

# The MENA2050 Regional Vision Team

## Opinion Note



## Leveraging OPEC to Enhance MENA Cooperation

**Authors:** Omar Al- Ubaydli, Layal Alghoozi, Noora Alozaibi, Arnon Bersson, Noor Elgallal, Ben Grischeff, and Munya Yusuf; with support by ChatGPT

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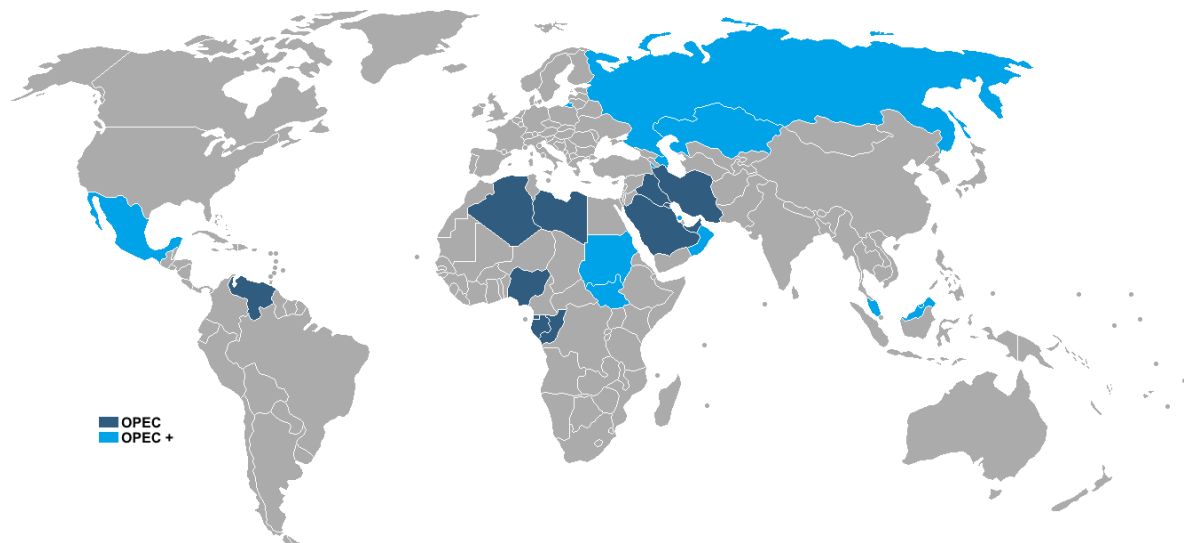
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# Executive Summary

As Western countries' appetite to intervene in the MENA region continues to decline, countries in the region have an added incentive to engage one another directly as they seek to manage their conflicts. This note explores existing areas where MENA countries have successfully cooperated and considers what lessons can be drawn. It combines a light review of the relevant academic literature with insights gained from in-depth, semi-structured interviews with three experts who are either from the region or who have in-depth knowledge of the region. A full description of the method can be found in [Note 0], including information about the authors and MENA2050. The key conclusions are as follows.



**Figure 1: OPEC and OPEC+ Members**

**Conclusion 1:** OPEC (through OPEC+) has experienced a significant improvement in its performance since the 2014-2016 oil price collapse, despite the existence of significant rivalries and conflicts within the bloc's membership, most notably between Iran and Saudi Arabia.

**Conclusion 2:** Various factors have contributed to OPEC's ability to realize cooperation within the oil domain among countries that have significant differences in the broader geopolitical realm. These include the expanded membership of OPEC+, the greater role of technocratic decision-making in oil, and the cumulative conflict management experience demonstrated by OPEC staff.

**Conclusion 3:** OPEC's post-2016 success offers the possibility of extracting useful lessons to be applied in other domains, and of leveraging that success directly to further cooperation that extends beyond oil.

**Conclusion 4:** One lesson is that affording technocrats greater latitude in decision-making in politically charged sectors can lead to more long-sighted and technically-driven decisions. The technocrats must still be accountable, especially when their decisions have a large impact on the strategic interests of the country. However, there is potential value in providing them with

some measure of autonomy, as it can help overcome politically-motivated short-term intransigence that might otherwise impede long-term cooperation.

**Conclusion 5:** The value of such a setup can be enhanced by having the technocratic representatives of a group of countries meeting regularly, with their negotiations mediated by a competent team of independent administrators. Repeated interactions can create mutual affinity and a sense of solidarity, and effective mediators can develop a capacity to amicably resolve differences.

**Conclusion 6:** OPEC's performance has been uneven, but it may be worth exploring the possibility of expanding the mandate to sectors to adjacent sectors, such as natural gas, nuclear energy, or renewable energy. Such a proposal comes with risk, as OPEC exhibits some degree of fragility under its existing, narrow mandate: its performance might decline if it is forced to manage a broader range of potential conflicts spanning more sectors. Nevertheless, the proposal has an upside, too, which is especially attractive given the relative lack of alternative launchpads for successful cooperation.

## Introduction

An October 2023 poll of the American public by Ipsos found that 50% of Americans think that the US does not have a responsibility to ensure peace in the Middle East. The results were consistent with a broader trend emerging in Western countries that calls for lower levels of external involvement in the MENA region. Some of the political parties that have gained ground in the 2024 European parliamentary elections and the French parliamentary elections share these isolationist propensities, while the current frontrunner in the US presidential election, Donald Trump, has been campaigning for lower US involvement in the Middle East for almost a decade.

These verbally articulated opinions have also been influencing policy for some time. In 1991, following Iraq's invasion of Kuwait, the US liberated the Gulf state via a visceral display of its military capabilities. The 2003 invasion of Iraq also involved hundreds of thousands of American military personnel, reflecting the days when the US was willing to be highly involved militarily in the MENA region. However, since 2019, various Saudi and Emirati civilian installations have been struck by aggressors without any US retaliation on their behalf. Moreover, the US and its allies have responded to disruptions to shipping in the region with increased protective patrols, but with minimal or non-existent attempts at holding perpetrators accountable, with the exception of Operation Prosperity Guardian.

As a result of this diminution in the West's willingness to play an active role in the

Middle East, the region's countries have an added incentive to take the initiative in resolving their differences constructively, through directly engaging one another. In some cases, this involves countries that have weak or suspended ties trying to reset their relations. Under these circumstances, it makes sense to explore any existing areas of successful cooperation and to consider building upon them.



**Figure 2: USAF aircraft of the 4th Fighter Wing (F-16, F-15C, and F-15E) fly over Kuwaiti oil fires, set by the retreating Iraqi army during Operation Desert Storm in 1991.**

One such domain is oil policy, under the umbrella of the Organization of the Petroleum Exporting Countries (OPEC). Since its establishment in 1960, the bloc has been through many ups and downs and is by no means an exemplar of cooperation. Nevertheless, it is notable that since 2016, following the inception of the broader grouping OPEC+, oil producers have exhibited higher levels of successful cooperation. Moreover, this has occurred despite significant geopolitical rivalries within the organization, most notably between Iran and Saudi Arabia, but also between Kuwait and Iraq, and other examples.

This note analyzes that success and examines the possibility of extracting

useful lessons for encouraging cooperation in the MENA region despite significant differences of opinion regarding regional issues. The note also explores the desirability of OPEC expanding its mandate to oil-adjacent areas, such as natural gas and renewable energies, to broaden the scope of successful cooperation.

This note is based on a combination of academic references and interviews with three oil experts from or working in the MENA region, which will be quoted throughout the text. The questions posed can be found in the appendix. Further details on the method can be found in Note 0. Chat GPT was also used to help write this note.

## 1. A Brief Primer on OPEC

### 1.1. Establishment and Mission

OPEC was established on September 14, 1960, in Baghdad, Iraq, by five founding members: Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela (Yergin, 2008). The formation of OPEC was a strategic response to the growing influence and control that Western oil companies, often referred to as the "Seven Sisters," had over oil prices and production levels in the Middle East and beyond. The founding countries sought to assert their sovereignty over their natural resources and to coordinate and unify petroleum policies among member countries to secure fair and stable prices for petroleum producers (Gately, 1984).

To provide further context, in the 1950s and early 1960s, the global oil market was dominated by a few large multinational corporations based in the United States and Europe. These companies had significant control over the oil production, pricing, and distribution networks, often leading to prices that did not reflect the interests of oil-producing countries. The discrepancies in oil revenue distribution and the economic challenges faced by oil-producing countries highlighted the need for collective action (Penrose, 1968).



**Figure 3: OPEC headquarters in Vienna. Photo by C.Stadler/Bwag.**

The immediate precursor to OPEC's establishment was a series of negotiations and discussions among oil-producing countries, particularly during the Arab Petroleum Congresses held in the late 1950s. These meetings emphasized the need for oil-producing countries to collaborate and defend their interests against the dominating influence of Western oil corporations (Fesharaki, 1983).

OPEC's establishment marked a significant shift in the global energy landscape. The

five founding members met in Baghdad and agreed on a common goal: to safeguard their interests by ensuring that oil prices were determined more equitably and that member countries had greater control over their production levels and revenues (Mommer, 2002). This objective was codified in OPEC's Statute, which emphasizes the coordination and unification of petroleum policies among member countries and the determination of the best means for safeguarding their interests, individually and collectively.

OPEC's mission has several key components:



**Figure 4: An oil refinery in Mina Al Ahmadi, Kuwait**

**Stabilizing oil markets:** One of the primary objectives is to stabilize the oil market by regulating oil production and influencing global oil prices. This stabilization helps to avoid excessive fluctuations that can negatively impact both producers and consumers (OPEC, 2023).

**Securing fair returns:** OPEC aims to secure fair and stable prices for petroleum producers. By ensuring that oil prices reflect the true market value, member countries can achieve more predictable and sustainable economic growth (Skeet, 1988).

**Providing economic and technical aid:** OPEC also seeks to provide economic and technical assistance to its member countries, helping them to develop their oil industries and maximize the benefits from their natural resources (Adelman, 1982).

**Promoting collaboration:** The organization encourages collaboration and cooperation among member countries, fostering a sense of solidarity and collective action. This unity helps member countries to present a united front in negotiations with oil-consuming nations and international organizations (Parra, 2004).

Since its inception, OPEC has grown to include 13 member countries, reflecting its expanding influence in the global oil market. The organization's decisions, particularly regarding production quotas, have a significant impact on global oil prices and, by extension, the global economy (Colgan, 2014a). OPEC's influence was notably demonstrated during the 1973 oil crisis when an oil embargo by Arab members led to a dramatic increase in oil prices, highlighting the geopolitical power of the organization (Blair, 1976).

## 1.2. Performance Prior to the 2014-2016 Oil Price Crash

OPEC has long been perceived as a powerful, monolithic cartel capable of influencing global oil prices by coordinating the production levels of its member countries. However, evidence suggests that OPEC's actual performance in manipulating oil markets from 1980 to 2009 was limited. This period saw significant challenges to OPEC's effectiveness, including internal



disagreements, external market forces, and changes in global economic conditions.

In the early 1980s, OPEC attempted to exert control over the oil market by introducing production quotas for its member countries. The quotas were intended to limit supply and support oil prices. However, these efforts were often undermined by widespread cheating among members, who frequently produced above their assigned quotas (Colgan, 2014b). This cheating was driven by the individual economic needs of member states, which prioritized revenue generation over collective market control (Smith, 2005).



**Figure 5: An undersupplied US gasoline station, closed during the oil embargo in 1973. By David Falconer, Photographer (NARA record: 1427627)**

The mid-1980s were marked by an oil glut, partly due to increased production from non-OPEC countries and technological advancements that reduced the cost of oil extraction. OPEC's attempts to stabilize prices through production cuts were largely ineffective, as member states continued to exceed their quotas (Gülen, 1996). The situation culminated in a market share war, particularly between Saudi Arabia and other OPEC members, as countries sought to maximize their own revenues by producing more oil despite falling prices (Yergin, 2008).

The 1990s brought new challenges for OPEC. The Gulf War in 1990-1991 temporarily disrupted oil production in Iraq and Kuwait, leading to significant price volatility. Despite this, OPEC struggled to maintain discipline among its members, who continued to produce beyond their quotas (Adelman, 1995). Moreover, the emergence of new oil producers, such as those in the former Soviet Union, further diluted OPEC's market influence (Doran, 1991).

The late 1990s were marked by the Asian Financial Crisis, which led to a sharp decline in oil demand and prices. OPEC responded by attempting to enforce stricter production quotas, but these efforts were again undermined by non-compliance among member states (Colgan, 2014b). The organization's inability to control production effectively during this period highlighted the inaccuracy of perceiving it as a monolithic cartel.

The early 2000s saw a resurgence in oil prices driven by increased demand from rapidly growing economies like China and India. OPEC benefited from this rising demand, but its ability to influence prices remained limited. Internal divisions, particularly between hawkish members like Venezuela and Iran, who favored high prices, and moderates like Saudi Arabia, who sought market stability, continued to impede cohesive action (Parra, 2004).

The rise of unconventional oil production methods, such as shale oil extraction in the United States, further challenged OPEC's dominance. These new sources of oil reduced the global market's reliance on OPEC, making it harder for the organization to manipulate prices through

coordinated production cuts (Maugeri, 2006).

Notably, based on a detailed statistical analysis, since its inception, the only country that has consistently adhered to its quota and maintained excess capacity is Saudi Arabia (Colgan, 2014b). Other countries either violated their quotas or adhered involuntarily, e.g., due to technical production difficulties.

Overall, the period from 1980 to 2009 demonstrated the limitations of OPEC as a unified bloc. Despite attempts to control oil production and stabilize prices, internal cheating, external market forces, and the rise of new oil producers significantly undermined OPEC's effectiveness. The organization's influence over the global oil market was more limited than commonly perceived, and its actions often reflected the individual economic interests of its member states rather than a unified strategy (Colgan, 2014b).

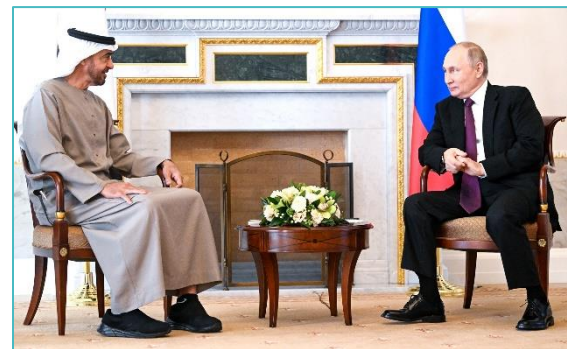
### 1.3. OPEC+ Establishment and Operations

The events leading to the establishment of OPEC+ can be traced back to the early 2000s, a period marked by significant volatility in global oil markets. As mentioned above, OPEC faced challenges in maintaining oil prices and production levels due to fluctuating global demand and the emergence of new oil-producing regions. The global financial crisis of 2008 further exacerbated these challenges, leading to a dramatic drop in oil prices as demand plummeted (Fattouh, 2010).

By the 2010s, the rise of shale oil production in the United States significantly altered the dynamics of the

global oil market. The US emerged as a leading oil producer, reducing its dependence on OPEC oil and contributing to an oversupply in the market. This situation led to a persistent decline in oil prices, adversely affecting the revenues of OPEC member countries (Baumeister & Kilian, 2016).

In response to these challenges, OPEC members began to consider broader cooperation with non-OPEC oil-producing countries. The idea was to stabilize the market by coordinating production cuts to reduce the global oil supply and support prices. These discussions gained momentum in the mid-2010s, particularly after the oil price crash of 2014-2015, which saw prices drop to levels not seen since the early 2000s (Blas & Rascouet, 2016).



**Figure 6: President of the United Arab Emirates Mohammed bin Zayed Al Nahyan at a meeting with President of Russia Vladimir Putin in Saint Petersburg, Russia.**

OPEC+ was officially established on December 10, 2016, when OPEC members and 10 non-OPEC oil-producing countries reached an agreement to coordinate oil production levels. The group included major oil producers such as Russia, Mexico, Kazakhstan, and Azerbaijan, alongside traditional OPEC members like

Saudi Arabia and Iraq (Fattouh & Economou, 2018).

The agreement, known as the Declaration of Cooperation, aimed to address the oversupply in the global oil market by implementing coordinated production cuts. The initial deal required OPEC members to reduce their production by 1.2 million barrels per day, while non-OPEC participants agreed to cut their output by 600,000 barrels per day. This collective action was intended to rebalance the market and support higher oil prices (OPEC, 2016).

Since its establishment, OPEC+ has played a critical role in managing global oil supply and prices. The group meets regularly to assess market conditions and decide on production adjustments. These meetings have become key events for the global oil market, with traders and analysts closely monitoring the outcomes.



**Figure 7: A pumpjack in Texas. By Flcelloguy.**

One of the most significant challenges for OPEC+ has been ensuring compliance with agreed production cuts. While OPEC members have historically struggled with adherence to quotas, the involvement of non-OPEC producers added a layer of complexity. Despite these challenges, OPEC+ has generally succeeded in

achieving high levels of compliance, which has been crucial for the group's credibility and effectiveness (Fattouh & Economou, 2018).

The COVID-19 pandemic posed an unprecedented challenge to OPEC+ as global oil demand plummeted due to lockdowns and travel restrictions. In April 2020, OPEC+ responded with a historic agreement to cut production by nearly 10 million barrels per day, the largest reduction in the group's history. This decisive action helped stabilize the market, although prices remained volatile due to ongoing uncertainties about the pandemic and economic recovery (IEA, 2020).

*Expert 1: ... Essentially, with only OPEC producers having a smaller share of the market or less influence, they needed to expand and include other producing states to regain that influence and ensure that the organization, now OPEC+, remains an effective tool for managing the market. I think that the addition of the "+", namely Russia, to the group has significantly helped them achieve their objective of being an influential force in the market. I know that you hear a lot of commentary around the fact that OPEC is not influential on markets and that it doesn't have a sway on prices. However, I would say that despite all of this commentary, I see the entire market traders, bankers, watchers, journalists, and even now a lot of people from the mass audiences watching OPEC meetings for their policy changes very closely. Why? Because their policy still matters and does influence supply, which in turn affects prices. So, in my opinion, they have succeeded in remaining relevant and being a tool that can influence the market, both in terms of sentiment and*

*fundamentals, which ultimately impacts prices.*

#### 1.4. Explaining the Performance Improvement under OPEC+

Given the aforementioned difficulties that OPEC has faced in securing adherence to production quotas prior to the inception of OPEC+, it is worth considering the factors that have contributed to the higher levels of success witnessed during the last eight years. Two of the experts interviewed attribute this to a combination of a natural evolution in the bloc's capacity to realize its mission, and the expansion of the membership, especially Russia.

***Expert 2:** I think improvement is certainly a perspective if you disregard the context of time and maturity. At the end of the day OPEC is a journey, over what is now 60-something years, and so when you consider that it started where it was kind of separating itself from the colonial architecture to one today where they are in total ownership of their resources, while maintaining commercial partnerships with international companies, and you find that the technical competence is also now with the national owner/national stakeholder, as well as obviously in partnership with the technical expertise globally.*

*So my point ultimately is that OPEC has made a very big journey from a colonial structure where they got a few cents on the barrel as a license fee, to one where they nationalized their industry over the course of what took many years just to get through that process. Of course, the 70s were defined by, to a great extent, the oil embargo and the politics of the 70s- again not only from the context of OPEC but in*

*the sense of the evolution of emerging States from a colonial period where the national energy industry also mirrored the national aspiration which was to increasingly stand on one's two feet. So, I do not think you can separate all of that in the sense of performance, or doing things better; ultimately these were steps on a road to arriving at a point in which you had total ownership of your resource and your industry, total competence and understanding and operating in the Global markets- which are very complicated, and as technology has evolved in terms of the paper markets, which is a pretty complicated place where even the most educated PhD students in deep math can struggle to stay on top of the algorithms associated with managing and the oil trading in the Global market financial markets.*



**Figure 8: 2016-2022 OPEC Secretary General Mohammed Barkindo**

*So when you put all of those things in context, I think the pathway to a better performing OPEC or OPEC+ management of the international oil markets and a better performance of cooperation and so forth, I think it has to be seen in the context of evolution. And in that regard, they're certainly performing (if you want to use that analogy) better in terms of the dollar number that comes out of the bottom of the barrel every day, but you know there were some very significant steps along the way. When I started covering the oil markets which is in the mid-90s and late '90s, oil prices dropped to under 10 dollars a barrel- and that took a very serious series of coordinated strategies for OPEC, long before there was a thing called OPEC+, to rehabilitate that situation and they did so quite well to get oil prices back up to above \$20 where they sort of average around \$25 right through the noughties, but clearly the merger with the OPEC+ countries and most notably Russia was a huge game changer in the context of the influence on the international markets.*



**Figure 9: Headquarters of Russian Oil Producer, Rosneft. By NVO - Own work, CC BY 3.0**

*Expert 3: Of course, having Russia together with us is something very*

*important for everybody, but they have brought their own [challenges] to our group as well. But a sort of strategic partnership is being formed together with the UAE, the Russians, and Saudi Arabia. And the role of these smaller players like African countries is diminishing actually, is wiping out. So yes, I think the Russians and OPEC plus are somehow playing a stronger role, but it's going to decline in some, maybe within a decade or something. Russians are not exactly the type of OPEC countries. The most important thing regarding OPEC countries, they are non-industrial oil producers. So that's why a country with a geopolitical, military, and security role like Russia is not going to be a regular member of this group. Thank you so much for that insight.*

In addition to these factors, OPEC+ has also benefited from improvements in its monitoring systems. The primary body responsible for monitoring compliance within OPEC+ is the Joint Ministerial Monitoring Committee (JMMC), which has been instrumental in enhancing oversight and ensuring higher compliance levels among member countries. It meets approximately every two months to review production data and assess compliance with agreed quotas. These regular meetings provide a structured and consistent approach to monitoring and addressing any discrepancies or issues that arise in the adherence to production cuts (MarketScreener, 2024).

Moreover, since 2016, OPEC+ has placed a greater emphasis on data verification and transparency. Member countries are required to report their production levels regularly, and these reports are cross-checked against independent data sources.

This triangulation of data helps to identify and rectify instances of overproduction more effectively (S&P Global Commodity Insights, 2024). OPEC+ has leveraged advancements in technology to improve monitoring. The use of satellite imagery and advanced data analytics has enhanced the ability to track oil production in real time. These technologies help in detecting discrepancies between reported and actual production levels, thereby increasing accountability (OilPrice.com, 2024).

### 1.5. Navigating Internal Political Differences

From the perspective of this research note, the most notable feature of OPEC's cooperation has been its continuation despite the emergence of significant internal political differences that extend well beyond the domain of oil production. While there have been several salient internal conflicts, looking through the MENA2050 lens, the most important is the Iran-Saudi rivalry. Prior to the 2023 China-mediated reconciliation, this rivalry was the result of fundamental differences on key issues including Iran's nuclear and missile programs, maritime security in the Gulf, and support for various non-state actors in the MENA region.

The rivalry was most visibly played out through proxy conflicts in Yemen and Syria. In Yemen, Iran supported the Houthi rebels, providing them with military and financial aid, while Saudi Arabia led a coalition to restore the internationally recognized government (Baker Institute, 2022). A byproduct of this proxy war was the 2019 attack on Saudi Aramco's oil facilities in Al-Buqayq. In Syria, the civil war has been complicated by Iran and Saudi

Arabia backing opposing factions at various points (Alam, 2017). The resulting tensions came to a boil in 2016 when protestors stormed the Saudi embassy in Tehran, resulting in a severance of diplomatic ties, heightening tensions, and reducing direct communication channels (CRS, 2023).

Other conflicts and rivalries between OPEC+ members include Iraq and Kuwait, and various other significant differences of opinion within the Gulf Cooperation Council states that are in the bloc. These have been compounded with disputes between Saudi Arabia and Russia over oil production, though this latter class of conflict can be classified as an internal OPEC+ oil-related affair, rather than an external dispute that could potentially affect the internal business of OPEC+ (Blas & Rascouet, 2016).



**Figure 10: HRH Prince Abdulaziz bin Salman bin Abdulaziz Al Saud, Minister**

**of Energy of the Kingdom of Saudi Arabia. By IAEA Imagebank.**

***Expert 1:** In 2020, when COVID hit, there was a significant disagreement between Saudi Arabia and Russia within the organization. This led to all countries increasing their oil production to maximum capacity. Saudi Arabia had proposed a significant production cut, but Russia disagreed. As a result, everyone left the meeting and decided to pump at full capacity. Why did this happen? This was largely due to Saudi Arabia's decision to increase production to 12 million barrels a day in order to bring Russia back to the negotiating table. This move ultimately led to the largest oil production cut in history, reducing output by almost 10 million barrels per day. Currently, Russia is cooperating well within the group, and any overproduction on their part is being compensated. They are fully aligned with the policies of the group and have close relationships with most OPEC+ states.*

As demonstrated above, OPEC+ has managed to function effectively despite these conflicts, rivalries, and disputes. This phenomenon is remarkable and merits study, as there may be a possibility of leveraging in the pursuit of resolving other conflicts in the MENA region. Several factors have enabled OPEC+ to perform its mission regardless of the challenges posed by strained relations between members.

***Expert 2:** The amazing thing about OPEC and regional oil policy as the journey has matured, as I just articulated in the answer to question 1, 20 years into that 60-year journey obviously there was a major moment with the Islamic Revolution 1979 and in Iran, and you also had some very*

*other very big moments in the aftermath of the Iranian revolution, ie Iraq and Iran went to war, and Iraq with the backing of most of the Gulf States- these all remained members of OPEC right through this period. Iraq invaded Kuwait in the 90s and they all remained part of OPEC through this period. So the Iranian-Saudi relations have been through many incarnations, clearly.*



**Figure 11: Iranian Foreign Minister Hossein Amir-Abdollahian and his Saudi counterpart, Prince Faisal bin Farhan Al Saud after signing a joint statement on the restoration of diplomatic relations, with Chinese Foreign Minister Qin Gang in the background.**

*I am not sure I would agree with the notion that the relations have deteriorated through the 21st century, I mean we're only 24 years into the 21st century, so I suppose that is a quarter of the century, but I would say their relations in relative terms are pretty decent at the moment and are probably better than they have been in a long time. The recurrent noise in the neighborhood is clearly loud, but I think one of the underpinning platforms that has allowed the region to avoid descending into a total meltdown has been the fact that the Saudi-Iranian relationship is in a fairly stable place at the moment, all things relative. So the relationship is clearly troublesome, and there are a lot of reasons for that;*

*inevitably the position that the Americans have towards Iran in the aftermath of the Revolution of 79 and the hostage-taking and so forth makes it very difficult for other states in the region to normalize with Iran, but there's also a historical fracture between Sunni and Shia and the region, which also acts as an obstacle to you know to normalization of relations.*

*But all things considered, they remain managing a neighborhood in the Gulf at least where there's been obviously proxy flourish and proxy engagement but I think this is a relationship that is complicated by many factors but managed, and at least this far hasn't deteriorated into a total problem. The attack on the Saudi embassy in Tehran, I think, was more window dressing than fundamental. This was not like what we saw recently in [other examples in the MENA region], this was (I think) not an event of great scale... These things happen and they're not cataclysmic events. And so all in all I think this thing is reasonably managed and I think there is a realization (and it needs to grow) but ultimately what we've learned in the tragic events of Gaza is that the region cannot move forward to some new dawn without bringing the Palestinians along to a normalized destination of self-determination and equality. And in the same way that this region, and particularly Saudi Arabia with its great aspirations for a new dawn- it cannot get to that new dawn by expecting to leave Iran behind locked in a little box. Iran is a country of 100 million people that has been a civilization for thousands of years, they will not and they cannot be locked in a box and treated as if they are a small little island nation, they are a big country and an ancient civilization, and everybody in the neighborhood has to realize that if we all*

*don't move forward together nobody will move forward. Yes, Dubai has managed to move forward- it's a small place and it's a relatively important city-state and it has had a good 40 years of progress, but ultimately it's a small piece of the action. For the whole neighborhood to move forward Iran is going to have to move forward with equal opportunity and status like Saudi Arabia.*

One factor that could explain OPEC's success despite the Iran-Saudi rivalry is the possibility that each country's oil policy is operated by technocrats who can effectively isolate decisions in the oil domain from the influence of other political factors.



**Figure 12: Iranian Minister of Petroleum Javad Oji. By Tasnim News Agency, CC BY 4.0.**

*Expert 1: [Iran and Saudi Arabia] were regional [rivals] to a large extent. However... I mean, the surprising element is that within the OPEC+ organization, it is functional. These regional foes could sit at the same table and negotiate policy. That would be beneficial to both of them as oil*



producers. This is the reason that they stay in this organization together. OPEC has a very famous saying within the group that when they meet, politics is always left outside the door. The technocrats are the ones that meet, and they look at the supply-demand fundamentals. They determine what is good for their domestic interests, in terms of prices, and work together on that basis, leaving political disagreements aside. We cannot be naive and say that politics does not impact policy. It does. You cannot separate both things, but the reason is that you've had even countries that went to war together, like during the Iraq and Kuwait wars, you had both OPEC states at war with each other, but at the same time, they were in the same OPEC meeting together. So even wars between countries did not manage to break up this group because they see the kind of technical value that interests the countries, and yeah, it is a producer's interest to keep price levels at a certain level that supports the economy.



**Figure 13: Kuwaiti oil fire in 1991. By Jonas Jordan, United States Army Corps of Engineers.**

However, at times, these technocrats need to call back their governments and take permissions from their presidents and that is where you see the kind of support that is needed on a higher level. On a leadership level. There are times when you even have two leaders talking to each other trying to overcome some OPEC policy challenges,

and that is really the test of relationships between countries. It has come to that on several occasions where you see the governments of... Two presidents or two leaders from two states talking about OPEC policy.

**Expert 2:** I mentioned earlier that the events of the late 90s when oil prices descended to under \$10 a barrel and how that required a significant amount of coordination and cooperation amongst OPEC countries, in which they all obviously were facing very serious fiscal deficits, i.e., the inability to pay government wages and all of the above. So at that time, one of the outcomes of that period (which was 1998/99), so you're talking about that's essentially 40 years into OPEC, the way they got out of that moment and the way things have been managed, more or less since then, is that they became a technocratic organization... and so it has been a very turbulent political nexus and at the end of the day, the oil revenue remains the main income for these states.

But what happened in the late 90s was the end of that kind of strong intersection point of oil as politics and geopolitics and as a weapon of policy and so forth, and coming out of \$10 oil was a more technocratic organization which did as much as it possibly could- it put technocrats in charge of the ministries, and they managed the oil markets and the oil strategy as best they could as a technocratic organization. And in that, Iran and Saudi maintained their coordination and their communication through the vehicle of OPEC, and I think are still in more or less that same place- even though for much of that period, and it continues to be that, Iran is under embargo or sanctions from the United States and so

forth, and sort of has a very challenging and unique situation. But since the late 90s OPEC and OPEC+ to a great extent have been operating as a technocratic organization, and as much as possible keeping the politics outside the room.

**Expert 3:** *I disagree because both countries have several times used their barrels as a political tool... there are many factors impacting the two countries' oil policies, [and] I have very serious doubts that the technocrats are ruling over the industry... In the case of Saudi Arabia, I would say technocrats still have a higher actual portion in the governance of that sector. But in Iran, depending on which government is in control, to some extent, let's say, the policies of oil are affected very much by the geopolitical tensions... Iran's market is limited to China here right now. And that is a very big sign of how politicized oil is in Iran.*



**Figure 14: Jinling Oil Refinery, Qixia, Nanjing.** By User: Vmenkov - Own work, CC BY-SA 3.0.

*The oil trade is 100% based on the huge plans that the Chinese have for the Middle East region. So still, yes, there are a lot of things Iran and Saudi Arabia would disagree on, and oil would be the last thing the two countries would fight for, fight on, let's say. But in the end, both countries consider and use and implement this tool...*

*to proceed with their political and geopolitical missions here.*

Another potential factor is that the long history of working together under OPEC - albeit with varying degrees of success - has created a mutual affinity among the negotiating parties that allows them to overcome transient diplomatic conflicts between the countries they represent.

**Expert 1:** *I completely agree with the statement, as long as the countries involved share a mutual economic interest that binds them together. This common interest helps keep the group intact, even during times of political tensions or conflicts, such as the 2019 attack on Aramco... Despite such incidents, both Saudi Arabia and Iran remained part of the organization and did not let political difficulties affect their membership. This is because they share a common goal of maintaining stability in the market, ensuring the relevance of their commodities, and supporting their economies within a certain price range. Recently, diplomatic relations between Iran and Saudi Arabia have been restored following a mediated agreement by China. This move is crucial for Saudi Arabia, which is focused on diversifying its economy and attracting foreign investment. Stability and security are top priorities for Saudi Arabia, and restoring diplomatic relations with Iran is essential. Even the recent accident involving the Iranian president was taken into consideration when OPEC decided to hold a virtual meeting instead of an in-person one in Vienna. It's important to note that Iran is a founding member of OPEC, and there is a level of respect among the technocrats, all of which factor into the equation.*

Plausibly, in light of the sustained success - albeit with its ups and downs - the staff at OPEC who facilitate the negotiations are highly adept at managing the potential conflicts between the member states.

**Expert 1:** *I would say that they are apt to manage the difficulties, and it's because they managed the difficulties over decades that the group did manage to stick together. There are instances when you see member countries leave. The recent one being Angola, for example, deciding to leave the group. But that won't affect the rest of the directional goal of OPEC still being there and influential and maintaining the position of... Having the overarching objective of making sure that the market is stable in the interest of the upstream sector, and that is one of the main points I want to make is that the price isn't also just beneficial for producer states.*



**Figure 15: Oil traders in Houston. By Own Oil Industry News.**

*We're talking about a benefit that translates to the whole upstream industry. You need to remove volatility from the prices to make all producers around the world invest upstream and that is one of the overarching goals of OPEC. And they keep stressing the fact that we will need oil and gas. We need upstream for decades to come*

*to have energy security. So it's a... The world is advantaged that OPEC is there to manage this kind of volatility so we don't get a shortage of supply.*

**Expert 2:** *[I slightly disagree]... Like the United Nations, OPEC is not some foreign body from outer Mars. The United Nations is as it says on the tin, a group of nations who come together to manage a certain amount of different events and affairs. The United Nations is not the Security Council, while the Security Council is one part of the United Nations, there's also UNICEF and there's the World Food Program, and ... there are many different agencies. The United Nations is a collection of countries that come together and its effectiveness is the sum of the parts of those countries that are willing to be effective. The European Union- there is no such thing as the European Union, it is a collection of countries who come together and they allow the European Union governing agency to be as effective as it can be, or not- depending on the desire of that group of nations. So in the context of OPEC, it can operate as a group of countries coming together and the staff of OPEC can execute its job as effectively as possible as much as those countries are willing for that organization to do its job as a bureaucratic administrative structure. There is nothing that group of people can do if there are members within OPEC who are not performing, or if there is a difficult period, and there have been many over the years- in the 90s when you think about some of the reasons why OPEC or the oil markets went off the rails was because of a kind of fallout between the Arabs and Venezuela, and there was little that could be done about that. So I think it's really about the group of*

*countries and their willingness to allow the organization to be effective*

*That said, again coming back to the analogy as articulated previously, in the late 90s OPEC matured from being an organization that was heavily politicized and caught up in the 70s and the war in the Middle East as a matter of sort of political policy to weaponize oil, to one in which it was a technocratic organization. And so once it moved in that direction, the headquarters was able to be more effective because the collection of countries was willing to be technocratic- they were willing to rely on data and research and not be instinct or gut-led, but be data-led and for that to be trusted and be utilized as a platform for policy making. All of that came from the evolution of the organization in the late 90s into a technocratic one.*

*So since then, the OPEC Secretary General, who of course is an individual person who can be quite effective if that person is so capable or so inclined - a bit like the UN Secretary-General who can be really good in knowing how to leverage the holes of power, and there could be one who is fairly mundane and ineffective. In the context of OPEC, the current secretary general is quite effective- he's a Kuwaiti and because he's a Gulf Arab I think it gives him extra ability to obviously speak languages but also he's been a long-time OPEC bureaucrat, he was the OPEC governor for Kuwait. Barkindo before him was Nigerian, a long-time OPEC operator and he knew how the system worked, he knew people and knew how to leverage the influence or the muscle of the office. I think post the 90s/ post late 90s the ability of the organization and its Secretary-General to be more effective has been certainly true*

*because the organization and the collection of countries were receptive to that and they shifted from being a very politicized group to one being technocratic.*

**Expert 3:** *Yes, I believe so. That is a sort of skill that the staff would have because, at the ministerial level or higher than that, they have very limited time. They cannot negotiate on every corner of the issue, so the staff really matters.*



**Figure 16: Haitham al-Ghais, OPEC Secretary General since 2022. By Agência Senado.**

*At the same time, the level of expertise and knowledge that the minister) him or herself has is a very, very important issue. Actually, in the Iranian history of the oil industry, we had some ministers or heads of national Iranian oil companies who were very familiar with every aspect of Iranian oil and also the global markets. During their time in office, we had much better decisions and maybe even decisions in the group made than the ones that we knew*

were not from the oil industry. So yes, everybody I think has an important role in OPEC, but please consider, I repeat again, I go back to the first question, OPEC at the current moment has no role compared with what it used to have when it was established. When OPEC was established, it was truly the game changer in the market, but now it is one of the factors impacting the oil price.



**Figure 17: Shell's experimental in-situ oil shale facility, Piceance Basin, Colorado. By the U.S. Geological Survey Department of the Interior**

Many things have changed in the oil markets. Maybe 10 years ago, the number of drilling rigs in North America was an important factor in the oil price. Maybe the volume of the US oil reserves was very important for pricing the oil, but right now you see that these are not important factors anymore, at least not at the same level. OPEC as an organization does not have the same role it used to have. So consequently, the role of staff, I believe, should be less than maybe 14 years ago, maybe four or five decades ago, but still, the role of staff is very important, especially the ministers themselves.

In the next section, we turn to the question of how this broadly positive experience can be leveraged for wider benefits in the MENA region.

## 2. Proposals

### 2.1. Transplanting Lessons Learned from OPEC's Success

**Expert 1:** *With OPEC, no matter what the disagreements are between the countries, they always manage to reach a compromise, and OPEC is one the organizations that is really effective in reaching a consensus between... Now, you have 23 OPEC+ states. It's a bit like herding cats. Everybody has different interests, you know, the size of the country and policies. It is not easy to have 23 countries agree on a certain policy and then follow a policy. It's almost impossible. We're seeing right now in our region where we have a war that is killing thousands... and nobody can do anything about it, and you have a UN Security Council and all of that. These are completely ineffective organizations when it comes to just reaching a ceasefire. Just imagine, that reaching a ceasefire is a huge hurdle that has been dragging month after month. So, for OPEC, I do give them a lot of credit in that they reach very difficult decisions in record time and follow through. So, yes, I think that other organizations have a lot to learn from OPEC. Sometimes you need to put things aside, like major political differences, and just look at the facts. In their case [OPEC], it's the market and I hope that in the UN's case, it would be humanity.*

**Expert 2:** *Qatar left OPEC fundamentally because they were a small oil producer and had really no influence over OPEC, at least not sufficient to warrant hanging around, and with the combination of this sort of regional rivalry issue they kind of said well*

*it's time to back out here and focus on being a big gas player and not a small oil player. But I'm not sure there's a lot from which to extract useful medicines from OPEC's success, I don't think that's an analogy.*

*I mean there's one thing OPEC/OPEC+ has done even more but since the late 90s, again to re-beat the same drum, is that they've become technocratic- they've come to realize that they need to manage this peace as best and as efficient way as possible for the maximum economic return, and leave all the other stuff outside of the room. The region could certainly benefit from the same peace, I mean that the European Union has done that right more or less since the Second World War. It said okay listen we spent quite a long time killing each other here in Europe, let's try this economic integration thing and maybe we'll find common ground and fewer reasons to punch each other in the nose. I think OPEC has done that to an extent, and the region as a whole could certainly adopt something similar- but it's obviously a lot more complicated because there's a huge amount of external influence that compels people to punch each other in the nose all the time even if they don't want to.*

In light of these comments and those that preceded them, we can draw two distinct lessons that could potentially bear value for MENA region countries. The first is the somewhat self-evident lesson that scaling from small to bigger successes is a genuinely effective strategy, albeit one that is potentially limited in scope, and that takes many years to bear fruit. Nevertheless, it makes sense for countries that have significant differences to find small projects upon which to collaborate with an eye on expanding the scope of that

cooperation in the future once goodwill and mutual trust have been established.

The second and arguably more important lesson is the value of establishing a culture of technocracy. Foreign policy in the MENA region is notoriously personalized in the heads of state and their inner circles, but in the oil domain, over time, leaders have come to understand that their interests are better served by devolving the decision to technical experts who base their recommendations and decisions on technical criteria.



**Figure 18: Former Saudi Minister of Energy, Khalid Al Falih. By World Economic Forum from Cologny, Switzerland.**

Notably, we are not extolling allowing unsupervised technocrats to run amok, interpreting their countries' interests unilaterally and answering to nobody regarding their actions. The history of OPEC clearly indicates that at important

junctures, the technocrats must confer with the highest authorities in their countries and accede to their wishes even if that contradicts the technocrats' spirited recommendations. However, the default that seems to have been firmly established as a response to its demonstrated effectiveness is that technocrats have a significant degree of autonomy in making decisions. If we accept this conclusion, then many domains are logical starting points for importing the principle of technocratic autonomy. The management of other natural resources, most notably water, minerals, and other fossil fuels, are obvious examples.

## 2.2. Expanding OPEC's Mandate

An alternative proposal is for OPEC to expand its mandate beyond oil to - for example - other energy sources, to further promote mutually beneficial cooperation between the member states. However, the experts interviewed caution against this leap.

*Expert 1: I would say with oil - it's an industry where the country has 100% control over production. Let us just simplify it and say that it's kind of like a big tap. Sometimes, it's not that easy to control if you have many companies involved, but for simplicity's sake, let's just say that the country or the nation has control over that one source and, therefore, could influence policy or tell their major oil companies to curb production or increase production when they want. If they expand that to others. I don't know. I mean, that kind of complicates policy a little bit. There has always been talk about having a gas OPEC. It has never really worked. In some*

*respects, oil and gas are interlinked, because when you control oil production, if you cut oil production, for example, you would be cutting the production of associated gas. So that is kind of linked with each other if you expand to non-associated gas and other elements, like if we're even talking about renewable energy. I think it just gets too complicated and that is when I would even question how it would work. The mechanism would start getting too complex.*



**Figure 19: Natural gas drilling rig. By Loadmaster (David R. Tribble).**

*[Overall,] I believe that adding more elements to the picture would complicate matters. It would no longer be solely about oil policy, but would also involve gas, renewables, and mineral extraction. This could further complicate the relationship between member countries. Additionally, it would require more countries to join in,*

such as Qatar for gas-related matters. This would add layers of complexity and tension within the organization, potentially necessitating a restructuring of the entire organization.

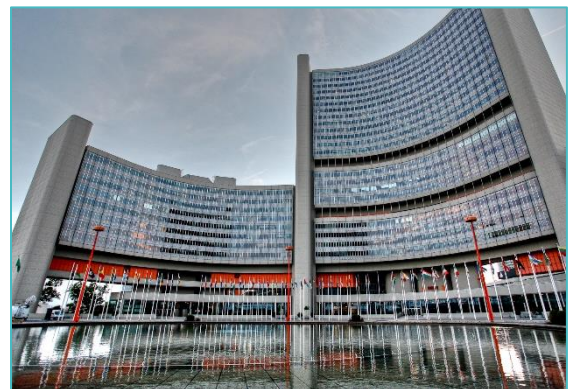
**Expert 2:** *I completely disagree. The mandate of OPEC is the 'organization of petroleum exporting countries', and it is better when they stick to that specific mandate, particularly the exporting part. There are a number of countries like Indonesia for example who became a net importer of petroleum and left OPEC a number of years ago- in order to be an exporting country I think you need to stay focused on that part of the international customer engagement for petroleum. So I don't think OPEC would be effective if they were to adopt any wider mandate than that, I think it would dilute and diffuse their ability. The challenge that it is is great as it is already.*

Were the expanded mandate to work - against the expectations of our interviewees - would it help de-escalate some of the conflicts and rivalries that afflict the region? We also posed this question to the experts.

**Expert 2:** *I think the opposite could be the case. If you try to expand the OPEC mandate to add gas or hydrogen or whatever, it could dilute the impact of OPEC as a tool to maximize oil production and maximize oil revenue, and it could have the opposite effect could reduce oil revenue at a time in which you know petroleum and hydrocarbons are under attack for all sorts of climate reasons, and that is certainly valid and OPEC needs to find ways to coexist with this and to be a part of the solution and part of the conversation. If they were to dilute their mandate and their*

*revenue was to suffer and they would lose effectiveness, they would economically be under great duress and further instability could happen.*

*I don't think it's a coincidence that when oil prices fell under 10 dollars a barrel in the second half of the 90s that very soon afterward you had the rise of [terrorist organizations], and the socioeconomic stress [certain OPEC members were] put under at that time with government employees not being paid salaries for months on end and government contracts not being paid- it created a lot of socioeconomic stress, and this fed the extreme elements like [terrorist organizations]... I do think there's a correlation between the surfacing of [terrorists] in the late 90s... that relate to the collapse in oil revenue and the ability of states to function, and I think that would be what would be at risk if OPEC were to somehow try to expand its mandate or if it ended up being less effective.*



**Figure 20: Vienna International Center, location of IAEA Headquarters. By Rodolfo Quoevenco/IAEA**

**Expert 3:** *Maybe yes. Depending, again, on what kind of energy you're going to pursue, for example, in the case of Saudi Arabia [and the] UAE... the two countries are very eager to go towards nuclear power, like*



*what Iran has developed. If you have the full chain of uranium enrichment, electricity generation, [that] would give you more capacities than just being an energy producer... If you can produce high amounts of electricity in your country, for free, let's say, you will be able to invest or subsidize other kinds of industries... It would increase the number of mechanical engineers, electrical engineers... [the entire] science base.*



**Figure 21: Logo of the King Fahad University of Petroleum and Minerals, a leading engineering school in Saudi Arabia**

*At the same time, this science will eventually be used in other sectors of the country... So you see, if this energy approach is merged into a bigger economic plan, actually, as a sort of integrated regional economic plan... with high technologies coming to the country, universities focus more on high technologies and new technologies. So yes, this sort of partnership could be formed.*

## Conclusion

An unintended consequence of US hegemony over the MENA region has been a crowding out of indigenous efforts at mutual engagement. In 2024, the US appetite for assuming the role of regional policeperson has diminished significantly, creating a larger opportunity for the region's countries to engage one another constructively as they seek to resolve their differences. Under such circumstances, it makes sense to look to build on successful existing platforms for regional cooperation.

OPEC has been operating with varying degrees of success over the past half-century, with remarkable levels of performance during the period 2016-2024 given the very difficult challenges faced by the bloc, including significant internal rivalries. Accordingly, it is logical to study the reasons for the group's success in an attempt to extract useful lessons. Based on our analysis and discussions with three experts, we arrived at the following tentative conclusions.

First, affording technocrats greater latitude in decision-making in politically charged sectors can lead to more long-sighted and technically-driven decisions. The technocrats must still be accountable, especially when their decisions have a large impact on the strategic interests of the country. However, there is potential value in providing them with some measure of autonomy, as it can help overcome politically-motivated short-term intransigence that might otherwise impede long-term cooperation. The MENA oil sector - under the OPEC umbrella - is a partial demonstration of this principle.

Second, the value of such a setup can be enhanced by having the technocratic representatives of a group of countries meeting regularly, with their negotiations mediated by a competent team of independent administrators. Repeated interactions can create mutual affinity and a sense of solidarity, and effective mediators can develop a capacity to amicably resolve differences. Again, OPEC is a demonstration of this principle in action.

Third, OPEC's performance has been uneven, but it may be worth exploring the possibility of expanding the mandate to sectors to adjacent sectors, such as natural gas, nuclear energy, or renewable energy. Such a proposal comes with risk, as OPEC exhibits some degree of fragility under its existing, narrow mandate: its performance might decline if it is forced to manage a broader range of potential conflicts spanning more sectors. Nevertheless, the proposal has an upside, too, which is especially attractive given the relative lack of alternative launchpads for successful cooperation.

An important postscript provided by an additional expert was as follows:

*We all know that one of MENA's main challenges and risks comes from rivalries, tensions and conflicts. OPEC success in navigating these complexities and crises should indeed become foundational for an expansion and dissemination of regional cooperation platforms based on a politically empowered and competent technocracy.*

*That was central to the success of the EU as a political project: states kept their power, but they accepted to delegate strong and autonomous competences to the European*

*Commission, and indeed transformational agendas in the long-term require competent and stable technocratic institutions that accumulate knowledge, institutional memory and maintain the strategic compass firm in times of turbulences.*

*As oil and gas are not eternal resources and the demography of the MENA region constitutes a race against the clock, I would see OPEC being entrusted with a much bigger role in support of professional education, training, R&D, industrial development and energy transition.*

*To avoid duplication of funding and to benefit from synergies of action and of combined competences, I would imagine an institutional cooperation between OPEC, the OPEC development fund, regional sovereign funds and Islamic finance, to ensure the optimal success of policies of industrial diversification, sustainable development and job creation for nationals.*

*In essence, there is a strategic convergence between the roles of OPEC and of sovereign wealth funds: both transform the oil and gas riches into wealth and added value invested for present and future generations. Both complement and support the policies of the states and also contribute to economic diplomacy.*

*It would make sense to deepen their combined effect, maybe through the creation of an OPEC Union, that can be inspired by the Union for the Mediterranean, whose success is based on the pre-eminence of its technocratic secretariat and on the fact that it concentrates on concrete projects, and not on politics.*

*An “OPEC Union”, under the authority of OPEC members and leadership, but empowered with a strong mandate and tens of billions of pooled finance from various funds and institutions, could act as an intensifier and accelerator of development for today and to help secure durable prosperity in the post-fossil era.*

*In other words, be it MENA region or OPEC, the more you create integration, cooperation, empowered technocracy and pooled rather than dispersed finance, the more you secure achieving your objectives and in a reduced timeframe and at the required scale of action and with the necessary ambition.*

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## Appendix: Interview Questions

**Preamble:** OPEC+ has had considerable success in advancing its mission since 2016 despite there being acute conflicts between the member states on issues that are beyond the scope of OPEC+'s mandate, most notably between Iran and Saudi Arabia. This note looks to explore the possibility of exporting this positive experience from the oil domain to others.

**Question 1:** A detailed look at oil production data suggests that for the period 1980-2009, OPEC was relatively ineffectual, with only Saudi Arabia demonstrating any sort of production restraint compared to non-OPEC oil producing countries. Do you think that following the establishment of OPEC+ in 2016, the bloc has demonstrated greater success than before in disciplining multiple producers (not just Saudi Arabia) and managing global prices? If yes, what do you think accounts for this improvement?

**Question 2:** Iranian-Saudi diplomatic relations have been deteriorating throughout the 21st century, with the 2016 attack on the Saudi embassy in Tehran leading to a suspension of diplomatic relations. Moreover, some would argue that Saudi Arabia has been a tacit supporter of US-led sanctions on the Iranian oil sector under the umbrella of America's "maximum pressure" strategy. Despite this, the two countries have seemingly cooperated well under the OPEC+ umbrella since 2016. What do you think accounts for this? Please comment on each of the following potential factors:

- Each country's oil policy is operated by technocrats who are able to effectively isolate decisions in the oil domain from the influence of other political factors.
- The long history of working together under OPEC - albeit with varying degrees of success - has created a mutual affinity among the negotiating parties that allows them to overcome transient diplomatic conflicts between the countries they represent.
- The staff at OPEC who facilitate the negotiations are highly adept at managing the potential conflicts between the member states.
- Other factors (please elaborate)

**Question 3:** The Iranian-Saudi rivalry is not the only broader conflict that has been occurring between OPEC members during the last 10 years, with conflicts involving member states with Qatar and Iraq being other examples. Do you think that those working to de-escalate tensions in the MENA region can extract useful lessons from OPEC's success in containing these conflicts?

**Question 4:** An alternative proposal is for OPEC to expand its mandate beyond oil to - for example - other energy sources, to further promote mutually beneficial cooperation between the member states. Please comment on the plausibility of the following claims:

- If OPEC expanded its mandate to cover additional sources of energy, it would continue to foster effective cooperation between member states in this broader mandate.
- If OPEC expanded its mandate as above and it was successful, it would lead to significant de-escalation of the political

conflicts that exist between member states.

**Question 5:** Do you have any other comments/suggestions?