Qatar's OPEC Exit

Why in news?

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Qatar recently announced that it was walking away from the Organisation of the Petroleum Exporting Countries (OPEC).

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What is OPEC?

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- OPEC was initially founded in 1960 by Saudi Arabia, Iraq, Iran, Kuwait, and Venezuela. Qatar joined in 1961.
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- OPEC is now a group of 15 countries that produce about 45% of the world’s oil and contain over 80% of its “proven” reserves.
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- OPEC has a very big influence on global oil prices.
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- It plays a crucial role in determining the economic health of many countries, including India.
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What is the rationale behind Qatar's decision?

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- Qatar is among the world’s smallest countries by area.
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- However, it is the richest in terms of per capita gross national income ($128,000 according to World Bank figures).
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- Qatar’s riches are due to its natural gas reserves, and it is the world’s largest

exporter of liquefied natural gas (LNG).
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- So it wanted to focus on its gas industry rather than on oil, in which it was in any case a small player.
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- It denies any political reasons for leaving OPEC.
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- However, Qatar's broken diplomatic relationship with Saudi Arabia is to be noted.
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- Notably, Saudi Arabia plays a dominant role in the OPEC, having pumped 11 million barrels per day in October, 2018.
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- So Qatar feels it was pointless to put efforts, resources and time in an organisation that it was a very small player in.
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Why is Qatar's regional relations strained?

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- Qatar has long showed an independent mind in foreign policy.
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- This includes having a close economic and diplomatic relationship with Shia Iran, Sunni Saudi’s great regional rival.
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- This stance does not always align with the priorities of its regional Arab neighbours.
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- In June, 2017, Saudi Arabia, UAE, and Bahrain cut ties with Qatar.
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- They directed Qatari citizens to leave within 14 days, and forbade their citizens from going to or staying in Qatar.
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- Egypt too severed diplomatic contact with Qatar.
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- All of these countries shut their airspace to Qatari aircraft, and told foreign airlines to seek permission if flying to and from Qatar.
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- Saudi also sealed Qatar’s only land border, and closed its ports to Qatari-

flagged ships.
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- It claimed Qatar had refused to end ties with “terrorists”, after Doha declined to fulfil 13 demands that were presented to it.
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- It included
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i. cutting diplomatic relations with Tehran and military ties with Turkey
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ii. shutting down the TV station Al Jazeera
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iii. aligning with other Arab countries “militarily, politically, socially and economically”
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- But Qatar said the demands amounted to surrendering their sovereignty, which it would never do.
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- It has backed the Muslim Brotherhood and Hamas, but it is also part of the US-led war on the Islamic State.
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- It has assisted the rebels fighting Bashar al-Assad’s regime in Syria.
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- Over the last year and a half, hopes of reconciliation of Qatar with its neighbourhood have dimmed.
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- Doha has only deepened its cooperation with Iran and Turkey, and with political Islamist organisations.
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How will Qatar's decision impact global oil prices?

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- Qatar is a tiny player that pumped only 2% of OPEC’s total output of 32.9 million barrels per day.
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- It has limited influence on OPEC’s pricing decisions and so the exit would not make a much impact in terms of global oil prices.

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- However, over the last many decades, it has played a role mediating internal rivalries in OPEC.
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- It helped strike production-cut deals with producers like Russia.
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- So in these areas, Qatar's absence may hurt OPEC slightly.
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- **India** - Qatar's position as the world’s top LNG exporter and an influential player in the global LNG market is important for India.
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- Qatar is one of India’s oldest LNG suppliers, with Petronet LNG among the companies that have contracted to buy LNG from Qatar.
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- But LNG pricing is not in OPEC’s domain, so Qatar’s decision is unlikely to impact these trends.
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Source: Indian Express

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