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26
NOV
2014

The Largest Cartel in the World is Legal

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Due to [low oil prices](#), media outlets have been abuzz with news that [OPEC](#) (Organization of Petroleum Exporting Countries) is attempting to increase the price of crude oil by price fixing. Price fixing is an unequivocally illegal practice which involves the collusion of several parties to set a desired price. Price fixing is highly illegal yet OPEC practices it openly and regularly. So why is OPEC legal? The most simple answer is that OPEC is an intergovernmental organization and other governments are not subject to U.S. courts. I will first give some background on OPEC and then give a more in-depth analysis of why OPEC continues to operate today without barriers.

What is OPEC?

The Organization of Petroleum Exporting Countries was first formed in 1960 during a conference in Baghdad, Iraq. OPEC member countries account for approximately 40% of oil production. In total, OPEC is formed by 12 countries, most notably: Saudi Arabia, Iraq, Iran, Kuwait and Venezuela. These countries regularly and openly meet to discuss oil production and keep prices steady. The following video gives a brief but informative history of OPEC:

[youtube <https://www.youtube.com/watch?v=67xnH4xjZyQ&w=560&h=315%5D>

This video gives a brief background on OPEC

Why is OPEC Legal?

The primary reason OPEC is untouchable is that it is formed by governments of foreign countries. U.S. courts do not have authority over foreign governments, therefore [anti-trust laws](#) (the laws which are violated when price-fixing occurs) are not applicable to foreign governments.

Furthermore, OPEC has not been punished because of fear of retaliation from its powerful member countries. In 1973, OPEC imposed an [oil embargo](#) on the United States due to their involvement in the Yom Kippur War. This embargo caused oil prices to skyrocket in the U.S. Situations such as the 1973 embargo are part of the reason that the U.S. and other countries hesitate to fine or formally bring charges against OPEC.

Politics also play a major role in disciplining OPEC. The United Nations has recognized and authenticated OPEC's mission, lending to further difficulty in imposing any fine or violation on OPEC.

For further reading: <http://www.newsmax.com/Newsfront/opec-cartel-illegal/2009/12/12/id/341497/>

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