Could Tumbling Oil Prices Signal the End of OPEC?

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For more than half a century, the Organization of the Petroleum Exporting Countries has influenced the rise and fall of global oil prices. At times, the group has used their natural resources as a blunt geopolitical instrument. To retaliate against Washington's support of Israel during the 1973 Arab-Israeli War, for instance, Arab members of the cartel imposed an oil embargo against the U.S. and several other nations that helped trigger a painful economic recession.

But now, as crude prices continue their historic fall, OPEC's dominance is being eroded. Indeed, experts such as economist George Perry of the Brookings Institution think fundamental changes in the international oil landscape -- notably the North American shale oil boom -- spell the end of OPEC's primacy.

And there are some hard numbers to back up that argument, including that OPEC's share of the global oil market has plunged in recent years. Since its peak in 2012, there's been a roughly 24 percent decline in demand for oil from OPEC's member, due mostly surging production in the U.S. and Canada, George Koutsonicolis, managing director with financial advisory firm SOLIC Capital Advisors, tells CBS MoneyWatch.

Bill Witte, associate professor emeritus of economics at Indiana University, says OPEC has been clearly weakened by the shale oil glut. But both men believe the cartel is still very much in the game, with Arab OPEC nations, led by oil giant Saudi Arabia, still wielding enormous influence.

"Despite the decline in oil prices and the impact in terms of oil export revenues, they have the financial wherewithal to sustain this game of chicken, at least in the near to the intermediate term," Koutsonicolis said.

The most important factor affecting OPEC's role is how much economic pain North American oil producers can stand as oil prices continue their decline. Benchmark crude prices have fallen by more than half since June, and continued this week to trade for well under $50 a barrel.

Already, Koutsonicolis notes, "there is evidence of stress and distress, given the decline in oil prices, in more thinly capitalized producers."

A Middle East power struggle in the Middle East is exacerbating the fractures that have always divided OPEC. Although a global glut in oil is the main factor tugging down prices, Saudi Arabia has refused to slash production in hopes of weakening major regional rivals like Iran, Witte said.

"OPEC has always been a sort of loose coalition that has always depended on the willingness and ability of Saudi Arabia to moderate or amend their production," he explained. "The Saudis, right from the very beginning, have always had the actual market-moving power."

In an apparent reference to Saudi Arabia, Iranian President Hassan Rouhani said last month that tumbling oil prices are due to "treachery," and said at least part of the price drop was "politically motivated."

And the Saudis' move to maintain production may already be paying off, with oil prices tilting up in recent days. The International Energy Agency said Friday that oil production by non-OPEC members is likely to grow more slowly this year, as falling prices cause North American energy companies to halt drilling in less profitable areas.

"A price recovery -- barring any major disruption -- may not be imminent, but signs are mounting that the tide will turn," the IEA said in a report.

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