Chapter 12
Investment Decision Process in Oil Economy for Major Oil Exporting and Importing Countries

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ABSTRACT
This chapter examines the economies of four major countries, which are Canada, Japan, Russia, and the U.S., in which two of them are oil importers, Japan and Canada, and two of them are oil exporters, Russia and the U.S. The effect of oil price changes differ owing to the country being an oil exporter or importer. Moreover, it should also be considered that the effect on economies of each country is different as each of the countries has different economic and demographic characters specific to itself. Moreover, it should also be considered in the process of investment analysis.

INTRODUCTION
Oil is very crucial source of energy in today world but how did it become such an important material? Ancient people of Middle East used oil for different purposes. The Babylonians – modern day Iraqis – used oil to waterproof their boats and as mortar in building construction while Egyptians used oil in the preparation of mummies. Although it was used by many people for different purposes, until the late 19th century, interest for oil in the world is small. After the invention of kerosene lamp, interest for crude oil increased significantly and first large scale demand for petroleum had been seen (Kerosene first was made.
from coal, but by the late 1880s most was derived from crude oil.). Later on; commercial oil wells were created with a new technique which allows deeper drilling. The success of the oil well and production of kerosene triggered an oil rush and a new major industry emerged (Black, 2015). Second crucial step in the rise of oil was the invention of motor car by German engineer Karl Benz in 1885. This first practical and commercially available vehicle mechanized transportation via an internal combustion engine. Fuel for this vehicle was gasoline which is derived from crude oil. (MacRae, 2012). Demand for crude oil increased again significantly with the invention of the first motor car. Dramatic increase in demand for crude oil came after creation of car called Ford Model T in 1908 by Henry Ford. Energy source for this Ford Model T car was gasoline. The car established a mass market for automobiles and more than 15,000,000 Ford Model T’s were built and sold. This affordable transportation vehicle increased importance of crude oil immensely (Ford Motor Company, 2012). Another turning and critical point for petroleum was World War 1 (WW1). Countries which have navies started to convert their warships from coal burning into oil burning. Especially, United Kingdom converted all of its coal burning warships into oil burning warships in the leadership of Winston Churchill who was Navy Minister of United Kingdom in the World War 1 despite harsh criticisms. This led to navies to move faster and stay longer in the sea. This was a great advantage in the fights made in seas. United Kingdom (U.K.) took this advantage and benefited from it in the Great War which helped a lot to U.K. in the road of victory in WW1. In addition, horseless army vehicles such as cars, tanks and trucks which were running by oil proved their usefulness in the transportation of war materials and troops in the Great War. According to the Daniel Yergin who is the Founder of IHS Cambridge Energy Research Associates; taxi-cabs which run by oil played vital role in the fate of Paris / France in WW1. French armies were resisting against German troops near Paris but if reinforcement did not come to French soldiers, they would not be able to withstand German pressures any more. Only way to carry soldier coming as support to French troops was rail lines in Paris. However, it was destroyed by Germans and rail lines could not be used any more. If French forces coming for reinforcement walked to front line, they would be too late and Paris would fall into hands of Germans. Paris Military Governor General Joseph Gallieni found a solution to carry reinforcement troops. He decided to use taxi-cabs for transportation of soldiers to front line for fighting. Thousands of soldiers carried by taxi-cabs to front lines and German troops were repelled. This moment was crucial point for the Great War. Second turning point in WW1 was invention of “Tank” which was necessary for breaking through the German resistance line. Tank which is running by oil seemed only way to gain victory against Germans. Those two developments caused importance of internal combustion engine and oil to be understood completely. In 1914 August, U.K. army was holding 827 motor cars in their hands and 747 out of 827 were not belonging to U.K. army. When it came to the end of the war, U.K. army had 56,000 tanks, 23,000 motor cars and 34,000 motorbikes. United States manufactured 50,000 motor cars and brought them to France in order to be used in WW1. In addition; internal combustion engine which is running by oil triggered to use airplanes in the war. England, France, Italy, Germany and United States (U.S.) manufactured 55,000, 68,000, 20,000, 48,000 and 15,000 airplanes respectively. As it is stated above, oil was very important to gain something from the war. In order to fulfill oil need of German armies, Germans invaded Romania but U.K. reacted earlier and they made sabotages to oil refineries and oil depots. When Germans took control of the oil areas, there was no oil ready to use. When calendars show October 1918, Germans have very little oil in their stocks and they wanted ceasefire after a month. Lord Curzon who was Minister of Foreign Affairs of U.K. was saying that “Allied Forces walked to victory on the waves of oil” (Yergin, 2016). To summarize, vehicles which