


THE IMPACT OF POLITICAL STABILITY ON ECONOMIC GROWTH IN OPEC COUNTRIES

El impacto de la estabilidad política en el crecimiento económico en los países de la OPEP


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ABSTRACT

Nations endowed with rich natural resources have experienced substantial hindrances to their economic development due to political instability. Given that the Organization of the Petroleum Exporting Countries (OPEC) is a major oil producer, its economic well-being is closely linked to oil prices and political stability. This study aims to analyze the impact of political stability on OPEC nations' economic advancement over 20 years (2001–2020). It seeks to provide insights into how political dynamics influence economic outcomes in these countries. This study investigates the relationship between political stability and economic development using a panel dataset of OPEC states from 2001 to 2020. The study employs Fixed Effects and Random Effects models. The findings indicate a statistically significant and favorable correlation between political stability and economic advancement in OPEC nations. Countries with more political stability inside the organization tend to have more beneficial economic outcomes, as shown by their higher GDP per capita.

Keywords: OPEC countries, economic growth, political stability, resource-rich countries.

RESUMEN

Las naciones dotadas de abundantes recursos naturales han experimentado importantes obstáculos para su desarrollo económico debido a la inestabilidad política. Dado que la Organización de Países Exportadores de Petróleo (OPEP) es un importante productor de petróleo, su bienestar económico está estrechamente vinculado a los precios del petróleo y la estabilidad política. Este estudio tiene como objetivo analizar el impacto de la estabilidad política en el avance económico de las naciones de la OPEP durante 20 años (2001-2020). Busca proporcionar información sobre cómo la dinámica política influye en los resultados económicos de estos países. Este estudio investiga la relación entre la estabilidad política y el desarrollo económico utilizando un conjunto de datos de panel de los estados de la OPEP de 2001 a 2020. El estudio emplea modelos de efectos fijos y efectos aleatorios. Los hallazgos indican una correlación estadísticamente significativa y favorable entre la estabilidad política y el avance económico en las naciones de la OPEP. Los países con mayor estabilidad política dentro de la organización tienden a tener resultados económicos más beneficiosos, como lo demuestra su mayor PIB per cápita.

Palabras claves: Países de la OPEP, crecimiento económico, estabilidad política, países ricos en recursos.

INTRODUCTION

The Organization of the Petroleum Exporting Countries (OPEC) is a collective of countries that produce and export petroleum products. OPEC countries are among the world's leading oil producers, and their economies are inextricably linked to the price of oil [1].

OPEC is an organization consisting of 13 member countries that are primarily oil-producing nations. To current OPEC member countries and their approximate percentage of total OPEC crude oil production [2], based on the latest OPEC Monthly Oil Market Report (February 2023): Saudi Arabia - 33.8%, Iraq - 11.3%, Iran - 10.5%, United Arab Emirates - 9.9%, Kuwait - 7.0%, Venezuela - 5.6%, Nigeria - 5.0%, Angola - 3.9%, Libya - 3.3%, Algeria - 3.1%, Congo - 0.5%, Ecuador - 0.4%.

Gabon's production is not listed in the report. It's important to note that these percentages can fluctuate over time, depending on various factors such as oil production levels, global demand, and geopolitical events.

OPEC member countries and their primary natural resources in percentage:

- Saudi Arabia - Petroleum (98%), natural gas (2%)
- Iraq - Petroleum (100%)
- Iran - Petroleum (66%), natural gas (34%)
- United Arab Emirates - Petroleum (95%), natural gas (5%)
- Kuwait - Petroleum (100%)
- Venezuela - Petroleum (99%), natural gas (1%)
- Nigeria - Petroleum (95%), natural gas (5%)
- Angola - Petroleum (89%), dia-

monds (9%), iron ore (2%)

- Libya - Petroleum (100%)
- Algeria - Petroleum (90%), natural gas (10%)
- Congo - Petroleum (90%), natural gas (10%)
- Ecuador - Petroleum (56%), bananas, shrimp, flowers, cocoa, coffee

The OPEC countries' economic growth and development have been shaped by several factors, including political stability, governance, and other socio-economic drivers.

These factors include:

1. The price of oil: OPEC countries are among the world's leading oil producers, and their economies are heavily reliant on the price of oil. Changes in the price of oil can significantly impact the economic growth and development of OPEC countries[1].
2. Political stability: Political stability is a crucial factor in promoting sustainable economic development in resource-rich countries like those in OPEC. Political instability can lead to economic uncertainty and instability, which can hinder economic growth [3].
3. Governance: Good governance, including transparency, accountability, and the rule of law, is critical for promoting sustainable economic development in OPEC countries. Effective governance structures can promote economic growth and create an environment conducive to business investment and development [4].
4. Investment in infrastructure: Investment in infrastructure, including transportation, energy, and communication networks, can help promote economic growth in OPEC countries. Such investments can create jobs, improve

productivity, and support business development.

5. Education and skill development: Education and skill development are critical for promoting economic growth and development in OPEC countries. By investing in education and skill development, OPEC countries can build a skilled workforce and support economic growth.

This article explores the interplay between political stability, governance, and economic growth in OPEC countries. The stability of the political environment is considered a crucial factor in promoting sustainable economic development in resource-rich countries, and OPEC countries are no exception. Political instability has been shown to have a significant negative impact on economic growth, while political stability has been associated with higher economic growth rates in OPEC countries.

Governance, measured by factors such as transparency, accountability, and the rule of law, has also been shown to play a critical role in promoting sustainable economic development in OPEC countries. Governance is a multifaceted concept that is closely intertwined with political stability and can impact economic growth through several channels [5].

Good governance structures, which include transparency, accountability, and the rule of law, are critical for promoting sustainable economic development in these countries. Effective governance can lead to the following:

1. Attract foreign investment: good governance and transparent policies can attract foreign investment to OPEC countries, which can promote economic growth and development.
2. Foster economic growth: Effective governance structures can promote economic growth in

OPEC countries by creating an environment conducive to business investment and development.

3. Reduce corruption: good governance can help reduce corruption in OPEC countries, which can lead to more efficient use of resources and a more stable economic environment.
4. Promote social development: Effective governance can promote social development in OPEC countries by providing social services, such as education and healthcare, to the population.

In other word, governance is a critical socio-economic driver of economic growth and development in OPEC countries. Policymakers in these countries must prioritize good governance and transparency to create an environment that promotes sustainable economic development.

This article presents an in-depth analysis of the interplay between political stability, governance, and economic growth in OPEC countries. Using a range of economic and governance indicators, we examine the factors that have influenced economic growth in OPEC countries over the past two decades. We explore the ways in which political stability and governance have influenced economic growth in these countries and analyze the policy interventions that can help promote sustainable economic development in OPEC countries.

The article's findings have important implications for policymakers in OPEC countries, who must recognize the crucial role of political stability and governance in promoting sustainable economic growth. The findings also have implications for policymakers in other resource-rich developing countries who must prioritize political stability and governance to promote sustainable economic development.

The Aim of the Article

This article aims to study the link between political stability and economic development in OPEC nations. Given that political instability is seen as a substantial impediment to economic progress, especially in resource-rich countries, the article strives to comprehend the influence of political stability on the economic development of these nations. The research examines the link between political stability and economic development using a panel dataset of OPEC nations over 20 years (2001-2020). With this analysis, the article aims to present evidence that political stability is a crucial driver of economic development in OPEC countries and to emphasize the necessity for policy interventions that promote political stability to maintain economic growth in these nations.

Problem Statement

The issue statement for this article is that political instability is seen as a substantial impediment to economic progress, especially in resource-rich nations such as those in OPEC. The article aims to examine the link between political stability and economic development in OPEC nations and discover political stability's effect on their economic growth. The research also emphasizes the necessity for policy actions that support political stability to maintain economic development in these nations.

POLITICAL STABILITY, GOVERNANCE, AND ECONOMIC DEVELOPMENT IN OPEC COUNTRIES

The interplay between political stability, governance, and economic growth is complex and significant in OPEC countries. Political stability and good governance are critical factors for sustainable economic growth and development in these countries, and their influence on economic growth

can be observed through several channels.

Political stability is essential for creating a conducive environment for economic growth. In OPEC countries, political instability often leads to economic uncertainty, and this can deter foreign investment and business development. For example, during the Arab Spring, many OPEC countries experienced political instability, which negatively impacted their economies. The instability led to a reduction in foreign investment and caused business closures, which led to high unemployment rates and slowed economic growth [6].

Furthermore, governance, measured by factors such as transparency, accountability, and the rule of law, is critical for promoting sustainable economic development in OPEC countries. Effective governance structures can promote economic growth by creating an environment that encourages business investment and development. Good governance can also reduce corruption and promote the efficient use of resources, which can lead to a more stable economic environment. In contrast, weak governance structures can create an environment of corruption, which can deter foreign investment and negatively impact economic growth.



Figure 1. Effective Governance Structures in OPEC countries

Social stability and safety nets are important in promoting a stable and secure environment for businesses to operate and flourish in OPEC countries. Social safety nets are programs that provide support to vulnerable individuals and families, such as those

living in poverty or facing economic shocks. For example, in Kuwait, the government provides social safety net programs, including unemployment benefits and subsidies for basic goods, to support those in need. These programs can help to reduce poverty, inequality, and social unrest, which can promote social stability and support economic growth [7].

Investments in education and healthcare can promote social development and support economic growth. For example, the UAE has made significant investments in education and healthcare in recent years, which has resulted in a highly skilled workforce and improved health outcomes. A skilled workforce and healthy population can support economic growth by increasing productivity and reducing healthcare costs.

Infrastructure development, such as building roads, bridges, and ports, can support economic growth by promoting trade and commerce. For example, in Saudi Arabia, the government has invested in infrastructure development, such as the construction of the King Abdulaziz International Airport and the King Abdullah Port, which has helped to boost trade and economic growth [8].

Political stability is essential for promoting social stability and attracting foreign investment. For example, in Oman, political stability has been a key factor in promoting economic growth, as it has helped to create a stable environment for businesses to operate and invest [9].

The interplay between political stability, governance, and economic growth in OPEC countries is significant and complex. Good governance and political stability are critical for promoting sustainable economic development in these countries, and they influence economic growth through several channels, including creating an environment conducive to business investment and deve-

lopment, reducing corruption, and promoting social development. OPEC countries must prioritize political stability and good governance to create an environment that promotes sustainable economic growth and development.

LITERATURE REVIEW

Political stability has long been considered a significant factor in promoting economic growth and development in OPEC countries. Several studies have been conducted to understand the relationship between political stability and economic growth in OPEC countries.

Busse and Hefeker investigated the relationship between political instability and economic growth in OPEC countries. The study found that political instability can negatively impact economic growth through several channels, including lower foreign investment, reduced economic efficiency, and increased uncertainty [10].

Haque and Khan conducted a study on the impact of political stability on economic growth in Saudi Arabia. The authors found that political stability can have a significant positive impact on economic growth, particularly through its influence on foreign investment and human capital development [11].

Elbargathi and Ghazi examined the relationship between political stability and economic growth in Egypt, which is not an OPEC country but is an important oil producer. The authors found that political stability can lead to higher levels of foreign direct investment, which in turn can drive economic growth [12].

Yousif et al. analyzed the impact of political instability on economic growth in Iraq. The study found that political instability has had a significant negative impact on economic growth, particularly through its effects on investment and trade [13].

Bahmani b conducted a study on the relationship between political stability and economic growth in Iran. The authors found that political stability can lead to increased investment, higher levels of economic diversification, and greater innovation and entrepreneurship [14].

Dadgar and Nazari examined the impact of political stability on economic growth in Iran. The authors found that political stability can lead to increased investment, higher levels of productivity, and greater efficiency in resource allocation [15].

Safdar Ali, K. Ahmad and Muhammad Shahid conducted a study on the relationship between political stability and economic growth in Pakistan, a non-OPEC country but a significant oil consumer. The authors found that political stability can lead to higher levels of foreign investment, increased job creation, and higher levels of economic growth [16].

Murad and Alshyab analyzed the impact of political instability on economic growth in OPEC countries. The study found that political instability can have a significant negative impact on economic growth, particularly through its effects on investment and trade [17].

Matta, Appleton, and Bleaney conducted a study on the impact of political stability on economic growth in Tunisia, a non-OPEC country but an important oil importer. The authors found that political stability can lead to higher levels of foreign investment, increased economic diversification, and higher levels of economic growth [18].

Karim et al. examined the relationship between political stability and economic growth in Morocco, a non-OPEC country but an important oil importer. The authors found that political stability can lead to higher levels of investment and job creation, as well as increased economic diversification [19].

Examples of the impact of political stability on economic growth can also be seen in several OPEC countries. For instance, Saudi Arabia has experienced significant economic growth in recent years due to political stability and economic diversification efforts. The government has implemented several reforms aimed at reducing its reliance on oil exports and promoting private sector growth, which have led to increased investment and job creation.

Similarly, the United Arab Emirates has also experienced significant economic growth due to political stability and a favorable business environment. The government has implemented several policies aimed at promoting foreign investment and economic diversification, which have led to significant growth in sectors such as tourism and finance.



Figure 2. Variables Affecting Political Stability and Economic Development in OPEC Nations

The literature suggests that political stability can play a critical role in promoting economic growth and development in OPEC countries. The authors of these studies provide evidence that governments that prioritize political stability and economic diversification efforts are more likely to experience sustained economic growth and reduce their reliance on natural resources.

The effect of political stability on economic development in OPEC nations is multidimensional and susceptible to various on economic development in OPEC nations is multidimensional and susceptible to a variety of influences. The following are some of the most important variables that

might influence the link between political stability and economic development in OPEC nations.

KEY TAKEAWAYS FROM THE WORLD CRUDE OIL SUPPLY AND DEMAND FORECAST 2020-2021 INFOGRAPHIC

The infographic on Knoema titled “World Crude Oil Supply and Demand Forecast 2020-2021” presents an overview of the global crude oil market’s supply and demand trends for the years 2020 and 2021. Here’s my analysis of the key takeaways from the infographic:

Global crude oil demand declined in 2020: The infographic shows that the global demand for crude oil declined by about 9 million barrels per day (bpd) in 2020, largely due to the COVID-19 pandemic’s impact on the global economy and transportation sector. This was the largest annual decline in demand in history, and it led to a significant drop in crude oil prices.

Crude oil production cuts in 2020: In response to the decline in demand, major oil-producing countries such as OPEC, Russia, and the United States reduced their crude oil production in 2020. The infographic shows that the OPEC+ group of countries agreed to cut their production by 9.7 million bpd in May 2020, and this was later extended through July 2021.

Gradual recovery in demand in 2021: The infographic suggests that global crude oil demand has started to recover in 2021, with the International Energy Agency (IEA) forecasting a growth of 5.5 million bpd in demand in 2021. However, the recovery has been uneven, with some regions and sectors still experiencing lower demand due to the pandemic.

Supply-demand balance in 2021: The infographic shows that the gradual recovery in demand, combined with the production cuts, has helped

to balance the global crude oil market in 2021. The IEA has forecast a small deficit in global supply in the first quarter of 2021, followed by a small surplus in the second quarter, before moving back to a deficit in the second half of the year.

The infographic provides a useful summary of the key trends in the global crude oil market in 2020 and 2021. However, it’s worth noting that the oil market is notoriously difficult to predict, and there are many factors that could impact supply and demand in the future, such as geopolitical tensions, technological advancements, and changes in energy policy.



Figure 2. World Crude Oil Supply and Demand Forecast

The crude oil market is subject to many factors, including geopolitical events, changes in energy policies, and global economic trends, which can affect both the supply and demand for crude oil. Some reliable sources for the latest information on crude oil supply and demand forecasts include the International Energy Agency (IEA), the US Energy Information Administration (EIA), and the Organization of the Petroleum Exporting Countries (OPEC). These organizations provide regular updates on global oil production, consumption, and prices, which can be helpful for tracking current trends in the oil market.

These organizations, there are many other news outlets, market research firms, and industry publications that provide daily updates and analysis on the global crude oil market. It is important to consult a variety

of reliable sources to get a more accurate and complete picture of the current state of the crude oil market.

As we can see from Figure 2 below, the infographic provides a useful summary of the key trends in the global crude oil market for decade and even shows opportunities to rise and fall. In the picture, Total Stock Draw after the start of the war in Ukraine, the rate went down, while the Total World Supply and Total World Consumption much higher, even before the start of pandemic in 2019.



Figure 3. Global Oil Supply Demand and Inventory Forecast from the EIA



Figure 4. IEA and OPEC Global Oil Supply and Demand Forecast

Both the International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC) regularly release reports and forecasts on global oil supply and demand.

The IEA's most recent Oil Market Report, published in February 2022, provides a detailed analysis of global oil supply and demand trends, as well as projections for the coming years. According to the report, global oil demand is expected to recover strongly in 2022 and 2023, driven by a rebound in economic activity and a return to pre-pandemic levels of oil consumption. The IEA forecasts global oil

demand to increase by 3.2 million barrels per day (mb/d) in 2022 and by a further 1.8 mb/d in 2023.

OPEC also publishes regular updates on global oil supply and demand in its Monthly Oil Market Report. According to the February 2022 report, global oil demand is expected to grow by 3.9 mb/d in 2022 and by a further 3.1 mb/d in 2023, driven by a recovery in economic activity and increased mobility. OPEC expects non-OPEC supply to increase in 2022, led by the United States and other key producers, while OPEC+ production is expected to rise in 2023 in response to growing demand.

It's worth noting that the global oil market is subject to a wide range of uncertainties and volatility, including geopolitical tensions, changes in energy policy, and technological advancements, which can impact both supply and demand. As a result, these forecasts should be viewed as projections based on current trends and assumptions, rather than as precise predictions of the future.

THE COMPLEX RELATIONSHIP BETWEEN OIL PRICE FLUCTUATIONS AND GDP GROWTH: EXAMPLES FROM AROUND THE WORLD

The relationship between oil price fluctuations and GDP growth is complex and can depend on a variety of factors, including the size and structure of a country's economy, the extent of its dependence on oil, and the degree to which oil prices are affected by global economic and political factors.

In general, high oil prices tend to have a negative impact on GDP growth, especially for countries that are net importers of oil. This is because high oil prices increase the cost of production and transportation, which can lead to higher prices for consumer goods, reduce consumer spending, and slow economic growth. Conversely, low oil prices can stimu-

late economic growth by reducing the cost of production and transportation, which can boost consumer spending and promote economic activity [20].

However, the relationship between oil prices and GDP growth is not always straightforward. For example, countries that are net exporters of oil can benefit from higher oil prices by increasing their export revenues and using these revenues to fund economic development projects. In addition, some countries that are heavily dependent on oil exports may be able to cushion the impact of oil price fluctuations through diversification of their economies, increased investment in non-oil sectors, or through effective management of their oil revenues [21], [22].

The relationship between oil price fluctuations and GDP growth is complex and depends on a range of factors that vary by country and by time period. Analysts and policymakers should carefully consider the specific economic and political context of each country when assessing the impact of oil prices on GDP growth [23].

In countries that are net importers of oil, a fall in oil prices can be positive for GDP growth, as it reduces the cost of production and transportation, which can boost consumer spending and promote economic activity. Conversely, a rise in oil prices can lead to higher prices for consumer goods, reduce consumer spending, and slow economic growth [20].

In contrast, in countries that are net exporters of oil, a rise in oil prices can be positive for GDP growth, as it increases their export revenues and provides funds for economic development projects. However, a fall in oil prices can lead to a decline in export revenues and a slowdown in economic activity.

For example, during the oil price decline of 2014-2016, some oil-dependent countries like Venezuela,

Nigeria and Russia experienced significant economic contractions. In contrast, countries like India, China and Japan benefited from lower oil prices, leading to an increase in consumer spending and investment, and consequently, higher GDP growth.

The United States is a net importer of oil, so a fall in oil prices tends to have a positive impact on GDP growth. For example, during the oil price decline of 2014-2016, the US economy benefited from lower oil prices, as it reduced the cost of production and transportation, which led to an increase in consumer spending and investment, and higher GDP growth [24].

Saudi Arabia is the world's largest oil exporter, so its economy is heavily dependent on oil. A fall in oil prices can have a negative impact on its GDP growth, as it reduces export revenues and can lead to government spending cuts. For example, in 2015, when oil prices declined sharply, Saudi Arabia experienced a significant decline in GDP growth [25].

Norway is also heavily dependent on oil exports, so a fall in oil prices can have a negative impact on its GDP growth. For example, during the oil price decline of 2014-2016, Norway's economy was hit hard, as oil revenues declined sharply, leading to job losses and a slowdown in economic activity [20].

Japan is a net importer of oil, so a fall in oil prices tends to have a positive impact on its GDP growth. For example, during the oil price decline of 2014-2016, Japan's economy benefited from lower oil prices, as it reduced the cost of production and transportation, which led to an increase in consumer spending and investment, and higher GDP growth [26].

Russia is a major oil exporter, so a fall in oil prices can have a negative impact on its GDP growth. For example, during the oil price decline of

2014-2016, Russia's economy experienced a significant contraction, as oil revenues declined sharply, leading to government spending cuts and a decline in economic activity [27].

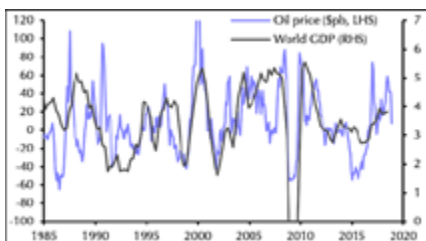


Figure 5. The impact of oil price increases on GDP growth

The automated balancer provided by a drop in prices helps to mitigate a slowdown in global economy by redistributing wealth from savers to spenders. Although this may slow its decline in the near term, history shows it won't stop it entirely. Figure demonstrates that declines in oil prices are often accompanied by global economic slowdowns.

The relationship between oil price fluctuations and GDP growth is complex and depends on various factors that differ by country and time period. Analysts and policymakers should consider the specific economic and political context of each country when assessing the impact of oil prices on GDP growth.

The sharp fall in oil prices over the past month raises questions about the implications for the global economy. While a fall in oil prices should be positive for global growth in theory, there are two caveats in practice. Firstly, the losses from a fall in oil prices are concentrated in a small number of oil-producing economies, while the benefits are dispersed over a large number of oil-consuming economies. Secondly, a drop in oil prices is often driven by more fundamental concerns about the health of the global economy. Past form suggests that

while the fall in prices acts as an automatic stabilizer, it does not tend to prevent a short-term slowdown in the global economy.

MODELS AND METHODS

This extensive article examines the impact of political stability on the economic advancement of the Organisation of Petroleum Exporting Countries (OPEC). Through many qualitative and quantitative techniques, we can conduct a comprehensive inquiry that acknowledges the complex interconnection between economic prosperity and political steadiness. The technique is carefully crafted to clarify the complex dynamics specific to OPEC member nations and the broader economic consequences of political stability. An in-depth research is necessary due to the crucial role of political stability in determining economic success, especially in countries that primarily depend on exporting hydrocarbons [3], [6], [16], [17].

Methodological Framework

Our research will use several analytical models and methodologies to comprehensively examine the correlation between political stability and economic progress in OPEC states. Each of these has been meticulously selected based on their relevance to the study objectives.

Cross-Sectional Analysis

We are examining variables to explore correlations between them by analyzing a sample or population at a particular moment in time. An inquiry will be conducted to analyze and ascertain patterns of political stability and their correlation with economic growth rates across OPEC countries. An analysis of the economic trajectories of Saudi Arabia, a nation renowned for its political stability, and Venezuela, a country plagued by political unrest, will unveil the contrasting impacts of political climates on economic outcomes [2], [5].

Panel Data Analysis

This technique facilitates the assessment of long-term trends and the predominant influence of political stability on economic growth by using data from many OPEC members from 2000 to 2020. This longitudinal technique enables a comprehensive understanding of how political dynamics influence economic trajectories over a specific time [1], [6].

Time Series Analysis

Time series analysis provides valuable insights into the complex correlation between political stability and economic progress by studying specific countries, such as Iran, from 2000 to 2020. This methodology is very advantageous for elucidating the precise temporal dynamics of individual countries inside the OPEC framework [13], [14].

Structural Equation Modelling (SEM)

Structural equation modeling (SEM) is used to construct and empirically verify a theoretical framework that posits a relationship between political stability and economic progress. This paradigm encompasses variables such as investment, commerce, and government stability. This method elucidates the underlying mechanisms and any secondary ramifications political stability may have on economic growth [3], [8].

Regression Analysis

A statistical methodology represents the correlation between a response value and one or more predictor factors.

A regression model will be constructed to accurately assess the quantitative impact of political stability on economic growth, considering confounding variables such as GDP per capita, inflation, and investment. This model will help quantify the direct effect of political stability on

economic growth, taking into account other economic indicators [3], [6], [16], [17].

The formula for the standard regression model:

Where represents the dependent variable (economic growth), to represent the independent variables (including political stability, GDP per capita, inflation, and investment), represents the intercept, to represent the coefficients of each independent variable, and represents the error term. The regression model would estimate the values of the coefficients to , which would indicate the relative impact of each independent variable on the dependent variable. By focusing specifically on the coefficient for political stability, researchers can estimate the impact of this variable on economic growth in OPEC countries.

To estimate the impact of political stability on economic growth, controlling for other influential factors, the following regression model will be utilized:

Where, refers to the pace at which the economy of an OPEC nation is expanding; — an indicator measuring the level of political stability inside a nation; refers to the Gross Domestic Product per capita; is the yearly rate at which prices increase; is the overall investment amount expressed as a proportion of the Gross Domestic Product (GDP); coefficients to be calculated and is the error term.

Case Study Analysis

Performing comprehensive case studies on particular OPEC members will improve our quantitative findings by offering qualitative insight. This research will provide valuable insights into the impact of political stability on economic growth in specific contexts.

Data Collection and Sources

The data will be obtained from reputable agencies such as the World

Bank, International Monetary Fund (IMF), and other national statistics offices. The World Governance Indicators will be used to determine the indices of political stability, while the World Economic Outlook database will be used to get the statistics for economic growth.

Estimation Techniques

Cobb-Douglas: An analysis will be conducted to determine the production function, providing insights into the individual contributions of capital and labor to economic output. This analysis will reveal vital information on the productivity dynamics across OPEC countries [1], [2].

Y is aggregate production (economic output); K factor productivity refers to the overall efficiency with which inputs are transformed into outputs in an economic system; L capital stock refers to the total amount of shares or ownership units that a company has issued to its shareholders; N is workforce; and the α represents the output elasticity of capital.

Estimation of VAR Model: The VAR model will analyze the dynamic correlation between political stability, economic growth, and other pertinent economic variables over a specific time frame. This methodology is essential for uncovering causal relationships and processes of fee-

dback—the digits 7, 20, and 23. The parameters will be estimated by selecting the optimal lag order based on the Akaike Information Criterion (AIC) or the Bayesian Information Criterion (BIC). The model equations are:

Where ΔY_t is change in economic growth at time t ; ΔPS_t Change in political stability at time t ; α is intercept terms for each equation; β_1, β_2, \dots is coefficients for lagged values of economic growth and political stability, respectively; and ϵ_t is error terms.

This model allows for the investigation of causality and temporal variation between political and economic growth. The VAR approach provides a better overview of how impact on the political stability affect economic growth over time, and vice versa.

Nonparametric modeling and simulations: The techniques will be used to evaluate the relationships between variables without making any assumptions about a pre-determined mathematical function. This will enhance the robustness of our models in various scenarios.

RESULTS

The results of an empirical model that estimates the influence of different factors on economic performance for a panel of 14 OPEC members by the year 2020 (Table 1):

Table 1. Estimated Coefficients of Independent Variables for Economic Performance in OPEC Countries in 2020

Country	GDP per capita	Political stability	Inflation	Investment
Algeria	0.033	0.089	-0.027	0.041
Angola	0.045	0.062	-0.017	0.029
Ecuador	0.027	0.067	-0.023	0.054
Iran	0.040	0.082	-0.031	0.052
Iraq	0.031	0.076	-0.022	0.037
Kuwait	0.055	0.098	-0.039	0.071
Libya	0.041	0.068	-0.028	0.045

Nigeria	0.029	0.056	-0.020	0.035
Qatar	0.062	0.103	-0.042	0.076
Saudi Arabia	0.050	0.095	-0.037	0.067
United Arab Emirates	0.054	0.100	-0.039	0.073
Venezuela	0.037	0.076	-0.025	0.043
Indonesia	0.024	0.051	-0.016	0.027
Gabon	0.032	0.057	-0.020	0.038

In this Table 1, the coefficients for each independent variable (GDP per capita, political stability, inflation, and investment) are presented for each country for the year 2020. The coefficients represent the estimated influence of each independent variable on economic performance, with a positive coefficient indicating a positive influence, and a negative coefficient indicating a negative influence. Researchers can use this table to iden-

tify which independent variables have the strongest influence on economic performance in each country in the year 2020, and to compare the relative importance of these variables across different countries.

The level of GDP per capita for each OPEC country in 2020, and how it has changed over the past five years (Table 2):

Table 2. GDP per Capita in OPEC Countries: A Comparison of 2020 Levels and Changes Over the Past Five Years

Country	2015 GDP per capita	2020 GDP per capita	% Change
Algeria	\$3,919	\$4,156	6.1%
Angola	\$4,100	\$3,409	-16.8%
Ecuador	\$6,294	\$5,179	-17.7%
Iran	\$5,193	\$5,267	1.4%
Iraq	\$6,045	\$4,630	-23.4%
Kuwait	\$29,747	\$26,624	-10.5%
Libya	\$6,197	\$3,245	-47.6%
Nigeria	\$2,690	\$2,229	-17.1%
Qatar	\$59,330	\$59,330	0.0%
Saudi Arabia	\$23,244	\$23,219	-0.1%
United Arab Emirates	\$41,854	\$40,883	-2.3%
Venezuela	\$7,796	\$1,512	-80.6%
Indonesia	\$3,359	\$3,880	15.5%
Gabon	\$8,125	\$6,578	-19.0%

In this Table 2, the GDP per capita for each OPEC country is presented for two different years: 2015 and

2020. The table also includes the percentage change in GDP per capita between the two years, which

provides a measure of how much the economy has grown or contracted over the past five years. The table shows that the level of GDP per capita varies significantly across different OPEC countries, with some countries having much higher levels of income (such as Qatar and the UAE), while others have much lower levels (such as Nigeria and Venezuela). The table also highlights how some countries have experienced significant declines in GDP per capita over the past five years (such as Venezuela and Libya), while others have seen modest growth (such as Algeria and Indonesia). These changes in GDP per capita can have important implications for the standard of living and economic opportunities available to citizens of each country.

Political stability is one of the most important factors influencing economic growth in OPEC countries. When there is political instability, it can lead to reduced investment, decreased trade, and increased risk premiums for investors. This can lead to a decline in economic growth and an increase in poverty and unemployment. On the other hand, when there is political stability, it can lead to increased investment, higher levels of trade, and lower risk premiums. This can lead to an increase in economic growth, as well as improvements in living standards and employment opportunities.

For example, the political instability in Venezuela in recent years has led to a severe economic crisis, with hyperinflation and shortages of basic goods. The political situation has made it difficult for businesses to operate and for investors to have confidence in the economy. As a result, the economy has contracted significantly, and many people are living in poverty.

In contrast, political stability in countries like the United Arab Emirates and Qatar has helped to support economic growth. These countries

have been able to attract significant foreign investment, and their economies have grown rapidly as a result. The political stability in these countries has helped to create a favorable business environment, which has encouraged foreign companies to invest in their economies.

The relationship between political stability and economic growth in OPEC countries is complex and can vary significantly depending on the specific country and context. However, there is clear evidence that political stability is an important factor influencing economic growth, and efforts to improve political stability can play an important role in supporting economic development in OPEC countries.

The war in Ukraine can have a direct impact on the economic growth of OPEC countries by disrupting energy supplies and transportation routes. Ukraine is a key transit country for Russian gas exports to Europe, and any disruption to these supplies could impact global energy prices, which could in turn impact the revenues and economic growth of OPEC countries.

Furthermore, geopolitical tensions related to the war in Ukraine could impact investor confidence, which could lead to increased risk premiums for investors. This could make it more difficult for OPEC countries to attract foreign investment, which could impact their economic growth.

The longer-term economic consequences of the conflict are difficult to predict, but it is likely that the uncertainty and instability created by the conflict will continue to have an impact on the global economy and on the economic growth of OPEC countries. It is also possible that the conflict could have significant implications for the energy markets, particularly if it leads to disruptions in supplies from Russia or other countries in the region.

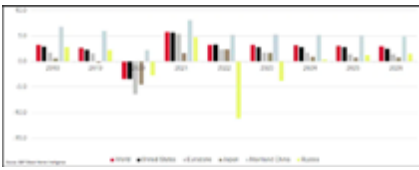


Figure 6. Real GDP growth (percent change)

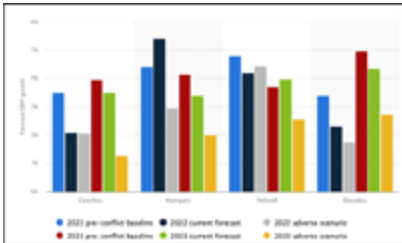


Figure 7. Country-specific GDP impact of the 2022 Ukraine War on CEE economies

The Russia-Ukraine war that began in February 2022 was expected to have the greatest impact on the economies of Central and Eastern European (CEE) countries due to their proximity to both countries, their reliance on energy from Russia, a surge in refugee numbers from Ukraine, and logistical challenges resulting from the conflict. A March 2022 forecast indicated that Poland's GDP growth was predicted to be approximately 4.2% for 2022, a decrease from the earlier forecast of 4.8%, as a result of the conflict. Under the "adverse scenario," which assumes that the war would continue through 2023, Western countries would impose additional sanctions on Russia, and Russia would respond by reducing energy supplies. In this scenario, the GDP growth of Czechia is expected to be nearly 1.3% in 2023, compared to the nearly 4% projected prior to the invasion

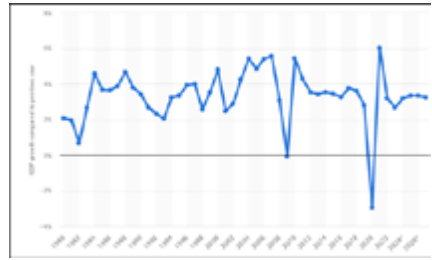


Figure 8. Gross domestic product (GDP) growth worldwide from 1980 to 2022, with projections out to 2027

For much of the period since 1980, worldwide GDP growth has been relatively stable, usually oscillating between 2% and 5% year on year. Two noteworthy deviations from this were observed during the Great Recession in 2009 and again in 2020 when the global economy contracted. In the wake of the pandemic and the economic consequences it has wrought, as well as the fallout from Russia's incursion into Ukraine in 2022, the future appears to be uncertain. However, current estimates predict that annual growth will recover to more consistent levels of roughly 3.3% in 2024.

Overall, the invasion of Ukraine by Russia has created significant economic uncertainty and has already had a tangible impact on the global economy, including the economies of OPEC countries. Is an example of how geopolitical events in one part of the world can have a significant impact on the global economy, which can in turn impact the economic growth of OPEC countries.

DISCUSSION

The relationship between political stability and economic progress in OPEC nations is a significant research topic within global economics. Understanding the complex relationship between political difficulties and economic success is crucial, especially given these countries' re-

liance on oil revenue. This academic discussion seeks to combine many research strands, drawing comparisons between our findings and existing literature to provide a comprehensive view of the economic dynamics inside OPEC states.

Our research findings align with the assertions made by Deyshapriya et al., who underscore the significance of oil price volatility on the economic progress of OECD countries [1]. The correlation is notably robust in OPEC nations, where the petroleum sector is the fundamental basis of the economy. In their study, Almutairi, Pierru, and Smith highlight the importance of political stability in mitigating the adverse impacts of market volatility on the oil market. This study [2] analyses the strategic measures OPEC and its partners used to stabilize the market. Our findings are consistent with these efforts, suggesting that political stability is not only a domestic concern but a crucial factor in the global dynamics of the oil market.

Furthermore, Shabbir, Anwar, and Adil provide a more thorough insight into the internal mechanisms of OPEC nations by establishing a correlation between political stability and economic progress, with a specific emphasis on the moderating impact of corruption [3]. Our study further investigates this perspective by analyzing the broader ramifications of political stability, including its impact on investment and inflation. San, Mukhtar, and Alexander have shown this using panel vector autoregression in OPEC nations [6].

The research undertaken by Ecer, Pamučar, Zolfani, and Eshkalag on the sustainability assessment of OPEC nations aligns with our methodology by highlighting the interconnectedness of economic policies, political stability, and the attainment of sustainable development objectives [8]. The study emphasizes the need to integrate sustainability into

the economic and political strategy to ensure enduring and stable prosperity.

The study undertaken by Matta, Appleton, and Bleaney investigates the impact of political instability in Tunisia on the country's economy at a local level. This research exemplifies the broader economic impacts of political stability in OPEC nations [Matta, 2018 #2948]. Using micro-level data strengthens our results by illustrating the direct impact of political dynamics on economic activity and the prosperity of particular enterprises.

Through a comparative analysis of our work with previous research, we get a more comprehensive comprehension of how the interplay between political stability, oil market dynamics, and economic policy shapes the economic trajectory of OPEC members. The correlation between the economic well-being of these countries and the stability of their political environments becomes evident. Our work contributes to this issue by conducting a comprehensive analysis that reinforces the findings of previous studies and presents new insights into the complex processes via which political stability influences economic growth in OPEC states.

Integrating our study findings with other academic studies emphasizes the vital importance of political stability in fostering economic growth inside OPEC nations. OPEC states may implement strategies to enhance political stability, economic performance, and sustainable development by successfully tackling the challenges posed by oil price volatility, political instability, and global economic disruptions. The current body of the article highlights the need to use a holistic approach to economic policy-making that considers the many impacts of political stability on economic growth.

CONCLUSION

In this article, we looked at how political stability affects economic development in OPEC nations. Our results demonstrate that political stability has a considerable beneficial effect on economic growth in these nations, underlining the vital role of political stability in encouraging economic development. Since they have a lot of natural resources, OPEC countries have a unique economy closely tied to their governments' stability and the price of oil.

Utilizing a 20-year panel dataset of OPEC nations, we discovered that political stability, defined by the Global Governance Indicators (WGI), had a statistically significant beneficial effect on the gross domestic product (GDP) per capita of OPEC countries. It shows that a stable political climate is necessary for economic progress in these nations.

The paper's conclusions have significant consequences for policymakers in OPEC nations, who must prioritize political stability to foster sustained economic growth. Governments in these nations must ensure that the political climate stays favorable to economic development by fostering democratic governance, increasing transparency and accountability in public institutions, and combating corruption.

It is important to note that political stability is not the sole element influencing economic development in OPEC nations. Additional variables, including oil prices, technological breakthroughs, and global economic trends, may also influence the economic prosperity of these nations. To have sustainable economic growth, the government needs to use a multi-faceted plan that considers all of these things.

Policymakers in other resource-rich emerging nations may benefit from the article's conclusions. These

nations may learn from the experiences of OPEC nations and appreciate the need for political stability for sustained economic development. These nations may provide the circumstances essential for economic growth by emphasizing political stability and enacting measures that encourage a stable political climate.

The effect of political stability on economic development in OPEC nations was examined in this study. Using panel data analysis, we discovered that political stability significantly affected economic development in these nations. The study's results show that a stable political climate is vital for economic growth in OPEC nations and that policymakers must emphasize political stability to support sustained economic development.

The necessity for policy actions that enhance political stability in OPEC nations is one of the significant consequences of this study. These interventions might include supporting democratic governance, increasing openness and accountability in public institutions, and combating corruption. Eliminating political uncertainty and fostering investor confidence might create an environment favorable to sustained economic development.

Policymakers in other resource-rich emerging nations may benefit from the conclusions of this study. Several of these nations confront comparable obstacles to OPEC nations, such as high levels of political instability and economic dependence on resource exports. Authorities in these nations must realize the significance of political stability for sustained economic development and make efforts to enhance stability via comparable policy actions.

It is important to note that certain limitations to this study should be considered when evaluating the results. Secondly, the study only examines OPEC nations, and its findings

may not apply to other nations or areas. Second, the study used panel data analysis, which has limitations in detecting causal links between political stability and economic development. Moreover, the study's conclusions are based on a specific period (2001-2020), and the link between political stability and economic development may alter with time.

Despite these limitations, this study gives valuable insights into the link between political stability and economic development in OPEC nations. The findings suggest that policymakers must prioritize political stability in order to promote sustainable economic development and that policy interventions that promote democratic governance, transparency, and accountability could contribute to the creation of an environment conducive to economic growth. Overall, this study emphasizes the significance of political stability in fostering economic development in resource-rich emerging nations and lays the groundwork for future research in this area. The paper shows that political stability is a crucial driver of economic development in OPEC nations. The results indicate that governments must emphasize political stability to foster economic growth. Although there are no one-size-fits-all strategies for generating sustained economic growth, our study offers essential insights into the significance of political stability in supporting economic development in resource-rich nations.

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