

The Economic Consequences of the Persian Gulf War: Accelerating OPEC's Demise

Aug 1, 1992



In-Depth Reports

Of the many strategic interests that United States and its allies have in the Middle East, surely one of the most crucial is securing energy supplies from the region. The Gulf War of 1991 demonstrated the importance of Middle East oil in the international community's strategic calculus. Since the oil shocks of the 1970s, much attention has focused on the Organization of Petroleum Exporting Countries (OPEC); indeed, much of the influence that Gulf states have wielded in world affairs derives from their asserted cohesiveness and presumed ability to control the oil market.

In this Policy Paper, Eliyahu Kanovsky aims to assess the longer term economic impact of the Persian Gulf War on oil markets and a number of Middle East countries affected by the crisis. He argues that despite widely-held assumptions, the price of oil will most likely drop in the near future. He suggests that the countries of OPEC will, as they have in the recent past, pursue their own interests and sell as much oil as they can, and in the process dilute their political strength. ♦

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