

SECTION 1. MODERN TRENDS IN THE DEVELOPMENT OF THE WORLD ECONOMY

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OIL PRICES: WHAT TO MAKE OF THE VOLATILITY

Over the last two and half years, the oil industry has experienced its deepest downturn since at least the 1990s. According to the Trade and Development Report for 2017, these fluctuations in oil prices lead to the slowdown in the overall growth of world economy. Major oil-producing countries like Venezuela are suffering, as the oil dependency in these countries is so high.

The main reason for such deep fluctuations is an increase in supply on the commodity market: A number of countries are increasing oil production; new oil and gas fields are discovered up. There is also a growing demand for the shale oil, which is perfect substitute for fuel. The decline of prices in commodity market affects both producers and buyers. One of the most important factors of the fuel industry is price. It is significant that the price for fuel has a stable character. Thereby, if the price falls, they are likely stay in the same tendency for a long time. To conduct a research it is necessary to divide countries into two categories and observe separately those countries who act as producers and those who act like consumers.

Producing countries all have been pressed financially in recent years. To deal with the problem oil ministers from Saudi Arabia, Russia, Qatar and Venezuela agreed to a tentative deal to freeze their production in an attempt to boost prices. In reaction to this freeze, oil prices jumped 5%, but after a while they promptly fell back below 30\$ per barrel. While producers dealing with price fluctuations, buyers increase consumer spending on fuel. Lower prices help to reduce the cost of living. Oil-related transport costa will directly fall, leading to lower inflation rate. The fall in oil prices lead to higher spending on other goods and services that can boost an overall economy. Unless you are not a citizen of country which is in no way depend on oil. Otherwise these people will be affected by low income and the high inflation. Oil companies going bankrupt, leaving people without work.

What is surprising though, is the fundamental shift is happening. The current low oil price environment is not an “oil bust” that will be followed by an “oil boom” in near future. Instead, it looks as if we have entered a new normal of lower oil prices that will impact not just oil and gas producers but also every nation, company and person depending on. From the beginning of 2018 countries of oil exporters are negotiating to reduce production, which can increase demand and hence the price. However, it is unknown how

long these regulations will work, not all countries are ready to accomplish the requirements.

These all lead to establishing of a new model. According to this new model the shale oil industry will flourish. In this case, the leaders of commodity market might change. As a shale oil and gas production start flourish newcomers such as South Africa, China and Argentina are also getting ready to attempt to development in bid for energy independence.

On the other hand, many developed countries started to invest into usage of renewables. The continuous technological advancement and cost in reduction of renewables such as solar and onshore wind keeps those sources of energy competitive. Whereas, the whole world economy is changing to this model, national oil companies are going to face challenges. Oil producing companies must avoid the extractions with high cost, to stay afloat they must differentiate their production with a minimum costs.

The performance of the world's economy is finally filtering into commodity prices. Even after years of commodity producers limiting their output to support prices, they should be wary of loosening their belts too quickly. The main exclusion from this volatility of prices is that countries must avoid the dependency on fuel.

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THINK TANK: THE ART OF INFLUENCE

Within the last decade or so, the world community has faced a variety of issues that dramatically changed the long-standing rules. It is about the most unorthodox president Donald Trump and how he will continue to upset the world order; the increasing number of terrorist attacks and the flows of migrants and refugees all over the EU. Moreover, the structure of the global economy is transforming from the bipolar to the multipolar field.