natural sources and has always tried to at least find a way to penetrate on such important natural mine. Overall, OPEC surely experienced lots of fluctuation in increasing and decreasing oil prices, and has consistently obliged to take actions to control the oil market.

# CHAPTER ONE

## THE STRUCTURE OF THESIS

### 1.1. Statement of Problem

The role of energy resources in the economic life of human societies is not hidden from anyone and human societies cannot ignore its important role in daily life. Since the beginning of human creation, the human being has not been without the need for energy and has used different and diverse sources of energy. Therefore, energy is one of the most influential components which substantively counted as the production of wealth and power in the current world. So, the establishment of a mechanism to regulate the production of energy was extremely expected due to the importance of this issue, which was finally realized with the establishment of the Organization of Petroleum Exporting Countries (OPEC). The aforementioned organization was established in 1960 in Baghdad, Iraq with the presence of representatives from Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela. The main goal of this organization, as stated in its constitution, is to coordinate and integrate the petroleum policies of the member countries and determine the best way to secure the collective and individual interests of these countries. On the other hand, the emergence of OPEC was a political and anti-colonial reaction from the developing countries that produce petroleum against the aggressive policies of multinational companies. Because these companies used tools such as coup d'état, political interference, bribery, colonial treaties, etc. in order to protect their interests.

In addition, the global petroleum market witnessed a multipolar monopoly that ruled this market for sixty years. In the 1950s, the scope and influence of the large petroleum companies named Seven Sisters (made up of seven well-known and famous companies that had control of petroleum) covered 90% of the production and sale of crude oil and petroleum products. Also, the increasing understanding and awakening of public opinion with the emergence of an intellectual and educated class in the Middle East and Venezuela regarding the importance of oil and its role in the economy of these countries is known as another factor in the establishment of OPEC (Isteqamat, 2004).

In order to coordinate the petroleum policies of the member countries, the OPEC organization is influenced by two categories of fundamental and non-fundamental factors in determining the price of petroleum. It is pointed out that the fundamental factors show the level and amount of global demands, which is caused by economic growth in different countries of the world. But in the meantime, considering the developments after the Cold War and the

departure of the international system from the bipolar state, the role of international military crises as a non-fundamental factor in OPEC policies has been irreplaceable ( Ajeli, 2011).

According to the explanations presented in this research, I intend to discuss the impact of three international military crises on OPEC policies, which are:

1. Iraq's Attack on Kuwait (1991)
2. Events of September 11, 2001
3. America's Attack on Iraq (2003)

It seems that international crises tend to increase the price of petroleum by creating restrictions for increasing investment and increasing supply on the one hand and exerting a psychological effect on buyers. In the meantime, OPEC plays a role in reducing and balancing prices by increasing production. But the decision made by OPEC was not necessarily in the interest of all members.

## **1.2. Purpose of the Study**

The purpose of this study is to discover the policies of OPEC on the basis of military crises. By the time, whenever the selected title would be completed it will fall to happening useful for all communities and will result to the following objectives:

- To clarify the policies of OPEC between 1991-2011
- The impact of military crises on OPEC
- The effect of OPEC policies on political equations

## **1.3. Significance of the Study**

Considering the fact that nearly half of the world's petroleum production and 65% of the reserves of this strategic substance is belong to OPEC member countries, in practice there is a lot of role-playing field for this organization in the international political economy as well as global trends. For example, during the energy crisis in (1973), the majority of OPEC members avoided sending petroleum to Western countries because of their support from the Zionist regime of Israel in the Fourth Arab-Israel War or "Yom Kippur and this caused a fourfold increase in the price of petroleum in the western countries. But this example has been one of the few cases of coordination of member countries to use energy tools as a basic component in international equations. In this context, the influence of the Saudis in OPEC has been one of the most important factors in the one-dimensional and sometimes inconsiderate view of the interests of other members. In this field, we intend to address a general rule in the OPEC organization's behavioral review in dealing with the impact of international crises on

petroleum prices. By achieving this goal, a relatively reliable prediction of the future state of this organization's policies and the price of petroleum in possible future crises can be achieved.

#### **1.4. Methodology**

The method of collecting information is qualitative, so the secondary data collection technique is used in order to better understanding the policies adopted by the OPEC organization. Therefore, mostly the data collection relies on books, the internet, articles, bulletins, and monthly reports of the said organization.

##### **1.4.1. Theoretical Framework**

The title substantively goes through to Economic realism which is the most appropriate concept related to my research paper. Therefore, the theory of Robert Gilpin, Hans Morgenthau, and Charles P. Kindle Berger was used in the present study.

##### **1.5.2. Hypothesis**

This study covers the following hypothesis:

- a. The military crises between 1991-2011 affected OPEC policies.
- b. The largest production level of oil and the rotation of the world oil market is directly dependent on OPEC.
- c. OPEC policies affect the global market and politics.

##### **1.5.3. Research Question**

What has been the impact of international military crises on OPEC policies between 1991-2011 (the Persian Gulf War, September 11, 2001, and America's invasion of Iraq)?

##### **1.5.4. Data Collection Technique**

The method of collecting information is qualitative, so the secondary data collection technique is used in order to better understand the policies adopted by the OPEC organization. Therefore, mostly the data collection relies on books, the internet, articles, bulletins, and monthly reports of the said organization.

## **CHAPTER TWO**

### **THEORETICAL FRAMEWORK**

After stating the generalities and objectives of the research, in this chapter, choosing a theoretical framework that fits the discussion is essential for the scientific investigation and theorization of the research. In this regard, the theory of economic realism, which is a branch of the general theory of realism, has been chosen as the theoretical framework of this research. However, in the current chapter, while dealing with the generalities of the mentioned attitude and introducing its prominent thinkers, the reasons for choosing economic realism will be stated.

#### **2.1. Realism Approach in the Study of International Relations**

Realism is one of the most significant attitudes in the study of international relations. In the way that it has been proposed as the dominant paradigm since the past and in other terms, the major scientific researchers in the field of international relations have looked at the subject from a more or less realistic perspective, and some believe that the discipline of international relations has characteristics equal to realism.

The almost irreplaceable attraction of this theory is due to reasons such as its closeness to the performance of politicians and the conventional understanding of international politics (Mashirzada, 2006).

Realism emphasizes their national characteristics and human beings to understand and explain international relations and foreign policy of countries. It relies on fundamental principles and concepts such as power-centrism, state-centrism, national interests, the balance of power, the state of nature, rationality, and the survival (Firouzabadi, 2010).

Also, in contrast to the theory of realism, there is a general theory of liberalism. Liberalism and realism are two major and separate theories that are at the top of the list of theories of international relations. The boundary of intellectual conflicts between international relations experts is either in the gap between these two theories or it is an internal conflict that occurs within the camp of each of these two attitudes.

To clarify this issue, consider three important realist works in the 20th century:

1. "Twenty Year Crisis (1919-1939)" by E. H. Carr, was published in England in 1939 after a short period of time since the beginning of the Second World War in Europe and is still widely studied today.

2. First published in the United States in the early days of the Cold War (1948), Hans Morgenthau's *Politics Among Nations* influenced the field of international relations for at least two decades.
3. Kenneth Waltz's "Theory of International Politics" has dominated the field of international relations since it first appeared at the end of the Cold War (1979).

Each of these three famous realist thinkers criticizes aspects of liberal thinking in their writings. For example, Car and Waltz both are against the liberal belief that economic interdependence increases the likelihood of peace. On the other hand, Car and Morgenthau repeatedly criticize the idealistic views of liberals about politics. The idea that, from the perspective of realists, cause problems for governments. At the same time, realists also disagree with each other on a number of important issues. For example, Waltz and Morgenthau's opinion is that multipolar systems are more stable than bipolar systems. In addition, Morgenthau believes that governments are trying to gain power because they have an innate desire to achieve it. On the other side, Waltz argues that governments seek to gain power because the structure of the international system forces them to seek power to increase their chances of survival (Mearsheimer, 2001).

Unlike liberals, realists are pessimistic about international politics. Realists agree that it would be nice to create a peaceful world, but they see no easy way out of the violent world of security competition and war. Creating a peaceful world is fascinating but impractical dream. As E.A. Car points out: Realism emphasizes the irresistible power of existing forces and the inevitable coordinates of existing trends and considers the transcendent wisdom in accepting and adapting to these forces and trends. This pessimistic view of international relations is based on three main beliefs:

1. Realists, like liberals, consider governments should be the main actors in international politics. Realists mainly focus on great powers because these governments shape and dominate international politics and are also the cause of deadly conflicts.
2. Realists believe that the behavior of great powers is more influenced by their external environment than by their internal characteristics and coordinates. In other words, the structure of the international system determines the form of their foreign policy. Realists are unwilling to make a sharp distinction between good and bad governments. Because all great powers act according to the same logic regardless of the culture, political system, or who is in Power. Therefore, it is hard to distinguish between them,

except for their relative strength. Accordingly, superpowers are essentially like billiard balls, only their sizes differ.

3. Realists believe that governments are looking for power calculations and compete with each other to gain power, and sometimes in this competition, war, which is one of the accepted tools of statecraft, becomes necessary. According to the 19th-century military strategist Carl Von Clausewitz, war is the continuation of politics in another sense and way. Finally, the zero-sum game, which is the basis and creator of this competition, sometimes gives it a cruel and intense appearance. Governments may cooperate on rare occasions, but fundamentally they have conflicting interests (Mearsheimer, 2001).

In the following, in detail about realist thinkers, thinkers related to the neo-realist approach, and especially for the purpose of this research, we will pay about thinkers who have also analyzed the economic field.

## **2.2. Classic Realism**

Classical realism is not completely unified, and there are many internal differences between what we know as realists. As a result, from different points of view, realism has been divided into different forms. Among others, Michael Doyle believes that three traditions of realism can be distinguished, which are linked to three classical thinkers: "Fundamentalism" influenced by Machiavelli, which emphasizes the importance of individual ambitions; "Structuralism" influenced by Hobbes, which considers the importance of the international system; and "Constitutionalism" influenced by Rousseau's views, which emphasizes the importance of single-level factors such as the nature and strength of the relationship between society and the state (Mearsheimer, 2001). (Qavam, 2006), also added that realism in its classic form is reflected in the work of Thucydides, "The Peloponnesian War".

## **2.3. Realism in the 20th Century**

The crisis atmosphere of international relations in the 1930s provided a suitable ground for the growth of pessimistic patterns of international relations. During this decade and beyond, two realist perspectives matured. One of these two views was in favor of the concept of "power as a norm"; this school of thought showed a kind of disillusionment and even a powerful hatred of optimistic and satisfactory efforts to create a peaceful world through the development of the principles of democracy on the world stage. The other view, the same basic themes that can be seen in the works of the authors of the first two decades after the Second World War, had a longer life, and used the term power in a non-normative and analytical sense within the framework of a more complex and unlimited understanding of the international system.



(Mearsheimer, 2001), added among the thinkers of this group, Hans J. Morgenthau is more valuable.

#### **2.4. Hans J. Morgenthau's Realism**

Morgenthau's attitude is an attitude focused on territory and strategy. Along with other realists, from the classics to the late ones, the basis of their work is the conceptualization of power and what becomes the source of the abundance of their interpretations, not the concept of power in particular, which is the conceptualization and operationalization of the balance of power (Little, 2007).

Hans J. Morgenthau (1904-1980) proposed six principles for the theory of realism in the book "Politics Among Nations"; First, he believed that political relations are governed by objective rules that are rooted in the depth of human nature. Since these rules "are not subject to our preferences and priorities. Therefore, people will want to oppose them only by accepting the risk of failure". Second, Morgenthau claims that statesmen think and act in terms of interests defined as power, and historical evidence also supports this assumption. Third, Morgenthau admits that the phrase "interests defined as power" has a loose and shaky meaning. However, in a world where sovereign states are engaged in competition for power, the foreign policies of all countries must consider survival as the most certain goal. Fourth, Morgenthau said that the general principles of ethics cannot be applied in their abstract and common form to the actions of governments. On the contrary, the mentioned principles should be passed through the filter of specific time and place conditions. Fifth, Morgenthau claimed that political realism does not equate "the moral aspirations of a particular country with the moral laws governing the world". Sixth, Morgenthau insisted on the independence of the political sphere. Political actions should be judged by political criteria (James E. Dougherty., & Robert L. Pfaltzgraff, 2005).

#### **2.5. Neo-Realism**

The realism that was examined in the previous lines was a view at the micro level. But neo-realism is a systematic theory that considers the international system and its characteristics, especially the anarchic structure, to be the most important determinant of international politics and, accordingly, the behavior of countries in the international arena (Firouzabadi, 2010).

While realists such as Morgenthau consider the origin of countries' desire for power in human nature beings and the state of nature, neo-realists such as Waltz consider the Anarchic state of the international system as the main cause, which dictates the aggregation and accumulation of power as a vital need for countries. Although the realists also believe in the

Anarchy of the international system, they believe that statesmen and national policymakers have a greater role and freedom of action to influence international outcomes. Neorealism is much more deterministic than realism because it sees decision-makers as very powerless to influence the course of international events and foreign policy. This theory argues that states and their decision-makers are unable to change their operational environment, and their behavior and actions are strongly constrained by the international system consisting of interacting units (Firouzabadi, 2010).

Realism was re-generated in the early 1980s due to the entry of the Cold War into a new phase and the arms race between the East and the West. Neorealism (structural realism) like its classical form still sees the government as the main actor in the international political scene. "Kenneth Waltz" can be named as one of the pioneers of neorealism, who tried in his work under the title "Theory of International Politics" to organize the disjointed body of political realism thoughts and present it as an official theory (Qavam, 2006).

Neo-realists believe that the international politics consists of a system with a defined structure and different international systems are distinguished by the number of great powers and the different distribution of power among them; In other words, this distinction is made through various international structures. During which legitimate international power structures create various types of international behavior (stability or instability). From the point of view of neo-realists, the reason that classical realism is not able to conceptualize the international system is its behavioral methodology, because the said approach examined political data through the constituent elements of political systems, which had faced many limitations. With this logic, the coordinates and interactions of behavioral units are the direct cause of political events. Thus, since the classical realists ignored the role of structure in the formation of units, they could not look for the cause beyond the state level; For example, Morgenthau was one of the realists who tried. To explain the international data by examining the actions and interactions of the units, in this case, while paying attention to the principles of human nature, the definition of national interests in terms of the power and behavior of politicians did not take into account the systemic pressures of international politics. Since he did not care about the important works of structure, he considered the political data to be derived from the actors who created it (Qavam, 2006).

## 2.6. Kenneth Waltz's Neo-Realism

The main issue that is important for Waltz is the basis of his theory why governments in the international system, despite their political-ideological differences..., show similar behavior in foreign policy? This similarity cannot be explained based on the characteristics of the units, and on the contrary, one must rely on a systemic understanding of international politics:

{“Every system is composed of a structure and interacting units. The structure is a system-wide component that allows us to think about the system as a whole. Definitions of a structure must exclude or abstract the properties of units, their behavior, and their interactions should be discarded, that we can differentiate between unit-level variables and system-level variables” (Mashirzada, 2006)}.

## 2.7. International Cooperation from the Perspective of Neo-Realism

Considering the consequences of disorder in international relations, the negotiation of international cooperation is significant. Basically, Collaboration occurs in space and the environment combined with peace since most realists consider war to be the governing principle of the international system, peace and, consequently, cooperation is considered an exception. However, in contrast to the above-mentioned thinking, some realists believe that peace is possible in the international system, and they propose international cooperation from this point of view. So, to explain how international cooperation is, it is necessary to know the place of peace and war in international relations. In general, there are three approaches to international peace:

1. **Minimal view of peace:** This view means the negation of war, which most realists have such a view of war. In other words, peace in this concept is a phenomenon in contrast to war, which is defined as a state that expresses the absence of conflict and war.
2. **Positive and maximum view of peace:** Based on this view, peace is the convergence of the international community and social justice. Therefore, there is not only war, and there should not be, but there must also be areas of convergence and justice to establish peace. The basis of the differences between these two approaches is that they argue from a minimal perspective that war is a consequence of physical violence. Therefore, peace means the application of physical non-violence, but from the maximum perspective, it is based on structural non-violence. Structural violence is a type of social relationship in which one party has the ability to dominate while the other party lacks

any ability to dominate. Therefore, the condition of peace is more than the absence of war and violence.

### 3. **The Third Approach is the Result of Combining the Two Mentioned Approaches.**

This view of peace does not mean only the absence of war but believes that peace should be defined as a transition to a world where there is no violence and countries cannot use war to secure their interests. In other words, we must create an order in which violence is not used, and disarmament is involved in this approach.

In its approach to international cooperation, neorealism considers something beyond peace. From the point of view of neorealism, international cooperation is possible, but its continuation is difficult. Neo-realists believe that the problem of international cooperation arises from the consequences of disorder in international relations, which include mistrust that promotes deception. Another thing, in this situation, there is no obstacle to using force against other countries. The international system makes cooperation difficult in this situation. Neo-realists believe that there is a bigger problem, and that is the concern of how benefits will be made. Profit and relative profit are designed in front of absolute utility. When two countries cooperate when they make a profit and do not get a loss (absolute profit), but sometimes something more is involved, and that the two partners want to profit and not profit less than each other. Therefore, this relative profit becomes a problem in its international cooperation (Firouzabadi, 2010).

## **2.8. Robert Gilpin**

Gilpin is considered a representative of "hegemonic systemic structural realism"; From the perspective of paying attention to the evolution of the system as well as the role of politics in the economy, he answers to some of the criticisms that Waltzian realism and neorealism faced.

Gilpin has considered three types of changes in the international system:

1. The first case is System Change, which means a major change in the nature of the international system under the influence of a change in the nature of the actors or units that make up the system. Throughout history, the international system has witnessed such changes.
2. The second type of change is "Systemic Change" or transformation within the system, which appears in the form of a change in the distribution of power.

3. The third type of change is the nature of political, economic, and socio-cultural interactions within the system.

Gilpin's assumptions in his conceptualization of international political change are:

1. If no government believes that trying to change the system is in its interest, the international system will be stable (i.e. in a state of equilibrium).
2. If the expected benefits of system change exceed its costs (i.e. have a net benefit), a state will try to change the international system.
3. A State will try to change the international system through territorial, political and economic expansion as long as the marginal cost of change is equal to or greater than its marginal benefit.
4. When a balance is reached between the costs and benefits of further change and expansion, the economic costs of maintaining the status quo increase faster than the economic capacity to maintain the status quo.
5. If the imbalance continues within the international system, the system will change, and a new balance will be established that reflects the redistribution of power (Gilpin, war and change in world politics , 1981).

Gilpin believes that the economy is the realm of wealth and its distribution, and politics is the realm of power. Wealth is anything that can generate income in the future and includes material capital and human capital. Power in its different forms (military, economic, psychological) is ultimately a means to achieve other goals. The distribution of power is significant in that it "profoundly affects the ability of states to achieve what they perceive to be their interests." Unlike wealth, power also has a strong psychological dimension. Thus, perceptions about power are essential. Of course, Gilpin emphasizes that the distinction between economics and politics is merely an analytical distinction. And in the real world, wealth and power are ultimately connected. According to him, the main difference is between relative and absolute achievements. According to him, the emphasis of (liberal) economics is on absolute achievements because in the game economy, the sum is not necessarily zero. In the Pareto optimal world, the development of one person's condition does not require the deterioration of another's condition. But in politics, power is always relative. That is, increasing the power of one government requires reducing the power of another. As a result, from this point of view, the international relations of the game will be zero-sum. This is because of this relative nature of power that governments are engaged in an endless game of improving or

maintaining their positions of power. Indeed, governments are not the only actors in the international system, but they are the most important, and the interaction between their national interests determines the role of the actors. Even though Gilpin, like the transnationalism, pays attention to the form of transnational relations between new actors and considers the role of multinational companies important in this regard, he believes that basically what makes such relationships possible and causes them to expand is the existence of hegemonic power. The times of British peace and American peace have been the peak times of transnational relations. Non-State actors cannot have a direct decisive influence on the international system. They can only put pressure on the governments and influence them indirectly. He believes that "the evidence that they can be very successful in replacing the nation-state as the main actor in international politics; Does not exist". Instead, it can be said that the role of the nation-State in economic and political life is greater than before, and actors such as multinational companies are only a driving factor for the expansion of the government's power in the economic spheres (Mashirzada, 2006).

### **2.9. Economic Realism is the Theoretical Framework for the Analysis of OPEC Policies towards International Military Crisis (1991-2011)**

Realism in the contemporary international political economy can be seen as the inheritor of the approach of mercantilism in the past centuries. Mercantilists consider the international economy to be the field of conflict over conflicting national interests rather than the field of cooperation and mutual benefit. Based on mercantilism, the importance of economic growth is due to its effect on the power and fighting power of governments. Mercantilist policies have been realized in two major forms. First, the defensive or mild form in which governments seek their national economic interests because it is an important part of their national security; And second, the violent or evil form in which governments try to direct the international economy towards their expansionist policies (Robert Jackson., & Georg sorenson, 2003).

16th-century mercantilists discovered how the Spanish were taking advantage of the American supply of gold and silver bullion. This factor caused them to consider obtaining bullion as the most important way to reach national wealth. On the other hand, when the Dutch began to strengthen their power without direct access to bullion, following a vast cross-border trading empire, the mercantilists emphasized trade and access to trade surplus as a way to develop national power. Similarly, when the British took the main role in international politics

through industrialization, the mercantilists emphasized the necessity of industrializing countries as the best way to gain national power. Mercantilism was especially prevalent in countries that had lagged behind Britain in the process of industrial development and felt they had to industrialize to compete with Britain (Robert Jackson., & Georg sorensen, 2003).

Today, although many international political economy thinkers believe that the mercantilist policy of the past centuries is abolished; realists' analysis of the international political economy is very similar to previous mercantilist approaches. In such a way that even the terms mercantilism or neo-mercantilism are abundant in their analyses. As it was mentioned earlier, Robert Gilpin is one of the most prominent realist theorists in the field of international political economy. Gilpin's analysis of multi-national corporations clearly shows his realist view of international political economy. Gilpin believes that multi-national companies not only diminish the role of Nation-States in the field of economy and international politics, but the role of Nation-States in economic and political life is more than ever. Actors such as multi-national companies are merely agents to expand the government's power in the economic field. Gilpin's influence showed how realism's emphasis on power could be both a political justification of the emergence of liberal principles and practices in US foreign economic policy and a cautious critique of liberal leadership. In this regard, His dynamic model of "change" is somewhat similar to some Marxist writings. For example, consider the Vietnam War as a reflection of economic contradictions that motivated power-seeking elites to design a counter-revolutionary imperialist strategy under the title of international liberalism (Peter J. Katzenstein., Robert O. Keohane., & Stephen D. Krasner, 2005).

In the framework of the quo realism in international political economy, the theory of hegemonic stability has been proposed in recent decades, and Robert Gilpin has played a crucial role in its processing. This theory which was first introduced by Charles P. Kindle Berger (although without using the term hegemonic stability), is based on the fact that the formation of an open international economic system depends on the presence of the hegemonic power in that system. According to Kindle Berger, the market failure and the Great Depression were caused by the lack of an ultimate lender. Only the hegemonic power has the ability and interest to provide financial stability. Therefore, the presence of such hegemonic power is necessary to regulate the open economic flow.

(Peter J. Katzenstein., Robert O. Keohane., & Stephen D. Krasner, 2005), added that, from the point of view of economic realism, if we consider the OPEC organization as an organization consisting of many governments, the interests of the OPEC members will

definitely be involved in making decisions and macro policies of this organization, and the positions of this organization will not be completely supra-governmental. Therefore, the existence of the United States of America as the hegemonic State in the international arena and its relationship with the mentioned organization, especially its superior power, Saudi Arabia, will probably lead to decisions that are not necessarily in the interest of all members. This issue is more apparent when military crises occur and due to the necessity of taking decisions by the mentioned organization to reduce the consequences of crises, especially to overcome the increase in oil prices.

Gilpin believes in explaining globalization as a prominent feature of the economy at the beginning of the 21st century; The severity and importance of economic globalization have been greatly exaggerated and misunderstood. This misunderstanding and exaggeration can be evident not only for ordinary people to discuss but also it can be a perspective for the experts. It must be said that the consequences of globalization are not as wide, severe, and comprehensive as the observers claim. So, today's world is a world where, along with the growth of economic interdependence, national policies, and domestic economies are still the determining principles of the economy. Gilpin believes that in his previous book, "The Political Economy of International Economy", which was published in 1987, the lack of a detailed look at the internal dimensions of the economy was evident. In this book, the international economy was analyzed in such a way that if development was included in the domestic economy, it was considered only a matter of minor importance. He writes in the book "Global Political Economy: Understanding the International Economic Order":

“Relatively, this neglect was due to my interest in the development of a complete and self-regulating international political economy. But in this book, an attempt has been made to overcome this unfortunate weakness by focusing on what I call "National Systems of Political Economy" and their importance for domestic and international economic affairs. In the late 1980s, following the start of Multinational Cooperation in Foreign Direct Investment, a revolution in the economy occurred. In the 1960s and 1970s, growth in international trade transformed international economic affairs, and subsequently in the 1980s, the overseas expansion of multinational businesses further integrated national economies. In the 1980s, the academic community paid special attention to the Quasi-Marxist dependency theory and the deep gap between the developed and the less developed world, and therefore, the discussion made in the 1987 book on economic development is completely outdated and outdated today



in the new context. Because today at the center of the discussion about economic development, the optimal role of the government and the market in the development process is located”.

According to Gilpin, one of the main motivations for writing the book "Global Political Economy: Understanding the International Economic Order" was the essential changes that have occurred since 1987. The most important events were the end of the Cold War and the end of the Soviet Union's threat against America and its European allies, which means actually a change in the structure that the world economy was operating within. During the Cold War, the existence of the Soviet threat made the United States and its European allies cover up a potential conflict to maintain security. But with the collapse of the Soviet Union, America's connection with its allies gradually faded. At the same time, the increasing interest of the third-world countries and the independent Republics of the Soviet Union caused the global economy to grow even more. A clear example of the above-mentioned participation process can be seen in the active effort of less developed countries to assume a role in the World Trade Organization. Such a situation, in which new actors entered the scene, made the management of the global economic system more necessary than before (Gilpin, Global political economy: Understanding the international economy order, 2001).

Gilpin states that historical experience shows that the purpose of economic activity was not determined solely by markets. But norms, values, and the interests of political and social systems also play an effective role. In general, although economics is important, political factors are either equal or in some cases more important than economic factors. Therefore, it can be predicted that the world economy will be strongly influenced by the security and interests of the powers, namely America, Western Europe, Japan, China, and Russia. So, it is unlikely that these countries will deliver the entire arena to the markets. It can be claimed that the main economic forces in the 21st century will be economic efficiency and national ambitions (Gilpin, Global political economy: Understanding the international economy order, 2001).

According to the assumption of the mentioned book, the meaning of global political economy is the interaction between markets and powerful actors such as the government, multinational agreements, and international organizations such as the World Bank, International Monetary Fund, OPEC, etc (Gilpin, Global political economy: Understanding the international economy order, 2001).

Gilpin adds that economics emphasizes the adequate allocation of limited resources and the achievement of certain achievements of each actor from economic activity. But the international political economy based on the state believes that political actors achieve absolute and certain achievements, and also relative achievements. The results of transactions and their volume are important compared to other players. Of course, governments are more sensitive to these relative differences. Thus, governments are particularly sensitive to the distribution of gains that affect domestic prosperity, national wealth, and military power (Gilpin, *Global political economy: Understanding the international economy order*, 2001).

In summary, despite most of the published works on the global economy, Gilpin's approach is aimed at drawing attention to the dominant importance of the government in the domestic and international economy and that we need both economic and political analyses to gain a proper understanding of the international economy. Therefore, from the point of view of this thinker, governments continue to emphasize their interests even in the form of international organizations and multinational companies, and in the era of globalization in the coming seasons, there will be examples of these cases in the OPEC organization that led to decisions that were not necessarily in the interest of all members.

# **CHAPTER THREE**

## **THE ORGANIZATION OF THE PETROLEUM EXPORTING COUNTRIES (OPEC)**

### **3.1. The Background of OPEC**

OPEC stands for Organization of Petroleum Exporting Countries which was established in 1960 by five member states including (Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela), in a conference at Baghdad, Iraq's capital. Venezuela made the first move towards the creation of OPEC in the year 1949 when it negotiated with the government of Iran, Iraq, Kuwait, and Saudi Arabia suggesting the exchange of views and easy communication among oil-producing states.

The main reasons behind the creation of OPEC were to ensure the stabilization of oil prices in the international market and also to regulate the supply of petroleum to consuming nations. It is pointed out that oil prices have not increased drastically when compared with the prices of other commodities and that the OPEC countries have borne a disproportionate share of total world aid. It is recommended for the short- and medium-term, in order to make the energy transition period of a world energy situation heavily based on oil. The following three steps should be taken:

- improve conservation efforts;
- increase the oil resource base through more dynamic exploration and enhanced recovery techniques;
- and maintain the world economy in a healthier state.

OPEC is a role-model organization that attempts to stabilize the market and its members may easily affect global oil prices through collective action. Economists see OPEC as a classic example of a cartel that cooperates to minimize market competition (Ortiz, 1981).

OPEC's headquarter was in Geneva, Switzerland throughout its five 5 years of existence, until it was transferred to Vienna, Austria on 1st September 1965. On June 22, 2018, the Republic of Congo officially joined OPEC as the final nation. Algeria, Angola, Ecuador, Equatorial Guinea, Gabon, Saudi Arabia, United Arab Emirates, Libya, Iran, Iraq, Kuwait, Qatar, Republic of the Congo, Nigeria, and Venezuela are the 15 countries that makeup OPEC at the moment. As of September 2018, OPEC's 15 member states were estimated to produce

44% of the world's oil and have 81.5% of their oil reserves, making it the main factor influencing oil prices globally.

The founding of OPEC marked a turning point for national sovereignty over natural resources, making OPEC member nations an important force in the world's commerce and oil markets. In October 2015, Sudan formally submitted an application to become a member of OPEC, although her application has not yet been approved because of the ongoing turmoil in Sudan (OPEC, n.d.)

So, it is necessary to mention the most important issues to familiarize the readers more with the OPEC organization, the reasons for the establishment and goals of this organization, the factors affecting the increase and reducing the price of oil, the pricing of this energy carrier...etc.

### **3.2. The Reason of Establishment of OPEC**

The strategic importance of Middle East Oil, which had already been revealed during the Second World War and especially in the first years after the war, became a vital material for the West; and in the meantime, almost all of Middle East oil concessions and privileges were in the hands of major oil companies, including Exxon, Texaco, Royal Dutch Shell, Mobil, Gulf, British Petroleum and Standard Oil of California which are known as the Seven Oil Sisters.

In the mentioned time periods, the reaction of the dangerous nations, which was caused by the awareness of their situation, was aimed at the oil industry and cutting the hands of the oil exploiters, and according to some sayings, the first spark was with Iran's National Oil Company in 1951. In addition, in April 1959, the first Arab oil congress was held in Cairo, during which an agreement was unofficially signed by the delegations of oil exporting countries, including Iran and Venezuela, and created the primitive core of oil.

The agreement that was finally led to the official establishment of the OPEC organization in September 1960, which provides a major part of the world's oil needs. OPEC, for the interests of all parties involved in oil transactions, has always wanted to maintain stability and balance the price of oil (Ali Riza Amini., & Mir Tayeb Mousavi, 2000).

While establishment of OPEC, there were still three important issues facing the oil exporting countries:

1. There was a lot of different opinions between the price of refined oil and the cost of its extraction, and one of the goals of the OPEC founders was to get a larger and more benefits from these disputes.
2. New oil companies had entered the oil field since the second half of the 1950s, and the oil market had gradually become competitive. This had reduced the price of oil and reduced taxes paid by companies to oil-owning countries
3. During the 1950s, the ratio of oil reserves to demand had increased, and the discovery of new reserves meant increased production capacity in the future. This motivation was strengthened among all countries that no single country can influence the global oil price (Farshadgozar, 2014).

### **3.3. History of OPEC Performance**

To examine the performance of OPEC organization during forty-years life, there are several periods that is important to be distinguished:

#### **3.3.1. First Period (1960-1970)**

This period can be seen as the continuation of the superiority of large oil companies in the oil market. A moment of significant decolonization and the emergence of several new sovereign governments in the developing world coincided with the founding of OPEC by five oil-producing developing countries in Baghdad in September 1960. The "Seven Sisters" transnational corporations controlled the global oil market, which was mainly distinct from that of the former Soviet Union (FSU) and other centrally planned nations (CPEs). First in Geneva and later, in 1965, in Vienna, OPEC created its Secretariat, its goals, and its unified vision. In 1968, it approved a "Declaratory Declaration of Petroleum Policy in Member Countries" that stressed every country's fundamental claim to perpetual sovereignty over its natural resources for the sake of its development. The membership also grew to 10 by 1969.

During this period, OPEC could not increase the price of oil as much as desired, but stopped the downward trend of prices. The successes of OPEC in this period can be listed as follows:

- Entering proprietary interest in the cost
- Reducing the marketing expenses of companies from 1.78 cents to 0.5 cents per barrel
- Nationalizing the oil industry in some producing countries
- And increasing the number of members and the participation of member states in the privileges of the company (OPEC, n.d.)

### **3.3.2. Second Period (1970-1980)**

As its Member Countries gained control over their domestic petroleum industry and a significant voice in the pricing of crude oil on global markets throughout this decade, OPEC became more well-known on a global scale. The Arab oil embargo of 1973 and the start of the Iranian Revolution in 1979 both led to sharp increases in oil prices in a market that was already unstable. During the inaugural Heads of State and Government Summit in Algiers in 1975, which addressed the condition of the poorer countries and urged a new era of cooperation in international relations in the interests of global economic development and stability, OPEC expanded its scope. As a result, the OPEC Fund for Foreign Development was established in 1976. Member nations started bold socioeconomic growth plans.

This period is known as the periods of OPEC life, which began in the early 1970s and continued until the mid-1980s, can be considered the golden age of OPEC's rule in the oil market. During this period, OPEC member countries were able to control oil production and price by using the world's political and economic events. The membership also grew to 13 by 1975. (OPEC, n.d.)

### **3.3.3. Third Period (Since 1985)**

This period started with Saudi Arabia's policy of getting a fair share of the market and it is still going on. In this era, a set of economic, political and psychological factors, along with OPEC's performance, determine the direction of the market. The performance of this organization in the current era shows that OPEC, despite all the problems and weaknesses, is not a completely ineffective organization and whenever a collective decision emerges in the organization, it has been able to defend the interests of its members. Among international economic organizations, especially those formed by third world countries, no other organization can be found to be as effective as OPEC is (Mohammad Sarir., & Murteza Hashemi, 1988).

## **3.4. Forces and Factions within OPEC Organization**

On the other hand, the performance of OPEC is caused by the context of its constituent members, because the members of this organization only share in the ownership of oil, but in terms of political positions, social structure and ideals, OPEC is an inhomogeneous and heterogeneous organization; and this issue has a vital and important role in analyzing the performance and future destiny of the organization. In this regard, some experts believe that

the heterogeneous demands of OPEC members during its existence have been the biggest problem for this organization to make rational decisions from an economic point of view.

Therefore, based on this attitude, the real enemies of the OPEC organization are inside the organization and not outside it. In general, OPEC members can be examined on two fronts that the relative success of each of them in bringing other members with them has affected the oil market. One of the two mentioned fronts consists of Saudi Arabia and its allies, who proposed the "fair market share" policy in 1985. These countries believed that OPEC should not defend the price at the cost of losing its quota in the world market. These countries announced that if OPEC oil production increases, the price of oil will decrease and production and investment will not be affordable in many regions of the world. And besides, with the cheapness of oil, saving policies and replacing oil with other energies will be stopped in consuming countries.

In this way, in the long term, the demand for OPEC oil will increase and the price will rise. Against this group, the countries of Iran, Algeria and Libya, which were known as the "price eagle" faction, announced that with the increase in oil production, prices will decrease at a faster rate and the income of OPEC members will decrease in total. These countries argued that the western countries, by imposing heavy taxes, will not allow the decrease in global oil prices to be transferred to the final consumers, and therefore the austerity policies will continue. Also, according to this group, the policy of replacing other energy sources instead of oil is on the agenda of industrialized countries as a strategic policy and will not stop with the reduction of oil prices (Farshadgohar, 2014).

The existing contradictions among the OPEC members, which have been specifically manifested in the form of the main factions, have become more apparent in the second half of OPEC's life. Because, on the one hand, the financial needs of these countries have increased, and due to the existence of the "single product economy" phenomenon in these countries, oil and its price have become more important. On the other hand, technological advances have led to the rapid expansion of access to new sources of energy or cheaper extraction of primary energies. These developments have created this concern. that in the near future, with the end of the oil era, this material will also suffer the fate of coal. In this case, crude oil is removed from the list of strategic and vital goods (Mohammad Sarir., & Murteza Hashemi, 1988).

### **3.5. Goals of OPEC**

The most important goals of forming OPEC are:

- Harmonizing and, if possible, equalizing the oil policies of the member countries
- Finding and choosing the best ways to protect individual and collective interests of member countries
- Finding ways to stabilize the price of oil in the world market with a focus on reducing harmful and unnecessary changes in the price of oil.
- Providing effective, economical and continuous supply of oil to consuming countries and fair return of capital to investors in the oil industry
- Adjusting the amount of production, in such a way that a fixed income is provided for the member countries
- Collecting oil information and statistics related to member countries and other producing countries of the world and making them available to other members

In addition to the mentioned issues, OPEC has expanded the scope of its activities and included global negotiations to reduce the gap between rich and poor nations by encouraging industrialized and developed countries to further liberalize trade and information exchange. In this regard, in 1975, the leaders and heads of OPEC member countries met in Algeria and issued a declaration in which it was emphasized that OPEC should demand the emergence of a new economic system based on justice, mutual understanding and real concern to improve, stabilize and insure the lives of the people around world.

This declaration led to the formation of the Conference on International Economic Cooperation (CIEC), which was held in Paris in 1975, in which 19 countries, including: Algeria, Indonesia, Iran, Iraq, Nigeria, Saudi Arabia and Venezuela, represented the G77 and G8 countries. The industrial countries of the world participated on behalf of the developed countries and sat down to discuss the issues desired by the "OPEC" declaration (Ali Riza Amini., & Mir Tayeb Mousavi, 2000).

### **3.6. The Structure and Pillars of OPEC**

The Organization of Petroleum Exporting Countries (OPEC) is permanent and interstate. This organization is known to be one of the institutions that influence the global oil market. The conference, executive board, secretariat, and economic commission are the main pillars of this organization.

#### **3.6.1. Conference**

The conference is the highest authority of the organization, which involves representatives of member countries, who are usually the ministers of oil, resources and energy.



The conference is held at least twice a year, and its decisions are taken unanimously. Formulating the general policies of the organization and determining the appropriate methods and tools for the implementation of decisions are among the tasks of the conference. It is also the responsibility of the conference to decide on the requests for membership in the organization, the reports and proposals that the executive board has presented regarding the affairs of the organization.

The appointment of members of the executive board from each of the member countries and the election of the chairman of the board of directors are done with the approval of the conference. In addition, asking the executive board to hold a meeting or giving suggestions about the issues of interest to the organization, considering and deciding on the budget plan presented by the executive board are other duties of the conference.

### **3.6.2. Executive Board**

The members of this department assume this position for two years by suggesting of the member states and with the approval of the conference. The duties of the executive board are: managing the affairs of the organization, implementing the resolutions and decisions of the conference, preparing the annual budget of the organization and submitting it to the conference for approval, making decisions about the reports of the secretary general, submitting reports and proposals about the affairs of the organization to the conference.

### **3.6.3. Secretariat**

According to the statute, the secretariat is responsible for performing the executive tasks of the organization under the supervision of the executive board. The secretariat consists of the secretary general and the required employees. The Secretary-General is the legal representative of the organization and the head of the secretariat. The Secretary-General manages the affairs of the organization according to the wishes of the executive board.

The Conference appoints the Secretary-General for a three-year term, renewable once for three years. Among the candidates that the member countries introduce, the Secretary-General will compare their qualifications and capabilities (Article 28 of the OPEC Statute). A period of two years is determined. In carrying out its duties, the secretary general benefits from the services of the research group, the human resources department, and the management of the information and public relations department and his office. The office of the Secretary-General is responsible for the accommodation of matters such as establishing and maintaining relations with governments, organizations, and their representatives, arranging memorandums

of understanding, preparing the conditions for holding meetings, and performing other duties determined by the Secretary-General. The legal officers of the office are the legal advisors of the Secretary-General and supervise the legal affairs and contracts of the office and propose appropriate solutions and measures to solve the legal issues of the organization and the member countries.

#### **3.6.4. Economic Commission**

The Economic Commission is a specialized committee that works within the framework of the Secretariat's duties, and its purpose is to help the organization to stabilize international oil prices at a balanced level. The commission is made up of representatives of the member countries who are elected by the members themselves.

#### **3.7. The Role and Performance of OPEC**

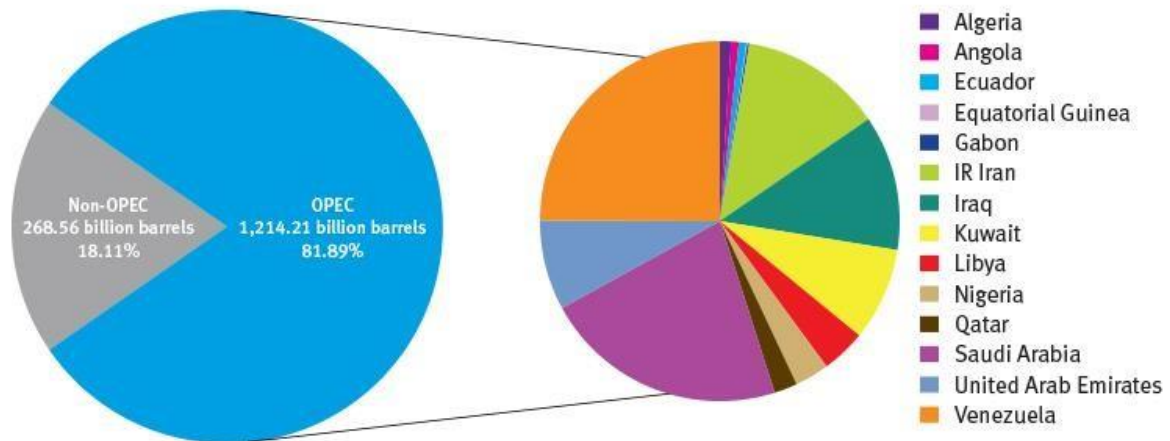
One of the most important misunderstandings and public misconceptions that exists in the relationship between OPEC is that this organization is solely responsible for regulating the world price of crude oil from 1970 to the 1980s. Of course, this may have been the case since the beginning of the decade; but since then, this is no longer true. In fact, it is correct to say that the OPEC member countries are in the process of economic stagnation, sometimes with the objective of preserving the global oil price and preventing its price from falling further, mainly by producing and exporting crude oil. They limit themselves, but the international analysts of the global oil market have a general opinion about the absolute effectiveness of OPEC in regulating the global oil price and do not consider this organization alone as the actual regulator of the global oil price (Arezki&others, 2017:13).

#### **3.8. Role in International Political Economy**

OPEC, as an institution, plays a vital role in controlling oil prices in the global market. OPEC oversees the production, price, and sales of oil through its member states. OPEC derives such responsibility because the majority of oil-producing countries are its members. OPEC member states possessed 81.89% of crude oil reserves in the world according to its annual statistical bulletin of 2018, which makes the institution a key player in the world economy (John, 2018).

**Graph 1.** shows the OPEC share of world crude oil reserves in 2017

## OPEC share of world crude oil reserves, 2017



OPEC proven crude oil reserves , at end 2017 (billion barrels, OPEC share)

Venezuela	302,81	24,9%	Kuwait	101,50	8,4%	Qatar	25,24	2,1%	Gabon	2,00	0,2%
Saudi Arabia	266,26	21,9%	UAE	97,80	8,1%	Algeria	12,20	1,0%	Equat. Guinea	1,10	0,1%
IR Iran	155,60	12,8%	Libya	48,36	4,0%	Angola	8,38	0,7%			
Iraq	147,22	12,1%	Nigeria	37,45	3,1%	Ecuador	8,27	0,7%			

Source: OPEC Annual Statistical Bulletin 2018.

[https://www.researchgate.net/publication/328772560\\_OPEC\\_Organization\\_of\\_Petroleum\\_Exporting\\_Countries](https://www.researchgate.net/publication/328772560_OPEC_Organization_of_Petroleum_Exporting_Countries)

The efforts taken by OPEC during the previous oil crisis demonstrate how important a role they played in preserving the oil market. The organization (OPEC) first exerts its influence on the global economy during the conflict between Egypt and Israel, as well as after Israel invaded the Palestinian territories illegally in 1973, which prompted OPEC to impose an oil embargo on Israel with the support of countries like the United States, South Africa, and the Netherlands. The 1973 oil embargo had an impact on the world market and the availability of oil on the international market (John, 2018).

The primary objectives of OPEC as an international institution are:

- a. Establish the best ways to protect their individual and collective interests, coordinate and harmonize the member nations' petroleum policies,
- b. Seek ways and means of ensuring the stabilization of prices in international oil markets, with a view of eliminating harmful and unnecessary fluctuations, Provide consuming nations with an affordable, consistent supply of petroleum and ensure that investors in the oil business receive fair returns on their investments

The main objective of OPEC is to keep the price of oil stable on the global market, prevent significant price fluctuations, and provide a reliable, cost-effective supply of oil for its users (Silva-Calderón, 2003).

OPEC decisions and policies has effect on other sectors, most especially manufacturing and transportation sector, which has direct influence on finished product and house hold commodities. The increase in oil price also increases the cost of production which is passed on to the final consumer. OPEC influence world economy because the increase of oil price can in turn lead to higher inflation and even reduce economic growth.

Both its member states and other developing nations are encouraged to pursue sustainable development. Increased collaboration between OPEC member states, and other developing nations have been facilitated by the founding of OFID (OPEC fund for international development) in 1976. And it has financed a wide range of initiatives, including the provision of clean water, electricity, and infrastructure for underdeveloped non-OPEC nations.

### **3.9. Determination of Oil Price by OPEC Organization**

Historically, OPEC's primary mission was to manage crude oil production in order to regulate prices. Because the price set by powerful countries was usually low in order to attract the favorable opinion of consumers. On the other hand, the anti-monopoly laws in America made it impossible for American companies to set high prices. Also, from the beginning, the tasks were divided among the members based on the amount of reserves of the countries. Countries with higher per capita reserves led by Saudi Arabia became responsible for managing oil production, and countries with lower per capita reserves led by Iran became responsible for issues related to oil prices (Ghanbari, 2011).

Although it was clear from the beginning of OPEC's activity that the price of oil will be one of the most influential variables in the fate of the organization, and the price of this product from an economic point of view, like some products in the market, is not only affected by its supply and demand but it will also be affected by other factors such as political and psychological factors (Mohammad Sarir., & Murteza Hashemi, 1988).

### **3.10. Policy Framework of OPEC**

Officially, OPEC's mission is to "coordinate and unify the petroleum policies of its Member Countries and ensure the stabilization of oil markets to secure an efficient, economical, and regular supply of petroleum to consumers, a steady income for producers, and a fair return on capital for those investing in the petroleum industry." OPEC's influence on the market has been widely criticized. The organization has significant clout in these markets since its member nations own about half of the world's natural gas reserves and the great bulk of

crude oil reserves (around 80%). As a cartel, OPEC members have a strong incentive to retain their market shares while keeping oil prices as high as possible.

The emergence of new technologies, particularly in the United States, has significantly impacted global oil prices and reduced OPEC's market power. Due to the rise in global oil output and the sharp decline in oil prices, OPEC is now in a precarious situation. Even as late as June 2016, OPEC decided to maintain high production levels and low pricing to drive out companies with higher costs and reclaim market dominance.



## **CHAPTER FOUR**

### **THE CONSEQUENCES OF THE SECOND PERSIAN GULF WAR AND 9/11 INCIDENT ON OPEC POLICIES**

#### **4.1. The Consequences of the Second Persian Gulf War on OPEC Policies**

After two years from the end of the Iran-Iraq war in August 1988, the Baath regime attacked Kuwait. And by giving about 80 billion dollars in aid and sending a lot of weapons and technology to Iraq, they turned this country into the first power in the region. The occurrence of such a war was imagined because it seemed that the next use of this war machine after the end of the conflict with Iran was not considered. In 1988 and at the end of the Iran-Iraq war, the Iraqi army was the fourth largest army in the world, based on a simple estimate of 955,000 infantrymen, 65,000 militiamen, 4,500 tanks, 484 airplanes and 232 helicopters (André Corvisier., & John Childs, 1988). However, before entering into the discussion of the Second Persian Gulf War and considering the importance of the region where the conflict is, the Persian Gulf war is necessary to discuss the various aspects of the importance of this part of the Middle East region

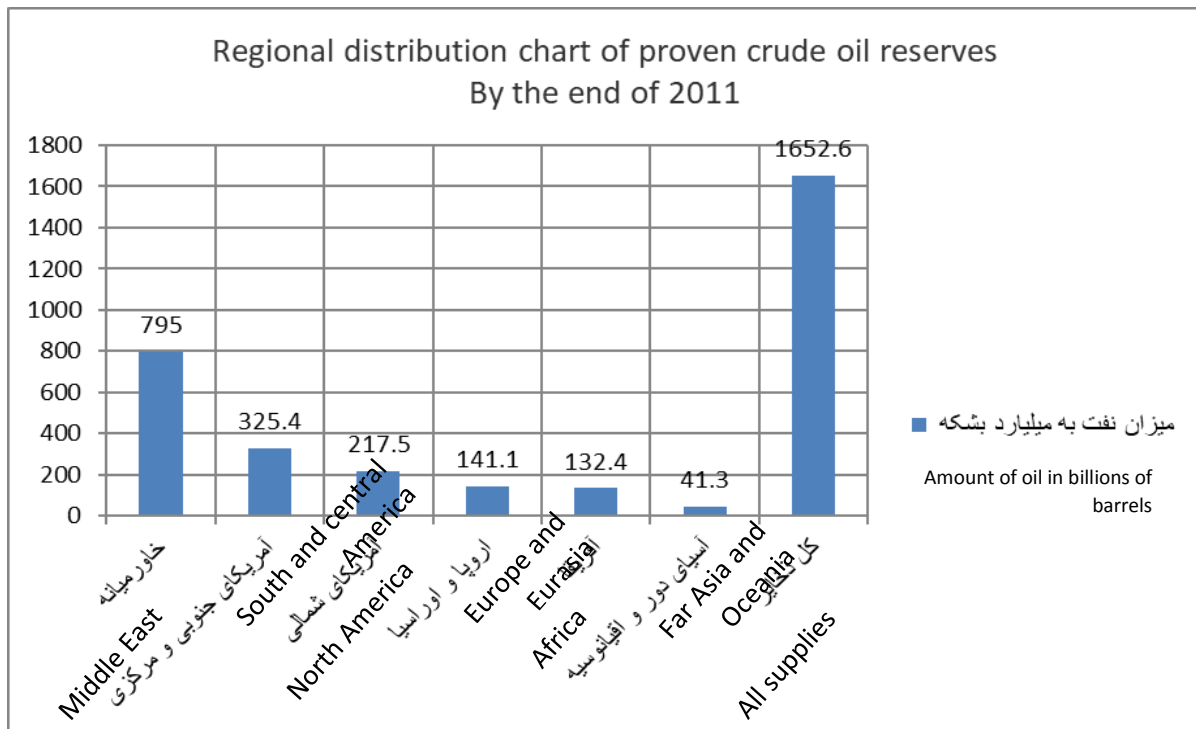
##### **4.1.1. The Reasons for the Importance of the Persian Gulf in Global Geopolitics**

The Persian Gulf is a waterway with an area of 251 thousand square kilometers, which is located along the Oman Sea and between the territorial territory of Iran and the Arabian Peninsula. 8 countries of Iran, Iraq, Saudi Arabia, Oman, Bahrain, Qatar, the United Arab Emirates and Kuwait are located on the edge of the Persian Gulf (Sadeghi, 1991). He added the below reasons for the importance of the Persian Gulf:

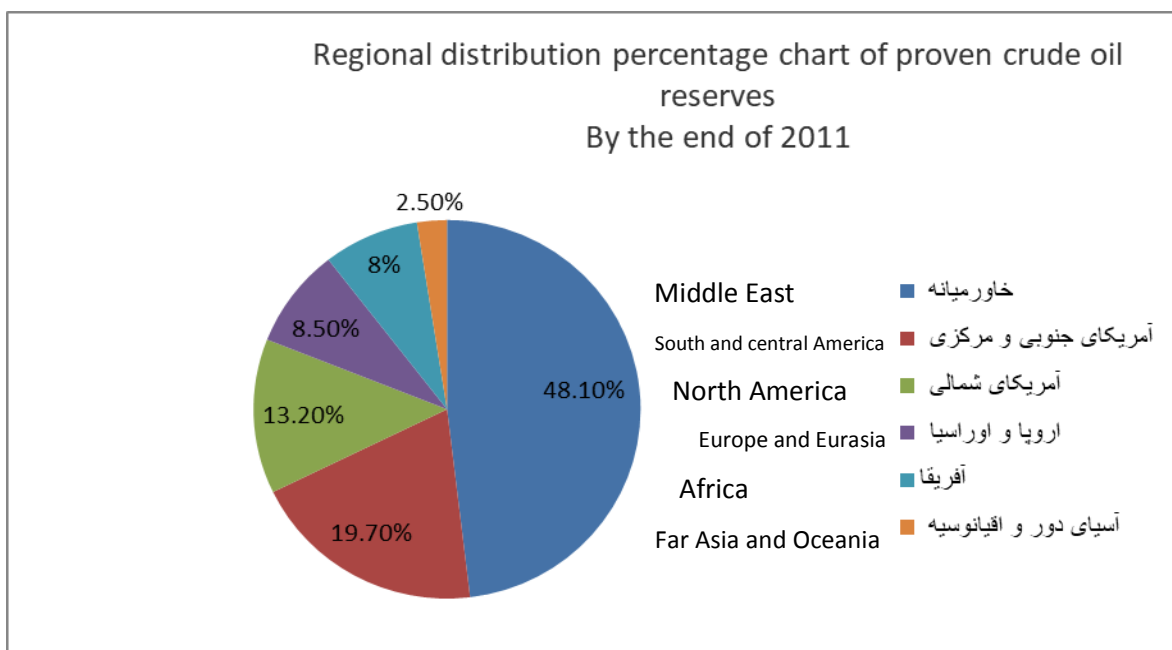
- The Persian Gulf region has been considered one of the places of historical conflicts between Persians, Arabs, Turks and Europeans. The Portuguese were the first western power to enter the Persian Gulf in 1498 and by Vasco da Gama, and from the 16th century onwards, the fate of the Persian Gulf was tied to the actions of the western rivals, including the Netherlands, France, and finally Britain. Mikhin (1988), the process that has continued until now with the presence of the United States of America.
- One of the important aspects of the Persian Gulf is its communication and commercial aspects. Undoubtedly, the Persian Gulf, as the junction of the three continents of Asia, Africa and Europe, has always been the focus of businessmen and is one of the reasons for the historical competitions mentioned in paragraph 1. It has been on the Persian Gulf as a communication highway.

- The Persian Gulf is also considered one of the most important political and geopolitical regions around the world. In the will assigned to Peter the Great, "the first Russian tsar, access to the warm waters of the Persian Gulf was ordered. From the point of view of Lord Curzon, "the British orientalist, the Persian Gulf is also known to be important in order to maintain the dominance of England and prevent the influence of the Russians. Currently, the political controversy over the naming of the Persian Gulf is an issue that all political thinkers and researchers are aware of. General Verdis von Lohazen, one of the thinkers of geopolitical science, believes that the Middle East is the center of the ancient world and the Persian Gulf is also the center of this center. Lohazen sees the importance of this region not only because of its oil resources, but also because of its special geopolitical position due to its proximity to the Indian and Atlantic oceans.
- With all the interpretations, the main factor of the Persian Gulf's importance is its geo-economic dimension. With the discovery of oil or "black gold" at the beginning of the 20th century in the Persian Gulf, the geopolitics of this region changed to a great extent. About two-thirds of the world's oil reserves and one-third of the world's proven gas reserves are in the Persian Gulf countries. So far, no alternative has been found for the energy resources of the Persian Gulf, and the history of the past three decades also indicates the existence of challenges related to energy in the strategic region of the Persian Gulf. Among them, we can mention the Iran-Iraq War, the Second Persian Gulf War, and the 2003 Iraq War (Phillipe Le Billon, Fouad El Khatib (2004). Jurdis von Luhazen (1996), regarding the link between the Second Persian Gulf War and the oil category, points out that the Persian Gulf War was a war against the united Europe and Japan, because these two groups of countries, which sought to overtake the United States in the economic field. After the aforementioned war and the taking over of the region's oil by the United States, they will be prevented from flourishing and prosperity.

**Graph 2.** shows the regional distribution chart of proven crude oil reserves by the end of 2011



**Graph 3:** the regional distribution percentage chart of proven crude oil reserves by the end of 2011



[http://www.bp.com/assets/bp\\_internet/globalbp\\_uk\\_english/reports\\_andpublications/statistica\\_l\\_energy\\_review\\_2011/STAGING/local\\_assets/pdf/statistical\\_review\\_of\\_world\\_energy\\_full\\_report\\_2012.pdf](http://www.bp.com/assets/bp_internet/globalbp_uk_english/reports_andpublications/statistica_l_energy_review_2011/STAGING/local_assets/pdf/statistical_review_of_world_energy_full_report_2012.pdf) .



As it was mentioned, the Middle East region and the Persian Gulf in its center is one of the sensitive and crisis-prone regions of the world, which has been the focus of limited and sometimes extensive military conflicts and conflicts, one of which is the subject of the current chapter, the Second Persian Gulf War, which The invasion and occupation of Kuwait by the Baath regime began. But the reasons for Iraq's attack on Kuwait, as will be explained, are completely related to the category of energy.

#### **4.1.2. The Reasons for Iraq's Attack on Kuwait**

There are several reasons for Iraq's attack on Kuwait and the start of the Second Persian Gulf War, including the following:

- The end of the Iran-Iraq war coincided with Saddam Hussein's attempt to solve the debt problem 80 billion dollars to Kuwait and rebuilding the war-torn economy of this country. Saddam believed that the war between Iraq and Iran ended in favor of the Arab countries of the Persian Gulf and that the main investors of the war, including Kuwait, should forgive Iraq's debt, but Kuwait did not accept it and tension began with this country.
- Saddam, who was disappointed to forgive his country's debt by putting pressure on exporting countries Naft proposed a plan to reduce production and increase oil prices. This time, Kuwait faces a reduction in oil production open Zed and even became the pioneer of the countries against production reduction in OPEC (Bigdli, 1995). Iraq also claimed that during the country's war with Iran, Kuwait also deliberately kept the price of oil low and destroyed the Iraqi economy by producing more than its quota in OPEC, and these actions of Kuwait were combined with stealing oil from the field. Romileh oil field on the border of Iraq and Kuwait has imposed a kind of economic war on Iraq (Cleveland, 2016).
- The Iraqi government has long regarded Kuwait as a part of Basra Province, which was separated from Iraq due to British imperialist policies after the First World War (William J. Duiker., & Jackson J. Spielvogel, 2007). Following Kuwait's negative reactions to Iraq's requests to re-introduce cross-border claims. Self-payment The Baath regime believed that the drawing of the border line between Iraq and Kuwait in 1922 had turned Iraq into a landlocked country and this situation should change as soon as possible (Stork, 1975).

- The issue of Kuwait's rich oil reserves should not be overlooked. Kuwait had 10% of the world's oil reserves, and by taking over Kuwait, Iraq would gain control of 20% of the world's oil reserves, including Kuwait's reserves. Saddam Hussein had also stated in justifying the occupation of Kuwait and the annexation of this country to Iraq that it was necessary for him to go to Kuwait and redraw the borders that have taken the wealth from that minority of Arabs (Stork, 1975).

#### **4.1.3. The Beginning of the Second Persian Gulf War, Extensive International Reactions**

Finally, on August 2, 1990, Iraqi troops were concentrated in the southern and southwestern borders of Iraq, and the Second Persian Gulf War, which, according to the Encyclopedia of War and Peace, was the biggest battle of the 20th century after WWII. In terms of the number of equipment and allies is started and the beginning of the war was accompanied by the departure of the Al Sabah royal family and Kuwaiti military officials to the neighboring countries, but America, Europe and the Arabs reacted quickly and asked Iraq to withdraw from Kuwait. In the time period of the United Nations Security Council in Resolution, while condemning Iraq's attack on Kuwait, they demanded the immediate withdrawal of Iraqi forces from this country (Well, 1991). (Finlan, 2003) said, the Arab Union approved a resolution in this regard with the issuance of the August 6 resolution, Iraq was subjected to economic sanctions.

During the Second Persian Gulf War, within 48 hours, most of the armed forces of Kuwait were suppressed by the presidential guard of Saddam Hussein or fled to Saudi Arabia, and Kuwait was introduced as the 19th province of Iraq. America, Europe and Japan, in the next action announced that all credits and wealth of Iraq and Kuwait were frozen outside the territory of these countries to deny Saddam Hussein from accessing the huge resources of Kuwait's assets in foreign banks. Subsequent actions, including the joint statement of the United States and the Soviet Union regarding the unconditional withdrawal of Iraq from Kuwait, the request for help and the sending of troops from the United States to the Persian Gulf region by Saudi Arabia and the Americans' agreement with this request, along with Saddam's insistence on joining Kuwait to Iraq gradually pushed the region towards a full-scale war. At this stage, in order to gain a religious image for the Baath regime's military activities, Saddam tried to relate the occupation of Kuwait to Israel's actions in occupying Palestinian lands, but immediately" George Herbert Walker Bush, "the president of the United States, denied any connection between the occupation of Kuwait by Iraq and the issue denied Palestine (Waldman, 2002).

At this stage, Iraq submitted a plan to Brent Scowcroft, the American National Security Advisor, based on which Iraq's withdrawal from Kuwait and permission to leave the conflict for foreigners was guaranteed, on the condition that the United Nations sanctions cancel the agreement against Iraq, allow guaranteed access to the Persian Gulf through the Kuwaiti islands of Bobian and Warba, and allow Iraq to have complete control over the Rumila oil field. This plan also concludes an oil agreement with the United States in order to overcome economic and financial problems. It also included Iraq and joint action to stabilize the Persian Gulf. Although the said plan was not agreed upon by the United States. In continuation and with all mediation measures and peaceful solutions remaining fruitless, the United Nations Security Council through Resolution 665 dated August 1990.

The United Nation prescribed the use of coercive force and the use of force to liberate Kuwait. Following the resolution of the Security Council, America and other western countries, along with a number of Arab countries decided to send troops to the region. In December 1990, Iraq made another plan that somehow tied the solution of the Persian Gulf crisis to the fate of the Palestinian crisis; presented. But America insisted on its position of not negotiating and giving concessions to Iraq until the country leaves Kuwait. Finally, in its last action, after the meeting of the Iraqi and American foreign ministers in Italy, the Security Council approved Resolution 678 on November 29, 1990. According to this resolution, while asking Iraq to unconditionally evacuate Kuwait, military operations against that country were determined based on the deadline. Therefore, the Iraq government had until January 15, 1991 comply with the provisions of the Security Council resolutions; Otherwise, the international alliance under the leadership of America by resorting to force, the world community fulfills this demand (Jacquard, 1991).

#### **4.1.4. Beginning of Desert Storm Operation**

Due to the non-compliance of the Iraqi government with international relations, on January 1991, about 24 hours after the deadline of the Security Council, the United States, together with a coalition of 34 countries under the command of General Norman Schwarzkopf, entered into a forty-day war with Iraq. With the start of the war, which is called Operation Desert Storm, although the coalition countries did not want to participate extensively in this war for reasons such as not needing to interfere in their internal conflict between the Arabs and the possibility of an undue increase in American influence in the strategic region of the Persian Gulf. On the part of Iraq, the need to defend Saudi Arabia, considering the country's pivotal role in providing oil, the crime of Iraqi soldiers in pulling out premature babies from hospital

devices and executing people without going through legal procedures, tried to provide public justifications for countries to join the coalition. In total, many countries of the world including America, Australia, England, France, Germany, Italy, South Korea, Spain and even Greece, sent their soldiers to this war in coalition forces. America alone sent nearly 700,000 troops to the region, while other countries were in this war, they sent only 160,000 soldiers (Sharifi, 1992).

Operation Desert Storm began with extensive air attacks, so that the coalition forces dropped about 8850 tons of bombs on the Iraqi forces by carrying out 10,000 flights. The mentioned air operations included three objectives and Iraqi anti-aircraft; The second phase of the destruction of the country's communication infrastructure and the third and largest phase of air strikes included all Iraqi military targets throughout the territory of Kuwait and Iraq. As mentioned, since the beginning of the occupation of Kuwait, the Ba'ath regime made an extensive effort to show a face in favor of the Palestinian people, so that at the meeting of the Iraqi and American foreign ministers in Italy," Tareq Aziz ,"the Iraqi foreign minister, in response to a reporter who asked about the attack on Israel with the beginning of the war against Iraq, and he gave a completely positive and definitive answer (Freedman, Lawrence., & Efraim, Karsh, 1993). But in the field of action, Iraq launched 8 rockets into Israel's territory, and by continuing this process, 42 rockets were targeted at the territory of Israel in the following days. Scud "was placed. Iraq was hoping for a military response from Israel, so that the Arab countries participating in the coalition, due to their unwillingness to fight on the same front alongside Israel, would leave the ranks of the coalition forces (Waldman, 2002).

But in general, the leaders of the military coalition promised Israel that if they exercise restraint in the face of Iraq's missile attacks, they will defend the territorial territory of this regime with" Patriot "missiles. Firing 47 missiles at Saudi Arabia, one missile at Bahrain and one at Qatar expanded the international dimensions of the war. On January 29, 1991, Iraqi forces attacked and occupied the city of" Khafji "in Saudi Arabia, although the coalition forces succeeded in recapturing the said city after two days. But Iraq's action made the severity of the actions of the leaders of the Baath party and the ineffectiveness of the defense system of its neighbors more evident, an issue that after the end of the war, led the Persian Gulf countries to conclude military and security agreements with the United States. With the continuation of the war, Iraq's military strength decreased day by day and this country suffered heavier casualties compared to the early days of the war, until with the order of Saddam Hussein to withdraw Iraqi forces from Kuwait City on February 27, 1991, U.S President George Bush officially

announced the liberation of Kuwait. In addition, before the end of the final 4-day battle and on the eve of the official end of the occupation of Kuwait, the Iraqi forces tried to cause the last possible damage to the country of Kuwait by lighting fire near about 700 Kuwaiti oil wells and creating minefields around the oil wells. Also, on January 24, 1991, by pouring 400 million gallons of crude oil into the Persian Gulf, the Iraqi forces tried to prevent the American ships from approaching the coast of this country out of the fear of the surface oil being set on fire, and in some way to avoid the military consequences of the war withdraw their forces from Kuwait. An incident that brought severe environmental consequences for years after the war (Lawrence Freedman., & Efraim Karsh, 1993).

In this way, the Second Persian Gulf War, which is also called the " Oil War "in the military arena, ended. But this war had far-reaching consequences and results. However, the criterion of the current research work is to examine the economic results of this war, focusing on oil prices and OPEC policies.

#### **4.1.5. Consequences of the Second Persian Gulf War on OPEC**

This war was accompanied by the establishment of the fifth US fleet and the deployment of this country's forces in the Persian Gulf, the Red Sea, and the beginning of the new world order. The order that has continued with American unilateralism and American dominance over the world's energy bottleneck.

Revealing the dual positions of the great powers is also one of the consequences of this war. Some thinkers consider the interests of the permanent members of the Security Council as the reason for these dual positions . One of the obvious examples of which is the silence against Iraq's aggression on Iran in the early 1980s, and the strong action against the attack on Kuwait in the early 1990s. It is clearly known that strategic or economic considerations and the interests of the European community have caused the Security Council to adopt dual positions regarding Iraq's two aggressions against its neighbors. The most important common interests of veto holders in the Persian Gulf region include such things as the fight against fundamentalism, the policy of undermining each other , maintaining and expanding the regional consumption market, selling weapons, increasing dominance over oil and gas, etc (Sadeghi, 1991).

The other consequences of the aforementioned war is the de-legitimization of regional governments. In other words, the request of the Arab world rulers from America in order to stop the Iraqi army has led to the humiliation of their domestic and international image to a

great extent, and the previous extensive propaganda about the defense capability of the Arab Middle East governments and the symbolic dislike of "Christian infidels" and America at the head of it. On the other hand, what was later called by Muammar Gaddafi, the slain ruler of Libya, as getting help from the person of "the devil" from Saudi Arabia. In the boiling of anti-government sentiments and the growth of Islamic fundamentalism in the region, it was highly influential in such a way that many radical Islamic movements such as the New Habibs, Salafist clerics and even Al-Qaeda were on the incompetence of the Arab rulers, especially the Al Saud family in defending the territorial integrity of their country, and they confirmed the establishment of infidels in the birthplace of the Prophet of Islam (PBUH) and emphasized the necessity of adopting the policy of armed struggle against puppet governments and infidels living in Muslim countries.

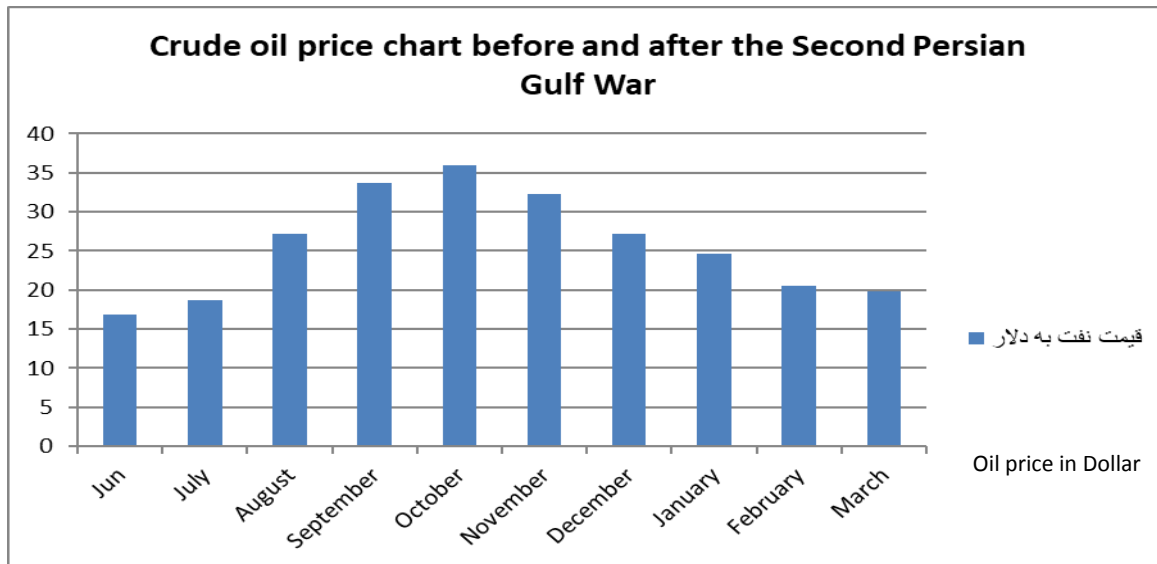
Among other consequences of the Second Persian Gulf War was the exponential increase in oil prices. The Persian Gulf crisis, on the one hand, by surrounding the world news from August 1, 1990 to the beginning of 1991, and on the other hand, by cutting off oil production by two countries, Iraq and Kuwait, had an effect on the increase in oil prices. "Miller" and "Zhang" were among the researchers who investigated the fluctuation of oil prices after the Second Persian Gulf War. They believe that the price of oil doubled immediately at the beginning of the Persian Gulf War and six months later, after becoming the ruler. Peace returned to its previous level. In fact, the Persian Gulf crisis affected international markets by reducing 3.4 million barrels per day of global oil production. Between the end of July and August 24, 1990, the world price of oil increased from \$16 to more than \$28 per barrel, although the highest price was recorded in September and was around \$36 per barrel.

**Table 1.** shows the effect of the Second Persian Gulf War on oil prices.

Time	The price of a barrel of oil in dollars
June 1990 _	16.86
(July) 1990/07	18.64
(August) 1990/08	27.18
(September) 1990/09	33.69
October _ 1990/10	35.92
November _ 1990/11	32.3

(December) 1990 /12	27.16
(January) 1991 /01	24.7
(February) 1991 /02	20.54
(March) 1991 /03	19.88

**Graph 4.** shows the effect of the Second Persian Gulf War on oil prices.



<http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=rclcl1&f=m>

As mentioned in the previous lines, the Second Persian Gulf War led to an increase in the price of oil, and based on a general rule, issuing reactions to balance the prices also took place after this incident.

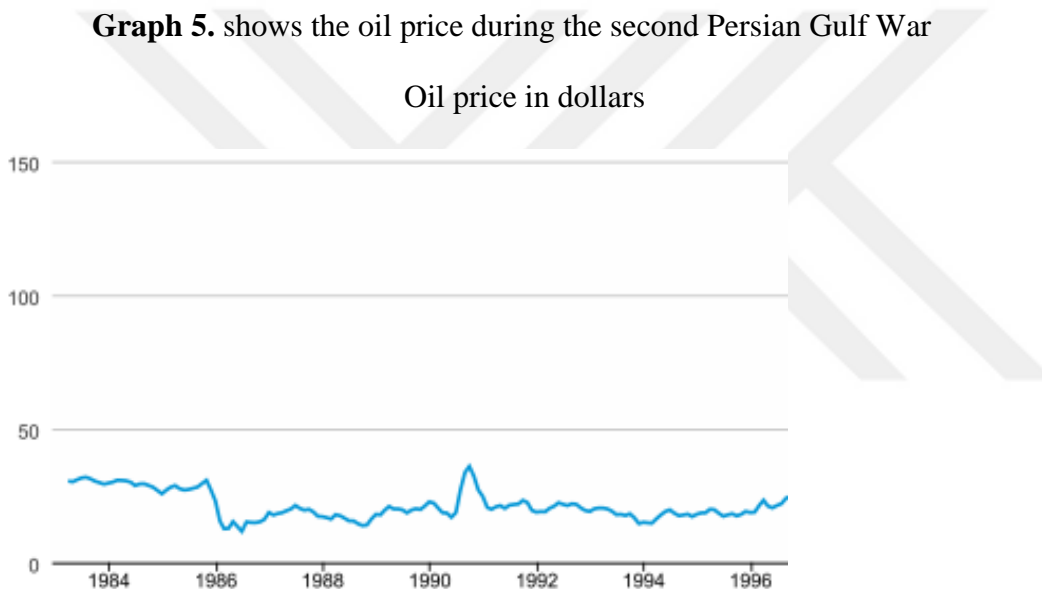
#### **4.1.6. OPEC Policies Regarding the Global Increase in Oil Prices after the Second Persian Gulf War**

After the increase in the price of oil in August 1990, a series of measures were taken to reduce its price by OPEC and non-OPEC members, which led to a decrease in the price of oil. Some items are mentioned below:

- The non-OPEC countries in Central America, Western Europe, the Far East and even the United States, to compensate for the 7% shortfall in global supply as a result of the Persian Gulf War, completed OPEC production by extracting more of their oil resources. Also, the refineries built in the 1980s in these countries were upgraded to meet the needs of countries dependent on the refined products of Iraq and Kuwait by changing the oil supply patterns.

- The International Energy Agency planned to extract two million barrels of oil from the United States, Japan and European countries for 30 days. The share of each of them was 1.1 million barrels, 350 thousand and 250 thousand barrels per day respectively.
- Among the members of OPEC, Saudi Arabia and Iran played a role in lowering the price of oil and calming the market by increasing production beyond the quota.

From what has been mentioned, it is clear that following the Second Persian Gulf War or the Oil War, the global price of this energy carrier experienced a sudden jump. In such a way that this war is known as one of the examples of huge oil doubts throughout history. The graph below shows the severity of the oil price increase after this war compared to the years before and after it.



<http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=rclcl1&f=m>

As it can be seen from the above graph, after the end of the war and after the establishment of peace with preventive measures by OPEC and non-OPEC members, the price of oil decreased, but it seems that the increase in production in order to stabilize the price of oil was not necessarily in the interest of all OPEC members. It is because in the meantime, most of the members of Saudi Arabia, which is one of the supporters of increasing production in order to stabilize the price of oil, have been provided.

#### **4.1.7. OPEC since the Gulf War**

OPEC has been living in a fantasy world since August 1990. Six million barrels per day (BPD) of production capacity have been taken off the market during the past 1.5 years as a result of the embargo on Iraqi oil, the destruction of Kuwait's oil infrastructure, and severe



production deficits in the largest non-OPEC producer, the former Soviet Union. Despite the majority of OPEC nations producing at maximum capacity, oil prices have steadied at a pretty high level. Yet as Iraqi shipments approach and oil demand growth are slowed by unfavorable global economic conditions, OPEC is once again faced with the challenge of voluntary supply management and maintaining oil prices at a level that meets the member nations' basic income requirements (Mohammadi, 1992).

OPEC oil ministers gathered in Geneva in February to discuss one issue: how much each of them should reduce to prevent oversupply situations that would lead to a price drop? This is not a simple task, even under ideal conditions. Saudi Arabia and the United Arab Emirates (UAE), whose surplus capacity enabled them to increase output during the Iraqi invasion, reduced their production while requiring that other members carry a proportionate share of any output reductions. The piecemeal agreement that surfaced in February showed how determined the rest of the club was to deny Saudi Arabia its demands.

#### *4.1.7.1. The 1990 OPEC Meeting*

There were many different ideas from all members within OPEC. The Saudis occasionally refrained from lowering prices too much because of regional, political, and economic concerns. A prime example is the trip to Riyadh made by then-Vice President George Bush following the 1986 price collapse. King Fahd publicly pledged in 1988 and 1989 that Saudi Arabia would work to preserve oil prices at \$18 per barrel. The Iran-Iraq truce in 1988 was a major factor in this, as Riyadh intended to keep oil prices at levels that would assure Baghdad would be preoccupied with reconstruction rather than posing a danger to its neighbors. With signing of the Iraqi-Saudi Non-Aggression Agreement in 1989, this objective was legally achieved. Before 1990, Saudi Arabia and its two little Gulf neighbors, Kuwait and the UAE, fought the most in OPEC. Both failed to adhere to their quotas, increasing OPEC production by 1 million BPD. This excess output was highly dis-regarded by the market in 1989, but by the beginning of 1990 this agreement had a significant impact on the growth of global oil stockpiles.

By the second quarter of 1990, traders on the New York Mercantile Exchange pushed West Texas Intermediate prices down to \$15 per barrel. After Iraq displayed its own "oil weapon," the price decline was stopped by Sa'doun Hammadi, Saddam Hussein's special representative, during a trip to the Gulf in June 1990. The final OPEC ministerial agreement, which respected Saudi Arabia's 25% market share and permitted the UAE to raise its quota to 1.5 million BPD while setting an overall ceiling of 22.5 million BPD, was dictated by Baghdad

with the assistance of 30,000 Iraqi troops stationed along the Kuwaiti border. Iraq asked that the OPEC reference price should increase to \$25 per barrel and that no more adjustments to overall quotas be made until this price level was reached. \$21 per barrel was chosen as a compromise.

Saudi Arabia mostly sat back at this conference in July 1990, willing to watch Iraq humiliate Kuwait. Even before the conference, Kuwait cut its oil production, and Sheikh 'Ali Khalifa, the man behind the nation's ambitious oil policy, was replaced as oil minister by Rashid Salim al-'Umari, a mysterious professor of chemistry. If Iraq had not invaded Kuwait, this is where we probably would find OPEC today. Instead, Iraq sparked the extensive US intervention and forfeited its newfound influence within the group. Saudi Arabia's production increased to 8.5 million barrels per day, or 35% of OPEC's total output, behind direct US protection; Kuwaiti and Iraqi shipments were not replaced until the first American troops had entered the Eastern Province (Mohammadi, 1992).

#### *4.1.7.2. Ups and Downs*

During 1982–1983 oil prices started to fall from their all-time highs, pushing OPEC to implement a voluntary output reduction method by allocating individual quotas. The concept was relatively straightforward: After determining global demand ( $X$ ) and assuming non-OPEC supply ( $Y$ ), the production ceiling was determined by dividing OPEC supplies ( $X-Y$ ) among the members. Nonetheless, the mechanism was unable to stop the price decline. Average spot prices decreased from \$32 per barrel to roughly \$25 by 1995. Although the majority of OPEC countries "cheated" on their quotas, Saudi Arabia was forced to make adjustments despite adhering to the official pricing scheme. Saudi Arabia produced nearly 10 million BPD, or 36% of the OPEC total in 1979–1980; by mid-1986, that number had dropped to 3 million BPD, or around 20% of the OPEC total. Saudi Arabia converted to a netback pricing scheme, where buyers were assured a specific refining advantage at the beginning of 1986, abandoning official prices. The sudden increase in crude oil supply caused spot prices to plunge from an average of \$28 per barrel in 1985 to \$14 per barrel in 1986 (the average hides a low of about \$5 per barrel in June and July). As a result, it regained a sizable market share from the rest of OPEC. The Saudis had applied some restraint inside OPEC by using their "oil weapon," which consisted of a sizable amount of surplus capacity together with sufficient financial reserves to withstand the impact of decreased earnings (Mohammadi, 1992).

Afterward, OPEC decided to adopt new quotas based on an \$18 per barrel basket price objective. Prices had risen from far below \$10 in early 1986 to approximately \$18 per barrel

for West Texas Intermediate and \$15–\$16 per barrel for the OPEC basket by late 1986 and early 1987. Following the 1986 disaster, the Saudis were able to force a crucial requirement on other participants in exchange for accepting an \$18 per barrel price target. Riyadh insisted on a fixed quota of around 25% of total output.

During a significant portion of the time before the Iraqi invasion of Kuwait, this became the center of contention inside the organization. From 1988 and 1990, the industrialized world's oil demand growth rates picked up, allowing OPEC to push prices beyond \$18 per barrel. Several participants advocated raising OPEC's cap by a lesser margin than predicted demand growth, which would have increased oil prices. The nations that had started to experience oil output capacity restrictions were those that campaigned for this approach, known as the price hawks. For them, raising prices was the only way to increase overall income. The so-called price doves were driven by a long-term element, in addition to worries about maintaining demand growth in the industrialized countries. The value of downstream oil assets (such as refineries and gas stations) decreased globally as a result of lower prices. Due to their proximity to consumer markets, Kuwait, Saudi Arabia, and Venezuela were able to acquire refining and distribution infrastructure, securing a long-term market share. Also, it enabled them to reap profits at points other than the point of oil production, which lessened the dependence of their overall income on the price of petroleum (Lieber, 1992).

#### **4.1.8. Oil Markets Leading up to the War with Iraq**

Oil markets were largely strong in the months before the 2003 Iraq War, in stark contrast to the weak oil prices leading up to the August 1990 invasion of Kuwait and the ensuing Gulf War in January 1991. Prices saw three major stages in the six months before the conflict officially began on March 19th.

##### *4.1.8.1. Falling price –Price/inventory/paradox*

Prices typically decreased from October 1 through mid-November, with the spot NYMEX price reaching its lowest point (\$25.36) on November 7. Given that stocks were fairly low, this price change is quite perplexing. The price decline is partially due to OPEC output reaching its highest levels of the year in both September and October. As many traders believed that more crude oil would be entering the U.S. market in late November and early December as a result of this intelligence, they bet that oil prices would decline in the future. They sold futures in order to boost their net short positions as a consequence, with the purpose of reversing their position later by purchasing contracts at a cheaper price. Despite the fact that U.S. oil inventories were close to their lowest level in years, this trend is consistent with a

declining NYMEX price throughout the time period. In the other words, based solely on spot pricing, one would infer that inventories were sufficient or excessive when in fact the opposite was true (Loony, 2003).

#### *4.1.8.2. Rising Price-The War Premium*

The second time frame saw prices increase, beginning on November 11 and reaching a peak of \$36.96 on February 27 and \$37.87 on March 12. The so-called "war premium," which anticipates that an increasingly possible military battle between the United States and Iraq may harm oilfields, pipelines, and export terminals in several Arabian Gulf states, is reflected in this time period.

#### *4.1.8.3. Falling Price-The Gulf War Syndrome*

Prices have usually fallen in the most recent time up until the start of hostilities. Starting around March 13, 2003, when it appeared like war with Iraq would break out in a matter of days or even hours, the oil markets saw a surge of optimism as many traders went "short," anticipating that prices would drop once hostilities began. They evidently believed that the war premium, the uncertainty surrounding the war in Iraq, and the decline in Venezuelan shipments were the primary causes of the price increase to over \$40 a barrel on March 12. Several traders and some analysts predicted that prices would drop considerably below \$30 per barrel at the moment. The fact that Venezuelan oil shipments were rising primarily led traders to this view. Also, it reflected the growing belief that the impending conflict with Iraq would unfold in a manner consistent with the wildly optimistic scenario mentioned earlier—namely, that the conflict would likely be brief and cause little harm to the oilfields or ports in the Gulf. Considering these variables, traders predicted that the commencement of the war would result in a price decline comparable to that seen on January 17, 1991, the day the Gulf War began. Around that time (1991), the NYMEX crude futures had the largest one-day price decline ever as they fell by one-third, or \$10.56 per barrel (Bird, 2003).

With spot prices down 25 percent in a week, they appear to believe that war in Iraq will be a swift affair. Futures prices suggest that when it is over the Organization of Petroleum Exporting Countries will shower the world with crude and the price will fall out of its \$22-\$28 a barrel band late next year (Loony, 2003).

#### **4.2. The Consequences of the Incident of September 11, 2001 on OPEC Policies**

The attack on the twin towers of the World Trade Center and the Pentagon building is a turning point in all political, economic, military, cultural and social fields in the history of America, and it is certain that the world community will be directly or indirectly affected by this incident. The Bush administration took this incident as an opportunity to achieve some of its international goals.

George W. Bush's way to the White House, considering that he is from the eagle-wing of the Republican Party and from the American Southern States with a traditional authoritarian view of international relations frameworks, made it clear that at the beginning of the third millennium, the time has come to decide on the American strategy. This process was facilitated by the incident of September 11 and provided a historic opportunity for the American leadership to find the concept of inclusiveness that has the ability to create national cohesion and form an inter-elite agreement in the heart of this incident. During the 236-year history of the United States, this country has been immune to invasion, capture and siege, which is important due to its convenient geographical location, favorable economic infrastructure, the nature of the balance of power in Europe, and the presence of allied countries to create the necessary time for military action. Therefore, the event of September 11 is also unique in this respect, because following this event, the main land of the United States was attacked by a foreign enemy for the first time after the American-British war in 1812. Even during World War II, when the Japanese bombed Pearl Harbor in the Hawaiian Islands, the American mainland was not invaded. In fact, in 1941, Hawaii was not yet recognized as the 50th state of the United States; In addition, that event was at least 6 thousand miles away from the shores of the Great Ocean. But the collapse of the second tallest tower in America happened in the heart of New York and in the commercial center of this country (Deshiar, 2006).

On the other hand, the surprise attacks on the World Trade Center and the Pentagon have been called the Pearl Harbor of the current generation; The attacks that revealed America's vulnerabilities to the outside world and caused a new fundamental direction in this country's foreign policy. In such a way that some people have considered President George Bush's speech on September 20th in the Congress, since he mentioned the most important issues of the American macro-strategy, similar to President Harry Truman's speech about Turkey and Greece on May 12th, 1947. At that time, the United States announced its intention to fight communism worldwide. In fact, September 11 was the end of the post-Cold War era (Fatah, 2002).

#### **4.2.1. The Terrorist Attacks of September 11, 2001 Events**

On the 11th day of September 2001, American Airlines Boeing 767 No. 11, which was leaving Boston for Los Angeles, crashed into the North Tower of the World Trade Center in New York at 8:48 am. Eighteen minutes later, American Airlines Flight ,175 which had the same destination as the previous flight, crashed into the South Tower. A US Airways Boeing 757 flying from Washington's Wallis International Airport to Los Angeles crashed into the west wall of the Pentagon at 9:40 a.m. Interstate 93, a Boeing 757 flying from New York to San Francisco, also crashed near Pittsburgh (Wright, 2007).

As a result of this events, eleven floors of the World Trade Center towers were completely destroyed. American authorities have suspended all domestic flight systems due to fear of further attacks. The president's flight was changed and the officials of the Senate and the House of Representatives were moved from Washington to another safe place.

#### **4.2.2. The Impact of 9/11 Event on the Asian Economies**

The terrorist attacks that affected the US economy directly generated a significant impact on Asian economies as a whole. These economies, some of which were still struggling to recover from the 1997 Asian financial crisis, had already been negatively impacted by a rapid decline in foreign demand even before the assault. There are a number of channels via which emerging Asia was exposed to the consequences of the worsening global economic slump. First, there was a significant short-term impact on international trade. The broad decline in confidence also impacted international commerce, pushing down the export volume and commodity prices. In actuality, following the assaults, commodities prices significantly decreased. Although the amount of this effect was not expected to be very big, it might negatively impact the trade in products over a lengthy period by increasing transaction costs. Second, there was quick evidence that the services sector, particularly the banking and tourist industries, had been severely impacted. These industries will continue to suffer highly from rising uncertainty in the long run.

Secondly, when risk premiums increased, capital flows decreased. As a result, the firm was badly impacted by both the simultaneous fall in income and access to finance. Long-term, this can potentially fail fragile businesses. The availability and terms of funding have tightened even further for both the public and commercial sectors since the terrorist attacks of September 11, 2001, even though these tendencies were previously obvious. Via connections to the financial markets, another significant avenue of transmission functioned. Portfolio investment inflows had already decreased before the attacks, but several emerging nations that

immediately followed the attacks saw sharp stock market declines and have only partially recovered.

To sum up, the extent to which the emerging Asian economies were affected depended on: (a) how much they are dependent on global trade. For example, for those economies with high merchandise exports to GDP ratio, the impact of the delayed recovery in world trade may mean a longer period of significantly lower growth, and (b) how vulnerable these economies are to heightened political uncertainty.

#### *4.2.2.1. Financial Markets and Capital Flows*

The terrorist attack of September 11 had a significant immediate effect on Asian nations. With a few notable exceptions, the downward and post-volatility trends in US stock markets, the reduction in the Federal Reserve's interest rate, and to some extent, elevated uncertainty and risk aversion among market participants all had a significant impact on the financial market developments throughout the region. After 9/11 incident, regional Asian stock prices plummeted precipitously in the equities and financial markets as a first response. For instance, the Shanghai A Share Index of the People's Republic of China (PRC), which was made available to local investors in February 2001 and soared relatively quickly through May, saw a significant correction. Most major markets have not been able to recover, despite the US, European, and Japanese stock exchanges doing well. Some emerging economies in this region experienced a spike in private capital outflows, primarily due to portfolio investment outflows and weak FDIs because of higher uncertainty and risk aversion.

Furthermore, the demand for foreign credit also decreased as economic activity slowed down significantly; nevertheless, some nations made higher net repayments for private credits since old loans were still being re-paid. With just a few capital inflows during the financial crisis, the crisis-affected economies of Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand had net private capital outflows in 2001; nevertheless, the net outflows were still lower than those seen in 1998 and 1999. In contrast, the PRC saw a growth in private capital inflows, mostly as a result of increasing foreign direct investment.

#### *4.2.2.2. The Impact of 9/11 event on OPEC Trade*

The volume of world trade in goods and services decelerated to negative 0.2 percent in 2001 from 12.4 percent in 2000. The severe interruption of commerce had a considerable impact on most Asian nations since exports of goods and services are crucial to the economy of the newly industrialized nations in the area, which account for more than 35.0 percent of

developing Asia's GDP. One of the most significant sectors that experienced contraction was the global ICT sector in which many emerging economies are highly dependent. The global price of semiconductor, its production and sales weakened in 2001, led by the collapse in the market for memory chips. Sales of final products, particularly computers were badly affected. The high proportion of electronic exports in overall exports and the steep decline in their prices predicted additional deterioration of the manufacturers' terms of trade from the already low level. Manufacturers also tend to dominate the external commerce of most Asian nations. The external environment also had an impact on commodity prices, which altered the region's economies' terms of trade. Most commodity prices dropped right after following the incident (Robert & Gilbert, 2001).

By the end of November, world oil prices had fallen from \$25 per barrel before the attacks and their peak of over \$30 in 2000 to about \$18 per barrel. However, after fluctuating at around \$20 per barrel through early November, oil prices softened further in response to OPEC's difficulties in coordinating global production cuts, particularly among non-OPEC producers. Most significant was the Russian commitments that fell short of the 200,000 barrels per day cut envisaged by the OPEC. Nonetheless, oil prices showed upward trend in early March 2002 only to renewed concerns about the stability of supply in the Middle East as well as of a stronger outlook for global recovery. This put Brent Crude spot price at US \$ 23.79 a barrel by 15 March 2002.

The effect of the terrorist attack was also felt on the prices of non-fuel commodities. The aggregate index of non-fuel prices dropped by a further 6.0 percent from September to November 2001. The decline in commodity prices and oil has had a contrasting effect on Asian economies. Those who are net importers may have benefited which may have led to increasing real incomes, paving a way for monetary easing in response to global downturn. However, for net exporters, lower prices caused deterioration in terms of trade and lower real income (Frankel, 1997).

#### **4.2.3. The Impact of the Events of September 11 on the Category of Energy**

In general, energy security has become a top priority of US foreign policy since the Bush administration took office in January 2001. However, it cannot be claimed that other American presidents have been indifferent to the issue of energy, because the economy and the way of life in America are highly dependent on the category of energy. But Bush and his deputy were somehow related to the oil industry based on the background of their activities. In 1977, George W. Bush founded the "Arbisto" Institute, which eventually merged into the "Harken "



Energy Company in 1986. Richard Dick Cheney, vice president in 1986, was CEO and chairman of Holly Burton before joining the Bush administration. Considering this background and the understanding of the energy crisis that continued since the late 1990s, one of the first concerns of the Bush administration was the issue of providing national energy needs. In the second week of his presidency, he established the "National Energy Policy Development Group" which was directly concerned with the development of the national energy policy. Agriculture, Commerce, Transportation, Energy, as well as the heads of the Federal Crisis Management Organization, Environmental Protection Organization and other high-ranking officials. It seems that the incident of September 11 also took place with a basic focus on the energy issue. In such a way that immediately after the mentioned incident and the start of the war with Afghanistan, the oil pressure group whose representatives are Dick Cheney, Condoleezza Rice, etc. through the war with Afghanistan, planned the famous oil pipeline connecting the Caspian Sea to the Indian Ocean. They approached the implementation stage (Bahgat, 2006).

Also, Mrs. Cynthia McKenney, the Democratic Representative of the House of Representatives in the United States, said after the country's attack on Afghanistan: "Regarding the investigation, we demand the formation of a commission of inquiry against the performance of Bush and his family and relatives in this case and interests We were taken from it. This can be investigated both regarding the intentional crimes that have occurred in the stock market and the economic benefits that Bush and his associates have received from the war with Afghanistan. Regarding the war in Afghanistan, oil issues have played an important role. How can Bush get personal benefit from declaring war against Iraq and maybe Iran? it is not clear (Philip, 2004)

On the other hand, the Karzai government's relations with the representatives of Pakistan and the United States regarding the construction of the gas pipeline also after the war in Afghanistan, which is one of the events after the September 11 incident; It is very ponderable. According to the "Irish Times" newspaper on February 11, 2002: "The president of Pakistan, General Pervez Musharraf, and the leader of Afghanistan, Hamid Karzai, agreed that their countries should have mutual fraternal relations and cooperation in all fields of activity, including the transfer of the gas pipeline from Central Asia to Pakistan through Afghanistan. Also, according to the Guardian's George Mann Biot: "Hamid Karzai and Zalmay Khalilzad (Bush's special envoy to Afghanistan) both previously served as advisers to the US oil company in the 1990s that sought to build a pipeline through Afghanistan (Masood, 2009).

On October 4, 2001, the Center for National Interest Studies, in collaboration with the Nixon Center, held a conference to examine the long-term consequences of the September 11 terrorist attacks on American policies. Dr. James Schlesinger, publisher<sup>1</sup> of the National Interest magazine, chairman of the Nixon Center Advisory Council, former Secretary of Defense and former head of the CIA, chaired the conference. The participants in this conference were a group of foreign policy practitioners, journalists and analysts, and the head of the conference asked them to consider the consequences of this very successful terrorist act, which was unprecedented in history in terms of the number of deaths and the severity of the damage, on foreign policy and defense policy, and economic and internal review. In the economic policy section, Mozes Naim, the editor of the foreign policy magazine, predicted in the third session of the conference that the economic recession following the September 11 incident will continue until the second quarter of 2002 and the price of oil will decrease to about nineteen dollars and seventy-five cents, and then in the second half of the year, oil prices will increase due to increased demand. An attack on Afghanistan will have little or no effect on oil prices. But with the expansion of the war against terrorism (for example, the war with Iran or Iraq), the price of oil will become extremely unstable. The real winner next year looks to be Russia. Because this non-OPEC country and the second largest oil producer in the world can affect oil prices. This influence is not only through the domestic production of oil in this country, but also through the influence it has in Central Asia and the Caucasus on new sources and reserves of hydrocarbons (Fatah, 2002). However, the monthly report of the oil market in September 2001 stated in the crude oil price fluctuation section:

"After the drop in oil prices in July, the monthly price of the reference basket increased by \$0.73 to reach an average of \$24.46 per barrel".

#### **4.3. Us Security Policy in South Asia Since 9/11**

Since the US began its "war on terrorism" in South Asia following 9/11, American security links to Afghanistan, Pakistan, and India have grown significantly, yet this development may be self-contained. The survival of the new political order supported by the West is threatened in Afghanistan by resurgent Taliban elements, warlords, and local militia leaders, the booming drug trade, and the potential return of meddling by neighboring countries like Pakistan and Iran. The issue of counterterrorism cooperation continues to be secondary to this threat (Ewans, 2002). Despite more successful tactical cooperation against extremists, US-

Pakistani ties are still primarily focused on counterterrorism and are somewhat strained. Pakistan's difficulties are being exacerbated by President Musharraf's collaboration with the United States in the fight against terrorism since many of Pakistan's regional interests diverge from those of Washington. Domestic political resistance or a terrorist act targeting American interests that originates in Pakistan might scuttle US-Pakistani collaboration. Since 9/11, military-to-military ties between the US and India have also grown. This warming trend is likely to continue, especially if private-sector economic ties take off, but differences in strategic vision between Washington and New Delhi are likely to put a cap on their international cooperation (Kux, 2001).

#### **4.3.1. Pre-9/11 Relations with Afghanistan, Pakistan, and India**

American security links to South Asian countries ranged from insignificant to nonexistent when 9/11 happened. The United States did everything it could to isolate and penalize the Taliban rule in Afghanistan to persuade it to drive out Al Qaida. So, the Taliban regime was not recognized by the United States. After failing to convince Pakistan to halt its nuclear weapons program or stop supporting the Taliban, America had tense relations with that country. In 1999, India and Pakistan were on the verge of war in Kashmir, which the US held Pakistan responsible for starting since it could have led to a nuclear exchange. The Bush Administration was on the verge of officially recognizing India as a special partner because, like the Clinton Administration before, it had concluded that, despite American displeasure with India's nuclear weapons program, India must serve as the cornerstone of US policy in South Asia (Kux, 2001). The Post-Cold War upswing in bilateral ties needed to be intensified, and both governments agreed that commerce was a key factor. 9/11 made South Asia the initial theater for the “war on terrorism” declared by President George W. Bush and reordered US relations with the region. The most tangible and immediate result was the arrival of American security forces in Afghanistan and Pakistan—as well as in neighboring Central Asia, for the first time. The new arrangements forged with Afghanistan, Pakistan, and India since then have been billed as part of a strategic shift of US policy designed to counter terrorism, but each of these relationships faces unique challenges (Ewans, 2002).

#### **4.3.2. America's Security Policy in Afghanistan**

Since US forces overthrew the Taliban in late 2001, American soldiers have collaborated with allied forces, diplomats, non-governmental organizations (NGOs), and members of President Hamid Karzai's administration to provide security, humanitarian aid, and reconstruction while fostering a more representative state that will, it is hoped, be less

welcoming to terrorists. Some 18,000 US-led coalition combat troops have cooperated closely with 9,000 NATO-led International Security Assistance Force (ISAF) peacekeepers, including US soldiers (Hodge, 2004). Although Washington has been disappointed by NATO's refusal to take over combat operations in Afghanistan, which would free up more US forces to conduct counterterrorism sweeps in Afghanistan and to go to Iraq, ISAF stands out as an example of the new roles for old allies envisaged by US defense transformation planners (Brinkley, 2014).

But Afghanistan also perfectly exemplifies the ongoing difficulties of addressing the alleged socioeconomic underpinnings of terrorism and depriving terrorists of their source of support. Improvements have been made in certain places that are under ISAF protection, most notably the Shomali Plains but security challenges still prevent many regions of Afghanistan from developing new institutions and infrastructure.

The Karzai government faces numerous longer term threats as well. In the east and south, remnants of the ousted Taliban have re-coalesced into an insurgency, drawing on support from fellow Pashtun tribesmen on both sides of the border with Pakistan. While some have seen the Taliban's failure to disrupt the October 2004 national election as evidence that the insurgency is losing steam, others believe that the group can command thousands of Pashtun fighters when it deems the time ripe, and that time could come when western forces are drawn down, if not before (Ewans, 2002).

The rising drug trade, which is once again the mainstay of the economy, poses a second and more insurmountable threat to the creation of both order and democracy in Afghanistan. According to Antonio Maria Costa, Executive Director of the U.N. Office on Drugs and Crime, Afghanistan is in risk of turning into a "Narco-State." Paul Geitner (2004) said, Afghan farmers are once again dependent on the production of poppies, and an increasing portion of the country's drug sales are purportedly generated by "high-end" drug processing and trafficking. Prominent members of the Karzai administration and the warlords, the Taliban, and Al Qaida are allegedly making money off the trade. The United States and its British partners are striving to strengthen local anti-drug enforcement skills in the face of significant Norco-corruption because they are wary of putting their soldiers in counter-narcotics operations for fear of weakening the security mission and alienating Afghans. Even more difficult will be to lessen Afghan civilians' economic involvement in the drug trade without destroying their prospects for wealth and self-sufficiency.

Third, local militias and warlords continue to challenge the legitimacy of the national administration. Whether President Karzai will have the power to subordinate warlords, disband local militias, or incorporate them into Afghanistan's new security forces depends on the outcome of the election (Calamur, 2004). To retain dominance in their areas and ethnic groups, the warlords use a variety of strategies, including their connections to or jobs in the national government and money made through drug trafficking. President Karzai has ranked the independent militias as Afghanistan's premier threat, and the International Crisis Group (ICG) has flagged the influence of these militias in Afghanistan's ethnically polarized political process as a serious obstacle to parliamentary, provincial, and district elections scheduled for April 2005 (Ewans, 2002).

A fourth issue is the possibility of further interference from other nations, who have historically used Afghanistan to settle their territorial disputes. The participants have included Pakistan, Iran, the Central Asian nations, Russia, and India at various points and to differing degrees. Several Afghan warlords still maintain connections with countries like Pakistan and Iran. Any serious resurgence of such rivalry between foreign powers on Afghan territory will worsen Afghanistan's chances.

These challenges make it premature to draw lessons from Afghanistan for future US counterterrorism and nation-building efforts. The extent to which humanitarian initiatives may lessen local tolerance or support for terrorists is not yet evident. Even with foreign soldiers present, Afghanistan is still sufficiently anarchic to provide possible safe havens for new terrorist activities. Drug trafficking has historically supported terrorist activities, and it now seems that it is doing so once more.

US ties with Pakistan, India, Central Asia, China, and Russia will be impacted by decisions over how long to retain US forces in Afghanistan and when to proclaim the military mission completed. India and Pakistan both have reasons to want American troops out of Afghanistan, but they also both have an interest in the country's security. The international community, including the US, will confront fresh questions about the scope and length of its commitment if Afghanistan returns to disorder despite the deployment of ISAF troops (Brinkley, 2014).

#### **4.4. OPEC's Policies Regarding the Global Increase in Oil Prices After September 11, 2001**

The occurrence of the sudden events of September 11 led to the position and speech of the Secretary General of the OPEC organization, which was mentioned in the previous pages. However, in the administrative and organizational field, the aforementioned events led to the 171th OPEC summit, in which OPEC's role was emphasized in order to supply oil without problems. Although before any general impact of the September 11 incident on the international energy economy, OPEC's violation of the quotas set at 500,000 barrels per day, and according to unofficial statistics, more than one million barrels per day, seemed to cause that the expectation of the market will be formed in line with the abundance of supply. Because non-OPEC production (America, Canada, North Sea, Africa, Russia, etc.) has increased significantly due to the increase in oil prices during the year before the September 11<sup>th</sup> incident, reaching a growth of more than 500,000 barrels per day. Some forecasts indicated that non-OPEC oil growth will reach eight hundred thousand barrels per day in 2002 and Russia will continue to increase production. Also, one of OPEC's general policies is to increase consumption of reserves by reducing production in order to prevent the process of continuous price reduction with the decrease in the level of reserves.

However, OPEC member countries' need for more foreign exchange income caused an increase in production beyond the members' quota, and therefore this policy also failed as predicted. On the other hand, with the decrease in the growth of the world economy, the demand for crude oil decreased. According to the report of the International Energy Agency (IEA) ,the growth of crude oil demand in the United States in 2001 was reduced to 100,000 barrels per day, while in the four years before that, this figure was an average of 470,000 barrels per day. The average growth of oil demand in the world in the four years before the September 11 incident was 1.15 million barrels per day, while it reached 0.5 barrels per day in 2001. Obviously, when supply is increasing and demand is decreasing, prices tend to fall quickly, so that the OPEC oil basket fell below 20\$ per barrel.

In the meeting of September 26, 2001, OPEC did not take any decision to support the price of crude oil, but on the contrary, by repeating and reemphasizing OPEC's commitment to supply the crude oil needed by the industrial world in the current situation, it caused further weakening of the price. But the drop in oil prices after September 11, 2001 was beneficial for the global economic recession; Because cheap oil is a necessity for the industrialized world in the economic crisis (Derakhshan, 2001). However, seven important issues can be mentioned:

- The impact of these events on the international markets was negative and led to an increase in the price of oil in the days after the mentioned events, although this increase was an example of a temporary nervous reaction on the part of the oil market. In other words, after discovering that there is no shortage in the supply of crude oil, the prices started to decrease again.
- During the 171th OPEC meeting, this organization committed to continue monitoring the oil market and take more measures, including holding extraordinary meetings like in the past, in order to defend the price range of 22 to 28 dollars per barrel.
- Russia's role in the price of crude oil increased. Although this country is not a member of OPEC, it has participated in many meetings of this organization since the late 1990s in order to prevent oil prices from falling in close cooperation with OPEC. This cooperation became even more important after the September 11<sup>th</sup> incident due to the recession of the world economy and the decrease in world oil demand. After determining the share of producers in 2001, which did not allow the production of more than three and a half million barrels per day. OPEC members were forced to give more shares to non-members. In December 2001, in an effort to prevent a further drop in oil prices, several non-OPEC producers, including Russia, pledged to reduce their production by 500,000 barrels in exchange for a 1.5 million barrel reduction in OPEC production (Bahgat, 2006).
- "Ali Al Nuaimi ,the Minister of Petroleum and Mineral Resources of Saudi Arabia, also stated after the events of September 11 in an interview with the Saudi News Agency:

The Kingdom of Saudi Arabia is committed to supply continuously in various conditions and in cooperation with other OPEC members to complete any market shortage for any reason. Saudi oil exports to America and all oil importers of this country will be stable and according to the normal export schedule (Bahgat, 2006).

Saudi Arabia, as the most important member of OPEC, announced one day after the September 11<sup>th</sup> attacks that it will export 9 million barrels of additional oil to the United States in order to prove its support to the United States while providing enough oil. It should be noted that in April 2002, when Saddam Hussein stopped the export of Iraqi oil in protest against Israel's occupation of Palestinian settlements and demanded that other Arab oil producers follow this policy, Saudi Arabia refused to cooperate with Iraq. In fact, Saudi Arabia has pledged to compensate for any global oil shortage caused by political, military or natural

disasters to the extent that it can. Obviously, this commitment has created stability in the market and prevented sudden changes in oil prices. In general, Riyadh has sought to reconcile its interests with other OPEC members and has taken the process of establishing a consensus with OPEC members and sometimes even helped to establish an agreement between OPEC and other oil producers. However, despite all the efforts made to create a continuous and coordinated front, OPEC has not acted unitedly in some cases and has considered its own interests and the policy of keeping oil prices at a balanced level in line with the interests of the United States and the world economy (Bahgat, 2006).

President of Venezuela" Hugo Chávez " as well, America is the biggest buyer of its oil. It assured the country that Venezuela will continue its steady flow of oil to the country. The Venezuelan leader also expressed his" deep regret "for what he described as" cowardly and massacre "attacks; expressed Hugo Chavez announced:

“We are trying to guarantee the supply of oil, fuel, diesel and other derivatives to the American people. This is one of the ways we can show our solidarity, stability, support and cooperation”.

Following the policies adopted by OPEC, this organization was praised for its quick action in creating peace in the oil market after the events of September 11. Mrs. Loyola DePalacio, the European Union Commissioner for Transport and Energy, told reporters:

“The European Union is grateful to OPEC for its firm commitment to supply enough oil to maintain the market"

She also added that OPEC's policies have led to a decrease in the rising trend of oil prices, so that the European Union has not faced a decrease in the amount of crude oil.

“International Energy Agency "headquarters in Paris also announced the decisions of OPEC in the framework of its 117<sup>th</sup> conference, which led to the prevention of changes in the price ceiling. Mr." Robert Pridel, the executive director of the aforementioned agency, considered OPEC's policies after the events of September 11 to be a" show of moderation "and thanked OPEC and its member countries for maintaining the flow of oil without any interruption of supply.

Taken together and according to the opinion of the US Energy Information Administration, global oil supply and the United States of America received a minimal impact from the September 11 terrorist events. Based on the point of view of the mentioned office, the price of oil will probably remain a few dollars cheaper than the very high prices of last year.

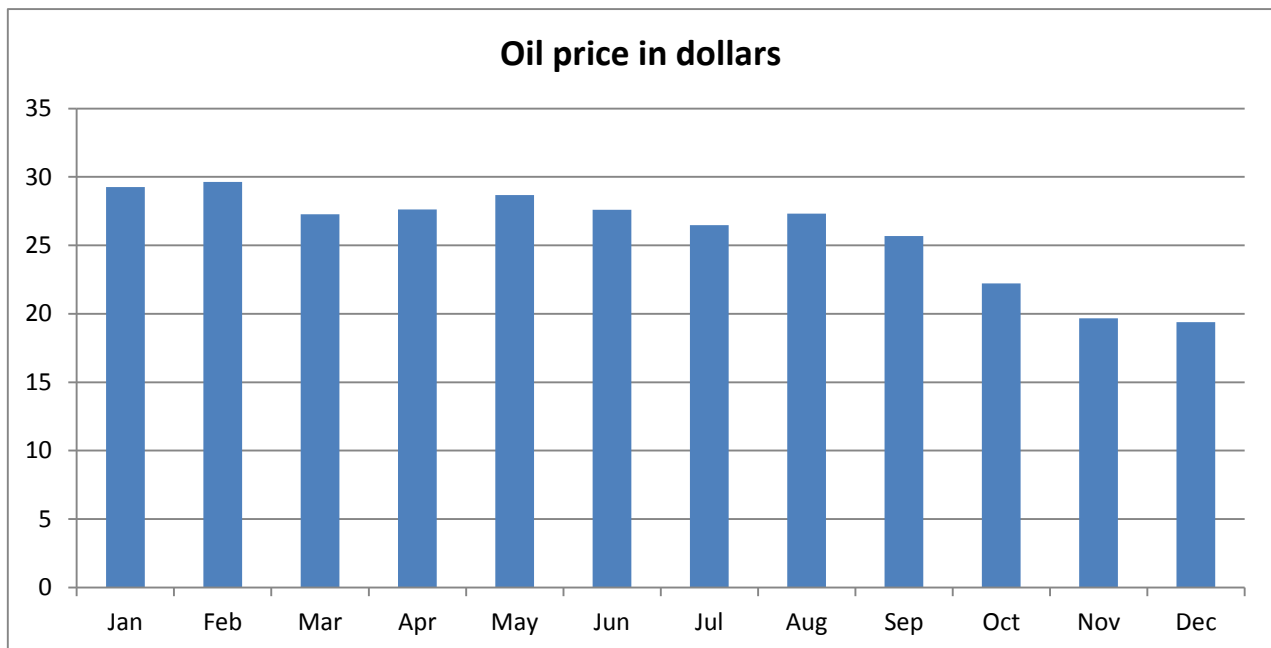


However, this issue also depends on the assumption of a moderate climate, slow economic growth, no interruption of Iraqi oil, OPEC's agreement with the supply ceiling, and no problems with refining and facilities.

**Table 2.** The below table confirms the opinion of the US Energy Information Administration:

Year	The price of a barrel of oil in dollars
January 2001/1/	29.26
February 2001/02	29.64
March 2001/3/	27.27
April 2001/04	27.62
May 2001/5/	28.68
June 2/6/	27.59
July 2001/07	26.47
August 2001/08	27.31
September 2001/09	25.69
October 2001/10/	22.21
November 2001/11/	19.67
December 2001/12/	19.40

**Graph 6.** The graph below also confirms the opinion of the US Energy Information Administration:



<http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RCLC1&f=M>

From what has been said, it is clear that the terrorist events of September 11<sup>th</sup> had a very superficial and transient effect on the price of oil, and with the policies adopted by OPEC and the existence of the international economic recession, it has not only led to a long-term increase in the price of this energy carrier, but also to a decrease in the price.. In other words, by examining the course of events before September 11<sup>th</sup>, it is clear that the increase in supply and lack of demand due to the decrease in economic growth had created the situation of lowering the price of oil, and the occurrence of the mentioned terrorist events was only effective as a temporary factor in increasing the price. And the decisions of OPEC also led to global appreciation of this organization, but by keeping the prices low, a decision was made in accordance with the needs of the United States and the big powers that are major consumers of oil, and this issue is in the interest of the majority of OPEC members who seek to sell oil reserves. However, with the continuation of the process of oil price reduction, this organization, in its 18<sup>th</sup> meeting in November 2001, while requesting the cooperation of non-OPEC members, decided to reduce two million barrels per day of oil supply in a practical measure to regulate the price.

## **CHAPTER FIVE**

### **THE MILITARY CRISES in MIDDLE EAST BETWEEN 2003-2011 AND ITS IMPACT ON OPEC**

#### **5.1. United States Invasion of Iraq (2003)**

A coalition led by the United States invaded Iraq in 2003 to find and destroy the country, which was accused of harboring Weapons of Mass destruction. The creation of this innovation began on March 19, 2003 (Colgan, 2013).

The United States stated objectives for this invasion were to free the Iraqi people from Saddam Hussein's dictatorial leadership, eliminate Saddam Hussein's backing for terrorism, and deprive Iraq of its arsenal of weapons of mass destruction. The United States collected 100,000 soldiers in Kuwait, beginning the initial stages of preparation for this conflict. The majority of the invasion's troops were purposefully given by the United States, with assistance from coalition forces made up of more than 20 governments, including the Kurdish north of Iraq (Williamson Murray., & Robert H Scales, 2003).

The Iraq War began with the 2003 invasion of Iraq. Once the Coalition took control of Iraq, they waged a war that enraged rebels against coalition forces of the United States until 2011. The United States and its allies invaded Iraq because the accusations were untrue. Therefore, after the war did not prove their allegations, and even the United States and coalition politics who wanted oil there, accusing Saddam Hussein had weapons of mass destruction that could threaten the lives of all the people on earth, the United States launched a massive attack on Iraq (Colgan, 2013).

Along with these accusations, the United States has also claimed that Iraq has disregarded UN resolutions, has oppressive policies toward its citizens, and attempted to kill George H.W. Bush (Donaldson, 1996). The United States and its allies wanted to remove Saddam Husein from power and bring him before an international tribunal. After a protracted war, the United States finally succeeded in toppling Saddam's government. Iraqis were likewise ecstatic to see Saddam's totalitarian regimes come to an end. However, after the fall of the dictatorship in Iraq, there were still too many civil wars between groups competing for power and authority to hold the government. Terror and suicide bombings happened everywhere because of a tantrum and scenarios of allies controlling Iraq and making it a United States puppet. The coalitions eventually wanted to control the oil and nuclear uranium that was

belong to Iraq. It is an actual attack to have the oil but under the pretext of liberating the people of Iraq from a dictatorial leader (Ricks, 2007).

#### **5.1.1. The Events of September 11 and the Invasion of Iraq**

As it was previously indicated, the September 11 attacks drastically altered the United States of America's circumstances, particularly in regard to its foreign policy. As a result, the government of this nation adopted a military pre-emptive defensive plan as its official foreign policy. The President of the United States, George W. Bush, said on January 29: "America uses pre-emptive military action to counter threats against the U.S. and its core allies." George Bush's doctrine of pre-emptive War as part of the US security strategy was formulated as follows in the national security document approved in September 2002: "While the United States tries to attract the support of the international community, we are not afraid to act alone when necessary to let's implement ourselves in a pre-emptive action against terrorists and prevent them from harming our nation and country". This document states that the United States should not wait for the enemy to attack its territory and then fight back, but rather than it should prevent sedition from its formation before it harms the interests of the United States inside and outside the country. This military doctrine allowed the Washington government to use its military forces anywhere in the world against countries that intended to launch a military attack against the United States. According to international laws, the American government could not pursue such operations before because it might be attacked by a country in the future and a military attack against it. But Bush believed that one should not wait for the enemy to carry out a terrorist attack against the United States and declared that there are rogue states in the international system that are trying to acquire special weapons of mass destruction, whether biological, chemical, or nuclear. In line with this security strategy, America attacked Iraq with goals such as destroying weapons of mass destruction, fighting terrorism, and establishing democracy (Enayatollah Yazdani., & Reza Modoghli, 2009).

#### **5.1.2. The Beginning of the Invasion of Iraq in 2003**

Some documents about the military attack on Iraq confirm that, since years before 2003, several analytical centers have emphasized the necessity of attacking the mentioned country. The significant thing to ponder about these documents is the centrality of oil in achieving such a result in most of these analyses. It is another proof of the truth of the claim of mastery over oil as the main reason for the attack on Iraq. In early April 1997, the Institute of Public Policy at Rice University, in a report by James A. Baker, mentioned Iraq and Iran as a threat to the free flow of oil out of the Middle East. The report concludes that Saddam remains a threat to

the security of the Middle East and is still capable of conducting military operations outside his borders. Also, in another report entitled "Strategic Challenges of Energy Policy in the 21st Century", it was concluded that Iraq has a destabilizing role in the flow of oil to the global markets from the Middle East, and Saddam Hussain has shown that he wants to threaten to use oil weapons and using his country's oil supply to run the oil markets. Therefore, the United States should turn to an urgent revised policy regarding Iraq, including military, economic, and political-diplomatic measures. On the other hand, in the "National Energy Plan", the result of the definite group meeting and published by US Vice President Cheney, the Persian Gulf was mentioned as the main focus of US international energy policy. The plan, in agreement with the Baker report, states that the United States will become increasingly dependent on oil imports, and access to new sources of oil supply is imperative. The recent point of view was later clearly raised by Anthony H. Cordesman, a senior analyst at the Center for Strategic and International Studies in Washington. In his view, the United States goes to war regardless of global desires because Saddam is sitting in the center of a region that contains more than 60 percent of all the world's oil (Cordsman, 2004).

Also, research shows that on the eve of the Iraq war, the country's oil industry was facing serious problems, problems that, due to the imposition of extensive sanctions against the said country since the Second Persian Gulf War and the occupation of Kuwait by the Baath government, have left Iraq with insoluble problems. In this regard, in February 2003 and before the beginning of the war against this country, Iraq unilaterally terminated its contract with the Russian company "LUKOIL" due to the mentioned company's non-compliance with its obligations. Obligations that could not be completed from the point of view of *LUKOIL "Langepas, Uray and Kogalym) Oil* due to the existing sanctions against Iraq (Reconstruction of Iraq , 2003).

However, apart from the role of oil in the decision of the allied countries against Iraq, led by the United States, the legal grounds for aggression against Iraq had been provided long ago. In such a way that in 1998, the joint session of the United States Congress approved the Iraq Freedom Act, which was based on Iraq's behavior in the war against Iran, the invasion and occupation of Kuwait, the Chinese context, and the plotting of the assassination of the President of the United States George Bush in 1993, and the suppression of the Kurds, violated the disarmament provisions of the 1991 ceasefire and violated democracy. The approval of this law was done in line with the efforts of the United States to change Saddam Hussein's regime

in Iraq and replace it with a democratic government (Williamson Murray., & Robert H Scales, 2003).

According to the many statements of the United States of America in the Iraq crisis, although they could not link Al-Qaeda and terrorism to Saddam Hussein's regime as they wanted, they claimed that in the war with a hostile terrorist network that tries to acquire weapons of mass destruction, so the disobedience of such an outlaw country and its disarmament is impossible to be tolerated. In addition, they argued that the emergence of that "super terrorism" that they feared the most, that is, a terrorist network equipped with weapons of mass destruction. It is possible only by using the capacities and facilities of a country, and Iraq is a hostile state that seeks to obtain weapons of mass destruction and use them for warlike purposes. Therefore, Saddam's regime, which was previously considered a regional threat, became Washington's number one target under the influence of the events of September 11 and Bush's alleged war on terrorism.

According to Bush and his colleagues, diplomacy, applying political pressure, and imposing sanctions and punishments, especially using the United Nations mechanism, is ineffective. On the contrary, it provides opportunities for deception and evasion of obligations. According to the Bush administration, Iraq's "policy of containment" that has been used against Saddam Hussein's regime for years has not been effective and has not been able to stop this regime from trying to produce weapons of mass destruction. The UN sanctions system has also been ineffective, and the Iraq regime has violated 17 Security Council resolutions that passed since the first war in Iraq. The UN inspections failed to confirm and certify the complete disarmament of the Baghdad regime. The deterrence policy applied against Saddam Hussein's regime failed to stop him from war from threatening his neighbors. In general, peaceful methods are not the answer to the threat of the Iraq regime. In Bush's words, "We will not wait for the perpetrators of mass destruction to obtain weapons of mass destruction. Therefore, we will act now because we must erase this black menace from our time and keep future generations safe (Enayatollah Yazdani., & Reza Modoghli, 2009).

According to the issues raised and the numerous reasons mentioned in the attack on Iraq and considering the pivotal role of oil in the outbreak of the 2003 war, which is the subject of the present research, the attack on this country was finally carried out in March 2003 and in a situation where the said country was under the impact of crippling international sanctions had suffered high setbacks. It was an issue that was the focus of some authorities and international institutions until the War and even after that. According to former US Attorney General

Ramsey Clark, about 10,000 Iraqis die each month directly as a result of UN sanctions. In a letter to the United Nations, he wrote:

“The history of this brutal century shows the most deadly, cruel, inhuman, and humiliating tortures against the citizens of a country that have been imposed on a nation by a foreign power over the years. The fact that this action was carried out in the name of the UN Security Council shows the cowardly submission of this institution to the will of the United States, destroys the hope of the UN adhering to the fundamental rights of human beings and their dignity, as well as saving future generations from the scourge of war (Masood, 2009).

The Washington Post newspaper also wrote in an article by "Martin Van Kroeld":

In my opinion, the danger that Saddam threatens the world today has been magnified by America and Israel. After the weakening of Iraq's forces during the Persian Gulf War in 1991 and the paralysis of the country's economy as a result of seven years of embargo, the Iraq president is no longer able to attack any country by air, land, or sea (Masood, 2009).

## **5.2. The Consequences of the Us Attack on Iraq in 2003 and Its Impact On OPEC Policies**

After the Taliban regime in Afghanistan was overthrown, Saddam Hussein and Iraq came under tremendous pressure from the United States, and all efforts were focused on his removal. Following the incidents of September 11, US authorities argued that such an assault at this level required the cooperation of a government, and according to American officials, the stated government was the Iraqi government. One such official was the Deputy Secretary of State, Paul Wolfowitz. Even later, a report regarding "Mohammed Atta," one of the hijackers, and Baghdad was released, although it naturally had no information. Although, according to the US government, other than when Saddam's operatives attempted to murder Bush in 1993, the Iraqi government had not been charged with any direct terrorist actions against the country before. Six months after the terrorist attacks on September 11, Bush highlighted that the second phase of the fight against terrorism had begun after the Taliban's containment in Afghanistan. Bush said: he has decided to fight with countries like Iraq that are trying to obtain chemical, biological, and atomic weapons (Cleveland, 2016).

At the same time as this speech, "Dick Cheney" was preparing for his ten-day trip to the Persian Gulf region and was ready to negotiate with the leaders of Arab and Islamic countries in the context of the American plan to continue the war against terrorism. Meanwhile, Tony Blair announced in a meeting with Dick Cheney in London: "There is no doubt that

threats from Saddam Hussein and his weapons of mass destruction felt around the world," but Richard Bullitt, a Middle East expert at Columbia University, had another opinion in this regard. He believed that now there is less sympathy for Bush in the second phase of the war against terrorism. In one of his addresses, Bush also referred to Iraq and two other nations as the "axis of evil (Cooper, 2012). He succinctly summed up Washington's position on Iraq:

1. Iraq continues to be hostile to America and supports terrorism.
2. For more than a decade, Iraq has been developing the production of chemical gases and anthrax, as well as nuclear weapons.
3. Baghdad has used poisonous gases to mass kill its citizens.
4. Iraq is a country that has agreed for international inspectors to enter that country. But then he kicked them out, so this regime has something it wants to hide from the world.
5. Washington and London believe that weapons of mass destruction are a threat not only to the region but to the whole world.

In general, efforts to pin the blame on the Baath administration were successful, and in March 2003, when hostilities began against this nation, the UN also released a report. He stressed that Iraq had biological and chemical weapons, but Iraq denied this assessment (Tuisarkani, 2003).

### **5.2.1. The Long-Term Impact on OPEC**

The Iraq war also had long-term implications for OPEC and the global oil market. The war led to a shift in global oil production away from the Middle East towards other regions, such as North America, and increased investment in alternative energy sources. This has changed the dynamics of the global oil market and has had an impact on OPEC's influence, politics, and Power (OPEC, n.d.)

The following points show the long term impact of Iraq war on OPEC:

1. The rise of renewable energy sources: As the world continues to transition towards cleaner and more sustainable energy sources, the long-term impact of OPEC production may decrease. The increasing adoption of renewable energy sources such as solar, wind, and hydroelectric power could reduce global demand for oil, ultimately reducing OPEC's influence on the global energy market.
2. Changes in global demand: Over the long term, shifts in global demand for oil could also impact OPEC's production decisions. As emerging economies such as China and India continue to grow, their demand for oil may increase, potentially creating new



opportunities for OPEC member countries. However, as developed economies continue to shift towards cleaner energy sources, demand for oil may ultimately decrease, reducing OPEC's influence over time.

3. Geopolitical tensions: Geopolitical tensions between OPEC member countries and other nations could also impact OPEC's production decisions over the long term. Conflicts such as those between Iran and Saudi Arabia, or between OPEC and non-OPEC countries such as the United States, could create instability in the global oil market and impact long-term oil prices.
4. Climate change concerns: The long-term impact of OPEC production is also influenced by growing concerns about climate change and the need to reduce greenhouse gas emissions. As governments and consumers increasingly prioritize sustainable and environmentally friendly energy sources, the long-term demand for oil may decrease, potentially reducing OPEC's influence over the global energy market.
5. Energy policies: The long-term impact of OPEC production is also influenced by energy policies implemented by governments and international organizations. Policies such as carbon taxes and renewable energy mandates could reduce demand for oil, ultimately reducing OPEC's influence over the global energy market. Additionally, geopolitical policies such as sanctions or embargoes could also impact OPEC's production decisions and influence over the global energy market.
6. Changes in demographics: Changes in global demographics could also impact OPEC's production decisions over the long term. As populations grow and economies develop, the demand for oil may increase in certain regions, creating new opportunities for OPEC member countries. However, as aging populations and declining birth rates lead to slower economic growth in certain regions, demand for oil may decrease, reducing OPEC's influence over time.
7. Emergence of new players: The emergence of new players in the global energy market could also impact OPEC's production decisions over the long term. For example, countries such as Russia, Brazil, and Canada have emerged as major oil producers, potentially reducing OPEC's market share and influence over oil prices. Additionally, the rise of state-owned enterprises and new energy companies could also create competition for OPEC member countries (Enayatollah Yazdani., & Reza Modoghli, 2009)

### **5.2.2. Iraq's Role in OPEC**

Iraq is one of the founding members of OPEC, which was established in 1960 to coordinate and unify the petroleum policies of its member countries. Here are some important points about Iraq's role in OPEC:

1. **Production levels:** Iraq is one of the largest oil producers in the world, and its production levels had a significant impact on OPEC's overall production levels. In recent years, Iraq has been increasing its production in an effort to boost its economy and reduce its reliance on oil revenues. In 2021, Iraq produced an average of 3.9 million barrels of oil per day, according to OPEC's Monthly Oil Market Report (Vogler, 2017).
2. **Disputes with other members:** Iraq has had several disputes with other OPEC member countries over production levels and quotas. In 2019, Iraq was one of several countries that exceeded its production quota, leading to tensions within the organization. Iraq has also been involved in disputes with Kuwait over shared oil fields and with Iran over territorial disputes in the Persian Gulf (Abbas Kadhim., & Sara Vakhshouri, 2020).
3. **Investment in infrastructure:** Iraq has been investing heavily in its oil infrastructure in recent years, with the aim of increasing production and boosting its economy. In 2019, the country signed a \$53 billion deal with ExxonMobil to develop oil fields in southern Iraq, and it has also signed agreements with other international oil companies such as BP and China National Petroleum Corporation. These investments could have significant implications for Iraq's role in OPEC and the global oil market in the long term (Lieber, 1992).

### **5.2.3. OPEC's Response to the Iraq War**

OPEC closely monitored the situation in Iraq during the war, and the group took steps to stabilize the global oil market. In March 2003, OPEC issued a statement expressing concern about the war and its potential impact on oil prices. The group also pledged to work with other oil-producing countries to ensure that the market remained stable

The following points refers to the responses of OPEC on the Iraq war:

1. **Production levels:** In the run-up to the Iraq war, OPEC members were concerned that the conflict could disrupt oil supplies and drive prices higher. To mitigate this risk, OPEC increased production levels in early 2003, despite concerns from some members that this would lead to oversupply and lower prices. The organization also worked to

ensure that oil production and exports from other member countries were not disrupted by the conflicts.

2. Cooperation with non-OPEC producers: In response to the Iraq war, OPEC also worked to strengthen its relationships with non-OPEC oil producers. In 2003, the organization established a Joint Ministerial Monitoring Committee (JMMC) with Russia, Mexico, and Norway to coordinate production levels and stabilize oil prices. This cooperation has continued in the years since, with OPEC and non-OPEC producers working together to manage the global oil market.
3. Impact on oil prices: Despite OPEC's efforts to manage the impact of the Iraq war on the oil market, prices remained volatile in the years following the conflict. In 2008, oil prices reached an all-time high of \$147 per barrel, driven in part by geopolitical tensions in the Middle East and concerns over oil supplies. However, prices later fell sharply during the global financial crisis and subsequent recession (Kaufmann, 2004).

#### **5.2.4. OPEC and Iraq's Oil Production**

OPEC's decisions on oil production quotas also had an impact on Iraq's oil production during the war. In 2002, OPEC agreed to cut its oil production in order to boost prices, and Iraq was one of the countries that was required to reduce its output. However, with the outbreak of war in 2003, OPEC decided to increase its production quotas in order to compensate for any potential disruptions to oil supplies from Iraq (Yeomans, 2004).

There are some tips about OPEC and Iraq's oil production which are listed below:

1. OPEC quotas: As a member of OPEC, Iraq is subject to the organization's production quotas. These quotas are designed to manage global oil supplies and stabilize prices. However, Iraq has often exceeded its quotas in the past, which has led to tensions within the organization.
2. Impact on global oil market: Iraq is one of the world's largest oil producers and plays a significant role in the global oil market. Any disruptions to Iraq's oil production or exports can have a major impact on oil prices. For example, during the Iraq War in the early 2000s, concerns over oil supplies drove prices higher. Similarly, the recent conflicts in Iraq and the broader Middle East have contributed to price volatility in the oil market (Bahgat, 2006).
3. OPEC's role in managing Iraq's production: OPEC has taken steps to manage Iraq's oil production levels in recent years. In 2016, the organization reached a deal with Iraq to limit the country's oil production in an effort to boost prices. This agreement was part

of a broader effort by OPEC and non-OPEC producers to manage global oil supplies and stabilize prices (Farshadgohar, 2014).

#### **5.2.5. The Impact on OPEC's Unity**

The Iraq War, which began in 2003, had a significant impact on the unity of the Organization of the Petroleum Exporting Countries (OPEC), as some member countries disagreed with the war and its impact on oil prices. The Iraq War had a profound impact on OPEC's unity as the war created divisions among member countries, with some supporting the US-led invasion of Iraq, while others opposed it. These divisions undermined OPEC's ability to act as a unified group and control oil prices, which had a significant impact on the global oil market (Jalilvand, & Valadkhani, 2010).

One of the primary factors that contributed to OPEC's division was the disagreement among member countries about the war's impact on the global oil market. Some OPEC members believed that the war would lead to a decline in oil prices, while others thought that it would result in an increase in prices. As a result, member countries took different actions to respond to the war, leading to a lack of coordination among OPEC member countries. For example, Saudi Arabia, OPEC's most influential member, increased its oil production to compensate for the loss of Iraqi oil exports during the war. This led to a surplus of oil in the market, which caused oil prices to drop. Other OPEC members, such as Iran and Venezuela, opposed the war and argued that it would lead to instability in the region and further conflicts. Moreover, the Iraq War created a rift between OPEC members and the United States, which was a significant consumer of OPEC oil. The war highlighted the strategic importance of the Persian Gulf region for global oil markets, and the US's increasing energy independence led some OPEC members to question their reliance on the US market (Lieber, 1992).

In conclusion, the Iraq War had a significant impact on OPEC's unity, and the divisions created by the war undermined the group's ability to control oil prices. The war highlighted the strategic importance of the Persian Gulf region for global oil markets and led to a reassessment of OPEC's role in the global energy market.

#### **5.2.6. Oil Price**

The war in Iraq led to increased volatility and uncertainty in the global oil market, which caused oil prices to rise significantly. This was due to fears about supply disruptions and political instability in the region. According to the U.S. Energy Information Administration (EIA), the average price of Brent crude oil increased from \$24.54 per barrel in 2002 to \$54.16

per barrel in 2003, the year of the invasion. Oil prices are affected by numerous factors such as supply and demand dynamics, geopolitical events, production and inventory levels, and OPEC policies (Kaufmann, 2004).

Oil prices are determined by supply and demand dynamics in the global oil market. The supply side is influenced by the production decisions of oil-producing countries, particularly those within the Organization of the Petroleum Exporting Countries (OPEC). OPEC is a group of 14 oil-producing nations that account for about 65% of global oil production and have the power to influence oil prices by adjusting their production levels. OPEC's decision to increase or decrease oil production can have a significant impact on oil prices. For example, when OPEC members reduce their oil production, this creates a supply shortage, which can drive up oil prices. Conversely, when OPEC members increase production, this can lead to a supply surplus, which can put downward pressure on oil prices.

In addition to OPEC policies, other factors that can influence oil prices include geopolitical events, natural disasters, and changes in global economic conditions. For example, tensions in the Middle East or disruptions to oil production due to natural disasters can lead to temporary spikes in oil prices. Another factor that can impact oil prices is technological advancements in the energy sector. The rise of renewable energy sources such as wind and solar power has created competition for oil, which has put downward pressure on prices. Additionally, advances in drilling and extraction techniques, such as hydraulic fracturing (fracking), have increased oil production in non-OPEC countries, which has also put downward pressure on prices (Cooper, 2012).

Overall, oil prices are influenced by a complex interplay of factors, including OPEC policies, global supply and demand dynamics, geopolitical events, and technological advancements in the energy sector. Understanding these factors is crucial for predicting future oil price trends and developing effective energy policies.

#### **5.2.7. The Future of OPEC with or without the Presence of Iraq**

The current supply of oil in the world is about 78.1 million barrels, and the right of OPEC is 29.7 million barrels per day, that is, OPEC is responsible for about 38% of the oil market supply, and this is while Iraq has a minimum right in oil production with a trend which is predicted for the supply and demand of oil. So, it seems that the increase in oil demand will be covered by the increase in the supply of non-OPEC countries. That is, when non-OPEC countries supply oil more than the increase in global demand. In this regard, Iraq's oil

production seems to be decisive in the oil market, and OPEC should formulate its basic policies in line with Iraq's oil goals. The higher the share of OPEC in oil production, the higher the power of OPEC will be in the oil market (Sarir, 1988).

#### *5.2.7.1.If Iraq Stays in OPEC*

The enormous cost of reconstruction and Iraq's foreign debts make this country rational to earn the most income from its oil resources. If Iraq government decides to stay in OPEC to achieve its goals in the future, it seems that it will want a high quota in OPEC. The OPEC countries that had achieved a high quota during Iraq's isolation should create space for the presence of an important member among them. With the entry of Iraq, which can produce up to 8 million barrels of oil per day, OPEC's share of the oil market will increase. In recent years, there have been expectations that oil supply has a higher capacity than oil demand. The reasons for this problem are due to the expansion of the exploration and extraction technology that will make progress, the presence of Iraq in the oil market can also be a pressure on the oil supply, and part of these pressures are caused by the possibility of high production that is considered for Iraq and others which can be indirectly applied to the oil market through collaborative oil fields. The rise and distance of supply from demand have led to the fact that although OPEC has increased its market share if it competes with non-OPEC countries such as Russia, this problem will neutralize the effect of the increase in the quota (Sarir, 1988).

OPEC can use the following measures to increase its power in this era. Establishing a new quota in which the oil supply has not extended much compared to the demand and the other is creating a valid executive guarantee to commit OPEC members to the quota of this organization, financial support for Iraq in the form of regional organizations and in return for compromising on Iraq's production quota (Isteqamat, 2004).

#### *5.2.7.2.If Iraq Leaves OPEC*

In the short term, Iraq cannot have much effect on the role of OPEC in the oil market. It seems that in the conditions that Iraq's production will increase from the level of 2.8 million barrels and more, which is expected, to the level of 8 million barrels. Iraq's products will have a serious on OPEC. In such a situation, OPEC will lose an important part of its power in the oil market, and the quota system in the OPEC organization will collapse. Because Iraq is considered a founding member of the OPEC organization, the day when Iraq announces its withdrawal from the OPEC organization will be a big day for George Bush's administration (Amin Shokravi., & Ali Asghar, 2003).

OPEC's policy in this situation is to control production and reduce production quotas, although OPEC's experience in this matter is not very pleasant. Most OPEC member countries have a necessary need for oil revenues, and in the conditions of low prices, OPEC member countries will face a serious problem of production control. Some analysts argue that if Iraq extends high production outside of OPEC, the other countries outside OPEC can take free use and may make it necessary to compete for more production, which will cause an extra-ordinary reduction in the price of oil. Considering the role of oil for the regional countries, it is possible to foresee the possibility of tensions in the Middle East region. Others argue that if Iraq leaves OPEC and produces high oil, there is a possibility that some of the big producing countries like Russia and Saudi Arabia will start forming an oil opposition. Of course, as much as OPEC's power decreases, this issue is somehow detrimental to non-OPEC countries because in these conditions, the price will decrease in the world oil market (Isteqamat, 2004).

If Iraq leaves OPEC, it seems that it will produce as much as possible without limitation. In such situation, it limits the power of OPEC in two ways: one is through the decrease of OPEC's quota in the oil market, and the other is the expansion of the power of non-OPEC countries against OPEC by expanding their productions. The state of competition to reach the market will be dominant, and this issue will face OPEC in a more serious way, and it can go to the extent of neutralizing OPEC's policies.

The existing facts show that the probability of such an action by Iraq will be less. Because this issue is neither in line with America's goals nor does it serve the interests of the Iraq government. America will achieve its goals directly through the stability of the region.

Therefore, in line with its goals, the security of energy supply in the region, America wants to establish stability and shape some social and political reforms within the regional countries, especially the OPEC member countries. The withdrawal of Iraq from OPEC will greatly reduce the power of OPEC, and most of the OPEC member countries that are seriously dependent on oil income will face problems, and there is a possibility that the region will face tension. On the other hand, as mentioned, this action can cause the formation of some anti-American and terrorist movements, which will never be in line with the interests of the American oil companies that have invested billions of dollars in Iraq as well as with the goals of energy supply security. On the other hand, with huge oil investments by American and British companies, Iraq will have to enter the oil market with a high power of production by the pressure that will be created in the supply market, America will achieve its goals in terms of security of energy supply (Amin Shokravi., & Ali Asghar, 2003).

### **5.3. The Arab Uprising and Its Impact on OPEC**

The Arab Spring was a series of pro-democracy uprisings that swept across several countries in the Middle East and North Africa (MENA) region, starting in late 2010 and continuing into 2011. The term "Arab Spring" was coined by the media and refers to the awakening and mobilization of the Arab world demanding political and economic reforms, social justice, and an end to authoritarian rule (Inbar, 2013). These revolutions took place due to the following reasons:

1. **Socioeconomic factors:** Many long-standing issues and socioeconomic concerns, such as high unemployment rates, corruption, poverty, income inequality, and a lack of political liberties, contributed to the Arab Spring. Particularly prone to these problems were Tunisia, Egypt, Libya, Yemen, and Syria.
2. **Repressive regimes:** Authoritarian governments that stifled opposition, limited civil freedoms, and limited political involvement ruled the area for decades. There was a great deal of unrest in the nations ruled by strongmen like Zine El Abidine Ben Ali in Tunisia, Hosni Mubarak in Egypt, Muammar Gaddafi in Libya, Ali Abdullah Saleh in Yemen, and Bashar al-Assad in Syria. Repressive governments were present in several nations during the Arab Spring revolutions, which played a crucial part in igniting famous unrest and demonstrations, and the following reasons can be known as the main reasons for it which are: Repression of Political Dissent, Lack of Political Freedoms, and State-Controlled Media.
3. **Social Media and Information Accessibility:** The widespread use of social media sites like Facebook and Twitter significantly contributed to the planning and mobilization of demonstrations. By passing state-controlled media and censorship, these sites gave activists a way to connect, exchange knowledge, and plan protests.

#### **5.3.1. Major Events in Arab Uprising**

##### *4.3.1.1. Tunisia*

The Arab Spring began in Tunisia in December 2010, when widespread protests erupted following the self-immolation of Mohammad Bo Azizi, a street vendor. The demonstrations, fueled by socioeconomic grievances and political repression, led to the ousting of President Ben Ali in January 2011.



#### 5.3.1.2. *Egypt*

Inspired by events in Tunisia, mass protests erupted in Egypt in January 2011, demanding the resignation of President Hosni Mubarak, who had been in power for nearly 30 years. After weeks of demonstrations, Mubarak stepped down in February 2011.

#### 5.3.1.3. *Libya*

Protests against the Gaddafi regime started in February 2011, which quickly escalated into a full-scale armed conflict. The conflict culminated in the overthrow and killing of Gaddafi in October 2011, following military intervention by NATO forces.

#### 5.3.1.4. *Yemen*

Demonstrations against President Saleh's regime began in early 2011, leading to a protracted conflict. Saleh eventually stepped down in 2012, but Yemen plunged into a complex and ongoing civil war involving multiple factions.

#### 5.3.1.5. *Syria*

Protests against President al-Assad's regime erupted in March 2011. The Syrian conflict turned into a brutal civil war involving various internal and external actors, resulting in a devastating humanitarian crisis that continues still now.

### 5.3.2. **The Impacts on OPEC**

The Arab Spring uprisings had a significant impact on OPEC, both in terms of its member countries and the global oil market (Inbar, 2013). Here is detailed information on the Arab Spring's impact on OPEC:

1. **Decline in Oil Production:** Due to the wars and instability brought on by the Arab Spring revolutions, the oil output of some OPEC members, notably Libya and Syria, was disrupted. Their oil output decreased as a result of these disturbances. Libya, which is an OPEC member and a significant oil producer, saw a severe disruption in its oil production during the conflict that followed the Arab Spring. Output dropped from around 1.6 million barrels per day (bpd) to near-zero levels at certain points. On the other hand, Syria, another OPEC member, also experienced a significant decline in oil production due to the civil war that erupted following the Arab Spring. The conflict severely affected the country's oil infrastructure and led to a significant reduction in output (Amin Shokravi., & Ali Asghar, 2003).
2. **Oil Price Volatility:** The Arab Spring uprisings and the resulting geopolitical instability in the region caused significant volatility in global oil prices. Concerns over

potential disruptions in oil supplies from OPEC member countries led to increase market uncertainty and fluctuations in oil prices. The fear of supply disruptions, particularly from Libya, contributed to upward pressure on oil prices. However, the overall impact on prices varied depending on factors such as global economic conditions, OPEC's response, and developments in other major oil-producing regions (Bahgat, 2006).

3. **OPEC's Response:** The Arab Spring uprisings posed challenges for OPEC as it affected the stability and production capacities of some member countries. OPEC members held discussions to address the impact of the uprisings on oil markets and coordinate efforts to stabilize prices. OPEC tried to adjust its oil production levels to compensate for disruptions in member countries. For instance, Saudi Arabia as a key OPEC member, increased its oil production to compensate for the loss of Libyan oil in the market during the conflict (Bird, 2003).

### **5.3.3. Libya Crisis and its Impact on OPEC**

The Libya crisis was triggered by the wave of popular uprisings known as the Arab Spring, which swept across several countries in the Middle East and North Africa in 2010-2011. The protests against Gaddafi's authoritarian regime began in February 2011 and quickly escalated into a full-scale armed conflict between government forces and opposition groups. In fact, the crisis refers to the political and security instability that has plagued the country since the overthrow of Muammar Gaddafi in 2011. The power vacuum created by Gaddafi's removal led to a fragmented political landscape and armed conflict among various factions, including the internationally recognized Government of National Accord (GNA) and the Libyan National Army (LNA), led by General Khalifa Haftar. With the support of NATO airstrikes, the opposition forces eventually captured Tripoli and ousted Gaddafi in October 2011.

The Libya crisis has broader geopolitical implications beyond OPEC. The involvement of regional and international actors in supporting different factions has complicated the situation. Countries such as Turkey, Russia, and Egypt have been involved in providing military support to various Libyan factions, adding another layer of complexity to the crisis. The crisis in Libya also has had significant impacts on (OPEC) due to Libya's status as a major oil-producing country. Libya has traditionally been an important member of OPEC and has significant oil reserves. Libya crisis and its impact on OPEC can be distinguished in two major phases: Firstly, the impact on Libyan oil production of which, the crisis has severely disrupted Libya's oil production and exports. Before the oil crisis, Libya was producing about 1.6 million

barrels of oil per day (bpd). However, production levels have fluctuated significantly due to attacks on oil facilities, blockades, and disputes over control of oil infrastructure. These disruptions have resulted in a decline in oil output, affecting global oil markets (<https://www.opec.org/>). And secondly, OPEC's response on Libya crisis, which OPEC has closely monitored the situation in Libya and its impact on global oil markets. OPEC member countries, including Saudi Arabia and other Gulf producers, have attempted to compensate for the loss of Libyan oil by increasing their own production to stabilize prices. OPEC meetings have addressed the challenges posed by Libya's instability and its implications for the organization's overall production levels and market dynamics

#### **5.3.4. The Syria Crisis and its Impact on OPEC**

The Syrian crisis refers to the ongoing conflict in Syria that began in 2011 as part of the wider wave of popular uprisings known as the Arab Spring. The crisis has evolved into a complex and protracted conflict involving multiple actors, including the Syrian government, opposition groups (both secular and Islamist), Kurdish forces, and various extremist organizations such as ISIS and Hayat Tahrir al-Sham (HTS), and international powers. In March 2011, peaceful protests calling for political reforms and greater freedoms erupted in Syria. The protests were met with a violent response from the government of President Bashar al-Assad. As the government crackdown intensified, opposition groups armed themselves, leading to the escalation of the conflict into a full-scale civil war. The crisis has attracted significant international attention and involvement, with various countries supporting different sides of the conflict. This has contributed to the complexity and prolongation of the crisis (Robin Yassin-Kassab., & Leila Al-Shami, 2016).

According to (Chatty, 2018), the following points introduces some major consequences due to the crisis which are listed below:

##### **1. Humanitarian impact:**

- **Displacement and refugees:** The Syrian crisis has resulted in one of the largest humanitarian displacement crises in recent history. Millions of Syrians have been internally displaced, while millions more have sought refuge in neighboring countries and beyond.
- **Humanitarian assistance:** The conflict has strained humanitarian resources, with millions of Syrians in need of assistance, including access to food, healthcare, and shelter.

##### **2. Geopolitical dimensions:**

- **Regional and international rivalries:** The crisis in Syria has become a battleground for regional and international powers with differing strategic interests. Countries such as Russia, Iran, and Turkey have played significant roles in supporting different factions and pursuing their geopolitical objectives.
- **Counterterrorism efforts:** The presence of extremist groups, particularly ISIS, in Syria has led to international efforts to combat terrorism and counter-radicalization. These efforts have involved military interventions, such as the US-led coalition against ISIS (Lesch, 2019).

### 3. Peace efforts:

- **United Nations involvement:** In order to find a political solution to the Syrian issue, the United Nations has been actively involved in mediating dialogues and peace talks. The UN Special Envoy for Syria has presided over several rounds of peace negotiations in Geneva.
- **Astana and Sochi processes:** Parallel to the UN-led efforts, Russia, Iran, and Turkey have initiated the Astana and Sochi processes, aiming to de-escalate the conflict, establish ceasefire zones, and promote political dialogue (Phillips, 2016).

The Syrian crisis has had limited direct impact on (OPEC), but it has had some implications for individual member countries.

#### 1. Impact on member countries:

- **Syria's oil production:** Before the crisis, Syria was a minor oil producer within OPEC, with relatively modest oil reserves and production levels. The conflict has severely disrupted the country's oil industry leading to a significant decline in production and export capabilities.
- **Regional implications:** The Syrian crisis has contributed to regional instability and heightened geopolitical tensions, which can indirectly affect OPEC member countries. The conflict has led to concerns about security, potential disruptions in oil supply routes, and increased volatility in oil markets.

#### 2. OPEC's Response:

- **Production adjustments:** OPEC, as a collective organization, has not made specific production adjustments in response to the Syrian crisis. However, individual member countries have made production decisions based on their own national interests and market conditions.

- **OPEC's role in stability:** OPEC, as an organization, has emphasized the importance of maintaining stability and balance in global oil markets amid regional conflicts. OPEC has sought to collaborate with non-OPEC producers to manage production levels and stabilize oil prices.

### 5.3.5. The Israel-Lebanon Military Crisis since 2006, and its Impact on OPEC

The 2006 Lebanon War (also known as the July War) was between Israel and Lebanon in 2006. In an endeavor to drive out the Palestine Liberation Organization (PLO) from Lebanon, Israel attacked that nation in 1982. Although the PLO was finally driven out, Israeli forces continued to be present in southern Lebanon (Hussain, 2007).

The emergence of the violent Hezbollah group as a movement of resistance to Israel's occupation was influenced by its presence in southern Lebanon. After Israel withdrew from Lebanon in 2000, Hezbollah continued to target Israeli soldiers, which periodically escalated the conflict. Hezbollah staged a cross-border operation on July 12, 2006, murdering eight people and arresting two Israeli troops. This incident sparked the conflict. In response, Israel launched a massive military campaign that included a ground invasion in southern Lebanon and airstrikes on Hezbollah sites throughout Lebanon. Hezbollah responded by firing rockets into northern Israel, aiming them at both military and civilian targets. The conflict lasted for 34 days, resulting in significant casualties and damage on both sides. On August 14, 2006, the United Nations Security Council Resolution 1701 mediated a cease-fire, putting an end to the fighting (Dominique Avon., & Anaïs-Trissa Khatchadourian, 2015).

It is worthy of mentioning that this conflict had some indirect impact on OPEC, particularly in terms of oil prices and regional stability. Here are some key points regarding the conflict and its effects:

1. **Oil Prices:** The war caused a temporary increase in oil prices due to concerns over potential disruptions to oil supplies from the Middle East. Lebanon itself did not have significant oil production, but its proximity to major oil-producing countries and key transportation routes raised fears of broader regional instability. Such concerns often lead to speculation in oil markets and can contribute to price volatility.
2. **Regional Impact:** The conflict had broader regional implications, as it involved various actors. Hezbollah received support from Iran and Syria, which increased tensions between Israel and these countries. The involvement of regional powers could potentially impact oil-producing nations and their relationship with OPEC. However,

OPEC itself did not take direct action or issue specific statements related to the conflict during that time.

3. **Disruptions to Infrastructure:** The conflict severely damaged Lebanon's infrastructure, including its highways, bridges, and power facilities. The general instability and economic difficulties increased in the region even though this had no direct effects on oil production or transportation.

It's crucial to remember that while the 2006 Israel-Lebanon conflict had indirect repercussions on OPEC, oil output, pricing, and market stability are the organization's main concerns. The primary goal of OPEC is to coordinate national oil policy to maintain stable oil prices and a supply large enough to fulfill demand worldwide.

#### **5.4. OPEC Policies Regarding the Global Increase in Oil Prices Before and After The 2003 War Against Iraq**

As expected, the military attack on Iraq led to an increase in oil prices. Phil Flynn, an energy analyst in Chicago, stated before the beginning of the 2003 war that the oil price would increase regarding the role of OPEC in the upcoming situation: "If OPEC oil production does not increase at the time of the attack on Iraq, there will be difficult conditions for the oil market" Also, since statistical data confirms the increase in oil prices before the beginning of the 2003 war and at the beginning of the intensification of the media psychological warfare against the country of Iraq, it is necessary to mention the following points:

- In December 2002, the price of the OPEC reference basket reached the highest value in two years before the mentioned point. In addition to creating media tension due to the publication of news related to the results of the observations of the United Nations, inspectors of the suspicious facilities in Iraq, the United Nations asked the country to provide a clear report on its weapons programs on December 8, 2002, citing factors such as the Venezuelan oil industry workers' strike as one of the reasons. The factors that led OPEC to hold an extraordinary meeting on December 12, 2002, in Vienna to persuade members to increase production to lower prices.
- About two months after the mentioned extraordinary meeting and during the 124th meeting of OPEC, "Abdullah Bin Hamad Al-Attayah" Minister of Industry and Energy of Qatar, acknowledged the role of tensions in the Middle East in the rise of oil prices and OPEC decided to increase oil prices by 1.5 million, so it evaluated the barrels per day produced by OPEC in January intending to restore to the oil market.

- With the beginning of the mentioned war, which was accompanied by an increase in fuel consumption by the aircraft fleet of the allied countries, also, to a certain extent, the time symmetry of this phenomenon with the spread of the contagious disease Sars, which increased the number of air travel outside of the disease outbreak area, e.x: East Asia; Global fuel consumption rose sharply.
- Also, with the beginning of the war, during a meeting in OPEC, "Abdullah bin Hamad Al-Attiyah" the Minister of Industry and Energy of Qatar and the head of the conference, referring to his speech during the 124th meeting of OPEC, recalled the collective decision in response to the Iraq crisis and the results of consultation with the founding members of OPEC, he stated that he is ready to compensate for any shortage of oil supply as a result of the incidents. For this purpose, the member states are obliged to provide their excess capacity during the war against Iraq to ensure the continuous supply of oil, which is in line with the goals stated in the statute of this organization since its establishment in 1960.
- With the measures taken by OPEC, the price of the reference basket of this organization in March and a few days after the start of the war was accompanied by a decrease in price and reaching an average value of 33.16 dollars per barrel. However, due to the prevailing conditions in the Middle East due to the Iraq war, the mentioned figure also held the record for the highest oil price, the same as during the previous 20 years. But with the passage of time and the achievement of advantages for the allied forces against Iraq, which raised the hypothesis of short and quick wartime; In the week ending April 10, the price of the OPEC reference basket reached \$28.14 per barrel.
- On the other hand, in the diplomatic field, the efforts of two countries, Germany and France, which were opponents of military action against Iraq, have been effective in preventing the further increase in oil prices as the conclusion of America's psychological war against Iraq. Also, with the continuation of the war and the questioning of the hypothesis of a short and quick war, significant amounts of Saudi Arabia's oil shipments, as the most powerful member of OPEC, were sent to the United States of America market to eliminate the fear of a crisis in the American diesel market with an increase in seasonal demand and an increase in oil prices.
- Also, according to the statistics provided by OPEC, the increase in global oil supply was equal to 22.12 million barrels per day during March, and the share of non-OPEC members was 8.45 million barrels.

- Finally, Iraq's relations with OPEC returned to normal after the outbreak of war in this country at the 127th meeting of the said organization on September 24, 2003, with the introduction of Dr. Ibrahim Bahrul Uloom and the determination of Iraq's share of global oil production.
- Overall, the 2003 war against Iraq led to an increase in oil prices, but this issue was not associated with the start of the war in March, and it has been since the beginning of the massive media attack against this country in December 2002. On the other hand, OPEC's extensive actions have played a forcible role in preventing the unbelievable increase in oil prices.

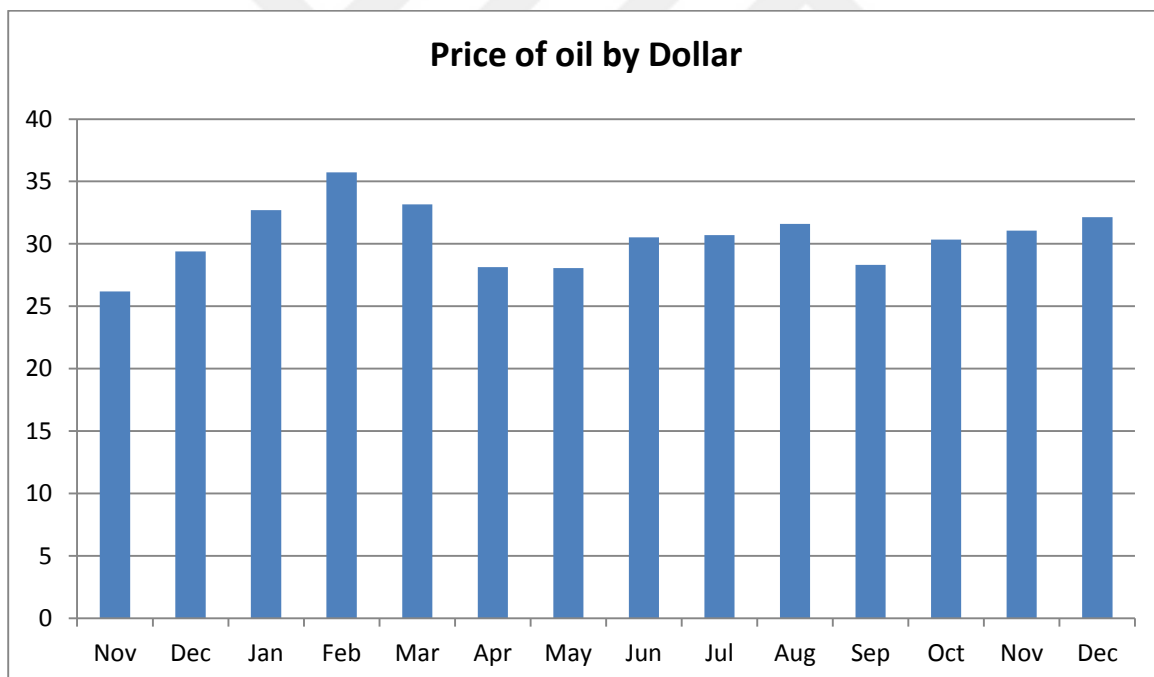
**Table 3.** The table below confirms the opinion of the US Energy Information Administration in this regard:

Time	The price of each oil barrel by dollar
(12/November/2002)	26.19
(12/December/2002)	29.39
(01/January/2003)	32.70
(02/February/2003)	35.73
(03/March/2003)	33.16
(04/April/2003)	28.14
(05/May/2003)	28.07
(06/June/2003)	30.52
(07/July/2003)	30.70



(08/August/2003)	31.60
(09/September/2003)	28.31
(10/October/2003)	30.35
(11/November/2003)	31.06
(12/December/2003)	32.14

**Graph 7.** The graph below confirms the opinion of the US Energy Information Administration in this regard:



<http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RCLC1&f=M>

Although the US war with Iraq was initially aimed at removing Saddam from power, but the open and hidden evidences as well as the continuation of the American occupation proved the importance of Washington's behind-the-scenes goals. It seems that the attack on Iraq is within the framework of Washington's strategy to solve the problem of the increasing dependence of the United States on oil and to put pressure on oil-dependent countries such as

OPEC members, Russia, and others. Also, the evidence shows that by continuing to dominate Iraq's oil, the US can continue to dominate the world economy with the dollar. As mentioned, Iraq is second only to Saudi Arabia with more than 112 billion barrels of proven oil reserves. The cost of oil extraction in this country is low. Some even believe that due to the sanctions of the United Nations after Iraq attacked on Kuwait, the necessary investment to find new oil resources in Iraq has not been made, and perhaps with the discovery of new resources, Iraq will reach the same level as Saudi Arabia in the field of oil resources. By re-evaluating the known areas through the advanced methods of geophysical knowledge, which have been achieved during the last twenty-five years, more reserves can be imagined, especially in Western Sahara. In this regard, according to the announcement of the United States Department of Energy, the total discovered and undiscovered reserves of Iraq may reach two hundred and twenty billion barrels of oil. This figure will make Iraq close to the position of the first oil country (Saudi Arabia) in the world, with two hundred and sixty billion barrels. Finally, the decision of the United States to attack Iraq and gain access to global energy resources has been accompanied by changes in the price of this energy carrier, which is in coordination with the statistics and figures presented to increase the price of oil and the policies adopted by OPEC during the meetings held. It has also been in line with the increase in oil production, which has led to the prevention of an excessive rise in the price of oil. Also, with the continuation of the war and the questioning of the hypothesis of a short and quick war in Iraq, significant amounts of Saudi Arabia's oil shipments were sent to the United States of America market to eliminate the fear of a crisis in the American diesel market with an increase in seasonal demand and an increase in oil prices, which revealed another manifestation of the special relationship between these two countries as the largest producer and consumers of oil. However, during the crisis created in the field of the international political economy due to the 2003 Iraq war, the decisions made by the OPEC organization were aimed at increasing production and reducing or balancing the prices, which was in line with the needs of major oil consumers and with the desire of most of the members of this organization which tend to increase the price of oil, it has no significance (Enayatollah Yazdani., & Reza Modoghli, 2009).

## CONCLUSION AND RECOMMENDATIONS

- Conclusion

OPEC was established in Baghdad in September 1960 with the presence of the representatives of Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela to coordinate and integrate the oil policies of the member countries and determine the best way to ensure the individual and collective interests of the members. OPEC has 65% of the world's oil reserves, and is affected by two main categories of fundamental and non-fundamental factors to achieve its goal. So, the present study considers the effect of three military crises, including Iraq's attack on Kuwait in 1991 (the Second Persian Gulf War), the events of September 11, 2001, and the US invasion of Iraq in 2003. Based on the question which was posed at the beginning of the research, in response to the main question of the impact of the international military crises on OPEC policies between (1991-2011), this research proposed the hypothesis that following the occurrence of these international military crises at the mentioned stage, which led to an increase in oil prices in the global oil market and based on the evaluation, the global oil market was directly dependent to OPEC, and these crises also effected OPEC policies. Therefore, there was no way for OPEC to control the price in the global market except that to take action to adopt policies, and based on the adopted policies, OPEC was obliged to increase its production to reduce the oil price to control and balance of the global oil market, although the increasing of oil production during the crises was not in the interest of all members of OPEC.

Also, for the theorization of the mentioned research title, the theoretical framework of economic realism based on the views of one of the most prominent thinkers in this field, "Robert Gilpin" has been used. Robert Gilpin believes that in the current era, even with international organizations and multinational companies, not only the role of governments has not decreased, but also their appearance in economic and political life has increased. Therefore, from the point of view of economic realism, the OPEC organization, as an international organization consisting of member States, was not able to make complete decisions exempt from the interests of the covered States and based on the theory of hegemonic stability, Robert Gilpin played an extraordinary role in its construction, which implies the presence of the hegemonic power in the international system; The existence of the United States of America as the hegemonic power in the international arena and the quality of its relationship with the OPEC, especially its undisputed power, namely Saudi Arabia, will lead to decisions that are not necessarily in the interest of all members and do not provide their interests. It is more

important when military crises occur, and OPEC took a timely decision to reduce the consequences of crises, especially to overcome the increase in oil prices.

In completing his view on the irreplaceable role of governments in the international political economy, Gilpin criticized his attitude in the book "Political Economy; International Economics", published in 1987. He introduced the lack of attention to the influence of governments in the economy as an important weakness of the mentioned book that through writing the book "Global Political Economy; Understanding the international economic order" is trying to solve this clear lack of analysis. In his recent book, Gilpin, while rejecting the full effect of the market on the economy, has introduced factors such as the norms, values, and interests of the political and social systems that are effective on the international economy and precede the economy in some case. In light of this, it can be predicted from the perspective of this theorist that the world economy will be significantly influenced by the security and interests of the major powers, namely America, Western Europe, Japan, China, and Russia, and that the main economic force in the twenty-first century will be considered to be economic efficiency and national ambition.

However, according to the premise of the book "Global Political Economy; Understanding the international economic order" means the global political economy, the interaction between markets and powerful actors such as the government, multinational agreements, and international organizations, including the World Bank, the International Fund, OPEC, etc., that in the form of each chapter of this research, examples of the state-oriented attitude in the OPEC organization, which during the period of 1991 to 2011, led to the adoption of decisions that were not in the interest of all members have been discussed.

Second Persian Gulf war is known as the first crisis which happened in 1991 between Iraq-Kuwait, and it was due to 2/3 oil Cartels, and 1/3 Gas Cartels of the world. This was the reason which caused political and military tension related to energy in the last three decades. During the second Persian Gulf war, Iraq claimed that Kuwait has had a destructive role in extracting more oil, and stealing oil from oil ground to establish economical war against Iraq and this tension brought about the price of oil increased. Therefore, Iraq decided to keep its borders from invasion of Kuwait and went through to military war on 1990, but this military invasion of Iraq to Kuwait had a wide reaction of the world that United Nations released an issue of Resolution 665 dated August 25, 1990, and addressed the coercive force as a main element to make free Kuwait. So, they launched a coalition of military operation named (storm of dessert) which ended in the heavy defeat of the Iraqi military forces. On the other hand, this war sustained a very enormous change in energy economics in which the oil price increased

from \$16 to 28 in each barrel. As a result of the increase of oil price, OPEC increased the oil production in order to decrease the oil price.

The second military crisis goes to the events September 11, 2001, which happened in a world business center in America, while George W. Bush was the president of America. He addressed Osama bin Laden the leader of Al-Qaida as a main factor of this terrorist attacks and this issue was changed as a priority of his foreign policy. Although, we cannot ignore the importance of Energy for the presidents of America because the life and economy of US was completely dependent to Energy. Overall, the findings of this research confirm that the events of September 11 also happened with a focus on energy. In addition to America's efforts to seize the global energy market in the form of military actions in response to the mentioned attacks, one of the main consequences of this war is the global increase in oil prices under the influence of the media shock. Although the evidence shows the very superficial and partial effect of these events on the global energy economy; However, during the 118th and 117th meetings, the OPEC organization also tried to make decisions to balance the prices while reminding the members of their historical treaties. So, the oil price reached 19.4 dollars per barrel at the end of 2001.

The fourth chapter of this research focuses on the military attacks of Us on Iraq in March, 2003, and its impact on OPEC policies. It is worthy of mentioning that by passing of six months, after the events of September, 11, the government of US formally announced to enter for the eradication of terrorism, and integrated a great advertisement in medias that the regime of Baath is a safe place for the terrorist groups of Al-Qaida, and finally, it has been effective for America to launch military attacks on Iraq. Energy plays a central importance in the analysis of the war against Iraq. In such a way, the investigation made before the 2003 war by scientific institutions and centers depicted Iraq in an irreplaceable situation and the invading countries worrying about oil conditions. According to some statements, Iraq had the second largest oil reserves in the world, and the country's oil reserves were estimated at 112 billion barrels, which is about 11% of the world's oil reserves. Generally, the war against Iraq took place in March 2003, while its impact on the oil market and the international economy was predictable long ago due to the connection between military attacks and Iraq's position as a global energy highway. In practice, by the occurrence of this war, the price of oil increased, which forced the OPEC organization to hold a summit in the same year to adopt coordinated positions for the management of the energy crisis. The price of oil per barrel decreased to about 28.14 in April 2003 (about a month after the start of the war).

At the end and after explaining the three military crises, it is necessary to mention that the oil market has been sensitive to the early news of military crises in such a way that the possibility of military attacks in itself has caused an increase in oil prices. Secondly, based on the written material and according to the perspective of economic realism, the OPEC organization has succeeded in maintaining the price balance in making its decisions for oil price management following the occurrence of military crises. But the decisions of this organization are for the benefit of all members who want to sell this national capital at a higher price; It has not been, and in some way, it has secured the undisputed power of the organization, namely Saudi Arabia, in supplying oil at a lower price, and the United States of America as the hegemonic power and the largest buyer of oil, which confirms the role of governments and national interests in OPEC as one of the symbols of international political economy. Thirdly, in the preparation and arrangement of the research, as much as possible, it has been tried to avoid mentioning numerical data in the text for a good understanding, and the provided data is presented separately in each chapter in the form of tables and charts, which in total make it possible to examine the effect of the adopted policies statistically, that has been provided by the OPEC organization in balancing the price of oil at the beginning and end of military crises.

- Recommendation

This master's thesis examines how worldwide military crises affected OPEC policy between 1991 and 2011, and it might have a significant impact on how well we understand the complex relationship between the dynamics of international security and the decisions made by OPEC member countries. This research can provide important insights into the variables that affect OPEC's conduct during crises by looking at the historical backdrop, reviewing OPEC's decision-making processes, and evaluating the effects of policy responses to military situations.

Furthermore, this thesis has practical implications for policymakers, energy analysts, and researchers involved in energy security and the global oil market. The findings and recommendations of this study can help inform policy decisions aimed at mitigating the impact of military conflicts on oil markets, enhancing energy security, and promoting stability in OPEC member countries and the broader international community.

To ensure the successful completion of this research, we can consider to achieve the following points:

1. Select relevant case studies: Choose specific military crises and OPEC member countries or regions to focus on within the given time frame. The research can go deeper into the precise dynamics and linkages between military crises and OPEC policy by choosing important case studies.
2. Analyze geopolitical and economic factors: Take into account the geopolitical and economic variables that affect OPEC's judgment amid military emergencies. Investigate regional affiliations, economic motives, and political factors that could influence how OPEC reacts to these crises.
3. Assess short-term and long-term consequences: Examine the effects of OPEC's policy responses to armed crises on international energy markets, oil prices, and the stability of member nations' economies over the short and long terms. This analysis will contribute to a comprehensive knowledge of how military emergencies affect OPEC policy.
4. Engage with relevant stakeholders: Look for opportunities to interact with specialists, decision-makers, and business people who know the subject of energy security and OPEC policies. Their suggestions and comments might greatly enhance the accuracy and relevance of the study's findings.

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