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Article

The Impact of OPEC+ Production Decisions on The Iraqi Federal Budget (2016-2024)

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Abstract: OPEC was founded in 1960 in Baghdad with the aim of unifying visions and reaching oil policies that preserve the interests of its member states and the stability of the energy market. However, the organization faced numerous and complex challenges that prevented the achievement of its objectives for which it was established, and these challenges and problems varied. Some of them were economic, such as the slowdown in the global economy, how to control production levels so that supply is equal to demand, the challenges of oil outside OPEC and how to maintain its market share, and the challenges of procedures. And the policies of the International Energy Agency, as well as the political challenge that emerged clearly in the seventies decade after the Arab countries used oil as a weapon in their war against the Zionist entity, and the political differences of some OPEC countries in the eighties that caused a negative oil shock after the collapse of oil prices, as this dispute affected the 2014, which was one of the causes of the negative oil shock in 2014, and now OPEC is going through a major challenge after the emergence of new features. The global system, which seeks to bring about radical political and social changes, to be compatible with the Western liberal approach and its capitalist economy, and the Russian-Ukrainian war and the events that preceded it in the Middle East, are only one of the episodes of this change in which oil plays an active and influential role in these changes, hence The importance of this research comes in shedding light on the history of OPEC for the period (1970-2023) and taking advantage of the mistakes to draw a unified policy among the member states. Its members face future scenarios and real economic threats that can be read from the procedures and laws of industrialized countries, especially after 2030.

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1. Introduction

OPEC was established in 1960 in Baghdad, with the aim of unifying visions and reaching oil policies that would preserve the interests of its member countries as well as stability in the energy market, but the organization faced many complex challenges that prevented it from achieving its goals for which it was established, some of them were economic, such as the slowdown in the global economy and how to control production levels to make supply equal to demand, the challenges of non-OPEC oils and how to maintain their market share, the challenges of IEA procedures and policies, as well as the political challenge that appeared clearly in the 1970s after the Arab countries used oil as a weapon in their war against Arabs [1], [2].

The importance of the research :

The importance of the research is evident in the fact that it is a historical reading of OPEC decisions and their economic and political impact on member states, including Iraq, and the impact of these decisions on the annual budgets and the Iraqi economy in general [3], [4], [5].

Research Problem :

OPEC is trying to follow the best ways that enable it to maintain the fair price and its share in the oil market, but some of these decisions negatively affect the budgets of countries that depend on oil revenues in large proportions [6], [7], [8], [9].

Research hypothesis

The Iraqi economy is affected by OPEC's decisions, especially if these decisions come suddenly, so Iraq's annual budgets are affected and the size of the deficit increases.

Research objectives:

This research aims to analyze the course of OPEC's oil policies during the period (1970-2023), highlighting the most prominent economic and political challenges it faced, in order to draw lessons and draw a unified strategic vision for member states to face post-2030 scenarios, especially in light of increasing Western calls for a shift towards clean energy and a decline in dependence on fossil fuels [10], [11], [12], [13].

2. Materials and Methods

The research relies on the historical-analytical approach to trace the development of OPEC's policies during the period (1970-2023), analyze the most prominent crises and challenges it faced, and use the descriptive-comparative approach to compare the organization's responses to global shifts in the energy market, relying on official data and reports issued by OPEC and the International Energy Agency, in order to assess the effectiveness of the organization's role and foresee its future in light of the expected changes after.

Chapter One:

OPEC: Origin and Importance (OPEC) First: OPEC Origins and Concept

Since its establishment in 1960 in Baghdad, OPEC seeks to achieve a number of objectives, primarily in the interest of a group of the largest oil producers in the world (Iraq, Kuwait, Saudi Arabia, Iran and Venezuela), and OPEC is an international body that includes a group of oil exporting countries under the name (Organization of the Petroleum Exporting Countries) .

1. Objectives of the foundation

OPEC was established to coordinate and unify petroleum policies among member countries in order to secure fair and stable prices for oil producers, an efficient and economic supply for consuming countries, and a fair return on capital for investors in the oil sector.

OPEC works to achieve these goals by working to maintain the stability of crude oil prices in global markets, coordinating among member countries to maintain an appropriate production level that achieves a fair financial return for producers, maintaining OPEC's share of the oil market, and sustaining the supply of oil to consuming countries.

There are a number of tasks that OPEC implements to reach the above-mentioned goals, including

a. Setting production quotas for each member of the organization to control production levels
b. Holding periodic conferences to discuss policies, unify visions and set future strategies
c. Studying and following up on all factors that affect oil markets, whether political, technological or economic.
d. Developing cooperation frameworks with non-OPEC producers to enhance the stability of global oil markets
e. Sustainable supply of oil to meet global demand

f. Increase the income of OPEC member countries, and work to invest financial resources from oil to achieve economic reforms for member countries.

2. OPEC's founding factors

One of the most important factors in the establishment of OPEC is the practices of international oil companies that control most of the world's oil sources in 1959, which began with systematic unilateral reductions in oil prices, which prompted those countries to establish an organization that unifies visions and policies to confront the unfair policies of oil companies, especially since these countries are united by a set of characteristics, in particular, their budgets depend heavily on oil rents and the presence of major producers in one geographical area (the Middle East). In addition to the fact that most of them are Arab countries and the most prominent feature is that they are developing countries that aspire to economic reform and development, they see in oil a security cordon, and it became a great global economic weight, which soon turned into a political weight, after the awareness of the peoples of the mentioned oil countries increased the importance of this important resource, which prompted governments to demand the reform of contract terms with international oil companies that control all rings of the oil industry.

The features of OPEC's actual power appeared through its Resolution No. (90) in 1968, whose provisions included a set of important points that put oil-producing countries in a better negotiating position, including the provisions of this resolution.

a. (Governments and members will try their best to explore and develop their hydrocarbon resources directly. The capital, specialists and marketing outlets required for this direct development may be supplemented where necessary from alternative sources on a commercial basis.)
b. (If no provision is made for the State's participation in the ownership of the concessionaire under any petroleum contract, the Government may have a reasonable participation based on the principle of change of circumstances)
c. (Emphasizing the right of OPEC members to set prices, and linking the prices of manufactured goods to the prices of oil exports.
d. Amending contracts based on changing circumstances.
e. The resolution was a turning point in the oil industry that caused very major shifts in the oil industry map, as it clearly indicated the freedom of member states to develop their oil industry according to their interests and the data of commercial markets, and their control over exploration and production rings, and demanded that member states have the final say in setting prices, and reviewing the terms of contracting and the quality of contracts, thus the resolution laid the foundation for a radical change in international oil policy.

3. OPEC and the structure of the oil industry

At the beginning of the 1970s, OPEC announced itself as an influential economic force in the structure of the oil industry, especially after increasing its share in the volume of global production, which reached 49%, , which encouraged the organization to aspire to control the global oil supply, as OPEC countries began to see that the foundations of the relationship with oil companies must change, the beginning was through the 1970 OPEC meeting in Venezuela, in which the organization authorized three oil ministers (Iraqi Oil Minister Saadoun Hamadi, Iranian Oil Minister Jamshid Emozgan and Saudi Oil Minister Ahmed Zaki Yamani) to negotiate with oil companies on behalf of the organization to raise oil prices.

The negotiations began in Tehran in 1971, the negotiations included four rounds of negotiations, in these negotiations, new features of the relationship between OPEC countries and oil companies appeared, as they became discussed in the joints of managing oil policy and prices, which is contrary to what was happening previously when the countries were host to the negotiations of oil companies because they collect taxes, but the balance of power was in their favor because of what their unified views achieved a strong negotiating position, which forced the oil companies to sign the Tehran Agreement, which included.

a. Increasing the percentage of OPEC countries' profits by 55%
b. Raising the price of a barrel of oil by 35 cents
c. Imposing an annual increase of 5 cents per barrel
d. Elimination of all discounts and allowances enjoyed by oil companies
e. This agreement is valid for five years.

This agreement constituted an important victory for OPEC, which was the basis for the transformation of the oil market from a consumer market to a producer market. It also showed OPEC as a real force in the oil market, especially after the disappearance of excess production capacities in the period (1970-1973).1973), which prevented prices from rising, as excess production capacity is an indicator of price stability in oil markets, when production capacity decreases significantly, oil market participants' fears of supply shortages increase, and these pessimistic expectations push oil prices up, while in the case of the opposite happens, as traders' expectations become optimistic, causing prices to slacken and fall, and the fact that the decline in production capacities has the greatest impact in increasing OPEC's strength and rigidity in its struggle with international oil companies, in its quest to control the management of its oil)14-15(د.خضر،احسان،2005،ص wealth.

In 1972, OPEC signed the first Geneva Agreement, and in 1973 the second Geneva Agreement was signed following the decline in the value of the dollar after the United States abandoned its obligations to convert the dollar directly into (0.8) grams of gold, as OPEC announced the agreement of its members to increase oil prices whenever the value of the dollar deteriorates against a basket of major currencies, and vice versa if the value of the dollar improves.

As a result of these developments, OPEC has become an important pillar of the structure of the global oil market, and has a significant impact on prices, as this control image appeared clearly, when the Arab countries in OPEC (which is its greatest weight) used oil as a weapon in its war in 1973 against the Israeli entity and those who supported it, as the Arab OPEC countries announced cutting off oil supplies to the countries that supported Israel, namely the United States and the Netherlands. Israel, namely the United States and the Netherlands, as well as a programmed reduction in production by 10%, which caused a global oil shock after the price of a barrel of oil rose four times, which exposed the global economy to the risks of economic recession, this incident constituted a dangerous precedent economically and politically, as the impact of OPEC decisions on the global economy and its stability became clear.

These developments enabled OPEC countries to control oil prices and became an essential part of the structure of the international oil market.

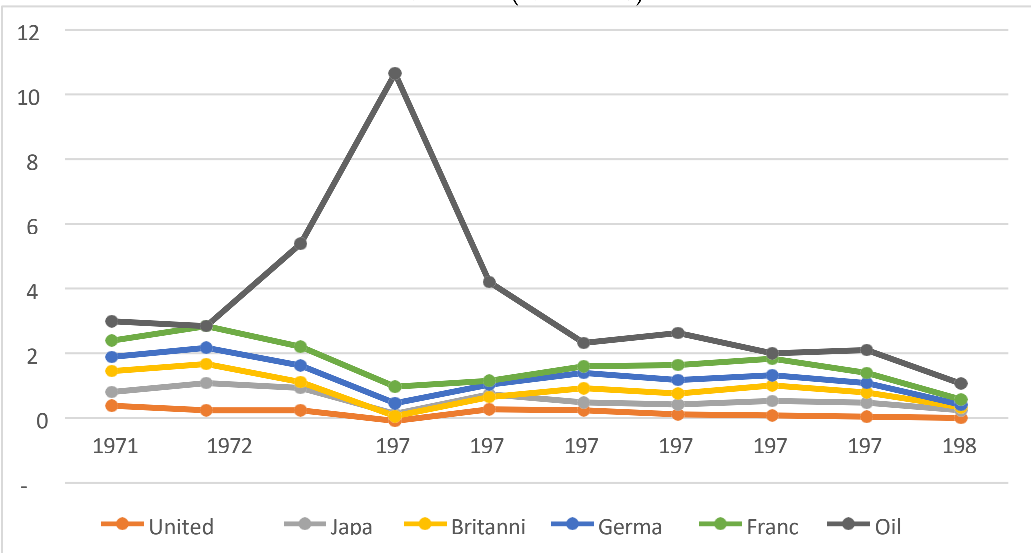
3. Results and Discussion

The impact of OPEC's decisions for the period (1970-2024)

1. First: Period (1970-1980)

After a series of consolidations by some OPEC countries and the review of concession contracts and negotiations by other countries, most of which were crowned in favor of OPEC countries, OPEC countries were able to control their oil wealth, and became in control of the most important links of the oil industry from exploration, production and supply, so they practically control the price, and thus became in front of a great responsibility and on more than one axis, the first is to preserve the interests of its members, the second is the sustainability of oil supplies to the world. The second is the sustainability of oil supplies to the world, as well as its direct impact on the global economy, which clearly appeared when OPEC countries announced the use of oil as a weapon in the October 1973 war, which pushed prices to rise dramatically and announced the occurrence of the first oil shock. Ahmed, and this is what we observe from Figure 1, as it notes the beginning of the decline in GDP growth rates for a group of major industrialized countries that lead the world economy gradually after 1972, which are the results of OPEC corrective measures, and in 1973 we notice a jump in the growth rate of oil prices amounted to 31.In 1974, prices achieved their highest growth rate of 96.8%, which constituted the first oil shock, which caused a decrease in the growth rates of the economies of the most important industrialized countries as it decreased, if we compare the growth rates in 1972 for the United States, Japan, Britain, Germany and France, which were respectively (2.4, 8.4, 5.9, 5, 6.7) and 1974, the year of the first oil shock, we find that the growth rates became as follows (-0.9, 2.2,-0.7, 4, 5.1)

Figure 1. Growth rates of oil prices and GDP growth for a group of industrialized countries (1971-1980)



Source: Drawing by the researcher based on 1- International Energy Agency (IEA) (https://www.iea.org/analysis?type=report)

2. OPEC data

We note from Figure 1 that the most affected countries are the United States, Japan and Britain, and it is clear that the matter constituted an economic, political and social shock to the societies of Western countries and Japan, which suffered from sudden price rises and a shortage of fuel for transportation and high prices, as it seemed that their economic life and well-being Of course, there was a big role for the Western media machine, which portrayed the Middle East region and its countries as an obstacle to the march of civilization and progress, after 1975, specifically at the Vienna Conference, OPEC began the strategy of gradually increasing the price in the same year it announced an increase of 10% to raise the price from 10.8 to 11.4 dollars per barrel, and in 1977 another increase of 10% was announced to reach 10.7 dollars per barrel [14], [15], [16], [17]. However, due to a combination of factors and events between 1978 and 1980, prices achieved price jumps that ended with the second oil shock, as in 1978 there was political unrest in Iran, as the strike of employees of Iranian oil companies led to a decrease in Iran's production from 5.6 million barrels / day to 31. million barrels / day1. million barrels / day, which is equivalent to 7% of global oil production, which pushed the price to rise from $ 18 per barrel and the second factor is the Kingdom of Saudi Arabia and unilaterally to increase the price 6 dollars, as the price of a barrel of Arab light oil reached 24 dollars per barrel in 1979, which coincided with the beginning of the process of filling the US strategic oil tanks, with the beginning of the signs of a political crisis between Iraq and Iran, which soon turned into a military war between the two countries, all these factors pushed the price of oil in 1980 to 37.7 dollars per barrel [18], [19].

Second: The genesis of the International Energy Agency

OPEC's actions from 1970 to 1975 caused a state of discomfort among the major industrialized countries, as the impact of losing control over the most important resource in the world, which is closely linked to the growth of the global economy and thus linked to their economic, technological and political superiority, which paved the way for accepting the idea of controlling the sources of oil, even if by force. It also forced Western countries to accept the idea of US Secretary of State Henry Kissinger to establish an organization consisting of the main oil consuming countries with the aim of limiting consumption and controlling the demand for oil and indeed in 1974 the International Energy Agency (IEA) (International Energy Agency) was established from the membership of 28 countries, which worked on the following:

a. Adopting technological means to control the demand for oil
b. Imposing a carbon tax under the pretext of preserving the environment.
c. Supporting scientific programs and investing in alternative inexhaustible energy sources
d. Liberalizing domestic energy prices so that higher prices are a key factor to reduce consumption on (oil products such as gasoline and diesel) and thus reduce oil consumption
e. Maintaining a strategic stockpile of crude oil for emergencies.

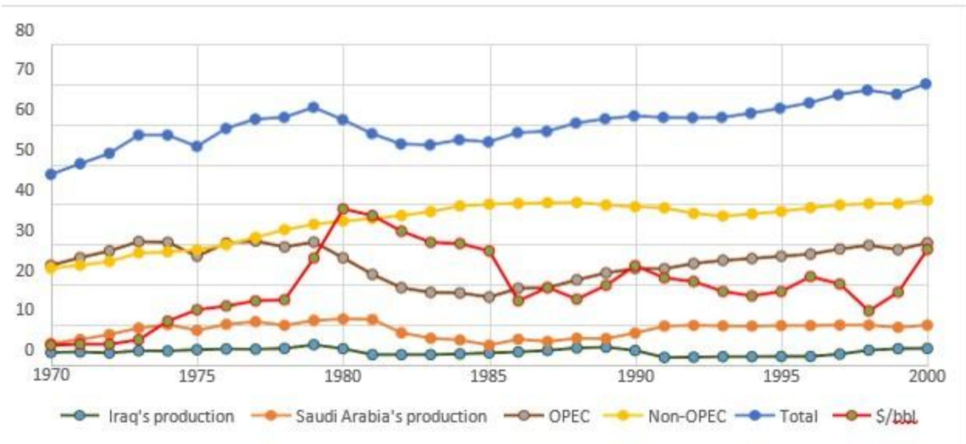
Third: The impact of OPEC's decisions for the period (1981-2000)

Oil prices maintained their gains at the beginning of the 1980s, due to a combination of factors including the Iran-Iraq war and the fear of interrupting oil supplies from the Middle East region, and the increased demand for oil by the group of industrialized countries, headed by the United States with the aim of building a strategic stock, but the turning point in prices that started the process of falling prices, began in 1984, as new features appeared on OPEC that affected its decision-making, and we can mention some of them [20], [21].

a. The emergence of sharp political differences between the main OPEC countries.
b. Ambitious economic development plans that require significant funding, which increased the link between development plans and oil revenues
c. The development of the standard of living of the societies of the oil countries.
d. Increased military spending due to political crises in the Middle East

The previous factors had a major impact on decision-making in OPEC, as the political disputes that occurred between the most important producers in OPEC, namely Iran, Iraq and Saudi Arabia, which directly affected pricing and production decisions, political issues directly affected the coordination between members, and large development projects, increased the need of OPEC countries for financial resources, to implement their development plans and maintain the standard of living that the people of those countries began to enjoy, as well as high rates of large military spending for countries such as Iraq, Iran, Saudi Arabia and Kuwait all these factors, which increased the need for those, see Figure 2.

Figure 2. OPEC and non-OPEC oil production, total and price per barrel



Source: Drawing by the researcher based on (opec.datat)

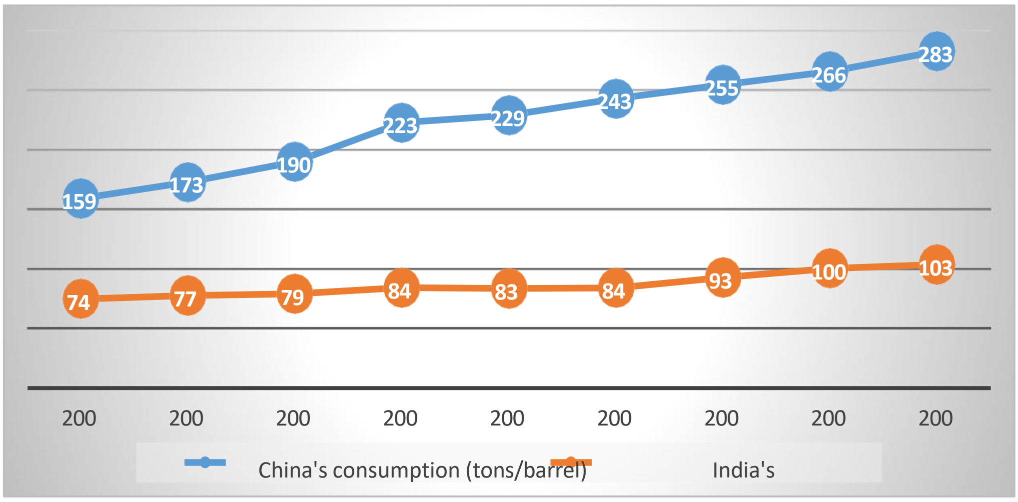
IV: The impact of OPEC decisions for the period (2001-2023)

OPEC's relations, as mentioned above, were characterized in the 1980s and 1990s after the necessary harmony and coordination, which caused it great financial losses, most importantly the loss of control over the oil markets, as the markets in that period turned from producer markets to consumer markets, and its control over 80% of global oil reserves did not help it. At the beginning of the twenty-first century, OPEC understood the lesson, as it tried, through the Venezuela conference in September 2000, to re-coordinate among itself and with non-OPEC producers, by adopting a price control mechanism to control production, and to reach this goal, an upper and lower price limit was set between (20-28), and OPEC moves production to maintain a fair price from the producers' point of view, and the participants agreed to adopt policies and strategies that preserve the economic interests of member states and maximize the utilization of the oil resource, and work to develop a common vision with non-OPEC producers to reach stable oil markets with a fair price [22], [23], [24], [25].

The results of this strategy appeared for the years following the Caracas 2000 conference, as prices began to recover gradually, until they exceeded $30 in 2000, a combination of factors helped this rise, including political and economic, as the US demand rose from 17.7 to 19.7, which increased the volume of its oil imports to 10.9 of them (25%) from the Middle East, as most of the demand came from the transportation sector, after transportation operations increased significantly with the large military movements of the US army, which occupied Afghanistan and is preparing to occupy Iraq, as it increased from 40 million barrels per year to 144 million barrels, with air traffic alone consuming 1.5 million liters per day (Resilience.org)[26].

In 2005, Hurricane Katrina hit Arizona and parts of Texas, which are oil production and processing areas in the United States, and because the hurricane was very violent, as it was considered one of the most violent and strongest hurricanes in the history of the United States, it destroyed important parts of oil production facilities, which affected the production of the United States In addition to the political and natural factors, economic factors, as the growth rates of the Chinese and Indian economies, as can be seen in Figure 3, increased significantly, which increased the demand for oil, these factors combined to create optimistic expectations among investors and speculators in the oil markets, to increase speculation on futures contracts, which was an additional factor for the rise in prices.

Figure 3. China and India's demand for oil (2000-2008)

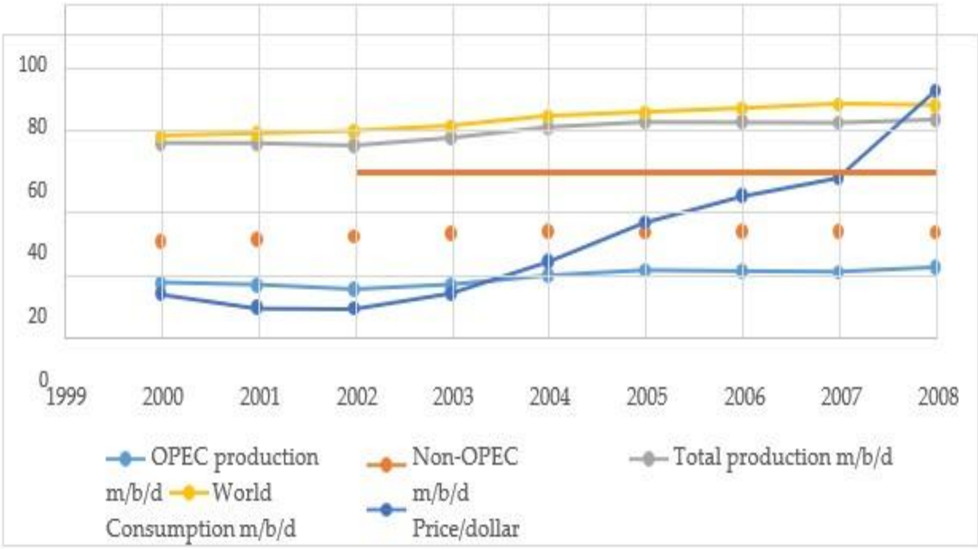


Source: Drawing by the researcher based on (https://data.worldbank.org)

From Figure 4, we can see that there is a gap between supply and demand, as it is clear that the rate of global consumption is higher than global production for the aforementioned reasons, which pushed prices to rise significantly.

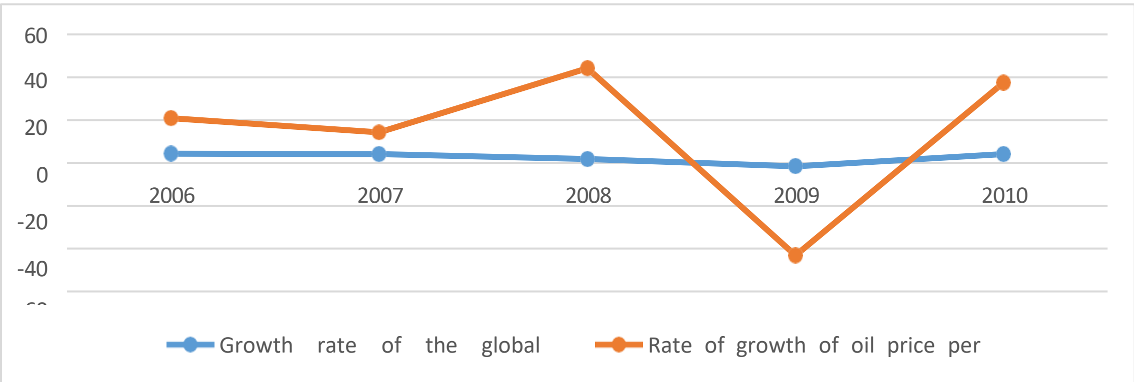
With the continued improvement in the growth of the global economy, prices continued to rise until they reached 100 dollars per barrel in 2008, and from Figure 5 we notice the impact of growth in the global economy on oil prices and note the temporary decline that occurred during the US mortgage crisis [27], [28], [29].

Figure 4. OPEC and non-OPEC production, total production, global consumption and price



Source: Figure by the researcher based on (https://asb.opec.org/data/ASB_Data.php/)

Figure 5. Growth rate of the world economy with oil prices for the year (2006-2010)



Source: Figure by the researcher based on (https://data.worldbank.org) and (https://asb.opec.org/data/ASB_Data.php)

The price gains continued accompanied by the global economic recovery until it exceeded the ceiling of $ 100 and reached in some years to $ 120, and with the high gains of OPEC countries from high prices, there was an unprecedented investment growth in oil alternatives, including unconventional oil, the most important of which is shale oil, as high prices encouraged the investment of a group of secondary US companies to increase their investments in shale oil production, which raised US shale oil production from 2.2

million barrels per day in 2012 to almost 5 million barrels per day in 2015, which increased the global oil supply from 76 million barrels in 2012 to 90 million barrels [30], [31], [33].

In fact, the 2014 oil shock seems more complex than its predecessors, as several things overlapped in its occurrence, including the technological aspect that reduced the costs of shale oil on the one hand and the high oil prices in a way that made the costs of producing unconventional oil economically feasible, and the political factor was strongly present, as the conflict in the Middle East, which entered a direct military phase between Russia and Iran on the one hand, which depends on oil revenues to finance their budgets, and the United States and its allies on the other hand, which sought to reduce the price of oil Oil prices, through non-compliance with the quotas, established for members, to affect the ability of these two countries to finance their military operations in Syria and others as well as OPEC's decision after reducing production by one million barrels per day to absorb the surplus in the oil market, and the rise in the price of the dollar was an important factor to affect the price of oil, and then the decrease in demand for futures contracts, which is one of the modern factors affecting oil prices, all these and other factors had a direct impact on the price of oil and its collapse in this form [34], [35].

V: The emergence of OPEC+

OPEC, specifically in December 2016, succeeded in achieving an important historic agreement in Vienna after several meetings and rounds that brought together OPEC and major oil producers from outside it, the agreement stipulated the commitment of 24 countries from major oil producers to reduce 1.8 m / b / day, including 1.2 m / b / day from OPEC, as OPEC set a production ceiling of 32.5 m / b / day and 600,000 barrels from non-OPEC, led by the Russian Federation.

This agreement was preceded by a number of agreements within OPEC, including the Algiers meeting in September 2016. At this meeting, an agreement was reached to return to the production quota system, where production levels were set for each member state of the organization. Iraq's share was set at (4.561 m/b/day) This agreement was aimed at stabilizing oil markets and increasing oil prices.

These countries also announced an oil institutional organization called OPEC Plus, which increased the control of producers over the oil markets by controlling production levels, and thus OPEC Plus was able to return prices to the upward trend as it pushed prices to reach $60 and in 2018 exceeded $65, and the markets began to be relatively stable.

Table 1. Production quotas for OPEC members according to the Algiers Agreement 2016 and the Vienna Reduction Agreement 2016 (thousand/bbl/day).

Country	**Reference Production Level Algiers Agreement 2016**	**Reduction under theVienna Agreement December 2016**	**Production level January 2017**
Algeria	1,089	-50	1,039
Angola	1,751	-78	1,673
Ecuador	548	-26	522
Gabon	202	-9	193
Indonesia	* *	*Iran	
Iran	3,975	-90	3,797
Iraq	4,561	-210	4,351
Kuwait	2,838	-131	2,707
Libya	*Libya	Libya *	

NIGERIA	*Libya	Libya * * Nigeria	
Qatar	648	-30	618
Saudi Arabia	10,544	-486	10,058
UAE	3,013	-139	2,874
Venezuela	2,067	-95	1,972

Source:(OPEC bulletin, 11/12/2016,p35)

However, this stability did not last long, as the demand for oil decreased after the United States declared a trade war on China, which hindered the growth of the Chinese economy, and slowed the growth of the global economy, then another factor of a new kind intervened this time, at the end of 2019 a dangerous and fast-spreading virus called Covid 2019 swept the world, forcing all countries of the world to take preventive measures for fear of the spread of the virus, including Closing land and sea borders, stopping air traffic, and even movement within one country, which affected transportation of all kinds, and it is known that the demand for oil for transportation is the largest component of the demand for oil, which caused the demand to drop to low levels, which caused prices to collapse dramatically as they reached below $ 30, and this is what we notice from Table 1, which represents Brent oil contracts for the years 2019 and 2020.

Table 2. Historical data - Brent oil contracts 1/1/2019 to 1/12/2020

Change %	Volume	Low	High	Opening price	Last price	Date
15.04%	5.48M	52.51	63.15	54.12	61.89	01/01/2019
6.69%	4.55M	60.46	67.73	61.06	66.03	01/02/2019
3.57%	4.84M	64.02	68.89	66.48	68.39	01/03/2019
6.45%	5.49M	67.58	75.6	67.58	72.8	01/04/2019
-11.41%	6.13M	64.37	73.4	71.73	64.49	01/05/2019
3.19%	5.70M	59.45	66.85	61.64	66.55	01/06/2019
-2.07%	5.71M	61.29	67.65	65.05	65.17	01/07/2019
-7.27%	5.98M	55.88	64.54	64.09	60.43	01/08/2019
0.58%	5.63M	57.23	71.95	58.8	60.78	01/09/2019
-0.90%	5.61M	56.15	62.34	59.38	60.23	01/10/2019
3.65%	4.79M	59.4	64.6	59.45	62.43	01/11/2019
5.72%	4.45M	60.3	68.99	60.73	66	01/12/2019
-11.88%	5.80M	57.71	71.75	66.41	58.16	01/01/2020
-13.14%	5.27M	50.05	60	56.16	50.52	01/02/2020
-54.99%	7.36M	21.65	53.9	48.95	22.74	01/03/2020
11.13%	6.45M	15.98	36.4	25.99	25.27	01/04/2020
39.81%	3.80M	25.5	36.98	26.95	35.33	01/05/2020
16.47%	4.28M	37.01	43.93	37.56	41.15	01/06/2020
5.22%	4.03M	41.03	44.89	41.58	43.3	01/07/2020
4.57%	3.61M	42.89	46.53	43.53	45.28	01/08/2020
-9.56%	4.40M	39.3	46.22	45.6	40.95	01/09/2020
-8.52%	5.15M	36.64	43.57	42.17	37.46	01/10/2020
27.04%	5.04M	35.74	49.09	37.37	47.59	01/11/2020
8.85%	4.51M	46.82	52.48	47.79	51.8	01/12/2020

Source: /sa.investing.com/commodities/brent-oil-historical-data

It is worth noting that in the month of 3 of 2020, due to the rejection of Russia, which leads non-OPEC producers, due to the rejection of Saudi Arabia's request to reduce production levels, Saudi Arabia declared a price war, and flooded the markets with

large quantities of oil, which deepened the collapse of prices, and this is what we note from Table 1, as prices fell below $ 25, and Brent contracts achieved the first time in history that the price of a barrel of oil fell below zero in Brent contracts.

Chapter Two : The impact of OPEC's decisions+ on the Iraqi economy First: Production Reset Policies

In 2021, after the agreement between Russia and Saudi Arabia to reset production, prices returned to improve significantly and relatively stable, as prices stabilized throughout the months of the year at $60 and $65, but with the arrival of the 2nd month of 2022, the date when the Russian-Ukrainian issue turned from political to military, as Russia declared war on Ukraine and invaded large areas of it, prices jumped dramatically, and this is what we notice from Table 2, this war showed This war clearly showed the role of oil in achieving military, political and negotiating gains. On the other hand, this war showed the political power of oil, which is reflected in the oil countries and its strategic and geopolitical impact, the rapid shift of the European Union away from Russian energy imports has created new challenges to the stability of the global oil market, prompting OPEC+ members to reassess their supply strategies in a polarized geopolitical landscape, as OPEC countries, led by Saudi Arabia, became one of the most influential countries in the course of the war after the energy shortage that European countries suffered from, especially in winter. And the rise in fuel prices, as Europe was heavily dependent on Russian gas and oil to provide the energy it needs, whether for industry or domestic use.

It is worth noting that OPEC, headed by the Kingdom of Saudi Arabia, maintained its agreements with Russia and its management of production to serve its interests and thus rejected all US pressures to increase production rates, hoping to ease the popular pressure by the European peoples on their governments, which was weakening them politically in front of Russia, not to mention the slowdown rates in the growth of the economies of Germany and France, which are the largest economic victims of the war, on the other hand, the OPEC Plus countries were the biggest winners from this major global political development, as they obtained large financial returns that compensated them for the losses of the trade war and the Corona pandemic.

In 2022, specifically the OPEC+ group met in Vienna, where it announced the maintenance of the reduction plans until the first quarter of 2023, this decision came due to the uncertainty surrounding the global economy and oil markets, and the need to strengthen the long-term guidance of the oil market.(opec.org/opec_web/en/press_2022)

At the OPEC+ meeting in November 2023, a group of OPEC countries announced voluntary cuts of 2.2 mb/d, as follows (Saudi Arabia (1000 thousand barrels per day); Iraq (223 thousand barrels per day); United Arab Emirates (163 thousand barrels per day); Kuwait (135 thousand barrels per day); Kazakhstan (82 thousand barrels per day); Algeria (51 thousand barrels per day) and Oman (42 thousand barrels per day) from January 1 until the end of March 2024. Thereafter, in order to support market stability, these voluntary reductions will be gradually reinstated according to market conditions (opec.org/opec_web/en/press_room-2023).

Table 3. Historical data for Brent oil contracts 1/2/2022 to 1/5/2023

Change	Volume	Low	High	Opening	Last pri	Date
10.72%	5.89M	87.72	105.79	89.62	100.99	01/02/2022
6.85%	6.28M	96.93	139.13	98.43	107.91	01/03/2022
1.33%	3.80M	97.57	114.84	105.25	109.34	01/04/2022
12.35%	4.50M	101.3	125.28	106.3	122.84	01/05/2022

-6.54%	4.46M	107.03	125.19	116.08	114.81	01/06/2022
-6.54%	4.46M	107.03	125.19	116.08	114.81	01/06/2022
-6.54%	4.46M	107.03	125.19	116.08	114.81	01/06/2022
-12.29%	4.39M	91.51	105.48	103.92	96.49	01/08/2022
-8.84%	4.05M	83.65	96.99	95.18	87.96	01/09/2022
7.81%	4.46M	86.35	98.75	86.35	94.83	01/10/2022
-9.91%	4.97M	80.61	99.56	92.67	85.43	01/11/2022
0.56%	3.90M	75.11	89.37	86.78	85.91	01/12/2022
-1.65%	4.34M	77.61	89.09	85.96	84.49	01/01/2023
-0.71%	4.54M	79.1	86.95	85.56	83.89	01/02/2023
-4.91%	5.89M	70.12	86.75	83.05	79.77	01/03/2023
-0.29%	4.71M	77.39	87.49	86	79.54	01/04/2023
-8.65%	5.61M	71.28	80.24	80.11	72.66	01/05/2023

Source: /sa.investing.com/commodities/brent-oil-historical-data

OPEC+ Voluntary Cuts

Due to the instability of oil prices, OPEC+ has taken a set of decisions that include voluntary and mandatory reduction packages that can be summarized as follows:

1. The official or mandatory reduction of 2 million barrels per day. It applies to all member countries except for countries subject to sanctions or wars such as Iran, Venezuela, Libya, etc... It was decided to extend it until the end of 2025.
2. The first voluntary reduction, amounting to 1.66 million barrels per day, was committed by nine member states. It was scheduled to expire at the end of the current year 2024, including Iraq, and it was decided to extend it for a full year until the end of 2025 as well.
3. The second voluntary reduction, amounting to 2.2 million barrels per day. It was committed by 8 member countries, namely: Algeria, Iraq, Kazakhstan, Kuwait, Oman, Russia, Saudi Arabia, and the UAE. It was scheduled to expire at the end of June 2024, and it was decided to extend it for only three months. After that, production will be gradually increased on a monthly basis from October 2024 until the end of September 2025. With a commitment to suspend the monthly increase or return to the reduction if the market balance requires it.

Second : The relationship of the Iraqi economy to crude oil

1- A historical overview of the impact of the oil resource on the Iraqi macroeconomy

The Iraqi economy is closely linked to the oil resource, since the seventies, oil constitutes the main resource for Iraq's annual budgets, and the main source of obtaining foreign exchange, and has the greatest impact in correcting the imbalance in the Iraqi trade balance, and therefore OPEC decisions have a direct impact on the Iraqi economy in all its sectors, and on the life of the Iraqi individual, due to the close link between the Iraqi budget and oil revenues, which constitute In the 1970s, Iraq's GDP jumped from 6. 4 billion dollars in 1972 to 474. billion dollars in 1972 to 47.5 billion dollars in 1980 (.worldbank.data:), and the per capita GDP jumped from 469 dollars to 3850 dollars at a growth rate of 35%, and all these jumps coincided with the first and second oil shocks.

In the 1980s, due to the decline in oil prices, on the one hand, and Iraq's great need to finance its war effort, Iraq turned from a country with a financial surplus that was estimated at 42 billion dollars to an indebted country, as its annual budgets showed a continuous deficit throughout the 1980s, which forced Iraq to borrow from abroad to pay this deficit, and there is no doubt that the decline in prices and the negative shock to the oil markets due to what was mentioned in the previous research , had a great impact on Iraq's loss of oil revenues that could have avoided resorting to debt.

In the 1990s, the Iraqi economy was prevented from exporting oil due to Security Council resolutions demanding all countries of the world after the issuance of United Nations Resolution No. (661), and in that period Iraq was completely absent from the oil markets or its contribution to managing production in OPEC except for the last three years or so of the blockade.

After 2004, after Iraq returned to the oil markets fully, which coincided with the restoration of harmony in OPEC, which pushed prices to rise and over the period (2004-2013), Iraq obtained large oil revenues that enabled it to rebuild part of its infrastructure destroyed by the wars from 1980 to 2003, as Iraq's GDP increased from one billion dollars 36.5 in 2004 to reach 236.4 billion dollars in 2013, and of course this increase came primarily from high prices that exceeded the ceiling of 100 dollars and increased Iraq's oil production

But what OPEC lost coordination in decisions due to political differences between Iran and Russia on the one hand and Saudi Arabia and the Gulf countries on the other, which lost coordination in the most important critical period, especially after the increase in US production of shale oil, which exposed the markets to the 2014 oil shock, which caused Iraq to lose 70% of its gross domestic product, which reached 166 billion dollars in 2015, and because Iraq was exposed to the largest international terrorist attack, it was in dire need of foreign exchange to finance the war against terrorism, which caused a large budget deficit of about 9 billion dollars.

Iraq's economic situation improved relatively after prices improved at the beginning of 2019, but due to the outbreak of the Corona pandemic and the inability of OPEC and non-OPEC producers to manage the production file, and the dispute between Russia and Saudi Arabia, which caused the market to flood the market with oil, prices collapsed to below $ 25, the wounds of the Iraqi economy deepened significantly, and the deficit in the federal budget increased.

The impact of OPEC's decisions on Iraq's three-year budget 2023-2024-2025

The Iraqi parliament approved the approval of a three-year budget for Iraq (2023-2024- 2025), the 2023 budget was approved with total expenditures estimated at 153 billion dollars, of which 115 billion dollars operating expenses, and 38 billion dollars investment budget , the budget also estimated revenues at 103.5 billion dollars, oil revenues contributed 90 billion dollars and 75%, based on an exchange rate of 1300 dinars per one dinar and a production rate of 3.5 m / b / day. (moj.gov.iq/upload.

The volume of expenditures in the 2024 budget increased by 7.5% compared to 2023, reaching 162 billion dollars, of which 120 billion dollars were operational expenditures, an increase of 9% from 2023, while total revenues were estimated at 113 billion dollars, of which 92.5 billion dollars were oil revenues.(iq.parliament.iq/wp-content). As for the planned deficit of the federal budget for the years 2023-2024, it amounted to 49 billion dollars for each year, provided that part of the deficit is covered by what was expected from the increase in oil prices or an increase in Iraq's oil exports by up to 26%, which is estimated at 12.7 billion dollars.

From the above, it is possible to summarize several observations:

1. In Iraq's 2023 budget, the total revenues amounted to 103.5 billion dollars, while the operating budget amounted to 115 billion dollars, which means that the total revenues do not cover the total operating expenses, and there is a difference between them of 11.5 billion dollars.
2. In Iraq's 2024 budget, the volume of revenues amounted to 113 billion dollars, while the size of the operating budget amounted to 120 billion dollars

This means that Iraq must borrow to fulfill the items of the operating budget, in which the governing items constitute about 70% of it, with an amount of 81.7 billion dollars, which is very difficult to reduce.

1. Allocated 26% of what was expected from an increase in oil prices above $70 or an increase in the export rate of 3500,000 b / day.
2. If the formula ($70 * 3500,000 b/day) is realized, the total deficit for the two years is $98 billion.

There is no doubt that these figures indicate an economic situation, especially if we know that due to the reduction decisions, the export rates in Iraq in Iraq for 2024 reached 3.3 m / b / day, a difference of 200 thousand barrels per day, equivalent to 14 million dollars per day, if we know that the average price for the same year amounted to 71 dollars, an increase of one dollar from budget barrel, which means 3.3 million dollars per day, so Iraq's loss amounts to 10.7 million dollars per day, a loss of 3.7 billion dollars for 2024, in addition to 12.7 billion dollars the share of the expected surplus to pay the deficit.

The above exposes the Iraqi economy to a number of challenges, including the limited payment of the planned deficit, especially if we know that the volume of internal debt has reached 78 trillion dinars, equivalent to 60 billion dollars, which is a large figure for the potential of the Iraqi economy and its banking system, and therefore it becomes impossible for the 2025 budget to find sufficient sources to pay the deficit, which has negative economic, social and even political implications, as we have noticed that revenues are unable to pay current expenditures, including salaries and subsidies, and payment of ration card requirements. Not to mention stopping the growth in employment rates, which warns of a serious issue resulting from the accumulation of unemployed people, especially university and middle school graduates.

From the above, it is clear that there is a clear impact of OPEC production decisions on the Iraqi economy through its direct impact on the annual public budgets, which are closely linked to the income of more than 45 million Iraqis directly and indirectly, employment rates and others, all of which are closely linked to the price of a barrel of oil and production decisions and quotas in OPEC.

4. Conclusion

a. Oil prices are affected by the level of organization and harmony among OPEC members on the one hand and the level of coordination between OPEC and non-OPEC producers on the other.
b. Oil prices are affected by many different factors, from economic factors to political and technological factors, natural factors, and finally the health factor of the world, and most of them are sudden factors, which caused prices to deviate significantly from the scenarios set by research centers and international oil institutions, and it is difficult to adopt future prices and build development plans that are closely related to oil.
c. The Iraqi economy is greatly affected by OPEC decisions. If there is an agreement on production management, such as the 1970s and the period from 2002 to 2013, prices rise and thus Iraq realizes great financial benefits, and the opposite is true when political differences in OPEC and oil is used as a political pressure card, such as in the mid-1980s and after 2014.
d. OPEC's decisions affected Iraq's three budgets negatively.

Recommendations

a. The need to restructure Iraq's general budget by reducing dependence on oil revenues and developing non-oil revenues by reforming the tax system and expanding the tax base.
b. Establish a financial stabilization fund linked to surplus oil revenues to protect the economy from price shocks in oil markets.
c. Strengthening coordination with OPEC and OPEC+ to ensure that Iraq maintains an appropriate production quota to protect its economic interests in light of market fluctuations.
d. Work to diversify the productive base by supporting the industrial, agricultural, and service sectors to create new jobs and reduce unemployment.

e. Adopting a national energy strategy that integrates oil, gas, and renewable energy to ensure energy security and promote long-term financial sustainability

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