



OIL POLICY OF THE WORLD: IN WHOSE HANDS IS THE GLOBAL ENERGY LEVER

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<https://doi.org/10.5281/zenodo.10617661>

Abstract: the article "Oil Policy of the World: In whose hands is the Global Energy Lever" explores the impact of oil on global political strategies and relations. The article examines the key factors that determine oil prices and the role of oil diplomacy in shaping the world order.

Key words: oil policy, hegemonic states, commodity derivatives market, economic stagnation, "quantitative easing policy", fundamental factors.

Oil policy has become an invisible force that binds states together with invisible ties of dependence and strategic intrigue. In a world where energy resources play a crucial role, oil acts as a key element of political strategies and relations between States, especially between hegemonic states. Behind the glittering oil wells lies a complex game of geopolitical interests, in which national security, geopolitical power, and economic interests are inextricably intertwined. Dependence on oil makes countries vulnerable to price fluctuations and geopolitical instability. As the global arena turns into an arena of competition for energy resources, oil diplomacy is becoming an important element of foreign policy. As a catalyst for change and a means of pressure, oil serves as a tool for states to trap each other in a thin web of strategic moves and maneuvers.

Until the 2000s, oil prices on the world market were mainly determined by so-called "fundamental factors". Since the early 2000s, most prices for oil, gas, metals and other economically important geographical resources have been determined not by financial variables, but by fundamental factors, the fundamental aspect of which is the exchange markets of economically stable countries. These prices are formed on the commodity derivatives markets in New York, Chicago and London, etc. Here is a vivid example: after the quarantine economic stagnation of the oil market, prices began to strongly depend on the world reserve currency, the exchange rate of the United States (USA). As soon as the dollar enters the zone of 1.1-1.15 euros, oil falls to 80-85-85 dollars for each barrel or even lower. This example shows that a period of economic crisis strengthens the position of a strong currency (in this case, the dollar) and at the same time reduces the price of oil.

What exactly is driving up oil prices? Firstly, there is a global inflation rate of 1 to 1.5 percent per year. Producer prices in the United States increased 6.4 times from 1950 to 2011: the price of oil at the end of 2011 was \$ 98.8 per barrel, which is equivalent to \$ 15.5 in 1950. Secondly, it is the so-called "financialization" of the world, when money becomes more and more saturated, and more and more goods turn into financial assets: in 1990, the index "global financial assets" was 261%, and in 2010 - already 356%. Since the beginning of the 2000s, oil, metals, and steel became financial commodities, commodity derivatives markets invested in them, and the share of speculators and investors in commodity portfolios using "commodity price indices" increased dramatically. Third, the current main exchange rate (US

dollar). The dollar is the world's reserve currency and the main unit of account. The dollar forms the price and calculations for oil from the Middle East. Therefore, when the dollar depreciates against a basket of world currencies, oil prices continuously rise. Oil sellers are trying to compensate for losses caused by the weakening of the dollar in the global economic exchange space. This explains why global prices for oil, gas, metals, stocks, and real estate only rose between 2000 and 2008, at a time when the dollar's economic position was weakening.

What factors influence the decline in prices for each barrel of oil? Firstly, the end of the "quantitative easing" policy in the United States. The US Federal Reserve (central bank) actively used the printing press to save the economy from a regional and global crisis. As a result, between 2011 and 2013, the stock and oil markets were inflated by bubbles; in 2014, the printing press began to slow down. This is the risk of financial shocks and the risk of a rapid collapse of bubbles. If this happens, oil prices will start to fall. It is this fear of the bursting of the so-called soap bubble that has led to lower prices in the global oil market. The second factor is increased regulation of financial markets, in particular the market for crude oil and other commodity derivatives. As a constitutional economic treaty, the Dodd-Frank act creates a direct opportunity for regulators to interfere with the pricing centers of American exchanges and limit speculative oil prices. Third, the most crucial factor that has a profound impact on the global economy is the prospect of future dynamics of the US dollar. This currency element is subject to its own cycles, occurring in periods from 15 to 17 years, starting in the 1970s. After a prolonged period of weakening of the dollar in the 2000s, from the point of view of technical analysis, its next stage of long-term strengthening is possible. This, in turn, when compared with other factors, is expected to create prolonged downward pressure on the prices of oil, metals and other raw materials.

Knowing the factors that directly affect the decline and increase in prices, it is time to list those countries that are fundamental to factors. The main players are the United States and other European countries. With the growth of shale oil and natural gas production, the United States has become one of the largest producers of energy resources, influencing global market dynamics. In addition, as previously mentioned, the new trading platforms in New York (the New York Mercantile Exchange) and London (ICE Futures, which is a former International Oil Exchange owned by the American Intercontinental Exchange) are at the head of oil trading operations. All other projects of oil exchanges are in a side status, despite the rapid development of Asian markets. Second in line are the countries of the Middle East, led by Saudi Arabia. Saudi Arabia is one of the largest oil producers in the world. Its ability to manage production volumes has a direct impact on global oil prices. In addition, Saudi Arabia, as a key OPEC member, is actively involved in making decisions on total production volumes to stabilize oil prices. Coordinated actions by OPEC may affect the balance of supply and demand in the market. The list won't be complete without Russia and China. Russia is one of the world's largest oil producers. In 2021, Russia's share in global production was approximately 11-12%. In addition, Federal Russia is the main exporter for the countries of Central Asia and, before the sanctions regime, for some EU countries. As for China, they are one of the main investors in oil and gas projects in other countries, seeking to provide themselves with energy resources to support their growing economic potential.

Today is the period when the main levers of geopolitical and economic control over the energy resources market are not in the hands of countries that have the same oil in their

lands, but rather countries with stable economies that are ready for global crises own it. And in turn, the same levers contribute to higher and lower prices in the global energy market.

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