



# DETACHING ECONOMIC DEVELOPMENT FROM ECONOMIC POWER: THE CASE OF INTERNATIONAL OIL POLITICS

Mobile Number: +2347034536944

Email address: gokelalude@yahoo.com

By

Goke Lalude, PhD

Political Science Department, Fountain University Osogbo

**ABSTRACT:** Economic development and economic power had for several years been viewed as synonymous with each other to such an extent that economic development could appreciably be said to stand in for economic power. By implication the two terms were used interchangeably for a good period of time and what was seen as economic development automatically translated to economic power. The case of international oil politics created a totally new dimension in international politics where in economic development was for the first time detached completely, totally and absolutely from economic power. International oil politics proved that a country could be economically developed than another country but the nation that is economically less developed may be economically more powerful than that which is economically developed. Economic power was no longer viewed from the context of economic development and by extension the elements and criteria through which economic development is projected became totally different from how economic power may be viewed. International oil politics indicates that a country may not necessarily be economically developed to be economically powerful and that a country that is economically developed may not be economically powerful, at least within a given circumstance and event. It is important to note that until the oil embargo days of 1973, it was impossible to believe that an economically underdeveloped nation like Saudi Arabia may be economically more powerful than an economically developed nation like the United States. This work therefore aims at building the major differences that exist between economic power and economic development and emphasizing the very important fact that creating a symbiotic relationship between the two like it had happened in the past was an anomaly.

The work employs an analytical methodology in which principal characteristics are ascribed to each of economic development and economic power to such an extent that the basic differences that exist between the two are clearly illustrated and indicated. Certain case studies were applied such as the 1973 oil embargo and how specifically it indicated a clear detachment between economic power and economic development. This is done by indicating in clear terms the specific actions taken by economically more developed nations to assuage the feelings of economically less developed but by far more powerful nations in the area of oil. Different literatures from journal articles, internet materials as well as books were extensively made use of in the work.



The work discovered that evidences abound that indicate the clear detachment between economic power and economic development and that the two do not necessarily need be seen as synonymous and interchangeable on with the other. It concludes that in the issue relevant power relationship that oil represents, economic development will continue to be extensively detached from economic power.

**Key Words:** Economic development, Economic power, oil and International oil politics.

## INTRODUCTION

Political science as a course of study emphasizes in very serious manner the importance of military, political, economic and technological criteria in determining development and as such normally concludes that a nation that is economically developed would by normal extension be economically powerful. The international politics of oil has however considerably debunked that impression as it has indicated that it is possible for a nation that is economically less developed than another nation to be economically more powerful under a given circumstance and within an event that is being considered. International oil politics therefore starts out as one aspect of international relations that clearly spells out the extent at which economic development can be detached and may not necessarily be directly linked and related with economic power. The paper therefore divides into four different sections with the first looking at the criteria for economic development and specifically what certain other countries lack that makes for their illustration and identification as economically underdeveloped. The second shows the criticality of oil to the global community while the third analyzes different case studies to support the detachment between economic development and economic power. The fourth section concludes.

### The North

The North is made up of countries, which have far-reaching political, social, economic and usually military influence internationally.<sup>1</sup>Such nations are by a geographical accident concentrated in the Northern part of the globe, and as such are referred to as the North.

This is a nucleus consisting of the highly industrialized, capitalist countries of Western Europe, North America and Japan, otherwise known as the prosperous urban center.<sup>2</sup>

---

<sup>1</sup> Wehmeier, S.2000, Oxford Advanced Learner's Dictionary , 519.

<sup>2</sup> Anyegbunam, O. 1980, International Economic Relations and National Development. *Readings in Social Sciences*, E.C. Amucheazi ,Ed. .Enugu, Fourth Dimension Co. Ltd, 231.



## Characteristics

The development of the North is marked by a number of common traits; organized and highly independent economies devoted to utilizing primary products of the South towards producing finished products of the developed world. The South also provides market for their finished goods. Other traits of the North are modern, urban social structures; moderate population growth; and economic riches.<sup>3</sup> Nations in the Northern part of the globe were also former colonial masters of those in the South and in spite of independence of several years, still exert considerable control and influence over these former colonies. The North also dominates and controls the international economic system and determines rules that guide international economic relations.

A linkage therefore exists between the dependent role of the Third World and the relationship between the raw material and the finished products. Olofin<sup>4</sup> and Wosley<sup>5</sup> for instance both agree that because the North makes rules and their interpretation, the prices of the raw material have consistently grown at a lower pace or declined relatively to prices of finished goods. This can be explained by the fact that in virtually all important and relevant international organizations such as the IMF, the World Bank and the UN, the North not only dominates but also determines the rules.

## The South

The South or the Third World are the economically underdeveloped, poor, technologically backward countries of Asia, Africa, Oceania, and Latin America, that are considered as an entity with common characteristics, such as poverty, high birth-rates, and economic dependence on the advanced countries.<sup>6</sup> All such nations interestingly belong to the Southern hemisphere of the globe and are therefore understandably collectively referred to as the South, a stagnating countryside. The French demographer, Alfred Sauvy coined the expression Third World ("tiers monde" in French) in 1952 by

---

<sup>3</sup> Kasdan, A.R. 1973, *The Third World: A New Focus for Development*, London: Longman, 117.

<sup>4</sup> Olofin S. 1980. In search of a New International Economic Order *Nigerian Journal of International Affairs* 6 . 1 and 2: 17.

<sup>5</sup> Wosley P. 1967, *The Third World*, Chicago, The University of Chicago Press, .291.

<sup>6</sup> Gerard C, 2004, *Third World*, London; Longman, 49.



analogy with the "third estate," the commoners of France before and during the French Revolution-as opposed to priests and nobles, comprising the first and second estates respectively.<sup>7</sup>

The South can therefore be described as the technologically less advanced, or developing nations of Asia, Africa, and Latin America, generally characterized as poor, having economies distorted by their dependence on the export of primary products to the developed countries in return for finished products. These nations also tend to have high rates of illiteracy, disease, and population growth and unstable governments. The term Third World was originally intended to distinguish the non-aligned nations that gained independence from colonial rule, beginning after World War II, from the Western nations and from those that formed the former Eastern bloc, and sometimes more specifically from the United States and from the former Soviet Union (the first and second worlds, respectively).<sup>8</sup>

Like the third estate, the South is nothing, and it "wants to be something."<sup>9</sup> The term therefore implies that the South is exploited, much as the third estate was exploited, and that, like the third estate, its destiny is a revolutionary one. It conveys as well a second idea, that of non-alignment, for the South belongs neither to the industrialized capitalist world nor to the industrialized Communist bloc.<sup>10</sup>

The expression, third world, as synonymous to the South, was used at the 1955 conference of Afro-Asian countries held in Bandung, Indonesia. In 1956, a group of Social Scientists associated with Savvy's National Institute of Demographic Studies, in Paris, published a book called *Le Tiers-Monde*. Three years later, the French economist, Francois Perroux, launched a new journal on problems of underdevelopment, with the same title. By the end of the 1950s the term was frequently employed in the French media to refer to the underdeveloped countries of Asia, Africa, Oceania, and Latin America.<sup>11</sup>

### **Characteristics**

The underdevelopment of the Third World is marked by a number of common traits; distorted and highly dependent economies devoted to producing primary products for the developed world and the provision of markets for their finished goods. It also includes traditional, rural social structures; high

---

<sup>7</sup> Ibid., p.52.

<sup>8</sup> Cole, J. 1987. *Development and Underdevelopment*, London: Longman, 172.

<sup>9</sup> Ibid., p.53.

<sup>10</sup> Ibid., p.53.

<sup>11</sup> Ibid., p.55.



population growth; and widespread poverty. Nevertheless, the Third World is sharply differentiated, for it includes countries on various levels of economic development. And despite the poverty of the countryside and the urban shantytowns, the ruling elites of most Third World countries are wealthy.<sup>12</sup>

This combination of conditions in Asia, Africa, Oceania and Latin America is linked to the absorption of the Third world into the international capitalist economy, by way of conquest or indirect domination. The main economic consequence of Western domination was the creation, for the first time in history, of a world market. By setting up throughout the third world, sub-economies linked to the West, and by introducing other modern institutions, industrial capitalism disrupted traditional economies and, indeed, societies. This disruption led to underdevelopment.<sup>13</sup> Even after decolonisation (in the 1950's, 1960's, and 1970's), the economies of the Third World developed slowly, or not at all, owing largely to the deterioration of the "terms of trade"-the relation between the cost of the goods a nation must import from abroad and its income from the exports it sends to foreign countries.

Because the economies of underdeveloped countries have been geared to the needs of industrialized countries, they often comprise only a few modern economic activities such as, mining or the cultivation of plantation crops. Control over these activities has often remained in the hands of large foreign firms. Large buyers in the economically dominant countries of the West usually determine the prices of third World products. Trade with the West also provides almost all the Third World's income.<sup>14</sup> This is to say that the underdeveloped nature of the Third world economies, which has made the articulation of its internal structure incapable of auto centric development, is a product of the long history of incorporation into the world capitalist system.<sup>15</sup> It is in the same vein that Gunder Frank agrees that;

*Indeed, the economic and political expansion of Europe has come to incorporate the new under developed countries into a single mainstream of World history which has given rise simultaneously to the present development of some countries and the present underdevelopment of others...*<sup>16</sup>

---

<sup>12</sup> Kasdan,A.R 1973 *.The Third World: A New Focus for Development* ,London: Longman, 117.

<sup>13</sup> Hermassi,E.1980 *The Third World Reassessed*, London: Longman,105.

<sup>14</sup> Reitsma,H.A and Kleinpenning,J.M.1985. *The Third World in Perspective*, London: Longman, 153.

<sup>15</sup> Claude A.1981. *A political Economy of Africa*, London, Longman, 55.

<sup>16</sup> Offiong D.1980. *Imperialism And Dependency* Enugu, Fourth Dimension Publishing Co. Ltd,50.



The relation of interdependence between two or more economies, and between these and world trade assumes the form of dependence when some countries (the dominant), can expand and give impulse to their own development, while other countries (the dependent), can only develop as a reflection of this expansion. In all cases, the basic situation of dependence leads to a global situation in dependent countries that situates them in backwardness and under the exploitation of the dominant countries.<sup>17</sup> Galtung<sup>18</sup>, Johnson<sup>19</sup>, Katzenlson<sup>20</sup>, Williams<sup>21</sup>, O'Conner<sup>22</sup>, and Onimode<sup>23</sup> all agree that the dependent nature of Third World economy is one that situates them in backwardness and under the exploitation of the dominant countries.

### **Role in World Politics**

The Bandung conference, in 1955, was the beginning of the political emergence of the Third world. China and India; two nations whose social and economic systems were sharply opposed, played a major role in promoting that conference and in changing the relation between the Third World and the industrial countries. As a result of de-colonialisation, the United Nations, at first numerically dominated by European countries and countries of European origin, was gradually transformed into something of a Third World forum. With increasing urgency, the problem of underdevelopment then became the focus of a permanent, although essentially academic, debate. Despite that debate, the unity of the Third World remains hypothetical, expressed mainly from the platforms of international conferences.

### **Economic Prospects**

Foreign aid, and indeed all the efforts of existing institutions and structures, have failed to solve the problem of underdevelopment. The United Nations Conference on Trade and Development (UNCTAD) held in New Delhi in 1971 suggested that one percent of the national income of industrialized countries should be devoted to aiding the Third World. That figure has never been reached, or even

---

<sup>17</sup> Cockroft, J. Andre, F. Dale, J. 1972. *Dependence and Underdevelopment*, New York; Anchor Books, 9.

<sup>18</sup> Galtung, J. 1973. *The European Community: A Superpower in the Making*, London: George Allen & Unwin, 80.

<sup>19</sup> Dale, J. 1979 *Dependence Negotiation: Analysis, Approaches, Issues*, San Francisco: Jossey – Bass: Inc. 71.

<sup>20</sup> Katzenlson I. 1974 *The Politics and Society Reader*, (New York: David McKay Co. 175.

<sup>21</sup> Williams, G. 1987. *Third World Political Organisations; A Review of Development*, London: Macmillan, 39.

<sup>22</sup> O'Conner, J. 1971. The Meaning of Economic Imperialism *Readings in US Imperialism* K. T. Fann & D. Hodges, Eds., Boston: F. Ponter Sargent, 53.

<sup>23</sup> Onimode, B. 2000. *Africa in the World of the 21<sup>st</sup> Century*, Ibadan: Ibadan University Press, 50.



approximated. In 1972 the Santiago (Chile) UNCTAD set a goal of a 6 percent economic growth rate in the 1970's for the underdeveloped countries. But this, too, was not achieved. The living conditions endured by the overwhelming majority of the 3 billion people who inhabit the poor countries have either not noticeably changed since 1972 or have actually deteriorated.<sup>24</sup> No study of the Third World could hope to assess its future prospects without taking into account population growth. In 1980, the earth's population was estimated at 4.4 billion, 72 percent of it in the third world, reaching 6.2 billion, and 80 percent of it in the third world, at the close of the century. This population explosion in the third world prevented any substantial improvements in living standards as well as threatens people in stagnant economies with worsening poverty.<sup>25</sup>

Whatever economic development has occurred in the Third World has not been distributed fairly between nations or among population groups within nations. Most of the Third World countries that have managed to achieve substantial economic growth are those that produce oil: Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Saudi Arabia, the United Arab Emirates, and Venezuela. They had the money to do so because after 1973 the Organization of Oil producing Countries (OPEC), a cartel, succeeded in raising the price of oil drastically.

Other important raw materials are also produced by underdeveloped countries, and the countries that produce them have joined in cartels similar in form to OPEC. For example, Australia, Guinea, Guyana, Jamaica, Sierra Leone, Suriname, and Yugoslavia formed the Bauxite International Association (BIA) in 1974; and Chile, Peru, Zaire, and Zambia formed a cartel of copper producing countries in 1967. But even strategic raw materials like copper and bauxite are not as essential to the industrialized countries as oil, and these cartels therefore lack OPEC's strength; while the countries that produce cocoa and coffee (and other foods) are even less able to impose their will. Indeed, among the countries that do not receive oil revenues, only Brazil, Singapore, South Korea, and Taiwan have enjoyed significant economic growth.

Nonetheless, the relationship between the underdeveloped and the industrialized countries has improved somewhat. In 1975 the nine-nation European Economic Community (EEC) concluded an

---

<sup>24</sup> Ibid., p. 56.

<sup>25</sup> Onimode, B . 2000. Op Cit, 53.



agreement, called the Lome Pact, with 46 African, Caribbean, and Pacific (ACP) nations that exempted most ACP exports from tariffs. The Lome II Pact, signed in 1979 by the EEC and 57 ACP countries, consolidated and broadened the Lome I agreement-for example by guaranteeing income from agricultural exports.

With the exception of only a few oil-producing countries with low population, the economic crisis of the 1970s was more detrimental to the third world than to the West; and there did not seem to be much chance in the foreseeable future for any significant change in the relationship between the industrialized and underdeveloped countries. Nor did the prospects for economic development in the Third World appear to be very bright: Between 1960 and 1980 half of the African countries had actually regressed. The only countries to receive some of the capital needed for development were those lucky enough to have a significant amount of raw materials, most especially oil to export.

## Oil

The laws of many countries define oil or crude oil as mineral oil in its natural state before being refined or otherwise treated. Natural gas, like crude oil therefore consists of hydrocarbons and as its name suggests, it exists in the gaseous state. For convenience, petroleum is sometimes defined as mineral oil or natural gas. In these discussions the terms oil, crude oil and petroleum are used interchangeably. References to the oil industry will, where appropriate, include the natural gas industry.

Oil is a raw material as well as a convenient and effective source of energy.<sup>26</sup> In the form of energy it increases man's capacity to get work done. As a raw material it provides the feedstock for the fastest expanding industry in the world – the petrochemical industry. It provides fuel for agricultural tractors and pumps.<sup>27</sup> In power generation it has made notable inroads into the traditional roles of coal and hydropower.<sup>28</sup> Petroleum products play an important and increasing role in domestic energy consumption: for lightning, space heating (or cooling) and cooking. Their role in transportation is beyond challenge: they are essential for air transportation; in road transportation they have no real alternatives;

---

<sup>26</sup> Feyide, M.O.1996. *Oil in World politics*. The J.I.C. Taylor Memorial Lecture for 1996.Lagos, University of Lagos press, 13<sup>th</sup> & 14<sup>th</sup> March, 1.

<sup>27</sup> Ibid.3.

<sup>28</sup> Ibid.3.





in water transportation they provide a clean and economical fuel; in real transportation they are important for diesel locomotives.<sup>29</sup>

All over the world the lives of people are affected and the destiny of nations are probably determined, by the results of oil industry operations. Oil keeps the factories of the industrialized countries working and provides the revenue, which enables oil exporters to execute ambitious national and economic development plans. Those developing countries that have no oil are faced with a grim struggle for survival: if they lose they are relegated to the “fourth world”. The march of progress would be retarded and life itself could become unbearable if the world was deprived of oil. That is why oil has become the concern of governments, a vital ingredient of their policies and a crucial factor in their political and diplomatic strategies.

### **Oil politics**

Politics in relation to oil includes all the relationships, policies and strategies, national and international, which have a direct or indirect bearing, influence or effect on the production and utilization of oil and on the international oil trade.<sup>30</sup> In the past, people were made to believe that the oil industry was just another business venture, although it happened to be very big and profitable. Government intervention and political pressure for many quarters have changed that impression. Oil has been brought into the mainstream of national politic and international relations. What was once the almost private business of some lucky investors has become the public concern of many nations, with serious public policy implications. The high political stakes have superseded the economic consideration of the oil business.

In the 60s and 70s, senior oil industry spokesmen, with much sincerity and reasonable success, usually pleaded to be left alone to do what they knew best, which was to warm the industry. Any of them making the same pleas now would not expect to be taken seriously. Oil has become a business of government and no government will now leave the oil company or anyone else, to run the industry without interference. It was inevitable that the oil industry should become a candidate for government intervention. It had all the characteristics which attracted political attention: the large size, the immense

---

<sup>29</sup> Ibid.3.

<sup>30</sup> Ibid.4.



power and in better times the huge profit. It was the largest and the most important industry in the world. It was powerful and a few major international oil companies once exercised its power. It was generally believed, and many still do believe that the oil industry could do almost anything, transform almost any situation and produce almost any range of results.

Oil has been absorbed into the political ideologies of many countries and become an integral part of the resulting economic arrangement. It is the concern of all levels of government in all-political and economic systems. "Oil politics" cannot be precisely defined, just as one cannot define precisely many things about oil. That partly explains why many countries have not successfully determined the appropriate means of handling oil matters in their administrative arrangement. In some countries oil matters are assigned to some ministries of oil, in others to the ministries of finance and in yet others to the ministries of industries, the Presidency or the Palace (as the case may be) or even the ministries of internal affairs, or their equivalents. One or two countries have experimented with a total absence of direct ministerial responsibility for oil, and there are cases where oil ministers are appointed without a ministry in the traditional sense.

### **The Importance of Oil in the Global Economy**

Natural resources including energy are unevenly distributed in the world and very few countries have been endowed with an abundant commercial energy base. Invariably, therefore, commercial sources of useful energy and their distribution among nations vary considerably over time. This makes energy a commodity of paramount importance to individuals, enterprises and nations.<sup>31</sup> Becht and Belzung both agree that "known resources per person including mineral and forest wealth are far greater in some countries than in others."<sup>32</sup> This further confirms the fact that the blessings of nature are not evenly distributed throughout the world.

In contradiction to assertions of writers on Great Power- Small Power relation and in agreement with the view of Becht and Belzung above, the introduction of oil as a raw material of immense value to the economies of the world has been given adequate attention by various authors to indicate the position of the raw material in changing the asymmetrical nature of international economic relations.

---

<sup>31</sup> Alnasrawi, A. 1973 Collective Bargaining Power in OPEC. *Journal of World Trade Law* 7, MarchApril,: 188–207.

<sup>32</sup> Becht E and Relzung L.D:1975 *World Resource Management*, Prentice Hall, Inc, New Jersey,. 82.



Ikein for instance describes oil as a critical product to Northern economy,<sup>33</sup> an assertion that Doran<sup>34</sup>, Fried and Schultz<sup>35</sup>, Ali<sup>36</sup>, Willrich<sup>37</sup>, Aribisala<sup>38</sup>, Fisher and Ridker<sup>39</sup>, Hansen<sup>40</sup> and Frankel<sup>41</sup> all agree with. The Independent Petroleum Association of America (IPAA) (2001) actually describes oil as Black gold; declaring that;

*It is the energy source that dominated the 20<sup>th</sup> Century and will continue to be pivotal for the foreseeable part of the 21<sup>st</sup> Century. It is the most versatile energy source available today. It is the most political of energy sources, the resource that makes countries go to war, the resource that countries must have to wage war. It is the single largest commodity in international trade and has been one of the most volatile.*<sup>42</sup>

OPEC Secretary-General describes oil as a “very important product as it is today still the cheapest and most convenient source of energy.”<sup>43</sup> He further states that “without any doubt, the economy of the west, and indeed that of the entire world, is very much dependent on the availability of this source of energy”<sup>44</sup> David West describes it as “the primary commodity, the primary energy source to the industrialised world”,<sup>45</sup> while Jubril Aminu another of Nigeria’s former minister of Petroleum sees oil as the most important single commodity in world commerce.<sup>46</sup> Don Etiebet who was also a

---

<sup>33</sup> Ibid,85.

<sup>34</sup> Doran, F.C 1977.: *Myth, Oil and Politics: Introduction to the Political Economy of Petroleum* London, The Free Press.58.

<sup>35</sup> Fried E and Schultz C 1975: *Higher Oil Prices and the World Economy*: Washington, the Brookings Institution.

<sup>36</sup> Ali S. 1976: *Saudi Arabia and Oil Diplomacy* New York, Praeger Publishers. 25-27, 52, 92.

<sup>37</sup> Willrich M 1975: *Energy And World Politics* New York, The free Press. 1.

<sup>38</sup> Aribisala, F 1986,: *Nigeria and OPEC* Olusanya G.O. and Akindele R. (eds) *Nigeria’s External Relationships: The first Twenty-five years* Ibadan, Ibadan University Press. 82.

<sup>39</sup> Fisher J.L. & Ridker R.G 1973: *Population Growth, Resources availability and Environmental Equality* . *American Economic Review*, 63..2: 82.

<sup>40</sup> Hansen, R.D 1974.: *The Politics of Scarcity – in Hower, James W; The US and The Developing World; Agenda for Action*, London, Praeger Publishers. 51-52.

<sup>41</sup> Frankel J 1981: *International Relations in a Changing World* Oxford, Oxford University Press 111.

<sup>42</sup> Independent Petroleum Association of America (IPAA) (2002): *Understanding the World Petroleum Association of America Market* 2000 Washington DC:IPAA, .15.

<sup>43</sup> Silva-Calderon A; Interview ; December 8,2003.

<sup>44</sup> Ibid.

<sup>45</sup> David-West T. 2004.Interview ; March 20.

<sup>46</sup> Aminu J,2004. Interview, June 17.



former oil minister in Nigeria claims that oil is about the most important source of energy in the world today.<sup>47</sup> As far as Edmond Daukouru Nigeria's special adviser on petroleum matters is concerned, oil is a precious product that is essential to different economies, both developed and underdeveloped.<sup>48</sup> Qatar's second deputy prime minister and minister of energy and industry, Abdullah Bin Hamad al Attiyah describes oil as the cheapest and most convenient source of energy.<sup>49</sup> Saudi Arabia's minister of oil petroleum and mineral resources, Ali I. Naimi sees oil as the most convenient source of energy<sup>50</sup> and Kuwait's minister of energy, Sheikh Ahmad Fahad Al-Ahmad Al-sabah views oil as very important and significant to the global community.<sup>51</sup>

The industry is a unique industry, with characteristics which distinguish it from every other sector. Oil is the lifeblood of the developed industrialized world, providing readily accessible power and heat, as well as a vast array of consumer, commercial and industrial products.<sup>52</sup> Oil holds numerous benefits as a product and over other commercial energy sources such as accessibility, versatility, transportability and cost,<sup>53</sup>

Oil was the major global energy fuel and is likely to remain so for the next 30 years, at least. Fossil fuels dominated the energy supply in the second half of the last century and will almost certainly continue to do so in the second half of this century.<sup>54</sup> The promise of new and renewable energy sources and its great expectations were not realized and are unlikely to do so in the foreseeable future. New energy fuels, like biofuels proved to be uneconomical, and new energy carriers – hydrogen energy

---

<sup>47</sup> Etiebet D,2004. Interview, June 19.

<sup>48</sup> Dakouru E,2004. Interview, June 19.

<sup>49</sup> Abdullah, B. H.A.2005. Interview, March 14.

<sup>50</sup> Ali I. N,2004. Interview, December 8.

<sup>51</sup> Sheikh A. F 2004.Interview December 8.

<sup>52</sup> Silva – Calderon.A 2003.Welcoming Address To The Joint OPEC – IEA Workshop On Oil Investment Prospects, April 28. 3.

<sup>53</sup> Ibid. 5.

<sup>54</sup> Amuzegar, J. 1999. *Managing the Oil Wealth: OPEC's Windfalls and Pitfalls*, London/New York: I.B. Tauris Publishers. 142.



and fuel cells are still in the research laboratories rather than in markets and are unlikely to have a dent on the energy scene for years to come<sup>55</sup>.

### **Economic Development and Economic Power: A Detachment**

Since the international order is essentially based on power relationships, it was not surprising that the success of OPEC contributed immensely to a transformation of the North-South relations by contributing a great impetus to a North – South dialogue. Before 1973, the attitude of the Less Developed Countries (LDCs) had been one of over-reliance on the North for the direction the International economic system would take. It was no more than a relationship in which the LDCs relied on economic analysis and humanitarian appeals to support their ‘demands’. Immediately after the Middle East crisis, however, the dramatic success of OPEC appeared to substantially shift the balance of bargaining power in favour of the Third World. The LDCs accordingly assumed the posture of an aggrieved party demanding just recompense for past wrongs, in particular for the “unequal exchange” embodied in the past pattern of centre-periphery trade. OPEC pressure clearly indicated that the world economy had become increasingly more complex than that which can be sustained by old rules.

Until the Arabs applied the oil boycott, it was widely believed that a nation had to be economically developed in order to be economically powerful. Economic development was equated with economic power, and certainly a lack of economic development was equated with absence of economic power. The revelation of the crisis was profound to say the least. It revealed that Saudi Arabia, much less economically developed than Western countries, could be globally much more economically powerful. Economic power was thus divorced in a rather dramatic manner from too tight an embrace by technological criteria. Economic power itself could thus derive not necessarily from technological and industrial achievement, but from the possession of certain resources critical for the achievement of others.

The argument of this work is that the geographical accident that places abundant reserves of oil in the South, but its need and consumption in the North creates an element of power for the South

---

<sup>55</sup> Hisham A. 2004.Sundays Feature, The Future of Energy: Alternatives Ahead.

Source: [www.ieer.org/report/energy/bushfigs.html](http://www.ieer.org/report/energy/bushfigs.html)



which ought to have appreciably affected the Northern domination on the South. More than any other case, the 1973 oil embargo and its attendant consequences indicate very clearly the hold of the South on the North. There may however be the need to confirm if the same Northern dependence on oil as it was in 1973 still currently exists and if it does, why it has not translated into any notable change in the North-South relation.

As a result of the economic significance of this commodity, it has also acquired a great strategic significance in international politics. The focus of the world on the Middle East and especially on the Persian Gulf is mainly because these areas primarily export the largest amount of oil to non-communist countries. The West, headed by the US could not afford that these areas be controlled by the communists, during the cold war era, for this might result in a likely economic warfare by the communists to squeeze and strangulate the economies of the West. Even after the cold war era, focus and attention of the United States have remained on the Middle East. This is why the United States has jealously guided the Middle East and has persistently built military bases to act as deterrence.

It is also because of the importance of oil that developing countries attempted to link energy matters to the North- South dialogue. Discovering the importance of this resource, the oil exporting developing nations realised they could use oil to redress the imbalance between the haves and the have-nots. This was the origin of the oil crisis of 1973, which caused some major changes in relations of the North and the South.

Natural crude oil has therefore, since the early 1970s, remained a major source of commercial energy. It is expected to maintain its role as a standard of value and of reference, especially in view of obstacles in the way of developing substitutes, ranging from close substitutes such as synthetic crude, to partial substitutes such as nuclear power. Mikdashi actually identified three major obstacles in the way of substitutes to oil; namely, that it requires large-scale investments, advanced technology and long lead times.<sup>56</sup>

---

<sup>56</sup> Mikdashi. Z.1996. *The International Politics of Natural Resources*, Ithaca, Cornell University Press. 1.



The Middle East is critical to World oil discourse. This area possesses 71 percent of the world's oil reserves and yet accounts for only 36 percent of its production – almost exactly half. Such an imbalance between the actual and potential share of the world's oil output suggests that the Middle East's importance as a source of oil supply will, with the passage of time, become even greater, as the other sources of oil supply inevitably dwindle.<sup>57</sup>

This view is reinforced by the fact that, by and large, the Middle East's reserves are more easily accessible and can be more readily produced than those from other parts of the world. Most Middle Eastern oil producers are members of OPEC, and as such have an especially close association with other leading Third World oil producers, from Latin America, Africa and the Far East. This collective OPEC stance on important oil issues has benefited member countries themselves in the international energy sector, which would otherwise have been dominated and controlled by the established industrialized powers.

Among fossil fuels, oil demand continued to rise in the 1990s, although its share of the energy mix fell from 46 percent in 1990 to 43 percent by the year 2000. Substitution for oil throughout this period affected principally its heavier end, since no technological breakthrough could be foreseen in the near future in the provision of commercially viable alternatives for inexpensive, petroleum based transport fuel products. World energy demand therefore grew by an average of 1.8 per cent during the decade, while world oil demand also grew by 1.1percent, the greater rate of demand growth incidentally was in the OECD countries, at 3.0 percent for energy generally and 2.2 percent for oil.<sup>58</sup>

The world oil demand rose to 58 million barrels per day by the year 2000, with non-OPEC supply dropping by around 1million barrels per day by the same year, to 26 million barrels per day, the call on OPEC supply rose to 32 million barrels per day, additional eight to nine million barrels per day by the year 2000.<sup>59</sup> The actual first quarter 2003 data indicated that OECD consumption rose by 1.22m b/d or 2.54 per cent over the corresponding 2002 period. Nearly half of the growth in consumption, or 630,000 b/d, was registered in North America, while OECD Pacific up 550,000 b/d and the demand in Western Europe increasing marginally by 40,000b/d.<sup>60</sup>

---

<sup>57</sup> OPEC Bulletin,2002. FEBRUARY.36.

<sup>58</sup> OPEC BULLETIN,2001. JULY.56.

<sup>59</sup> OPEC BULLETIN,2001. FEBRUARY.. 2001.43.

<sup>60</sup> Ibid.43.



The pattern of oil production and consumption in the Asia/Pacific region is quite revealing. The Asia/Pacific region is undoubtedly one of the most dynamic areas of the world for the foreseeable future. Non-OECD Asian economies have the brightest growth prospects, according to the International Energy Agency forecast, which also concluded that China and South East Asia would have the highest rates of economic growth.<sup>61</sup>

Probably due to the buoyant economies in this region, it experienced from 1993, a rising demand for oil from 13.6million barrels per day to about 16 million barrels per day by the turn of the 20<sup>th</sup> century, a demand which forecasts claim will rise to between 19 and 20 million barrels per day by 2010. However, oil supplies from this region would be less than 6.5million barrels per day throughout the two decades. This therefore signifies a growing demand for oil imports in the region, which is consistent with the growth in demand for imports in other areas of the world where reserves are low or production is hindered for other reasons.<sup>62</sup>

In Western Europe, there was a demand for 14 million barrels per day of crude oil by the turn of the century, up more than 10 percent over the decade. Western Europe's oil production (through the North sea oil fields) unfortunately peaked at less than 5 million barrels per day in 1995 and will decline to a little more than 4 million barrels per day, according to OPEC's forecast by 2010, before falling to less than 3 million barrels per day in 2020.<sup>63</sup>

The Commission of the European communities had initially made a forecast that the European Communities' total demand for energy would grow by almost 15 percent in the 1990s, and the EC interestingly needed a net import of around 9.6 million barrels per day of crude oil in the year 2000 alone, which was 70 percent of its consumption. The EC could not but therefore have a growing dependence on external oil production in spite of the North Sea Oil fields.<sup>64</sup>

*It is in this dependence that the Southern power lies. The dependence of the North on oil and its continued critical nature to the economies of the Northern regions indicate that the regions with reserves of the product will continue to be important to the developed countries. In essence the continued*

---

<sup>61</sup> OPEC BULLETIN,2004. February. 32.

<sup>62</sup> OPEC BULLETIN,2002. APRIL.27.

<sup>63</sup> OPEC BULLETIN,2005. JUNE.31.

<sup>64</sup> Ibid.32.





*increase in the demand for oil, especially as has been witnessed since 2003 in relation to depletion of the resources in developed nations further emphasises the power of the South on the North.*

The 1973 oil embargo clearly revealed two major facts in the relation of the North to the South. The first was that it showed in very clear manner that the North could be at the mercy of the South and therefore succumb to certain demands from the South that would have been rejected if not for the embargo.

The second was that the North needs not present a common and united front at all times, especially in periods of very serious and deep crises such as was witnessed in the oil embargo of 1973. The embargo revealed that the North could be in disarray and could in fact respond to the same issue differently, even at the expense of some other countries within the circle. This indicates that when a product like oil is critical to the developed nations and it is utilised as a weapon, each Northern nation, in the eagerness and desperation to get out of the crises would work at its interests only, while completely jettisoning a united front. This therefore suggests that the common and united front of the Northern developed nations as it presently exists is only there because OPEC has not been effective as a political force to considerably destroy the unity of the North.

A clear indication of the division in the North during the embargo is indicated in Turner's assertion that there were deep suspicions by the Japanese that American companies were diverting oil from Japan to satisfy the embargoed United States market, a suspicion that showed a United States under pressure would rather protect its own interest than allow for a united front with other nations in the North.<sup>65</sup>

Turner also claimed that European governments were divided amongst themselves on how they should respond to the Arab decision to penalise one of their smaller members, the Netherlands, while apparently giving preferential treatment to two of the larger countries, Britain and France. To further show the disunited front in which the North took the embargo issue, it was affirmed that the OECD nations bided against each other for the limited supplies of crude oil that the embargo left for the

---

<sup>65</sup> Turner, L. 1983. OPEC. *The Third Oil Shock: The effects of Lower Oil Prices* . J. Pearce . Ed.London, Royal Institute of International Affairs.177.



nations in the North. To worsen it all, a number of them were also said to have sent diplomatic-cum-commercial delegations round the Middle East with the prime purpose of signing preferential deals for the future supply of oil.<sup>66</sup>

Japan also mounted a lot of pressure to get itself off the initial list of countries “unfriendly” to the Arabs and this made what Turner called one of the first major post-war breaks with US foreign policy. From December 1973, Japan sent series of special envoys to visit Arab nations. Japan also offered aid and technical assistance in profusion and by mid-1974, had promised some \$563 million to Iraq, Syria, Egypt, Saudi Arabia, Algeria, Sudan, Jordan and Morocco. The French also signed series of deals with Saudi Arabia, Libya and Iran. The British and the Italians signed deals with Iran. Germany, according to Turner was also making progress with thirty-five long-term projects with Iran.<sup>67</sup> The USA also received Prince Fahd and Sheikh Yamani in Washington thus reviving European worries about a grand Saudi-American bilateral deal, which would squeeze the rest of the world out of the market for Saudi oil.<sup>68</sup>

The Bush administration from year 2000 brought a strong oil interest into control in the White House; the United States Government House. Apart from Bush himself, Vice President Dick Cheney, the Director of the National Security Council, Condoleeza Rice, the Ministers of Commercial and Energy, Donald Evans and Stanley Abraham, have all worked for a long time for US oil companies<sup>69</sup>. Between them therefore, they have a lot of personal interests in their oil projects.

Bisard and Dasgüe according to Davey, disclosed that the Federal Bureau of Investigation’s Deputy Director, John O’ Nall had to resign in July 2001 in protest over the obstruction of the FBI investigation into Bin Laden. The obstruction is believed to have been generated by the oil interests who dominate the government and who wanted to negotiate with the Taliban.<sup>70</sup>

In fact, Davey claims that before the September 11 2001 attacks on both Washington DC and New York, the United States’ government saw in the Taliban “a source of stability in Central Asia that would enable the construction of an oil pipeline across Central Asia, from the rich oilfield in

---

<sup>66</sup> Ibid,177.

<sup>67</sup> Ibid,180.

<sup>68</sup> Tillman, S.P. 1982. *The United States in the Middle East*. Bloomington, Indiana University Press. 78.

<sup>69</sup> Ibid ,10.

<sup>70</sup> Ibid, 13.



Turkmenistan, Uzbekistan and Kazakhstan through Afghanistan and Pakistan, to the Indian Ocean.” The Bush administration was desperate to change the old scenario in which Russia controlled the oil and gas reserves of Central Asia.<sup>71</sup>

When however, the US’ government was confronted with the Taliban refusal to accept US conditions, “this rationale of energy security changed into a military one.”<sup>72</sup>. At one moment during the negotiations, the US representatives were believed to have threatened the Taliban “either you accept our offer of a carpet of gold, or we bury you under a carpet of bombs.”<sup>73</sup>

### Conclusion

Economic development and economic power are undoubtedly two different areas of political science and international relations and the international politics of oil has been especially relevant in indicating the difference that exists between the two. An economically developed country like those nations in the North American and Western European parts of the globe are appreciably short of reserves and production of oil that are substantial interestingly and incidentally in those developing nations that are deficient militarily, politically, economically and technologically. It can therefore be said that there is very little doubt that economic development does not necessarily have to translate to economic power. This is because even where and when a nation is economically developed as the case of oil has shown there is a tendency and possibility that the same country may be deficient in a critical product as the case of oil has shown and may therefore not be described as economically powerful under that circumstance. Invariably therefore it can be ascertained that the criticality of oil that ultimately created a source of power in developing nations, more than any other event in international relations has reviewed the great difference that exists and the gap that is between economic development and economic power. Until such criticality is done away with or reserves are built in the economically developed nations to neutralize whatever exists in the Southern developing countries the detachment may continue for a long time to come.

---

<sup>71</sup> Ibid,13.

<sup>72</sup> Ibid,14.

<sup>73</sup> Ibid,14.