

Committee: Arab League

Topic B: Fighting against oil devaluation

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Committee

The Arab League is an organization founded in 1945 with the purpose of uniting all the Arab speaking countries from the Middle East and Africa in order to prevent conflict, develop trade markets in the region and to ensure sovereignty for each member state. The organization has 22 member states including Palestine. The League was initially proposed by England during World War II to protect the Arab world from the Axis powers in 1942 but the organization was not properly developed until 1945. The Arab League has done several contributions to the member states, such as gaining economic achievements along with other smaller regional institutions and encouraging the creation of more telecommunications that connect Arab countries.

The Problem

Oil is one of the most important natural non-renewable resources in the world since it creates most of the energy we have today, as well as being the resource used to create many everyday use products such as plastics, chemicals, paint, etc. Oil can be found in several places in the world but one of the regions with the most oil is the Middle East. Countries such as Saudi Arabia, Iran, Iraq, Kuwait, the United Arab Emirates, and Bahrain are some of the top oil-producing countries in the world because they have around 60% of the world's oil reserves. This makes most of the region's economy based on the production and refining of oil to sell it later on the internal and on the international market. Even 11 of the 22 members of the Arab League are part of the OAPEC (Organization of Arab

Petroleum Exporting Countries) with the goal of transforming the energy industry to create important economic progress in the region.

During the past years, oil prices have been going up and down worldwide. Devaluation is the decrease in the price of something, in this case, a decrease in oil prices. These devaluations and rises in price are caused mainly by the supply and demand, production decisions made by OPEC (Organization of Petroleum Exporting Countries) and sometimes politics in oil-producing areas can cause this phenomenon. This resource's devaluation is something that affects oil producer and exporter countries, especially the ones in the Middle East region since their economy heavily depends on the resource. Middle Eastern countries have been alarmed for sudden oil prices dropping during this decade and are often trying to raise them up to subsequently boost their economy, particularly some of them have been alarmed on this issue after one of the biggest oil price collapse in 2009.

Development of the problem

Between 2014 and 2016, oil devaluation increased drastically and it severely affected countries in the Middle East such as Kuwait, Saudi Arabia, the United Arab Emirates, Iraq, and Iran which is a country that highly depends on oil prices. The first three countries had to cut expenses in order to meet their public budget as a consequence of their most important economic sector being damaged. Other countries like Bahrain, Qatar, and Oman also had problems related to oil prices and they had to cut expenses as well but at the same time, they independently increased oil prices although their economies were also affected. Middle Eastern OPEC members tried to negotiate balanced oil prices for the second half of 2016 but they could not get into a positive agreement, especially since some countries had political and economical issues during that period. The countries mentioned above and other oil-producing countries like Libya, Algeria, and Yemen also faced lower production in some of the production companies due to the fall of oil prices.

At the beginning of 2017, oil prices began to stabilize and so did the economy of the Middle East despite the geopolitical instability and its effects on oil prices between countries. At the end of 2017, oil prices were expected to grow for 2018 and they did because the tension between Iran and the United States decreased throughout the year. Finally, in 2019, oil prices have been increasing and decreasing as the year moves forward. United States reintroduced sanctions to Iran and at the same time tension between Middle Eastern countries has been growing. One example of this is the recent drone attack to a Saudi Aramco refinery on September 14, 2019, it immediately boosted oil prices throughout the world up to a 20% but as the days have gone by and as Saudi Aramco acts towards the attack, prices have been dropping and then increasing significantly.

Importance of solving the problem

Oil devaluation has been an issue for a long time and it is important to fight against it since it affects the economy of oil-producer and exporter countries. It is important to consider that either low and high oil prices can affect the economy since they create deflation and inflation respectively, prices should be stable to prevent these problems and to prevent more tensions related to this important natural resource the Middle East has. Oil devaluation is expected to increase in 2020, so it is important to act as soon as possible to keep a stable price.

Helpful sites for research

<https://edition.cnn.com/2019/09/15/investing/saudi-oil-prices-attack/index.html>

<https://www.macrotrends.net/2516/wti-crude-oil-prices-10-year-daily-chart>

https://www.dailyfx.com/forex/fundamental/article/special_report/2019/09/14/Crude-Oil-Prices-May-Fall-on-FOMC-De-Escalating-Iran-Risks.html

<https://perspectives.pictet.com/wp-content/uploads/2017/01/DEF-Middle-East-Politics->

January-2017 EN.pdf

https://www.opec.org/opec_web/en/index.htm

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Saudi Arabia and the Oil Price Collapse. (OAD). Retrieved from <https://www.mepc.org/speeches/saudi-arabia-and-oil-price-collapse>

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Safi, M., & Wearden, G. (2019, September 16). Everything you need to know about the Saudi Arabia oil attacks. Retrieved from <https://www.theguardian.com/world/2019/sep/16/saudi-arabia-oil-attacks-everything-you-need-to-know>

Al Jazeera. (2019, September 22). Saudi oil attacks: All the latest updates. Retrieved from <https://www.aljazeera.com/news/2019/09/saudi-oil-attacks-latest-updates-190916102800973.html>