CRUDE OIL PRICING AND STATECRAFT: LESSONS FROM US ECONOMIC SANCTIONS

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Abstract

This study investigates the economic implications of the US's foreign policy of coercive sanctioning as a means of exerting pressure on other states. When sanctions are imposed, we find that oil prices exhibit a significant abnormal adjustment in magnitude. We show that the nature of the change is decided by the target country's status either as a net importer or exporter of oil. We then investigate the costs or benefits flowing to the US because of sanctioning, such externalities do not appear to be considered when designing and deploying measures of economic coercion. (JEL Q41, Q43, Q48)

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