

# Assessing the Relationship Between OPEC Convergence and Oil Market Balance

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## ABSTRACT

The oil market is affected by the supply of oil by oil-producing countries. The Organization of the Petroleum Exporting Countries (OPEC) was established in the 1960s to balance oil prices in favor of oil-producing countries. OPEC has gone through a period of convergence and divergence since its inception under political-economic events and crises. In turn, this convergence and divergence have had a significant impact on oil production, supply, and prices in the oil market. OPEC members form a diverse range of population, size, reserves, output, gross domestic product, ideology, and type of relationship with world powers. This diversity, along with internal tensions, leads to different approaches on energy markets and production quotas, which has affected the interests of all producing countries. Thus, this study aims to assess the convergence relationship between OPEC members on the strength of this organization on the market. To reach this aim, we have used a qualitative method of descriptive and analytical type using library resources and documents. Findings show that any lack of convergence and understanding between OPEC members has led to increased supply in the oil market and fluctuating prices. These price fluctuations seriously damage the economies of exporting countries.

## 1. Introduction

OPEC is made up of a variety of countries. While the most populous countries with low resources in OPEC are looking to sell oil at the highest price because they know that in the future, the oil market and the structure of OPEC will not play a role. The future is bright, and even in this way it will withstand the tension, divergence, and conflict in the market. The fact is that the pursuit of collective interests is not easy in the presence of individual political and economic interests because each member state is trying to maximize its economic efficiency (Ahmad. 2016: 296). Studies have shown that

any tension, conflict, and lack of convergence hurt oil prices and global supply, but this negative impact is far more significant in OPEC member countries (Fernandois and Medel 020: 64). The strength of OPEC in a market section can be assessed in two parameters:

1. Oil prices based on which most OPEC member countries seek to maximize oil prices to boost their oil revenues;
2. Market share plays two roles. One is to enhance energy security. Accordingly, economies of consuming countries such as China, India, and the USA, grow more dependent on oil production. On the other hand, oil-

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producing countries' political and economic security is also shored up since any unrest in oil-producing countries leads to higher oil prices, consequently hurting the oil-consuming countries, demonstrating the importance of oil market stability.

OPEC leadership has been very influential in steering the oil market over different periods. However, OPEC comprises different countries with varying cultural, political, and ideological complexities, leading to contrasting performances by member countries in terms of production and the oil market. Therefore, convergence and divergence between different OPEC member countries have played an influential role in the oil market. The organization's goals state that its primary goal is to coordinate the oil policies of member countries and serve their individual and collective interests (OPEC Charter, 2016). Nevertheless, as Hardin puts it in his book *One for All*, the three elements of group power are engagement, coordination, and cooperation (Hardin, 1995, 29). OPEC, due to the diverse characteristics of its membership, has seen internal cooperation, as well as competition and tension, experiencing cooperative and tense approaches in its sixty years. Therefore, the main research question is formulated as follows: what effects have the divergence and convergence among OPEC members had on the market power of this organization? To answer this question, we have employed a qualitative method of descriptive and analytical nature using library resources and documents. The remainder of this paper is organized as follows:

After defining the concepts of convergence and divergence, we discussed these concepts in OPEC and then examined the relationship between the convergence of OPEC members and the balance of the oil market during the 1960s until now, decade by decade.

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## 2. Literature review

Convergence is when the political actors of several separate national entities coordinate their loyalties, activities, and expectations to achieve common goals and move from isolation to unity (Hafez Nia, Mokhtari Hashi, and Eftekhari, 2012:6). It is a voluntary and consensual process. Karl Deutsch sees convergence as a process in which countries and political entities work together to achieve peace, increase mutual understanding, and boost regional economic interests and political and economic exchanges (Emam Jom'eh Zadeh and Firoozi, 2007: 9). Convergence begins at one point and then progresses to rise, spread, and expand. Overcoming these stages entails diverse economic,

technical, political, cultural, and security cooperation between members (Rafi'e and Mazloom, 2012: 81). Convergence means that groups and countries move closer to a certain point as their common goal instead of divergence, which means that countries and groups move away from each other and pursue individual goals. In international politics, divergence is when political units diverge, providing the ground for crisis and tension between them (Ghavam, 1991: 229). Divergence occurs for various reasons, including the absence of a unified platform; cultural, political, economic, and ideological conflicts; regional and global interests; the disintegration of regional and common alliances; the emergence of rival organizations; and a breakdown of interests. In divergence, the political will gravitate toward the downturn of relations, and the conflict of interests is highlighted. As a result, collective performance slides and tensions and contradictions come to the force (Hafez Nia, Mokhtari Hashi, and Eftekhari, 2012:5).

In the convergence and divergence within OPEC, the type of government, the amount of foreign investment in the oil industry of countries, the number of oil reserves and production of countries, the type of relationship with the world, sanctions (Iraq, Libya, and Iran) and the like are influential. In addition, the emergence of new technologies has had a significant impact on OPEC's influence in the oil market. For example, hydraulic fracturing or fracking technology in the United States has had a significant impact on global oil prices, reducing OPEC's impact on the oil market. Due to this technology, global oil production increased, and oil prices fell significantly (Hayes, 2021).

Divergence in OPEC results from various factors, but fundamental differences influence it in countries' economic, political, and demographic structures. Economic and political developments in the 1970s prompted OPEC members to reflect on the impact of future changes in the energy market on their political and economic stability.

Saudi Arabia, the United Arab Emirates, Qatar, and Kuwait were on one side, with substantial oil reserves and high oil export revenues. Any policy that reduced global dependence on oil consumption would threaten their economic prosperity and political stability. On the other hand, there were countries such as Iran, Venezuela, Nigeria. To some extent, Iraq, which was more populous with export potentials and even fewer oil reserves, increased exports in the short term (before oil loses part of its importance with the presence of alternative energy



resources) and presented an opportunity for alternative non-oil investments and development (Elyassi, 2018: 8).

In another approach, Kalgan (2014) believed that the widespread fraud of members in oil production beyond their quotas is one of the main reasons for divergence within this international organization. Although OPEC began setting production quotas for member countries in 1982, Kalgan believed that OPEC did not affect reducing or increasing member production, as studies showed that member production did not change significantly before and after joining OPEC (Colgan, 2014: 603). As an international organization, OPEC not only sets easy goals for the organization and its members but also fails to achieve them (Colgan, 2014: 600). Tensions erupted when OPEC's oil pricing policy was subject to various political views and oil policies and OPEC member countries' national political and economic prospects. Since then, members' political and ideological ambitions, such as Saudi Arabia, have disenfranchised the majority in determining oil prices although most members continued to seek to keep OPEC as an organization free of political tensions (Vessela, 2013: 9).

Nevertheless, on a macro scale, some analysts insist that the divergence reinforced by the ideological and political divide between Iran and Saudi Arabia has invariably impacted OPEC's global oil policies and its sway in the energy market. With the victory of the Islamic Revolution and the establishment of the government of the Islamic Republic, which had an uncompromising and revolutionary approach in both domestic and foreign policy and the international arena, ideological and political rivalries between Iran and Saudi Arabia intensified. The slogan of the Revolution export and the Islamic Republic of Iran's Shiite interpretation of Islam were in direct conflict with Saudi Arabia's Salafi-Wahhabi interpretation and challenged Saudi Arabia's undisputed leadership in the Islamic world. The Islamic Revolution had a direct impact on the oil market; during the revolutionary struggle, due to strikes and damage to Iran's oil facilities and the withdrawal of some specialized forces from the country, Iran's oil production and export capacity as OPEC's second-largest oil producer slumped, triggering the second oil crisis (Vessela, 2013: 10)

As the dominant producer, Saudi Arabia alone has the decisive power within OPEC, as it is the only OPEC member with significant surplus production capacity in the organization (Moran, 1982). Hence, Saudi Arabia has always pursued a policy of bumping production and lowering prices, while Iran has sought to persuade OPEC

members to reduce oil production and thus raise prices. The first dispute between Iran and Saudi Arabia over oil prices unfolded in 1976. Saudi Arabia, which had cut a deal behind the scenes with the United States, resisted Iran's insistence on rising oil prices due to demand in the world market and threatened to saturate the world market with cheap oil if oil prices rose (Elyassi, 2018: 7).

Saudi behavior in OPEC is not convergent and varies according to market conditions. Saudi Arabia works with OPEC members to limit production when oil prices fall but slashes production when demand is high, leading to higher prices (Ahmad, 2016: 128; Grubliauskas, 2016). Saudi Arabia has been recognized as a leader not only in OPEC but also in the world in the field of energy due to its high oil reserves and production. This situation has led to the country's monopolistic and unilateral policy determining the production quota and oil prices, which OPEC has not proven to counter effectively. Since Saudi Arabia cannot trust Iran and Iraq, distrust has always been Saudi Arabia's main concern (Sputniknews, 2015). The same internal tensions that led to massive rifts eroded OPEC's oil market dominance in the 1980s, two decades after its founding (Ahmad, 2016: 123).

As Saudi Arabia's reserves are projected to run out in the coming years, Iran and Iraq could pursue this monopoly policy, which could further intensify competition and mistrust among OPEC members (Ahmad, 2016: 124). The geopolitical instability of West Asia and North Africa also affects the nature of OPEC. Saudi Arabia is an ally of the United States, and this alliance runs counter to the interests of Iran and Russia (as a member of OPEC Plus).

Since its inception, OPEC members have sought to portray the organization as the consensus of a group of technical experts rather than a political organization. In this way, a kind of convergence away from the political rivalries of the members and the internal political tensions of the members emerged in this organization, which made its decisions based on the analysis of the oil market. The first sign of convergence in OPEC during the dramatic rise in oil prices in the 1970s captured the attention of political and economic experts and introduced oil to the world as a strategic and decisive commodity in international relations (Colgan, 2014: 602). OPEC's decisive role in the energy market was agreed upon by many researchers in the 1970s, but in the 1980s, this crucial role of OPEC was widely disputed (Fernandios and Carlos A. Medel, 2020: 65). The disruption caused by the 1973 sanctions on the oil market was temporary and short-lived, but this brief move

demonstrated the convergence power of OPEC members to influence the oil market (Colgan, 2014: 615). Overall, evidence suggests that OPEC is pursuing political interests for its members to gain international diplomatic recognition (Colgan, 2014: 619).

OPEC is an organization that has been able to reduce intergovernmental operating costs since its inception and, as a place to share strategies for dealing with oil policies and oil market forecasts, it proved influential on oil policy and investment decisions (Colgan, 2014: 626). OPEC promotes cooperation between member countries and de-escalates tensions between members, significantly affecting global politics and the economy (Hayes, 2021). Price fluctuations negatively affect small OPEC producers and make them vulnerable. Convergence reduces the damage of market and price instability and plunges all producing and consuming countries in crisis. Accordingly, OPEC decided to maintain a high level of production and consequently low prices until mid-2016 to drive higher-cost producers out of the market and thus secure the market share. In 2019, OPEC cut its production due to concerns about the recession in supply. Oil demand fell with the outbreak of the COVID-19 pandemic. High oil supply and lack of storage space due to low demand on the one hand and the price war between Russia and Saudi Arabia, on the other hand, led to lower oil prices and thus reduced oil production by OPEC (Hayes, 2021). In the following, we will look at OPEC's convergent and divergent policies in past decades.

Golgan (2014) believed that OPEC has minimal impact on the global energy market and oil supply, contrary to popular belief. The non-adherence of its members to quotas within OPEC is believed to be a significant contributor. The only advantage of this organization for its members is the creation of prestige and international reputation.

After referring to the convergent measures of OPEC member countries to reduce oil production in 2016 and as a result of rising oil prices, Elyasi (2018) examined the actions of OPEC member countries and the secret of the organization's survival despite political rifts among members. This study introduced OPEC as an international model for conservation, practical measures, and survival for other international organizations.

Ramazan Ahmad (2016) referred to the history of OPEC and tensions between member countries. He believed that despite the common interests of the member states at the beginning of the formation of the

organization, which led to the convergence of these countries and OPEC to influence the energy market, countries gradually opted for political and national interests rather than collective interests, stripping the organization off its authority and power in the energy market.

Fernandes and Medel (2020) discussed the impact of geopolitical tensions and unexpected disruptions in oil-producing countries on oil supply and prices. This article also addressed the impact of this news on oil supply and compares this impact in OPEC member countries with other oil-producing countries. The findings of this paper showed that geopolitical tensions affect oil prices.

Konado (2011) discussed real convergence among OPEC members and concluded that there is no income convergence among OPEC members. This article showed a negative relationship between a country's dependence on oil exports and the per capita growth rate of GDP.

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### 3. Findings

Analyzing the role of convergence on oil market balance

In this section, based on studies, the role of convergence of OPEC member countries on the balance of the oil market in different decades has been analyzed.

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#### 3.1. The 1960s

The formation of OPEC by five oil-rich developing countries and an observer state in Baghdad in September 1960 coincided with the political, economic, and international climate of decolonization and the birth of many new independent states in the decade of decolonization. During this period, the international oil market was dominated by the multinational corporations of the Seven Oil Sisters, facing the Soviet Union and other centrally planned economies in the Cold War bipolar atmosphere. Embittered by the unfair treatment of multinational oil companies, the founding members of OPEC aimed at dealing with the unfavorable conditions for oil exports to the market at that time (Elyassi, 2018: 2). Later, OPEC broadened its collective vision and set its goals. At the time of OPEC's establishment, even optimistic observers had little hope of meeting the expectations of the OPEC founders. Distrust, hostility, and deep ideological divisions made any constructive dialogue between the members difficult, let alone lasting cooperation (Elyassi, 2018: 3).



Nevertheless, during its lifetime, OPEC exerted profound political and economic influence. The OPEC Secretariat was established first in Geneva and then moved in 1965 to Vienna. In 1968, it adopted the Declaration of Petroleum Policy in the Member States, which emphasizes the inalienable right of all countries to exercise permanent sovereignty over their natural resources to benefit their national development. In 1969 the membership increased to 10 members. From the very beginning of its formation, OPEC had differences within itself due to regional and ideological conflicts and rivalries. This disagreement was particularly prominent between Iran and Saudi Arabia, and Venezuela played a mediating role in the first OPEC meeting (Ahmad, 2016: 120). The early days of OPEC largely met with few controversies. This was due to national and international political and economic factors. In the 1960s, technological changes in oil extraction (offshore drilling) and the political events of the decade, such as the escalation of the Cold War and the continuing Arab-Israeli war, as well as socio-economic changes at the community level (car ownership, military, and civil aviation, increased use of plastics, fertilizers, and fossil fuels to heat homes) spontaneously affected the oil market. During this decade, OPEC was able to reduce the marketing costs of oil companies and play an active role in giving concessions to the seven oil sisters.

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### 3.2. The 1970s

OPEC became world-famous in this decade as member countries could take control of their domestic oil industries and play a more significant role in global oil markets. This decade witnessed several influential events that incited instability in the global oil market. In this decade, OPEC achieved a favorable position in global energy policy and benefited from global oil demand growth (Statista, 2017). Unlike the 1960s, when OPEC emerged as an organization seeking to resolve global political disputes and achieve a fair price in the oil market, this decade saw widening ideological and military divisions. Due to the dollar's devaluation at the beginning of this decade, the oil revenues of OPEC member countries decreased. Therefore, at a conference between the members of this organization in Kuwait, OPEC members decided to increase the price of oil by 70%, and based on that, the price of oil reached five dollars and twelve cents per barrel. One month after the oil price hike, the Arab-Israeli war broke out. The Arab-Israeli conflict and the efforts of OPEC Arab member states to exploit their influence in the energy market to reduce oil production and impose oil embargo to force

Israel out of the occupied territories, which prompted the backlash of the United States and Western countries to support Israel, thereby affecting global market and the economies of oil-consuming countries (Ahmad, 2016: 120). The quadrupling of oil prices due to the policies of the oil-producing Arab countries terrorized the Western bloc of OPEC power and its possibly aggressive goals. This incident led to the emergence of non-OPEC oil producers in the energy market because it increased the price of oil production in non-OPEC countries.

Furthermore, the International Energy Agency was established in the middle of this decade to provide a basis for the production of non-fossil fuels by Western countries. Non-OPEC oil-producing countries sought to produce more to take the edge of OPEC's political power, which shrank OPEC's role and share of the energy market. Thus, a sense of convergence was formed among OPEC members to protect OPEC and their interests. On the other hand, this price increase has led to an increase in the income of oil-exporting countries without this income having a positive impact on the development of their oil industry (For. 2007: 13). OPEC expanded its mandate with the first Algerian summit in 1975. During this period, OPEC sought to alleviate the problems of poorer countries and international cooperation to develop and stabilize the global economy. This gave birth to the establishment of the OPEC International Development Fund in 1976. The member states embarked on ambitious plans for socio-economic development. The number of OPEC members increased to 13 in this decade.

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### 3.3. The 1980s

In 1979, the victory of the Islamic Revolution of Iran and the strikes in the oil industry, which led to the cessation and reduction of Iran's oil exports, paved the way for another oil shock to the oil market. In the 1980s, the Iraq-Iran war shocked the oil market. Iran and Iraq were both major OPEC oil producers, and their 8-year armed conflict severely disrupted the two countries' oil exports. In this war, Saudi Arabia spearheaded the Gulf Cooperation Council's support for the Iraqi side, which only helped aggravate Iran's distrust of other OPEC members. As a result of the Islamic Revolution in Iran and the imposed war, ideological and political tensions between Iran and Saudi Arabia became more visible, exposing OPEC to political friction (Vessela, 2013).

The oil crises of the 1970s and 1980s and rising oil prices pushed consuming countries to explore new extraction methods, diversify their supply and economic

savings in oil use, and replace oil with renewable and non-fossil energy sources. These changes, along with political tensions among members and structural changes in the global energy sector, undermined OPEC's global standing. Some members began to supply more oil to the world market to increase their oil revenues, which led to further reductions in oil prices. As a result, in 1986, OPEC introduced a quota system in OPEC to curb oversupply and control the oil market (Vessela, 2013).

Once the great oil shocks of the 1970s affected the world economy and politics and posed significant challenges, consumers decided to reduce their oil dependence on OPEC member countries and confront OPEC. Major consumers strengthened the Organization for Economic Cooperation and Development (OECD) and the International Atomic Energy Agency (IAEA) to counter and roll back OPEC's market influence. Demand for energy and hydrocarbons declined in the decade, and the International Energy Agency (IAEA) started diversifying its energy basket from fossil fuels to new and renewable energy, strengthening oil stock exchanges to avert oil price fluctuations, encouraging non-OPEC countries to step up oil production and tax fossil fuel consumption in major consumer countries. OPEC's oil market share shrank and gradually declined, leading to economic instability in many OPEC member countries. The weakening of OPEC led to the disruption of the economies of the organization's member countries, whose revenues depended on oil prices. For some members, such as Saudi Arabia, the oil market share is critical, while for other members, the high price of oil is a higher priority. Naturally, differences of opinion among OPEC members were unmistakable due to the severe economic crisis of the 1980s. Although setting quotas in this period turned out to be the common strategy of the members of the organization to maintain the market power of OPEC against the policies of the International Energy Agency, in the final part of the decade, the oil market witnessed something of a recovery and OPEC's share of newly growing world output began to recover. OPEC was recognized as an oil pricing authority, and cooperation between OPEC members and non-members was essential to market stability. In 1980, Saudi Arabia pledged to comply with OPEC production quotas, losing a significant market share. When Saudi Arabia accepts low oil prices to secure a higher market share, OPEC member countries, which are poorer and produce less, go under economic pressure. This has fed differences between Saudi Arabia and other lesser-known members of OPEC at various times. However, OPEC policies over the decade have improved members'

oil revenues. Environmental issues emerged on the international energy agenda.

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### 3.4. The 1990s

The oil market downturn in the 1990s was so severe that even Iraq's invasion of Kuwait in 1990 and the Iraqi oil embargo in 1995 could not bring OPEC oil prices back to actual prices. After Iraq invaded Kuwait, the two countries were considered major OPEC oil producers, and the organization sought to moderate the absence of the two countries in the oil market by increasing the production of other members. In this decade, some members' withdrawal and suspension of membership (Ecuador, Gabon, and Indonesia) was a reaction to these issues. Energy demand boosted in the late 1990s, reviving OPEC's position as an influential body in determining the oil market. However, concerns about the environment, the destructive environmental effects of fossil fuels in the same decade, and the subsequent encouragement to use non-fossil fuels intensified. In the late 1990s, Iranian President Mohammad Khatami visited Saudi Arabia, greatly defusing tensions between Iran and Saudi Arabia, thereby positively impacting OPEC oil prices. In addition, this decade gave rise to economic growth in some parts of the world and increased demand for oil, which came from existing sources, a significant portion of which belonged to OPEC. During this period, the cooperation and convergence of OPEC members were revived (Ahmad, 2016: 120).

OPEC's timely action largely controlled the volatility of the Iraq war against Kuwait and the aftermath of the oil market. The recession in Southeast Asia and the temperate winter of the Northern Hemisphere in the late 1990s pushed the oil market back to the mid-1980s. World developments after the Soviet Union's disintegration, globalization, the communication revolution, and the like led to a more integrated international space. This integration reflects the success of negotiations between OPEC producing and consuming countries and non-member countries. Since the 1992 Earth Summit, OPEC has sought balance and realism in oil supplies, following negotiations over water change over the decade. Some countries suspended their membership or left OPEC altogether during this decade. In the late 1990s, OPEC members reduced their oil production to 4.3 million barrels per day. This led to a tripling of the oil price, i.e., \$30 per barrel. OPEC members agreed to abide by the 1989 agreement on prices and production levels. The oil price was



considered higher than the average per barrel based on that. The production ceiling was set in this decade.

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### 3.5. The 2000s

At a meeting in Caracas in 2000, the Organization of the Petroleum Exporting Countries agreed to manage pricing policies in a way that would both bring stable profitability to member countries and allow OPEC producers to gain a fair share of the oil market. In the early 2000s, OPEC continued to work to help strengthen and stabilize the global oil market. Nevertheless, market forces, speculation, and other factors transformed the situation in 2004, pushing up volatility in a well-supplied crude market and elevated oil market fluctuations. The 9/11 attacks and the subsequent US and allied invasion of Afghanistan and Iraq directly impacted the energy market. Iraq, a member of OPEC and a primary holder of hydrocarbon reserves, was subjected to major political upheavals by the US invasion in March 2003. Its control over oil resources diminished, leaving it unable to decide on its reserves of oil production. The decision was left to two US multinational corporations, Russia, and China. The financial crisis in Iraq, which had been caused by the occupation of this country, severely affected the development of hydrocarbon resources in this country. During this decade, oil was increasingly used as an asset.

The crisis and recession triggered by the bankruptcy of financial funds cut oil demand in the late 2007s and early 2008s, highlighting OPEC's efforts to support the oil market. The economic crisis reduced overall economic demand, and as a result, demand for raw materials, including crude oil, declined. Given the economic dependence of OPEC member countries on oil sales, once the demand falls and the subsequent recession-induced drop in oil prices affects economies, these countries converge to deal with this crisis. The second and third OPEC summits in Caracas and Riyadh in 2000 and 2007 emphasized the creation of sustainable energy markets, sustainable development, and the environment as three vital issues.

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### 3.6. The 2010s

Rentier states usually stay in power by providing economic, social, and public services. The decline in citizens' social and economic gains in oil-rich countries generally stirs revolution and unrest. This phenomenon manifested itself in the Arab revolutions in Iraq, Syria, Nigeria, Yemen, and Libya. All OPEC members, who win citizens' hearts and loyalty through generous subsidies, could be exposed to political unrest as global oil consumption declines. Tensions in OPEC member

states will lead to tensions among the more powerful OPEC countries. Regional tensions after the Arab revolutions indirectly affect OPEC and the relations between the top OPEC powers, Iran and Saudi Arabia (Ahmad, 2016: 127).

Although escalating social unrest in the first half of the decade, particularly in North Africa and West Asia, affected supply and demand, the market remained relatively balanced. Some oil-rich countries, such as Libya as an oil producer, and others in the energy corridors, such as Egypt and Bahrain, were affected by Islamic Awakening movements, which posed a severe threat to energy security.

During this time, OPEC's role and position for regulation became more prominent, and as a result, oil prices reached high levels (\$120 per barrel). The oil market was stable between 2011 and 2014. After that, the changes continued with increasing global oil demand, especially in Asia. Shale oil production has become economical since 2012 when oil prices rose. In addition, they began research to reduce the price of oil production, which led to a decrease in the price of shale oil production. This created a glut of oil supply. Oil oversupply pushed oil prices down to \$28 a barrel between 2014 and 2016. Extraction and supply of oil by new technologies and the entry of shale oil into the energy market and the United States becoming the world's first oil producer in addition to the world's leading oil consumption made the country a major player in the world oil market, which in some cases weakens power. OPEC became the global energy market (Callen, 2016: 4 and 19). Defending the market share became OPEC's biggest goal. To maintain the quota in the OPEC market, it had two strategies: either to raise the price of oil and thus increase its profit, and non-OPEC producers to benefit from this profit, or to increase production and lower the price. As a result, it encourages costly producers to exit the market

Market conditions led to unprecedented cooperation between OPEC member countries in 2016. OPEC members and 10 non-OPEC oil producers came together to help balance the market, lower inventories, and support oil market stability. With the reduction of sanctions, Iran was able to increase its production. Coupled with Indonesia's decision to increase its production capacity, this led to an increase in oil production and supply and a resulting fall in OPEC oil prices (Ahmad, 2016: 122). In 2019, the Cooperation Charter was drafted to engineer a long-term platform for cooperation and the exchange of information. During

this decade, OPEC sought to stabilize the market and step up its dialogue and cooperation with producers, consumers, international organizations, institutions, and other stakeholders in the oil industry. This decade highlighted OPEC's role in stabilizing the global oil market in favor of producers and consumers. This decade also experienced the rivalry between Iran and Saudi Arabia in the West Asian region. Saudi Arabia is scrambling to deplete Iran's oil revenues by inciting the United States to impose sanctions on Iran and push its regional nemesis out of the fray. However, in 2016, in the wake of the nuclear deal and the consequent suspension and lifting of sanctions, Iran re-entered the global oil market. At the same time, an agreement was struck in OPEC to export oil, which the Economist said was a sign that OPEC was still alive (Elyassi, 2018). This decade emphasized multilateral environmental issues, resulting in the Paris Agreement in 2015, signed by all OPEC member countries and ratified by 10 OPEC member countries. OPEC also attended the UN Climate Change Conference.

### 3.7. The 2020s

The price of crude oil reached its lowest point in the early 2020s due to disagreements between Saudi Arabia and Russia over production cuts and the effects of the COVID-19 disease. With the outbreak of the COVID-19

disease and its devastating effects on all areas of daily life, the global economy, the energy sector, and declining global industrial production, declining international flights witnessed a decline in demand for the oil market and fluctuations on a global scale. Thus, the storage tanks were completed due to oil surplus and led to oil in the negative range (Razavi and Ahmadian Yazdi, 1399). This surplus supply caused a significant reduction in oil, a price that has been unprecedented since the Persian Gulf War in 1991. As a result, OPEC and OPEC Plus decided to regulate the oil supply to maintain their decisive role in the energy market. Because studies have shown that if OPEC fails to maintain convergence among its members, competition between OPEC member countries will lead to more oil supply than demand, leading to a sharp drop in oil prices (Dees et al. 2007) toward a joint effort to restore the required stability and, as a result, voluntary cooperation in the history of oil production. However, at the beginning of the coronavirus epidemic, negotiations between OPEC members to reach the production quota failed, leading to a stock market crash (Aloui et al., 2020: 3). Nevertheless, reports released by the OPEC Secretariat in the second half of 2021 showed an agreement between members to control oil prices.

**Table 1.** The oil market in different decades.

Year	
1960	Moving toward convergence and increasing the collective interests of the members of the organization
1970	Efforts to protect OPEC from outside attacks and maintain OPEC's position in the oil market
1980	Rising tensions between Iran and Saudi Arabia at the beginning of this decade, the entry of alternative energy sources into the energy market, the discovery of new ways of extracting oil reducing oil prices, and, as a result, OPEC members' oil production quotas to maintain the market share of the organization
1990	Highlighting environmental issues to the detriment of the oil market and convergence among members to maintain OPEC market share in the energy market
2000	The economic recession of the second half of this decade and the convergence of its member states
2010	The entry of shale oil into the oil market and the convergence of OPEC members to restore stability to the market
2020	Coronavirus outbreak and oil market downturn, resulting in the convergence of OPEC members to mitigate the effects of the downturn on the oil market



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## 4. Conclusions

The basis for the establishment of OPEC was a convergent action by oil-producing countries to secure the benefits and regain ownership of their natural resources from industrialized countries.

In the 1960s, due to the need for convergence to strengthen the fledgling Organization of the Petroleum Exporting Countries, members sought to move toward convergence by mediating and defusing tensions among themselves to pursue their interests within the nascent organization. The basis for the establishment of OPEC was a convergent action by oil-producing countries to secure the benefits and regain ownership of their natural resources from industrialized countries. The quadrupling of oil prices in the 1970s spooked Western, consuming countries, resulting in efforts to produce and explore oil and turning to non-carbohydrate energy among consuming countries to reduce OPEC political leverage, weakening OPEC's role and share of the energy market. Hence, OPEC members turned to convergence to protect OPEC and safeguard their interests. In the 1980s, the divergence between OPEC members intensified due to the war between Iran and Iraq, two major OPEC oil producers, and tensions between Saudi Arabia and Iran due to the Iranian revolution.

On the other hand, the discovery of new extraction methods, diversification of sources of supply and economic savings in the use of oil, and replacement of renewable and non-fossil fuels undermined OPEC's global position, brought down oil prices, increased oil supply, and ultimately led to the setting of quotas to control the market. The 1990s saw convergence between members due to environmental issues, de-escalation policies between Iran and Saudi Arabia, and Saddam Hussein's decline due to the US invasion. The 9/11 attacks, the coalition invasion of Iraq, and the fall of Saddam Hussein, the recession in the second half of the 2000s led to declining demand for oil and the convergence of OPEC members to deal with the crisis. However, until the early 21st century, OPEC played a decisive role in determining the price of crude oil on the world market. In the second half of this decade, the global financial crisis affected the gradual entry of shale oil into the oil market, and consequently, OPEC's influence on global oil pricing diminished. The decade of 2010 began with Islamic awakening movements in oil-rich countries or oil corridors. Rising oil prices in this decade and the entry of shale oil into the market, causing oil prices to drop, eventually led to the convergence of OPEC member countries in the middle of this decade to

restore stability to the oil market. With the entry of shale oil into the market, OPEC's strategy changed from pricing to maintaining its market share. Finally, from the beginning of the 2020s, the COVID-19 epidemic kick-started a global recession, which also affected the oil market, leading to a sharp decline in oil consumption, lower oil revenues of member countries, and the convergence of these countries to remedy these conditions.

History shows that as long as OPEC members can maintain their unity and solidarity and continue their collective action in the global market, they can continue influencing the world energy market. For a long time, OPEC has not been able to change its quota in the oil market, while an organization should be able to update its rules and principles due to developments in the energy sector, markets, industry, and technology. The challenges that OPEC will face shortly make a case for convergence among its members even more urgent. New and innovative innovations and technologies in the field of energy, along with high oil prices, have led some oil-importing countries to seek unconventional and cleaner energy sources. These alternatives reduce dependence on petroleum products, making life more difficult for OPEC and oil-producing countries.

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