The relationship between geopolitical risks, renewable energy and economic growth in OPEC+ countries

Mounir Belloumi¹, Ahmed Aljazea²

¹² Department of Business Administration, College of Administrative Sciences, Najran University, Najran, Saudi Arabia

https://doi.org/10.35609/gcbssproceeding.2023.1(13)

ABSTRACT

The geopolitical risk (GPR) can be described as the risk connected with some crisis (e.g., wars, terrorist attacks, and conflicts between nations). Besides many other characteristics, OPEC+ countries are prone to risks and uncertainties. According to Bloom (2009) uncertainty is a broader concept that reflects ambiguity in the minds of decision-makers and policymakers about the possible future that spreads across macroeconomic to microeconomic levels. For instance, volatilities in GDP growth and oil prices affect investment decisions, plants' production schedule and individual's consumption habits. Researchers use different proxies of uncertainty that ranges from economic data such as volatility of oil prices, stock markets and GDP to news published in daily papers (Baker, Bloom, and Davis, 2016) since its broader existence implies no specific measures (Bloom, 2009). Extent empirical literature affirms significantly negative effects of uncertainty on the entire economy. Caldara and Iacoviello (2018) have introduced a new-based global uncertainty index, which covers country-specific and region-specific uncertainties measures. They included all words, linked with geopolitical tensions and are exogenous to macroeconomic uncertainties, published in 11 prominent newspapers. This geopolitical risk (GPR) index identified events such as ‘Paris assaults’, 4 ‘Iraq invasion’, ‘tensions during Gulf Wars’, and ‘9/11 WTC attacks in USA’. Geopolitical risks such as wars, terrorist acts, military attacks, or diplomatic conflicts around the world are of major concern to businesses, financial market participants, public media, and policy makers. Considering the novelty and the significance of GPR, we investigate the impacts of geopolitical risks on three key elements of OPEC+ countries that have also global implication: economic growth, oil prices and energy exports.

Keywords: Geopolitical risks, renewable energy, OPEC+ countries.