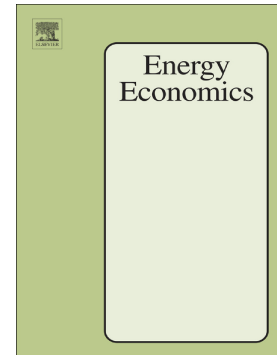


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Sahel Al Rousan, Rashid Sbia, Bedri Kamil Onur Tas



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A Dynamic Network Analysis of the World Oil Market: Analysis of OPEC and Non-OPEC Members

(Title Page)

Sahel Al Rousan¹, Rashid Sbia², Bedri Kamil Onur Tas³

Abstract

We characterize the dynamic network structure of major oil producing countries. We examine the oil production coordination of 13 Organization of the Petroleum Exporting Countries (OPEC) and 17 non-OPEC members. We construct the dynamic network structure using the network connectedness measure of Diebold and Yilmaz (2009). We investigate the structural changes in connectedness of OPEC and non-OPEC members. Additionally, we study how the influence of OPEC members, non-OPEC countries and major oil producers evolve. We find that the network structure of major oil-producing countries changes significantly over time. Specifically, the impact of changes in oil-production of all OPEC members on global oil production declines, whereas the impact of non-OPEC on global oil production increases. OPEC's "increase" decisions have a significant and positive impact on OPEC and non-OPEC coordination. However, "cut" decisions do not affect coordination. We find that OPEC countries and developing countries have significantly higher levels of connectedness. Additionally, countries with high oil production levels have significantly more influence. The empirical results provide intuition about the recent developments in global oil production.

Keywords: Global Oil Production, Coordination, Networks, OPEC

JEL Codes: C51, Q4

¹ Macro-Fiscal Department, Ministry of Finance, UAE

² Aix-Marseille University, CNRS, EHESS, Centrale Marseille, AMSE, France

³ Corresponding Author, TOBB University of Economics and Technology, Department of Economics

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