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Sovereignty in the global economic order: histories of OPEC

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This critical review discuss the history of the Organization of Petroleum Exporting Countries (OPEC) through the lens of national resource sovereignty and its place in the evolving global economic order. Drawing on historical accounts and economic analyses, the study methodologically contrasts insider narratives that emphasize anti-colonialism and self-determination with outsider perspectives focused on price-setting and cartel behavior. The analysis traces OPEC's trajectory from its sovereign aspirations in the 1960s and its economic clout in the 1970s, to the erosion of cohesion under market pressures in the 1980s and 1990s. The shale oil revolution further challenged OPEC's relevance, revealing limitations in collective action and pricing power. While Saudi Arabia emerged as the de facto dominant producer, other members often prioritized national agendas, eroding OPEC's unity. Ultimately, the paper reframes OPEC not merely as a price setting institution, but as a dynamic organization shaped by the interplay between sovereignty ideals and global economic forces. This dual perspective shows that the powerful struggle for national sovereignty and liberation from colonial rule in the Middle East was ultimately undermined by the pressures of competitive market forces.

KEYWORDS

cartel, energy, Global South, oil economy, post-colonial

Introduction

What became of the ideal of national resource sovereignty in the new global order? This critical review addresses the question through an analysis of the Organization of Petroleum Exporting Countries (OPEC) during the transition from colonial to post-colonial times. It shows that the powerful struggle for national sovereignty and liberation from colonial rule in the Middle East was soon undermined by the pressures of competitive markets. Drawing on academic studies, as well as memoirs and personal accounts, the first part highlights how OPEC emerged as a Global South sovereignty project that has continually faced challenges of cooperation. The second part examines the economics of the global oil order, tracing the interplay between oil-producing nations and markets. At its core, this is a story about the contested meaning of resource sovereignty and the disruptive force of global competition.

Methodology

The present review bridges two different traditions concerning oil resources in the global economic order and the role of OPEC: anti-colonialism and cartels. The overall duality is explored by contrasting the perspectives of historical actors with those of Western experts. In short, the analysis overlays insider and outsider perspectives. Methodologically, this separation follows Merton's (1972) understanding that the research questions and analytical categories adopted by insiders and outsiders often diverge fundamentally. Indeed, two distinct bibliographic traditions on OPEC can be identified: one dominated by insiders, emphasizing resource sovereignty and anti-colonialism; the other shaped by outsiders, focusing on oil prices and cartelization. The final section seeks to link the political and economic perspectives, examining cartelization and price-setting policies through the lens of resource sovereignty to return to the opening question: What became of the ideal of national resource sovereignty in the new global order?

Insiders accounts

Recently, historical research has brought the theme of resource sovereignty in oil production nations again to the forefront, recovering the anti-colonial context of historical accounts. Interestingly, this revival has emerged 60 years after OPEC's foundation. According to Garavini (2019, 82), resource sovereignty claims and the "oil revolution" surfaced in a web of changes comprising political and social turmoil in the Middle East, the Suez crisis and the Israeli 1967 victory against Egypt and Syria. The author nonetheless recognizes that "OPEC was quite a novelty: the first organization in the emerging Global South, founded 1 year before the first meeting of the Non-Aligned Movement in Belgrade in 1961, and 4 years before the creation of United Nations Conference for Trade and Development (UNCTAD), in which Third World countries coordinated within a group called the G77 to campaign for better terms of trade for raw materials exports." By establishing an early and effective model of resource-based cooperation, this evolving institutional landscape reshaped producer nations' understandings of natural resources not merely as commodities, but as strategic instruments of national development. Consequently, projects of what Michael and Giuliano (2025, 12–16) describe as "fossil developmentalism" emerged as a galvanizing force in many postcolonial societies.

Departing from decades of analysis predominantly centered on the perspectives held by developed nations focused on price-setting dynamics and cartelization, there has been a notable return to the origins of OPEC's, amplifying the historical actors' narratives and claims.

The idea that new nations had their own right to control resources became a galvanizing ideal for the anti-colonial movement, permeating the viewpoints of colonial elites attending the United Nations or the Bandung Asian-African Conference of 1955. Indeed, national sovereignty and ownership of natural resources surfaced as a third world transnational identity (Declercq et al., 2023, 19). According to the diary of OPEC's first Secretary-General, the Iranian Rouhani (1971) and Rouhani (2013) the collective action model adopted by oil producers had special impact upon "… copper exporters in Africa and coffee producers in Latin America."

Among the scholars that brought the issue to the spotlight, Dietrich Christopher's (2017, 80) book Oil Revolution. Anticolonial Elites, Sovereign Rights, and the Economic Culture of Decolonization, remarks that OPEC's first communiqué read much like the Arab League, Bandung and UN post-colonial documents that preceded it. Phrases such as "collective action," "permanent sovereignty," and "unequal exchange" rang through the Afro-Asian arenas in which Third World diplomats encouraged each other to make truthful claims over the meaning of decolonization.

This process was to somehow culminate in 1973–1974 when OPEC members took into their own hands all the effective levers of power over crude oil: control over operations control over prices, and control over production volumes. No longer could the oil producing areas be "treated as a mere cog in the machine of the international economic order created by the industrialized nations' and their major multinational oil companies" (Seymour, 1980). In brief, the reinterpretation of OPEC in sovereignty terms unfolds the field of Middle East economy onto the arena of global political economy.

Out of the challenges of building a producer's organization in non-developed nations and in the momentous times of the 1960s and 1970s, surfaced a stream of memoirs and personal historical accounts. These memorialist writings suggest that participants believed they were living through extraordinary times and felt compelled to record their stories.

Chalabi (2010) memoirs stands out as one of the key references in any interpretation of OPEC's history. This especially holds as this Iraqi economist, who was OPEC Secretary General between 1983 and 1988, is positioned to provide an outlook from the standpoint of an unfavored oil producer (Iraq). His account of OPEC's emergence has become a textbook standard (Skeet,1988), buttressing the common cause of producing nations against one-sided decisions by oil multinationals, which had twice cut the posted oil price, firstly in February 1959 and again in August 1960. Middle East nations had been taken by surprise by these decisions despite the resulting tightening of oil tax revenues and thus reducing the income available for national budgets. However, while OPEC's foundation stemmed from a reactive movement, Chalabi (2010, 35) remarks that the movement was nonconfrontational: the creation of OPEC was considered 'necessary for both sides: the oil producers and the major oil companies', for the sake of price stability and fostering healthy growth. In other words, OPEC came about to meet the acknowledged need for 'intervention in supply regulation', to counteract chaotic price wars and a 'high degree of price volatility'. This explanation whitewashes any trace of anti-colonial nationalism from the motivations behind the organization's inception.

Confrontational, revolutionary rhetoric style played no role whatsoever in OPEC. In one fell swoop, the Secretary General from conservative Iraq removes the influence of revolutionary Egyptian President Gamal Abdel Nasser and pan-Arabism from the story. Fadhil Chalabi memoirs provide a perspective in hindsight. With hindsight, it became clear that despite OPEC's achievements, many oil-producing states lacked the technical expertise to manage their industries independently. During periods of overproduction and falling prices, the balance of power shifted in favor of international oil corporations. As Citino (2010) observes, economic pressures ultimately pushed oil-producing nations toward cooperation.

Contrasting with this pragmatist explanation, more heroic recollections by the younger Parra (2004) and Terzian (1985) stress the foundation of OPEC as the product of the vision and determination of just two men: Juan Pérez Alfonso and Abdullah Tariki. In these personal accounts, it does not matter that Juan Pérez Alfonso served as Venezuela's Minister of Mines and Hydrocarbons and Tariki was Saudi Arabia's Director General of Petroleum and Mineral Affairs. Not at all. Despite their government posts, they are portrayed as acting more in the name of their personal views than on behalf of their governments. As sketched by Terzian (1985, 65-97), a consultant and journalist who covered OPEC foundational meetings, they "invented"

OPEC. Somehow, this duo, "as different as chalk from cheese" (Parra, 2004, 92), appears to have formed a combination of opposite talents providing the wellspring for the oil producers' identity, paving the way for the official participation of governments in a new organization -the Petroleum Exporting Countries. Overall, the personalization of achievements conveys a sense of heroism and defiance along with an aggrandizement effect. Perez and Tariki embodied different goals for liberating producing nations from the power of foreign multinationals: Perez, concerned over oil depletion in Venezuela, advocated a general policy of oil conservation, through an international system of pro-rationing able to restrict supply to a level of market demand returning a fair price. Observing the essential nature of oil to modern life, Perez introduced the notion of petroleum's "intrinsic value" to uphold resource conservation and the trade-off between volume sales and price increases. Prominent thinker among his peers, Juan Pérez Alfonso was a visionary who brought modern perspectives to the oil industry, particularly on the conservation of non-renewable resources and the challenges posed by the Dutch disease in petrostates (Alfonzo and Pablo, 1976; Rangel, 2021; Michael and Giuliano, 2025). Abdullah Tariki, on the other hand, envisaged the appropriation of a larger share of oil rents by Arab nations applying this resource to bolster pan-Arabic strength. Under the spell of "revolutionary" Cairo, the Saudi Director questioned the very concept of the unalterable concession contracts held by the international oil majors (Vitalis, 2015). Even though Tariki supported Pérez Alfonzo's pro-rationing goals, this line of action was disavowed by OPEC and only bore fruition in the 1970s. To sum up, according to bystander observers Pierre Terzian and Francisco Parra, two exceptional men and two different ideas, oil conservation and Arab resource nationalism, account for the driving forces behind the foundation of OPEC.

This personalistic account was accompanied by a turnaround toward surveys of events backstage. In this respect, a secret meeting held in April 1959 came to be considered as the mythical origin of OPEC. The meeting was an informal gathering of Tariki and Pérez with representatives from Iran, Kuwait, Iraq and the United Arab Republic (the short-lived union between Egypt and Syria), who were attending the First Arab Petroleum Congress in Cairo. Aside from the official meeting, the group scheduled a conclave in the Mahdi Yacht Club. Arriving secretly from different venues and via different cars, these oilmen signed a covert pact to confer regularly on oil related matters, exchange ideas about final arrangements and concessionary contracts, and defend the price structure. Known afterwards as the Mahdi Pact, the final draft held no legal standing as only two signatories (Tariki and Pérez) represented their governments. However, the symbolic value of the semi-clandestine meeting was imbued by the mood of the time and the destitute status of oil-producing nations. Not by accident, the first joint formulation of mutual aspirations was made in secret. In this sense, it certainly paved the way for the intergovernmental conference held in Baghdad 1 year later at which OPEC was established.

Recent research by Fuccaro (2020) has updated the personalistic account into a group oriented perspective: across the Middle East there were other men with profiles similar to Tariki and Pérez: "a network of exceptionally gifted individuals [that] formed the first generation of Arab Petroleum elites," emerging "on the trail blaze of the industry's development throughout the region after the Second World War. They were the bearers of a new culture of oil modernization, technical and legal experts who shared a regional, global and internationalist outlook alongside a Western education. This informal network evolved around a discourse of petroleum rights that coalesced into Petroleum Arabism, advocating new policies and new contracts for the oil industry. Likewise, the westernized education in geology and oil engineering turned them into the appropriate interlocutors for the corporate boards of oil multinationals.

Some final memoirs shed light on a crucial issue around OPEC's creation: the role of non-Arab nations - Iran and Venezuela. Given Iran's oil production and, above all, its reserves, it would be senseless to move forward with an international organization while leaving this player aside. Moreover, everybody was fully aware of the fact. The autobiographical account of the National Iranian Oil Company Director, the well-connected aristocrat Farmaian et al. (1997), nonetheless reveals several episodes of reluctancy by the Persians toward any cooperation with their Arab neighbors. Even when OPEC's organization was on track, many Iranians claimed that "Iran should ride its own horse" and only the Shah's last-minute intervention secured the Mahdi Pact compromise.

Farmanfarmain's memoirs allow us furthermore to gage Venezuela groundbreaking role in this networking of oil nations. Courtesy of his description, historians gain a detailed account of the Mission sent by Venezuela to tour the Middle East in as early as 1950.[1] The South American producer, the largest post-World War II oil exporter, had enacted a set of tax laws intended to divide profits equally with the oil companies. Known as the 50/50 profit sharing agreement, the new tax structure raised the funding available to the government but left Venezuela isolated on the international scene with the oil majors threatening to divert output to the Middle East. For this reason, the main purpose of the 1950's Mission was to initiate direct friendly relations with Arab and Persian producer governments, disclosing the Venezuelan 50/50 deal in order to reach a price equilibrium in both Hemispheres. In furthering these objectives, Venezuela stood to gain the most with a common front among the large world oil exporters. Alas, the mission was not completely successful.

Acknowledging Venezuela's unique position in the global resource economy pushes the origins of OPEC further back in keeping with how even prior to the founding Baghdad Conference, serious endeavors at cooperation were already on the agenda. Looking into these more remote origins, Boué (2010) argues that the long-term Venezuelan strategy was set in motion not by Pérez Alonso but by his predecessor and the founder of the Venezuelan Ministry of Mines and Hydrocarbons, Manuel R. Egaña. Regretting "the deep shadows in the field of OPEC historiography," the author calls for a reassessment able to do justice to the "most intellectually gifted and able among all the men that have ever been responsible for the oil portfolio in Venezuela."

This long term account of OPEC's origins brings new personalities and new facts to the fore. Again, Pérez Alfonso, in a biographical interview, emphasizes an event often neglected in OPEC's historiography: Alfonso states clearly that, following Venezuela's 50/50 deal, the oil majors threatened the then largest oil exporter with rerouting production toward the Middle East. In reaction to this campaign of intimidation, Venezuela engaged in preliminary contact with Hussein Ala, the Iranian Ambassador to Washington (Alfonzo et

1 According to Giuliano Garavini, *The Rise and Fall of OPEC,* 82, the correct date of Venezuela's Middle East mission is August 1949.

al., 1976). Should this biographical confidence be confirmed, the historical root of cooperation initiatives among oil producers then recedes back to 1948.

Once on track, OPEC strengthened both the commitment and the confidence of oil-producing nations in asserting sovereignty over their natural resources. According to the diary of OPEC's first Secretary-General, Rouhani (1971) and Rouhani (2013), this shift was felt most acutely in Iran: "Iran was actively positioning itself to benefit from the unity of oil-producing countries. In fact, Iran's participation in the formation of OPEC was seen as a turning point that signaled a shift in its energy policy."

Formulated from the standpoint of structural factors and the longue durée, OPEC's origins can be retraced to Venezuela's cooperative inroads in the Middle East alongside the imperative nature of acquiescence by Iran. From the standpoint of agency theory, the roots lay in pan-Arabism imaginary and in the price cuts unilaterally imposed by the oil majors. Taken collectively, three major nations stand out in the different explanations: Venezuela, Saudi Arabia, and Iran.

Outsiders accounts

OPEC's power is based in the usage of sovereign rights to control oil reserves and excess capacity, but sovereignty alone did not guarantee market power or success. Western scholarship has elucidated the formidable challenges in forging a cohesive bond among the member states of the Organization of the Petroleum Exporting Countries (OPEC). Three principal phases have been identified, each delineating distinct price dynamics within the organization: The initial phase, situated in the 1970s, witnessed a heightened level of cooperation and interdependency among oil-producing states. This phenomenon was primarily attributable to the presence of low cooperation costs, given the high energy demand and the absence of viable alternatives in the global oil market. However, the golden age was brief. In the 1980s, an oil glut upheld by outside producers reversed the tide. During this period, the costs of cooperation grew disproportionately, resulting in asymmetrical interdependency, observable in the adoption of strict procedures for oil allocation among member states – the quota system. The concluding phase of the 1990s and 2000s marked a period of weakened interdependency, perpetuated by never-ending disputes, low prices and decreasing influence. The ensuing pages trace back these three phases.

Out of the different explanations and econometric models designed to describe OPEC's behavior, the idea surfaces that the 1970s and early 1980s represent the golden era for this organization. This was a period in which OPEC supplied less than would have been required to keep the price of oil fixed (Pierru et al., 2020). Since there was no spare capacity available outside the organization, the imbalance between demand and supply caused prices to skyrocket. Through recourse to a switching equations model, Almoguera et al. (2011) report evidence of collusion, especially during the early 1980s, "with periods of collusion resulting in 30% higher oil prices relative to periods of market competition." Strikingly, whereas political and international relations analysts attribute this trend to the eventful nature of disruptions provoked by the Yom Kippur war (1973–1974) and by the Iranian Revolution, economists rather pinpoint the tight conditions in the oil market and the hitherto unprecedented amounts of energy required by Europe, the USA and Japan as the main driving forces. In other words, the Yom Kippur War and the Iranian Revolution may have mattered as political events in the Middle East because they shifted consumer and investor expectations about oil inventories and future shortfalls in oil supplies (Kilian, 2014; Kilian et al., 2019). Moreover, several authors buttress the civilizational change that took place within the oil industry with the appropriation of natural resources by Third World governments. Henceforth, rather than being concerned with the government take of each crude barrel produced by multinational concessionaires, Gulf States began focusing on the very global oil price. The OPECs meetings in September and November 1974 legitimized this unilateral power to set prices (Seymour, 1980; Garavini, 2019). Petroleum became a seller's market with a wide margin for colluding nations to cut production and increase prices.

Under these circumstances, the literature was compelled to treat OPEC as a cartel, thus, a wealth-maximizing monopolist that restricts production to control prices. Nevertheless, academics still felt this designation did not fit entirely well with the textbook definition. OPEC acted as an organization of a special kind dubbed a two-block cartel (Hnyilicza and Pindyck, 1976), a clumsy cartel (Adelman, 1980) or a loosely co-operating oligopoly (Adelman, 1982). In fact, the petroleum market had all the trappings for the manifestation of collusive behaviors. The production of exhaustible resources such as oil or bauxite adjust slowly to price changes. More formally stated, a given change in prices does not immediately cause an equivalent change in consumption. These commodities are therefore considered relatively inelastic in the short run, meaning that even at higher prices consumers will not give up immediately on buying the commodity (Pindyck, 1978; Alhajji and Huettner, 2000). Opportunities to cut production and push prices upward are ample. However, the literature expresses doubts as to whether the economic scope for cartelization has been fully explored as a wealth maximizing practice: did the major OPEC producers display the cohesion and power to maintain an artificially high price over the long run? Or was this cooperation clumsy, unsophisticated and loose?

In any case, the consequences of soaring prices began haunting producer nations in 1981. On the one hand, the demand for highly priced oil started to contract, chiefly in developed OECD nations (medium term elasticity), on the other hand, new producers entered the market in response to higher prices, taking advantage of new technologies (North Sea, Mexico and Alaska). Facing this highly competitive conjuncture, OPEC attempted to sustain oil prices at the Saudi level by fixing the Arabian Light benchmark at $34 a barrel but the pressure from oil swamping the market was too strong. The situation was particularly intense for the light, low-sulfur crudes of Nigeria and Libya, which had to cope with discounts and even price cuts by high quality North Sea Oil producers (mainly BP and Shell). In early 1982, Nigeria broke OPEC's ranks by undercutting the agreed organization price. Iran was to follow suit. The press were swift to announce the death of OPEC. Endeavoring to put the broken pieces back together, Saudi Arabia called for the creation of a cap for overall production by member states (Garavini, 2019, 332). In March 1982, OPEC set output quotas for its members with an aggregate ceiling of 17.5 million barrels day (mbd). This historic prorationing decision to curb supply translated into production limits ascribed to the different members but not to Saudi Arabia that refused to be assigned a quota on the ground that production is a sovereign decision. Instead, the Kingdom was supposed to meet residual demand and cushion the impact of excess quota exports from Iran and Iraq, increased output by non-OPEC sales, and declines in worldwide demand. Even though there had been from the outset a tacit belief that the Saudis would produce 7 mbd, by the summer of 1985, production had effectively shrank to 2 mbd. Sweeping overproduction pushed the Kingdom into becoming the only defender of the marker price. Aside the direct income loss, the national petrochemical sector, dependent upon the supply of associated natural gas from crude extraction began also to be affected. At this crossroads, in September 1985, Saudi Arabia itself defaulted from the established equilibrium and punished Iraq, Iran and other unbound producers by steadfastly increasing production and driving a collapse in world prices. The event marked a turnaround in the oil economy and opened up a downward cycle. On top of that, the fixed price regime was abandoned in favor of flexible market-determined prices, introduced by the Saudis through the sale of different types of crude according to price formulas announced monthly (Al-Moneef, 2020). To the extent that price shifts stemmed from changes in the Saudi positioning, the view of an all-embracing quasi-cartel lost ground: hence, rather than analyzing OPEC as an oligopolist producer and non-OPEC producers as the competitive fringe, alternative economic models henceforth departed from the perspective that Saudi Arabia was the dominant producer and all remaining producers (both OPEC and non-OPEC) were the competitive fringe. For a brief period, Saudi Arabia got treated in its own right. Championed by the Egyptian economist Mabro (1986), the dominant producer model was rooted in the Kingdom's capacity to set its output in anticipation of the fringe. The Saudi decision to cut oil production at the height of Iranian oil disruption in early 1979, for example, pushing prices upwards, exemplified the dominant producer status (Gately, 1984). In a similar vein, Griffin and Teece (1982), labeled Saudi Arabia under the catchphrase of "swing producer" or "balance wheel" that absorbs fluctuations in supply and demand to maintain a monopoly price. As swing producer, the Kingdom therefore holds a stabilizing function both in the oil market and within OPEC. Expressed otherwise, the Saudis perform a steadying role because they adjust their output to minimize the difference between the spot (competitive) price and OPEC's oligopolist price (Al-Yousef, 1988). Amidst Saudi political memoirs, the consensus was that this was a one-off flawed policy not to be repeated. Next time, sell as much as you can (Al-Muhanna, 2022, 25).

What ensued was "a gloomy decade for the oil market" with low prices and constant bickering over quota increases among OPEC members (Fattouh and Sen, 2016). Drawing on how the official quota system remained in force between 1982 and 2005, Smith (2005) argues that with an increase in formal negotiation costs, it became more difficult to reach consensus on proposed output revisions and the ensuing profit redistribution. This explains why quota allocations were revised only rather infrequently and less than twice per year on average. The outcome was that this gloomy decade became a period of quota allocations with high transaction costs with OPEC undergoing transformation into a bureaucratic cartel.

In the meanwhile, there was little increase in supply from non-OPEC sources: by the middle 1990 production from Russia and the United Kingdom began inching back. As demand growth had to be met chiefly from within OPEC, the organization slid into the exhaustion of spare capacity, mostly concentrated in Saudi Arabia (McNally, 2017). Once the quasi-cartel verged on the utilization of maximum capacity, it lost the capacity to influence oil prices given that it was no longer able to turn the taps on and boost the amount of oil extracted to curb rising prices. Once again, the organization was given a prognosis of looming irrelevance.

Strikingly, a significant stream of research began emerging that questioned the very pricing power of OPEC. Wirl and Kujundzic (2004), for instance, conducted a study of how the events and declarations of OPEC's Conferences affected oil prices. Applying a sample of 50 conferences, 18 of which sought to raise prices, 14 decrease prices and with 18 ending inconclusively, the authors report these decisions had only minor impacts on the world oil market. Acknowledging the growing importance of financial instruments in oil transactions, Fattouh (2007) also argue that OPEC's pricing power has fluctuated over time with decreasing impacts as oil markets became more integrated.

The effectiveness of the non-cooperative behavior engaged in by some of its members has been proposed as the fatal chink in OPEC's armor. Drawing on historical observations, Daly (1982) build a hybrid model to depict the different blocks within the cartel. Instead of a monolithic organization, they thereby divide OPEC into a cartel core, including Saudi Arabia, Kuwait, UAE, Qatar, and Libya; a block of price maximizers, especially Iran, Algeria, and Venezuela; and a final group of output maximizers featuring the remainder of member states.

The cartel core consists of countries with vast oil reserves, relatively small populations and more flexible economic development plans so that the relatively low rates of production necessary to sustaining oil prices are both feasible and desirable. Gives their vast petroleum reserves, they pay particular attention to long run prices and show preferences for relatively lower prices in order to extend the resource's life-span. Above all, they are relatively immune to budgetary and investment pressures. As a group, these countries behave as the dominant firm and hence the designation of cartel core. With time they even started coordinating their positioning before OPEC's meetings (Al-Muhanna, 2022, 93). Differently, the price maximisers block of Algeria, Iran and Venezuela all have relatively large populations and considerable potential for economic investments but do not display high reserves relative to current production levels. Always looking for greater earnings, the price maximisers tend to produce close to full capacity while nevertheless willing to cut production to achieve higher prices. Finally, the remaining output maximisers block, Nigeria, Iraq, Indonesia, are heavily populated nations that display the capacity for significant expansion in production and that respond as competitive producers to shifting market conditions. Within the OPEC framework, they tend to behave independently, often cheating on the organization's quotas and targets.

In a nutshell, the advantage of this model stems from its recognition of the importance of a cartel core acting as a dominant firm and setting the market price. Simultaneously, both the price and output maximisers also influence price in keeping with their willingness to expand or reduce production affecting the remaining market share beyond the cartel core" (Griffin and Teece, 1986).

While OPEC was able to extract additional rents through the exercise of market power in the 1970s, by the mid-1980s, this power waned as high prices spurred new non-OPEC supply and members began to cheat on quotas. The initial cohesion built against multinationals was tested, demonstrating the limits of sovereign unity under the pressure of market forces. The low-price environment of the

1990s and 2000s turned the organization's decisions further difficult and undermined its strategic unity. If the conquest of sovereignty over natural resources promised a development era, the concerted management of these natural resources was harder than foreseen.

The challenges of non-conventional shale oil

> Over the years, reports of OPEC's death have been greatly exaggerated, both by western press and by academic research. These termination certificates commonly single out two probable causes: the loss of pricing power whether by member nations or by the organization as a whole; or, the disbanding of the nation states within OPEC. Surprisingly, the cat has demonstrated many lives—and when the box was opened, the cat was still alive. Mabro (1991) articulates the OPEC's death paradox with the following assertion: the international organization "seemed weak when everybody is awed by its apparent power, and strong when everybody prepared its obituary." The most recent demise stems from the rise of non-conventional oil.

Additional input from the supply produced by the US shale oil revolution has recently overturned world energy economics and introduced a new facet to OPEC's market dominance and pricing power. Driven by an upward spiral in oil prices fed by Asian demand growth, US producers deployed advances in fracking and horizontal drilling technologies to start pushing oil out of rock formations by injections of water or gas or water directly pumped into injector wells. Under the commercial name of shale oil, these rock formations are in reality organic marlstone, with marl a mixture of clay and calcium carbonate containing up to 50% organic matter - kerogen, derived from a myriad of organisms, chiefly plants. Academic research therefore, prefers to apply the term tight oil (Youngquist, 1998). Owing to an upsurge in non-conventional oil investment, tight oil production has grown impressively and made up about 20% of U. S. oil production or 2.3 million bpd in 2013. The upsurge furthermore was aggravated by conventional oil growth from Canada, Brazil, Iraq and Iran. The overall increase came at the expense of OPEC countries as well as other producers outside of the cartel, namely Russia (Quint and Venditti, 2020). In 2014, this oil super-cycle came to an end with a drastic fall in prices, largely caused by oversupply, seeing the Brent benchmark plummeting from around $115 USD in June 2014 to $46.6 USD in January 2015.

The ensuing course of events was approached by Ramady and Wael (2015) in their book "Opec in a Shale Oil World": "There was a conviction in the market that OPEC will trim its production to defend the $100 USD oil price it viewed as fair. This conviction lasted until November 27 2014, the day of the 166th ordinary meeting of the organization. On that day, Brent, the benchmark for pricing half of the world's crude, was trading at around $72 USD. (…) Apparently, by agreeing to keep the organization's production target intact at 30 million barrels a day, the OPEC ministers decided to let the market balance itself fully: "let the market work." Oil prices continued their slide following the meeting, hitting 6-year lows" and conveying how OPEC is no longer an entity able to support price floors.

Led by Saudi Arabia the decision to stand still was immediately flagged by the analysts at large financial institutions: Citibank claimed there was a new paradigm in which U.S. shale oil producers will balance the market in the role of swing producers; Goldman Sachs announced that the OPEC core had lost their pricing power. However, most analysts interpreted the decision to keep production levels and let the market do its work as a strategy to squeeze high-cost U.S. shale oil producers out of the market. Saudi policy makers themselves believed that most of the marginal shale oil production would disappear under a price of $70–$80 per barrel (McNally, 2017, 243). Oil specialists, McNally (2017) and Yergin (2015), conceded that Saudi Arabia and its allies were looking not just at American shale oil competition but also at enhanced production by Iran, at the very moment that relations between Tehran and Riyadh were crumbling. What ensued surprised everyone in the energy community. The dice were loaded against shale oil but American producers displayed amazing resilience in resisting the downturn in prices. This was achieved by improving tight oil productivity and moving down the cost curve. Fundamentally, drilling became concentrated in "sweet spots," guaranteeing higher reserves per well. Additionally, they turned to technology and improved techniques while securing service and supply discounts, stalling projects, reducing operational costs and leaving less productive wells uncompleted until market conditions improved (Velda, 2016). Dominating the low-end of the cost curve in U.S. tight oil drilling, the top 25% of wells drilled in the Permian remained economic at a barrel price of between $40/bbl and $48/bbl. Apparently, the Saudi attempt to drive high-cost U.S. shale oil producers out of the market failed. Instead, OPEC emerged as the loser. Against such pessimistic view, Griffin (2018) proposed a counterfactual world in which OPEC reacted by defending higher prices. Griffin sums up that "the Saudi gambit was a necessary response to market forces heavily influenced by the shale revolution." If oil prices had not been pushed down at OPEC's 166th ordinary meeting, shale drilling might have proceeded in broad areas of most shale grounds, not only in the USA but also elsewhere: "While the Saudi gambit did not eliminate the shale revolution, it has slowed its growth." However, this surely runs counter to the view that OPEC completely lost its pricing power amidst the shale oil revolution.

By the end of 2016, the Saudis realized that low prices were not shutting down American shale production. Under the new leadership of King Salman bin Abdulaziz Al Saud the Kingdom shifted its stance and showed willingness to pursue production cuts and enhance oil prices. Saudi Arabia, however, was no longer prepared to shoulder the burden alone.

Overcoming years of reluctance, the Kingdom worked to bring Russia and other major non-OPEC producers into a cooperative framework aimed at rebalancing the oversupplied market. In November 2016, OPEC and a group of ten non-OPEC countries, including Russia, Kazakhstan, and Mexico, reached an agreement that became the basis of what later came to be known as OPEC+. The participating countries adopted explicit production targets, promising a shared cut of roughly 1.8 million barrels per day. OPEC+ supply cuts reversed the tide, with an improvement on oil prices, although "the effect was quantitatively modest" (Quint and Venditti, 2020,184). The coalition faced its decisive test when SARS-CoV-2 shocked the world economy in early 2020, triggering a collapse in oil demand and crude prices. Renewing its pledge to keep oil supply tight, OPEC+

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announced the extension of the agreements and succeeded in reducing production, which helped to modestly raise oil prices. The major contribution to stabilizing the market came from OPEC members themselves, with a minor contribution from non-OPEC allies (Almutairi et al., 2023). This outcome reinforces the idea that the expansion of oil producers' coalition lowered the costs of cooperation within OPEC: turbulence surfaced as the great threat to resource sovereignty.

Conclusion

The end of World War II ushered in a new era of decolonization in which OPEC was to play a paramount role in buttressing the idea of national sovereignty over natural resources. Three reasons help explain the importance of core Middle East nations to OPEC: First, the decolonization process fostered a shared political culture that emphasized sovereign rights, transcending national boundaries and, at times, even ethnic divisions. Oil, omnipresent throughout the region, symbolized one of the last enduring markers of foreign domination, making control over it a powerful expression of independence. Second, the region's giant and supergiant oilfields were characterized by exceptionally low production costs, which gave Middle Eastern exporters an overarching interdependency in global markets. Oil from the Middle East could economically beat oil extracted from anywhere else in the world; finally, the Persian Gulf was furthermore the region with the largest world oil reserves, meaning that producers held an interest in the long run path of prices. This combination of political symbolism, economic competitiveness, and resource abundance explains why Middle Eastern states assumed such a central role in OPEC. To keep a hold over oil prices and maintain the necessary cohesion the organization was compelled to change. In this process, whenever the oil market become tight or when excess production threatened prices, Saudi Arabia stepped in as the key player upholding OPEC's unity. While Pan-Arabic visions were the glue that tied up different national aspirations in the multinational's period, Saudi Arabia become the bastion of oil producer interests in the period of resource sovereignty. Iran and Iraq, on the other hand. Were the typical group cheaters in earlier phases. In a surprising turn of events, Venezuela and Kuwait would become major cheaters in the 1990s.

This review has illustrated that OPEC was far more than a price-fixing cartel; it was born as a manifestation of newly independent nations asserting control over their resources. This reinterpretation of OPEC in sovereignty terms contributes to international political economy debates.

During the founding era, sovereignty was a unifying ideal against colonial oil concessions and multinational's arbitrariness. After that, in the cartel era of the 1970s, sovereignty took the form of coordinated price-setting cooperation mechanisms designed to control resources and assert oil producers' power. In later decades, excess production from outsiders and market pressures tested the limits of sovereign unity, with constant adaptations to the quota system. Threatened by the boom prompted by non-conventional shale oil producers, which undermined OPEC's market share in the global economy, the organization decided to get off the stage and let the market work. In so doing, OPEC sacrificed its short-term revenue to secure the long-term influence of Global South producers.

Consumer nations saw these developments altogether from the outside, embracing the standpoint of price collusion. The bibliographic review herein displayed has revealed nonetheless that academic studies experienced difficulties in the usage of the cartel concept due to inadequate interest coordination among members states. In terms of price setting, it was clear that the ability to change practices stood out as OPEC's main feature. The cat lived many lives. Contrasting with the heroic view of OPEC's formation as a Third World stand toward former colonial powers, the academic stream of literature focused on oil price and price collusion demonstrates that the coherence of the organization did not necessarily emanate from shared objectives revolving around the principle of sovereignty over natural resources: a realist perspective, considers the oil producers economy as a mosaic of conflicting interests, rather than a common front of producers. Overall, the initial idea of sovereign power lasted longer through the stand of the organization's core, which comprised Saudi Arabia, Kuwait, UAE, Qatar, and Libya. All things being equal, the stronger the global market share of OPEC's producers, the easier the cooperation and the defense of sovereign rights.

Data availability statement

The original contributions presented in the study are included in the article/supplementary material, further inquiries can be directed to the corresponding author.

Author contributions

NM: Conceptualization, Writing – original draft, Writing – review & editing, Validation, Formal analysis, Methodology.

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