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Oil, Isolation, and Institutions: Rethinking Globalisation in Petroleum-Exporting States

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ABSTRACT

Economic globalization and political globalization are generally understood to be mutually reinforcing processes. Countries that are deeply integrated into the global economy through trade, finance, and labor mobility typically possess strong incentives to participate in international institutions, treaty regimes, and multilateral frameworks that stabilize cross-border economic interactions. Political globalization, in turn, enhances economic globalization by reassuring investors and trade partners through commitments to international norms and regulatory cooperation. However, this conventional relationship does not hold uniformly, particularly in the case of oil-exporting countries.

Despite being highly integrated into the global economy and exerting disproportionate influence due to global dependence on petroleum imports, many oil-exporting states exhibit relatively low levels of political globalization. These countries often show limited participation in intergovernmental organizations, weak commitment to human rights treaties, reluctance to accept binding arbitration, and minimal safeguards for foreign investors' property rights. This phenomenon gives rise to what can be described as *unbalanced globalization*, characterized by high economic integration alongside political isolation.

The paper argues that oil wealth weakens the traditional incentives that encourage political globalization, particularly the need to attract foreign investment and secure access to international markets through institutional commitments. While oil-exporting countries do engage selectively in international cooperation, they often prefer ad hoc arrangements over binding governance structures. The analysis further explores the role of OPEC, its diverse behavioral models, and the macroeconomic feedback mechanisms linking oil prices, global growth expectations, and policy responses. By examining historical oil shocks, price volatility, and recent market dynamics, the study highlights how oil-dependent economies shape—and are shaped by—global economic and political structures.

The findings suggest that unbalanced globalization poses normative concerns for policymakers, as limited political integration may undermine long-term stability, compliance with international law, and effective global governance, despite short-term economic advantages derived from resource wealth.

Keywords
Economic Globalization; Political Globalization; Oil-Exporting Countries; Unbalanced Globalization; OPEC; International Institutions; Oil Price Shocks; Macroeconomic Feedbacks; Global Energy Markets; Resource Dependence

INTRODUCTION

For most of the countries, economic globalization is very much connected to political globalization. When a country is economically globalized, like being reliant on international trade, finance, and labor migration, they achieve superior incentive to be a 'politically globalized' country by the way of taking part and

cooperating with intergovernmental organizations and treaty regimes that synchronize regulations, stable the relations, and promote multilateral cooperation.

On the other hand, political globalization gives rise to better economic globalization in case when countries take part in international institutions and it facilitate the countries to attract foreign investors and trade partners by promising that the international norms will be abided by them. But the interesting point is that this pattern is not pursued by the oil-exporting countries.[i] They are extremely included into the global economy as they are likely to be uncommonly reliant on imports and exports, international finance, and foreign workers. Due to them there is an unequal strong effect on other countries as out of ten world's largest economies nine of them are reliant on petroleum imports.[ii]

So far oil exporting countries are concerned they are likely to be 'politically unglobalized' due to many reasons like they have less tendency of them to take part and work with intergovernmental organizations, less tendency to enter into agreements dealing with human rights and, less tendency to give consent to binding arbitration, less tendency to safeguard the foreign investors' property rights and having less embassies. In spite of the their economic influence various oil exporting countries for example Angola, Equatorial Guinea, Oman, and Turkmenistan prefer to remain politically isolated. While several oil exporting countries for example Iran, Venezuela, Iraq and Libya disobey international norms by the way of breaching human rights, expropriating foreign investors providing finance to terrorism and insurgence in foreign countries.

This can be termed as 'unbalanced globalization' due to high level of economic globalization and low levels of political integration. Due to the strong connected relation between the economic and political globalization it must not be startling that in some countries there are high level of both the kinds of globalization whilst some have low levels of both the kinds of globalization. Furthermore in a low or middle income country, for example India, Kenya, or Argentina, it must not be startling that there high levels of political globalization and low levels of economic globalization. It is difficult to clarify that why countries will become economically globalized and would therefore be reliant on across border flows of capital not even taking part in the institutions which will extensively assumed to stabilize and aid these flows. Unbalanced globalization should also be a normative concern for policymakers. There is ample evidence that at least some types of intergovernmental organizations bring substantial benefits to participating states – helping them resolve conflicts peacefully,[iii] encouraging them to comply with international law,[iv] and promoting a convergence of member-state interests. [v]

Foreign investments are attracted by petroleum exporters and their petroleum is sold overseas by not confining their domestic or foreign policies by binding themselves to international institutions. In order to elucidate this unusual pattern it can be argued that oil wealth deteriorate two incentives that usually force countries to take part in and to make important commitment to international institutions, the necessity to get foreign investors and access to foreign markets. Not every kind of international institutions is avoided by the oil wealthy countries as they have a tendency to enter into ad hoc agreements and for narrow reasons they join international organizations. Their access to finance and foreign markets results in opting of governance structures which consequently requires binding commitments which may promote political and legal integration.

It is true that in a country, numerous forms of cooperation turn out to be unattractive when petroleum is the leading sector. Some scholars put forward that oil importing countries are more reliant on international trade than oil exporting countries.[vi] While some states that oil wealthy countries can be able to flourish economically with no regional integration and therefore may avoid it.[vii] Some[viii] believe that Norway's oil wealth helps explain why it remained out of the European Union [ix] while as per some scholars[x] due to the oil wealth Arab countries had developed towards regional integration. It is also suggested that declining oil prices has resulted into Indonesia who is a petroleum wealthy country to look out for the cooperation with ASEAN.[xi]

Since the 1973 oil-price shock, the behaviour of OPEC. Many conflicting theoretical interpretations about the nature of OPEC and its influence on world oil markets have been proposed. The debate is not centred on whether OPEC restricts output, but the reasons behind these restrictions. Some studies have suggested that production decisions are made with reference to budgetary needs, which in turn depend on the absorptive capacity of the domestic economies.[xii] Others explain production cuts in the 1970s in terms of

the transfer of property rights from international oil companies to governments, which tend to have lower discount rates.[xiii] Others explain output restrictions in terms of coordinated actions of OPEC members.

OPEC behaviour has been modelled in many different ways, ranging from a classic textbook cartel, to a 'two block' cartel[xiv], to a 'clumsy' cartel,[xv] to a dominant firm,[xvi] to a loosely cooperating oligopoly, to a residual firm monopolist, and, most recently, to a 'bureaucratic' cartel. [xvii] Others have suggested that OPEC oscillates between various positions but always acts as a vacillating federation of producers (see, for instance, Adelman, 1982; existing empirical evidence, however, has not helped narrow the range of different views. [xviii] In what follows, rather than reviewing the various theories about OPEC behaviour, the focus on the way in which assumptions about OPEC supply fit into overall assessments of the international oil market.

The first point to make is that a standard way of modelling OPEC supply is to treat it as a residual, often referred to as the 'call on OPEC. This is the hypothetical amount that OPEC needs to produce to close the gap between anticipated oil demand and non-OPEC supply. In other words, projections about OPEC supply are not based on any behavioural analysis but are derived from a simple accounting formula that balances world demand after taking into account various factors. This approach clearly suffers from major limitations as it is based on two simplistic assumptions The first is that OPEC always has the incentive to expand output to increase its market share. [xix] The second is that OPEC producers can and will undertake the necessary investment to increase capacity. These assumptions, however, are highly questionable. Regarding the first, aggressive plans to expand OPEC output can yield lower pay-offs. This result is quite intuitive. The increase in revenues from higher output would be more than offset by lower prices as a result of a rapid output expansion. As to these assumption, even if OPEC has the incentive to increase market share, the investment needed to attain those shares is substantial. This investment, however, may not materialize for a number of reasons, such as concerns about the healthiness of long-term oil demand, unfavourable geopolitical factors, sanctions, and the relationship between the government and the national oil company that may lead to low investment in the oil sector. A related dimension is that by limiting their investment and trying to keep a floor under the oil price, OPEC shifts the burden of additional investment to high-cost producers in non-OPEC and to alternative energy. This behaviour has important implications for the oil price.

I. MACROECONOMIC ISSUES

Clearly, OPEC cannot realistically be regarded as an essentially passive supplier of residual oil for the world economy. Realistic assessments have to guess how OPEC (and particular countries within OPEC, such as Saudi Arabia) will react to particular constellations of anticipated demand, non-OPEC supply, and price. The idea that OPEC producers simply set the price is much too simple. But so, too, is the idea that OPEC is simply a price taker. Clearly, one of the main factors affecting the oil price is the anticipated behaviour of OPEC producer. One of the most important aspects of the fundamentals concerns the assumptions made about world growth and its structure. It has been noted that scenarios are often used to illustrate what might happen as growth varies. Anticipations about world growth are equally important for oil markets. For example, if the market 'expects' faster world growth, oil prices will rise."

If they did not, increasing scarcity would be anticipated: the pattern of prices has to change to produce some kind of consistency looking forward. In broad terms, oil prices in recent years have been closely correlated with swings in anticipations about the world economy."

II. MACROECONOMIC FEEDBACKS

Ever since the oil-price shocks of the 1970s, one of the most important expectational feedbacks in the oil market has been from oil-price movements to anticipated slowdowns in world growth, and thence to anticipated lower demand for oil and oil products." "For much of the period since 1970, there was a presumption that when oil prices go up the world economy will suffer from inflation and recession. This presumption is easy to account for: inflationary global recessions followed the big oil shocks of the 1970s. There also appears to be an effect in the reverse direction (lower oil prices preceding more rapid growth after the 'counter shock' when oil prices collapsed in 1985/6). If such a relationship exists, there is a powerfully stabilizing effect on oil-price movements. If something raises oil prices, the anticipated demand for oil will

fall, limiting the price rise. Low oil prices can trigger expectations of faster growth among consumer countries, supporting the price."

"One of the surprising features of the more recent rise in oil prices to 2008 is that the widely anticipated effect of rising oil prices on the growth of the world economy of rent that low-cost producers can capture from oil production and for the shape of the supply curve - which is discontinuous as the lowest-cost producer does not produce the marginal barrel, as discussed below."

In the 1970s and 1980s much was made of the fact that the impact was international - leading to a change in the distribution of revenue away from the consumers of oil to the producers, and involving a large change in balance-of-payments positions, towards deficits in OECD countries, and surpluses in the major producing countries (OPEC). Another way of describing the situation is as a large terms-of-trade shock applying to oil-importing countries."

A particular feature of the first oil-price impact in 1974 was that OPEC surpluses were unlikely to be spent on imports in the short term, leading to a rise in world savings and, in terms of the prevailing conventional wisdom of the time, an expenditure reducing - or deflationary impact on the world economy. The impact was also price-raising in consumer countries - as is clear from the indirect tax rise analogy. Moreover, the level effect on prices (increasing measured, headline inflation indices) led on to a wage price spiral in most oil consuming countries, and to the destabilization of inflation expectations. The OPEC surpluses also led to the 'recycling problem' - a major policy concern at the time."xx

The second oil crisis following the Iranian Revolution in 1979 was also accompanied by a sharp rise in world interest rates, triggered by monetary tightening in the US - the so-called

'Volcker shock' (the federal funds rate was raised to a peak of 20 per cent in June 1981). The monetary response was a reaction to the second oil shock and to the fact that inflation, in the

US and elsewhere, had not been brought back under control after the first oil crisis."

III. PRICE RISE IN LAST DECADE

Given the history, it is not surprising that the perception developed among oil-market participants that large oil-price. The general point to be drawn out is that the effects of oil-price shocks are context dependent. They depend on the responses of those who gain and those who face the higher prices. Expenditure-lowering effects are most likely if those who benefit from the price rise are unlikely to spend the receipts, as was the case after the first oil shock. And an absolutely key issue is the inflation response, especially second-round effects on wages and expectations. But that is not the end of the story. The overall effect will depend on the policy responses which, as argued, can range from intensifying the impacts, to a more or less complete offsetting strategy. In considering the macroeconomic policy response, it is the total picture that matters, not oil impacts per se."

A second general point is that market participants will form expectations about the overall responses, which are part of the way the market functions. In the special case where market participants correctly perceive that there will be a full offset, there would be no macroeconomic feedback from this source."

"The fall in the oil price in 2008/9 was due to the onset of world recession (and anticipation of it). The fall in the oil price, especially after the collapse of Lehman Brothers in September

2008, was probably helpful in offsetting recessionary forces - but was overwhelmed by the

much larger financial shocks and the policy responses."

"At the time of writing, oil prices are again high - over $1 10/barrel for Brent. And the question of the effect of high oil prices on the world economy is again to the fore. Will the effect be small, as in the run-up to 2008? "There are strong reasons for doubting that policy responses will be the same, at least for the OECD countries. This is because interest rates at the beginning of 2010 are already at or near their minimum - the lower bound. Fiscal offsets to any slowdown in growth are also highly constrained by high budget deficits and the priority in many countries of fiscal consolidation. It has also become harder for central banks to see through 'one-off price level effects, and to concentrate on the medium term."

This means the oil-price shocks, especially if they were to be large, would, in the circumstances of early 2011, be likely to slow growth in OECD countries.\ Anticipations of this should feed through to oil markets.

The changed circumstances could also feed through to OPEC behavioural responses and to market perceptions of what these are likely to be."

"The situation appears different, however, for emerging market economies, many of which recovered rapidly from the effects of the financial crisis and, at the time of writing, are growing fast with mounting inflationary pressure. But the same general points apply. Oil-price rises may intensify inflationary pressure and slow growth. But it is the overall situation and the overall policy responses that matter in assessing the effects on oil market."

"In October 2010, the oil price broke loose and moved away from the band, well before the start of the current uprisings in the Middle East and North Africa (MENA). This rise in the oil price was mainly in response to the flow of strong oil demand data - driven by better than expected economic performance (mainly in emerging economies, but also in the US). In 2010, the year-on-year increase in global oil demand amounted to 3.1 per cent - which is considered quite high by historical standards. A passive response by OPEC, which appeared unwilling or unable to protect the upper bound of the implicit band, and the uprisings in MENA reinforced this upward trend in the oil price as market players updated their beliefs about the probability of disruptions from the region and about OPECs response to the disruption."

Mostly "not unprecedented" as "more or less equally sharp corrections" have rocked the market roughly every 10 years since the price shocks of the 1970s: in 1986, in 1998, and again in 2008 this can been seen in figure 1. 2Looking at the medium-term consequences of this latest price plunge, the real question is not so much how price and supply growth expectations have been reset; nor whether a rebalancing of the market will occur – for that is inevitable. The issue is how that necessary rebalancing, and the price recovery that will accompany it, might depart from those that followed similar price drops in the past, and where they will leave the market after they run their course.

IV. OIL RICH AND INTERNATIONAL INSTITUTIONS DEMAND "

International relations scholars have long sought to understand how the growth of interdependence since World War II has spurred the development of large numbers of intergovernmental organizations and other forms of institutionalized cooperation between states."xxi "Although some realists continue to be skeptical about the effect of these institutions most scholars agree that interdependence helps explain why countries are sometimes willing to make costly commitments to international institutions." "Why then, would states endowed with oil be exempt from this general pattern?" "Below we review three theories about the incentives that lead states to cooperate and show how oil wealth might remove these incentives."

V. LESS DEMOCRACY

Democratic states are cooperative than those states which are not democratic and to are more expected to have reliable commitments to international institutions. Possibly this is due to the reason that democratic leaders earn better domestic expenses from revoking the commitments and are therefore better capable to utilize institutions for making the policy reform more credible.xxii

"Leaders in states that are democratizing – and who are therefore uncertain that democratic institutions will prevail – also have stronger incentives to commit to international institutions, since they may seek to lock in policies that a potentially-undemocratic successor would find it costly to withdraw from."xxiii Amongst democratic system, governments with less veto players are more expected to join international institutions.

So it can be concluded that the reasons which create governments less democratic must also lead them to have less tendency to favor institutional integration. When oil rich state is a dictatorial state then they have are less tendency to transport to democracy.xxiv Consequently oil may perhaps lead the states to be less inclined in joining the international institutions by making them less democratic. xxv

VI. EASY FOREIGN INVESTMENT

Apprehension of expropriation reduces the foreign direct investment. When foreign investor makes a highly particular investment, the government of host country will be enticed amend the provisions of the investment in order to achieve a larger share of the profit.xxvi Though in recent decades expropriations are not so often still foreign investors feel subtle peril that host governments will adopt some amendments in law enforcement mechanisms, regulations dealing with taxation, tariffs etc or so that profitability of the investors' investment can be decreased.xxvii If host country wants to attract FDI then it should plausibly assure that property rights of the investors will be protected. Synchronizing the regulations all the way through international regime could also help in restoring the confidence of the investors. Countries which are oil wealthy are frequently reliant on "foreign investment and find it unusually effortless to attract investors by not even making costly commitments to abstain from expropriation.xxviii Many investors of foreign country, whether they are absolutely or unequivocally supported by oil importing governments, are keen to make investment in the dicey petroleum project so more safe access can be achieve to energy supplies.

In early 2000s the Sudanese government was drawn in mass destruction in the Darfur region, and in the country's south a separate rebellion was being fought. In 1997 some sanctions, related to economic, financial, and trade, were being imposed by the US on Sudan and in 2007 same were tightened. On Sudan the UN Security Council, in 2004 and 2005, by way of sanctions prohibited the exports of the weapons, solidified the chattels of the officials, and a ban the travelling. From 2000 to 2009, by virtue of the most important foreign investments made by the state-owned companies in China (China National Petroleum Company), India (ONGC Videsh), and Malaysia (Petronas) the oil production of the Sudan was increased by three times.xxix

The outstanding prosperity of numerous of petroleum sector investments which is frequently supposed, but difficult to determine, can be a factor as well. If investors weigh the estimated peril of expropriation against estimated profit from FDI then in view of the fact that the predictable benefits arising out of extracting resource wealth are extraordinarily high, then ultimately higher expropriation risks will be more accepted by the investors.xxx

So it means that resource rich country could often breach the contracts negotiated with the foreign investors "across all sectors of the economy," at the same time getting the benefit from new FDI flows in the petroleum sector.

During the 2004 to 2011, in Venezuela the environment for foreign investors was challenging and 1,087 private companies were being expropriated by the government involving key oil projects of which ExxonMobil and ConocoPhillips were the owners. Both of owners went for the arbitration subsequent to Venezuela offering the compensation which they thought is inadequate.xxxi ICSID arbitration panel gave the decision again the Venezuelan government which led the Venezuelan government declaring that they will not be obliged by the verdict and it later deserted ICSID in total.xxxii Nevertheless in petroleum investments throughout the Chavez years Venezuela kept on enjoying the new foreign investment from state-owned firms and private companies.xxxiii

The above mechanism can be analyzed by examining the treaties that are planned to provide the shield to the foreign investors to protect their property rights. It this statement is valid then it can be concluded that the countries which are oil rich are unusually not willing to give consent to the protections of the investor by these treaties.

- easy access to foreign markets

"The third theoretical mechanism is probably the most obvious: access to foreign markets." "When states seek to boost their exports, they gain an incentive to participate in international regimes that facilitate the removal of tariff and non-tariff barriers, and establish common standards that foster transboundary flows of goods, money, information and people." "Participating in intergovernmental organizations, in turn, helps states boost tradexxxiv, for example, finds that as European trade became increasingly dominated by trade in similar manufactures and commodities, industrial producers increasingly pushed for further institutional integration and harmonization."

Oil wealth may allow states to gain access to foreign markets without granting reciprocal access to their trade partners, and hence, without making costly commitments to broader trade regimes." This reflects the inelasticity of petroleum demand: countries need an uninterrupted flow of oil and gas to fuel their economies; there are no ready substitutes for petroleum; and it is difficult to stockpile oil and gas in large quantities. As a

result, oil-importing states are eager to avoid disruptions in their petroleum supplies, which gives oil-exporting states greater influence." Keohane and Nye xxxv make a similar point:

"A country that imports all of its oil is likely to be more dependent on the continuing flow of petroleum than a country importing furs, jewelry, and perfume (even of equivalent monetary value) will be on uninterrupted access to these luxury goods. Where there are reciprocal (although not necessarily symmetrical) costly effects of transactions, there is interdependence." "Where interactions do not have significant costly effects, there is simply interconnectedness."

Since most states seek an uninterrupted supply of petroleum at the lowest possible cost, they tend to import it with few restrictions. The World Trade Organization compiles data on import restrictions around the world by product group: it reports that 'petroleum' is the product group most frequently imported duty free (WTO 2011)."xxxvi "This suggests that oil-importing states may be loath to demand reciprocal access to the markets of their oil suppliers therefore allowing oil-rich countries to have easy access to foreign markets while maintaining protectionist trade policies at home."

Much of the literature on participation in international institutions held that economic globalization and political globalization go hand-in-hand, each reinforcing the other." This "balanced" form of globalization is only true for oil importing countries: for the world's three dozen or so petroleum exporters, greater economic globalization neither leads to, nor results from, greater political globalization. Countries with abundant reserves of petroleum the commodity on which virtually all modern economies depend are freed from the economic incentives that lead other countries towards cooperation and reciprocity."

"It can be suspected that why oil-rich countries like Libya, Venezuela, Russia, and Iran so frequently seem to violate international norms on a wide range of issues including the protection of human rights, safeguarding the property of foreigners, adhering to reciprocal trade agreements, perhaps even the financing of foreign insurgencies. It may also explain why other oil exporters – like Angola, Oman, and Turkmenistan – remain politically isolated, despite their deep integration in the global economy. Participation in international institutions is associated with many benefits, including better dispute resolution, and socialization to more peaceful behavior. The more oil that a country exports, the less it accrues these benefits."

Of course, states vary widely in their willingness to participate in international institutions. For countries that are economically isolated or of marginal global importance, this might not be cause for concern. Yet for countries that control the world's supply of petroleum, this should be worrisome: they have extraordinary influence over the economic fortunes, and security, of other countries, but are relatively unconstrained by the treaties and international organizations that normally accompany this level of influence."

VII. RECENT CHANGES IN GLOBAL OIL PRICES AND THEIR CONNECTION TO THE HISTORICAL TREND

The given graph traces the movement of global oil prices from the early 1970s to around 2014, highlighting how oil prices have historically been shaped by wars, political instability, cartel behaviour, and global economic cycles. Events such as the Arab Oil Embargo, the Iranian Revolution, the Iran–Iraq War, the Gulf War, the Asian Financial Crisis, and the Global Financial Crisis are clearly marked, demonstrating the strong link between geopolitics and oil markets. However, developments after 2014 mark a structural shift in the global oil economy, and adding these recent changes to the graph is crucial to understanding contemporary oil politics and economics.

1. THE 2014–2016 OIL PRICE COLLAPSE: STRUCTURAL OVERSUPPLY

Immediately after the 2014 endpoint of the graph, global oil prices experienced a sharp and sustained collapse. This downturn was primarily driven by the US shale oil revolution, which significantly increased global supply. Unlike earlier periods shown on the graph—where price spikes were caused by wars or embargoes—this decline was supply-driven rather than conflict-driven. At the same time, OPEC chose not to cut production, abandoning its traditional role as a "swing producer."

If this period were added to the graph, it would show a steep downward slope from above $100 per barrel in 2014 to below $30 per barrel by early 2016. This mirrors earlier crashes on the graph, such as the mid-1980s price fall when Saudi Arabia abandoned production controls. The 2014–16 crash exposed the vulnerability of

oil-exporting countries that were economically globalised but politically insulated, as falling revenues destabilised fiscal systems without pushing many of these states toward deeper political cooperation.

2. 2018: SANCTIONS, TRADE WARS, AND PRICE VOLATILITY

Following the partial recovery from the 2016 lows, oil prices entered a volatile phase around 2018. This period should be annotated on the graph as a moderate rise followed by instability. The re-imposition of US sanctions on Iran reduced supply, while the US–China trade war created uncertainty about future demand. Unlike the sharp spikes seen during the Gulf War or the 2008 price boom, this phase reflects a more complex global economy where geopolitical risks coexist with slowing global growth.

This section of the graph would show uneven upward and downward movements rather than a clean trend. For oil-exporting countries, this volatility reinforced their preference for economic engagement without political integration. They continued exporting oil and attracting capital while avoiding binding commitments to international institutions that might constrain their domestic policies.

3. 2020: COVID-19 AND THE HISTORIC DEMAND COLLAPSE

The most dramatic addition to the graph after 2014 would be the 2020 COVID-19 shock. As global lockdowns halted transportation and industrial activity, oil demand collapsed at an unprecedented scale. Prices fell so sharply that US oil futures briefly turned negative—an event without historical precedent.

On the graph, this would appear as a sudden vertical plunge, comparable in magnitude—but not in cause—to the shocks of the 1970s oil crises. Unlike earlier crashes driven by wars or financial crises, this collapse was caused by a global health emergency, underscoring how deeply oil markets are embedded in the globalised economy. For oil-exporting states, the pandemic highlighted the risks of over-dependence on oil revenues and the absence of diversified political and economic partnerships.

4. 2021: POST-PANDEMIC RECOVERY AND SUPPLY CONSTRAINTS

As economies reopened in 2021, oil prices rebounded sharply, forming a V-shaped recovery on the graph. Demand recovered faster than supply, partly due to underinvestment in oil infrastructure during the previous downturn. Prices returned to the $70–80 per barrel range, echoing the recovery patterns seen after earlier crises such as the Asian Financial Crisis and the Global Financial Crisis.

This recovery, however, did not lead to greater political globalisation among oil exporters. Instead, many states used higher revenues to reinforce domestic stability while maintaining limited engagement with international norms. The graph thus reflects a recurring pattern: economic reintegration into global markets without corresponding political integration.

5. 2022: RUSSIA–UKRAINE WAR AND A NEW GEOPOLITICAL PRICE SPIKE

The Russia–Ukraine war represents one of the most significant oil market disruptions since the Gulf War, and it should be marked on the graph with a sharp upward spike in 2022. Sanctions on Russian energy exports and fears of supply shortages pushed prices above $120 per barrel.

This spike closely resembles earlier war-driven surges shown on the graph, such as during the Iran–Iraq War and the Gulf War. However, it also demonstrates a key continuity: geopolitical conflicts in oil-producing regions continue to globalise economic effects while deepening political fragmentation. Many oil-exporting countries benefited economically from higher prices without aligning politically with international sanction regimes.

6. 2023–2025: OPEC+ CUTS, MIDDLE EAST TENSIONS, AND ENERGY TRANSITION

From 2023 onward, oil prices have remained elevated but volatile, fluctuating roughly between $70 and $90 per barrel. This period should be annotated on the graph as one of managed volatility, shaped by coordinated production cuts, Middle East tensions, Red Sea shipping disruptions, and slowing demand growth in major economies such as China.

At the same time, the global energy transition has begun to influence long-term expectations. Unlike earlier periods on the graph, where oil demand growth was assumed to be permanent, the post-2020 era reflects

uncertainty about future consumption due to renewable energy, electric vehicles, and climate policies. This adds a new structural dimension to oil price movements that is not visible in earlier decades.

VIII. LINKING RECENT CHANGES TO THE THEME OF IMBALANCED GLOBALISATION

When these post-2014 changes are added to the graph, a clear pattern emerges. Oil prices continue to be highly sensitive to global economic shocks and geopolitical events, reinforcing the economic globalisation of oil-exporting countries. However, these same states often remain politically unintegrated, resisting binding international institutions, legal commitments, and human rights regimes.

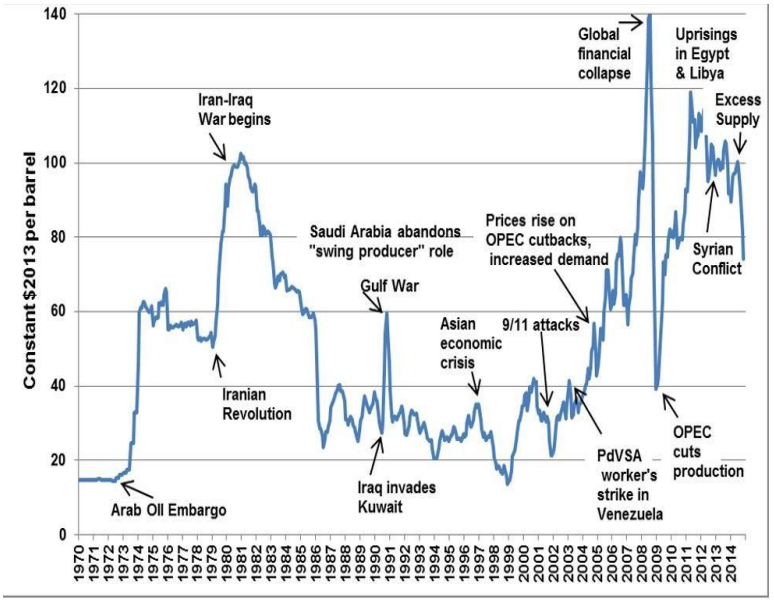
The graph thus visually supports the concept of imbalanced globalisation. Oil-exporting countries are deeply embedded in global markets, as evidenced by the repeated transmission of global shocks into oil prices. Yet, despite these linkages, many of these states remain politically isolated or selectively engaged, preferring ad hoc cooperation over institutionalised global governance.

IX. CONCLUSION

Adding the post-2014 developments to the oil price graph transforms it from a historical record into a contemporary analytical tool. The shale-driven price crash, the COVID-19 collapse, the Russia–Ukraine war spike, and recent managed volatility all demonstrate that oil markets remain globally interconnected and politically sensitive. At the same time, these changes reinforce the central argument that oil-exporting countries experience economic globalisation without political globalisation, making unbalanced globalisation not only an empirical reality but also a normative concern for global policymakers.

X. ANNEXURE I

FIGURE 1. OIL price susceptibility to global events over time.



Source: BP (2015) Energy Statistics

FIGURE 1. OIL price susceptibility to global events over time.

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[xxxiii] State-backed firms that made or announcement new investments in Venezuela in 2011 included the Indian Oil Corporation, a group of Russian companies (Rosneft, Gazprom, Lukoil, and Surgutneftegas, and TNK-BP), and China's CNPC.

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[xxxvi] See online appendix 4. The only group of countries to place significant restrictions on petroleum imports are the oil producers themselves, who guard their oil industries from competition.