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A POST 1973 OIL EMBAGO OPEC: A CRITICAL ANALYSIS

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ABSTRACT

The organization of Petroleum Exporting Countries (OPEC) came into lime light when it imposed an embargo on the western developed nations that were dependent on oil in 1973 due to the Arab- Israeli war. The embargo had dire consequences on the economies and every day activities of affected nations such that it became clear that a politics of scarcity amongst oil producers will continue to be a very important strategy as long as the criticality of oil continues in the global community. The embargo created awareness that it was possible for countries that were economically underdeveloped to be economically powerful in such a way and manner that even countries that are developed economically could be brought to their knees by those that are economically less developed but appreciably economically powerful. Oil had for some years before the embargo, created an entirely new dimension in global politics in which those that are disadvantaged in areas of economy, military, politics and technology are placed at a very serious advantage through abundant reserves of a product that is not only critical to the economies of the West but for which the West had great shortage. In essence, even before the embargo was ever imposed, it had become very clear that oil could easily be used as a means of power by those that possessed it in abundance against those that were reliant and dependent on it. It can therefore be ascertained that oil politics was strongly about the politics of scarcity and the case of the 1973 oil embargo properly asserted the assumption. This work is aimed at analyzing the 1973 oil embargo, its attendant effect on the western developed nations, the events after the embargo especially in relation to the continued existence of a politics of scarcity and why specifically has such politics not been witnessed again after the 1973 successful attempt. The work will therefore critically access if OPEC has had its power reduced between 1973 and now and if such is responsible for the absence of the politics of scarcity. The work will equally find out if internal wrangling within OPEC had made impossible the events of the 1973 oil embargo repeating itself or if certain strategies of OPEC are deficient and have therefore served as a big obstacle at exploring a politics of scarcity towards a more powerful OPEC.

The work employs an interpretative method of analyzing its data by critically accessing the very many factors that may be responsible for an absence of a politics of scarcity as was experienced in 1973. This it does by critically analyzing the very important role that profitability and viewing oil as an income rather than as a weapon may have had on the politics of oil and in strengthening OPEC's position in

international politics. A linkage and relationship are therefore built by the work between OPEC's specifically the internal and external factors to OPEC and its incapacity at a continued exploration of the politics of scarcity.

The work finds out that the politics of scarcity has continued to be absent in the politics of oil principally due to factors internal to OPEC which have adversely affected the power of the organization in the global community. It concludes that until certain moves are made beyond OPEC as it presently exists the organization may no longer be as efficient and effective as it was in the 1973 oil embargo days.

This might necessitate dramatically re-strategizing OPEC as it presently stands in a way to change its focus from only an income generating organization.

KEY WORDS: oil, oil politics, global community, politics of scarcity, international economic relations.

INTRODUCTION

The 1973 oil embargo days have been one of the most significant events of oil politics where in OPEC considerably tested its strength in the global community. The oil embargo imposed on western nations introduced an entirely new dimension into what itself was a new policy in the global community. It was the very first time in the history of the world that the politics of oil scarcity would be employed and as was expected it had notable consequences not only on OPEC but on the Western nations on which the embargo was imposed. The criticality of the embargo can therefore not be overemphasized. It has therefore become necessary to critically analyze specifically what necessitated the embargo, the extent of its success and why the politics of scarcity as employed in 19773 has been totally absent in oil politics since then. The work is divided into four different sections. The first section analyzes the oil embargo and those different factors responsible for it. The second looks at the effect that viewing oil as an income rather than as a weapon has had on OPEC since the oil embargo days, while the third critically examines the position of OPEC in the globe after the politics of oil had been totally absent. The fourth concludes.

Oil Scarcities and the Politics of Control

Scarcity has since 1973 become a very important and critical issue in the politics of oil. There are three major types of scarcity that have been identified and which have actually been experienced since oil became a factor in the international politics. The first is the embargo type of scarcity, which can be described as an intentional cut in supply. This type of scarcity occurs when a nation or a group of nations that are critical to the politics of oil decide to reduce or totally stop the production of oil for a period of time. On many occasions, such a decision while not being accidental is meant to penalize another nation or group of nations into submitting to the will of those countries taking the decision. Invariably, therefore, there are certain elements that must be in place whenever the embargo type of scarcity is in operation. The first is that the act is not accidental but is actually intentional. The second is that it is meant as a punitive action, a penalty or a punishment. The third is that the nation or group of nations intends to ensure that a particular action is done away with. And the last is that the punitive measure may not be mitigated or totally stopped except the action that necessitates the scarcity ends or reduces.

The second type of scarcity is the circumstantial-type, which is multidimensional in nature. The first is demand-induced in which an increase in consumption and demand automatically translates into a scarcity. In this type, demand is not met by supply, a situation that therefore makes for a scarcity of the product. The second is a situation of a strike action, which makes a cut in supply inevitable. In this type of scarcity, a strike action by a very important oil producer reduces supply of oil for as long as the strike lasts and disrupts the market of oil. In this particular type of scarcity, there is no preconceived intention of cutting supplies as the action of a strike or a demand increase serves as the impetus for the reduction in supplies. The first element of this type of scarcity therefore is that it is not intentional. The second is that it is not targeted at any nation or a group of nations. The third is that in the case of a strike action, there is only one nation that is involved in the strike. Finally, in spite of its unintentional nature, the disruption generally affects the international community, especially the industrialized nations. This is due to the large appetite for oil and the high consumption level that many industrialized nations find it difficult to contain or curtail.

The third type is the crisis-induced type of scarcity. This scarcity occurs when at least one important oil producer that is critical to the politics of oil is involved in a war that reduces supply. This type becomes more problematic when two nations that are critical to the politics of oil are involved in the war. In this situation an appreciable quantity of oil is reduced, thus having serious negative and adverse effect on oil consumers. Elements of this could include the fact that a crisis or a war must be in place and secondly that such a crisis must involve at least an important oil producer. The third is that even though it is not targeted at any individual nation or a group of nations, it nevertheless adversely disrupts oil supplies. Finally, the adverse effect has tremendous negative impact on the industrialized nations.

The embargo- type of scarcity has occurred only once in the politics of oil and this in 1973, when a group of Arab oil producing nations imposed an embargo on industrialized nations sympathetic to the Israeli nations. The circumstantial – type of scarcity was first experienced in the Iranian case of 1978 when a fairly large quantity of oil supplies was cut. The crisis-induced type of scarcity was first witnessed in the 1979 Iran-Iraq war in which two important oil producers that supplied close to 4 million barrels of oil were engaged in a prolonged war that had dire consequences on oil production. Since then, such type of scarcity had again been witnessed in the 1990 Gulf war.

Whichever of the types of scarcity however, all have seriously negative consequences on the supply of oil. This therefore indicates that oil is so important to the international community and most especially to the industrialized nations that any disruption in supply automatically has very serious negative effect on the industry. It is interesting to note that even when the disruption is due to a strike action by only one of the oil producing nations, the effect is still very severe on the oil industry.

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Certain critical facts can be identified in the scarcity types. The first is that the scarcity's effect is always noticeable in an automatic price increase. Invariably therefore, a price increase, sometime astronomical is always the indices through which the critical nature of oil is measured. It can therefore be clearly and emphatically stated that the moment the price of oil increases in the international market there is evidence of its importance in the international community. The second is that the measurement through a price increase has done so much damage to the value of oil as it creates the impression that only when prices increase can the importance of the product be noticeable and ascertained. The case of the 1973 oil embargo has however shown that there can be other means by which the critical nature of the product and indeed its importance measured. Other means are the effect that any scarcity has on the international community, as well as the production vis-à-vis consumption of the different regions. All these are indices through which the importance of oil can be measured which unfortunately, a measurement through price increases has obliterated.

The first major oil scarcity that indicated the importance of oil to the international community was the 1973 oil embargo in which Arab nations cut supply to the industrialized nations. Actually, the renewed American desire to supply sophisticated arms and equipment to Israel was a fundamental factor behind the decision to disrupt oil supply to the industrialized nations in 1973.

To indicate their seriousness about punishing those pushing for a pro-Israeli append, on the anniversary of Israel's creation in May 1973, four of the Arab oil producing nations; Algeria, Kuwait, Iraq and Libya stopped oil production at least for a short period, as a symbolic message to the World that Arab oil producers could and would use their oil weapon effectively against oil-consuming nations at opportune moments.[1]

What must however be emphasized is that the Saudi Arabian relationship with the United States was a major factor in the deficiencies and limitations of the oil embargo.[2] In spite of the efforts of these four Arab oil-producing nations for instance, the attitude of Saudi Arabia was at best indifferent. The position of the Saudi Arabian monarch was that only Europe and Japan would be dependent on Arab oil by the end of the 1970s, not the United States, and as such the use of oil as a weapon would have little effect on the United States if imposed.[3] This indicates certain important facts. First, that the Arabs never met the oil embargo in a totally untied front. Secondly, and as an extension of the first is that the attitude of the Arabs to the industrialized nations was different from one nation to the other. Thirdly, that the industrialized nations represents different facts to the Southern oil producing nations. This explains why the oil embargo was first experienced in 1973, despite the Isreali-Palestinian imbroglio that had started several years earlier. It is also likely that such friendship might have been partly responsible for the absence of such actions again since the remarkable success of 1973.

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[1] Ali, op cit, 108.

[2] Philip, G. D. E. 1994.*The Political Economy of International Oil*. Edinburgh, Scotland: Edinburgh University Press.139.

[3] Christian Science Monitor,1973. September 4.

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Saudi Arabia maintains close relations with United States, and quite apart from disappointments over American support of Israel and the oil embargo of 1973; these relations have remained cordial since officially established in 1940.[4] The story of Saudi relation with the United States was one of expanding contacts through private American individuals and companies while official contact were not only nominal, but actually developed slowly.[5]

Probably foreseeing the determination of the Arab oil-producing nations to impose an embargo on the industrialized nations, the American oil company operating in Saudi Arabia, the Aramco, launched a campaign in government circles in Washington, urging that the United States follow an even-handled policy in the Middle East. This was unfortunately without much success, due to the powerful Jewish lobby in the United States as an effective barrier to the companies' success to change US government policy of informal partiality toward Israel.[6] This however indicates very clearly that the oil companies were neither as independent nor as powerful as suggested in many circles, at least by the early 1970s when OPEC took firm control. Despite the fact that the company was an American one, and irrespective of the belief that the oil companies were considered as instruments of American foreign policy, [7] the companies were used as instruments of Arab policy during the embargo[8]. In 1973, Aramco took a symbolic step, cutting off oil to its own homeland the moment Saudi Arabia desired it, obviously fearing reprisal for failing to comply with the Saudi government's instruction.

As at the time that war broke out in October 6, 1973, there was little to show that the Arabs would be forced to use oil as a weapon. As the war turned against the Arabs however, OAPEC oil ministers held a meeting in Kuwait on October 17 to consider the role of oil in the Arab struggle to liberate their lands occupied by Israel in 1967, and the Arab oil Ministers considered the following:

"First that the ultimate good of the current struggle is the liberation of the Arab territories occupied by Israel in the 1967 war, and the restoration of the legitimate rights of the Palestinian people in accordance with United Nations' resolution;

"Second that the United States is the principal and foremost source of Israeli power that enabled it to continue occupying their territories; Thirdly, that the industrial nations have a responsibility of implementing the United Nations resolutions; Fourthly, that the economic situation of many Arab oil producing countries does not justify raising oil production, although they are willing to make an increase to meet the demand in those industrial nations that are committed to co-operation in the task of liberating occupied territories; and

[4] Gause, F. G. III. 1993. *Oil Monarchies: Domestic and Security Challenges in the Arab Gulf States*,New York: Council on Foreign Relations Press.
[5] Ali, op cit, 1976, 76.
[6] Ali, 1976,108.
[7] Eckbo, P. L. 1976. *The Future of World Oil*. Cambridge, Mass.: Ballinger, 76.

[8] New York Times Magazine, 1974. 52.

lastly, that each Arab oil exporting country immediately cut its oil production by a rate not less than 5 percent from the September production level, and further increase of 5 percent from each of the following months, until such a time as the international community compels Israel to relinquish occupied Arab lands, and to levels that will not undermine their economies or their national Arab obligations".[9]

In October 17, 1973, therefore, following the resolution at the meeting, all Arab oil countries joined in the war with Israel by imposing an immediate 5 percent cut in oil production and by raising that cut monthly by 5 percent "until such time as Israel withdrew from the occupied Arab territories". Invariably, Saudi Arabia, Kuwait, Iraq, Libya, Algeria, Abu Dhabi, Qatar, Bahrain, Egypt and Syria cut oil supply to the United States, Europe and Japan by 5 percent. In fact Saudi Arabia independently cut production by 10 percent. Following massive deliveries of US arms to Israel, however, a total halt of oil exports to the United States and the Netherlands was announced by Saudi Arabia, Abu Dhabi, Kuwait and Algeria "and the actual diminution in supplies to other industrialized nations varied between 5 and 10 percent"[10]

For the first time in the history of oil supply and pricing, and as an extension to the oil embargo, the oil exporting countries took the pricing function completely into their own hands as by October 1973, members in the Persian Gulf led by Iran, unilaterally increased the price of oil, raising it from the then existing price of $3.02 per barrel to $5.11.[11] The price increase occurred at three different stages.[12] The first price increase occurred on October 16, 1973 when the six largest oil producing countries in the Persian Gulf; Iran, Iraq, Saudi Arabia, Kuwait, Abu Dhabi and Qatar announced a price increase from $3.01 a barrel on October 1 to $5.12 per barrel to be effective from October 16.[13] The second price increase, which interestingly was again effected by these six nations, was made on December 23, 1973, even though was meant to be effective from the 1st of January 1974. The price per barrel of oil was at this instance raised from the $5.12 of October 16 to $11.65. The actual market price however rose to as high as $15 and sometime to $17 per barrel.[14] In fact, Libya and Nigeria were said to have set a new tax reference price, which ranged from $14.60 to $18.75 a barrel[15].

The embargo, coming at a time oil prices astronomically increased suggests that income generation may not necessarily deter nations from imposing penalties and punishment. Under normal circumstances, the fact that the oil embargo would automatically imply a loss of revenue should have

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[9] Ali, 1976,109.
[10] Mosley,R, 1974. *The Third World: Problems and Perspectives.* London, Macmillan Press in association with The Geographical Magazine, 423.
[11] Ali, 1976 op cit, 108, David-West, Tam, 2004, op cit.
[12] See Kohl, W. L. Ed.1991. *After the Oil Price Collapse: OPEC, the United States, and the World Oil Market*. Baltimore, Md.: Johns Hopkins University Press. 315.

[13] Ibid, 112.
[14] Ibid,114.
[15] Ibid,114.

caused considerable reluctance on the part of the oil producers. A recent astronomical increase should therefore have automatically discouraged any punitive action that would affect positive income generation. It is in this light that one may need to analyze the oil embargo that came almost simultaneously with the quadrupling of oil prices. It can in fact be ascertained that considering the timing of the embargo, since oil producers were not discouraged by disruption of supplies and its attendant effect on an increase in income and revenue, there is little to suggest that income generation should discourage such penalties in the current event.

Another very notable fact about the embargo is that virtually every Arab oil-producing nation that imposed the embargo was totally and absolutely dependent on oil. That their mono-cultural economies did not stop the embargo implies that positions that claim a politics of scarcity may be difficult to attain due to mono-cultural economies, may not have been empirically tested. This is because the experience of the oil embargo shows vividly that a mono-cultural economy does not necessarily have to be an obstacle in applying a politics of scarcity.

Eventually, when the option of an oil embargo was embarked upon, it became apparent that the strategy was going to have dire consequences on the Northern economy and thus force the North into making concessions in the North-South economic relations.[16] The energy problem became a problem of major proportion in many parts of the World during 1973, and especially hard hit were the industrialized nations of the West and Japan. The problem concerning fuel supply was caused basically by the continuing rapid growth in demand for energy, particularly in the form of petroleum products. For example, oil consumption in Western Europe rose sevenfold from 1956 to 1973, when the Arab countries cut back production in retaliation for the Western, principally United States support of Israel during the Arab-Israeli war[17].

The seriousness of the energy supply shortage was underscored by the fact that in 1973, Western Europe depended on the Middle East for more than 70 percent of its oil and Japan relied on the region for over 80 percent of its supply. And, although the United States was much less dependent on imported oil, the Arab oil embargo, nonetheless, had a considerable impact on the country[18]. The embargo was only lifted in March 1974, five months after its commencement and only after Saudi Arabia was satisfied that the United States was working seriously for Israeli withdrawal from the occupied land.

With Europe and Japan gravely threatened by their heavy dependence on the Arab oil, they were subjected to serious Arab diplomatic pressure.[19] Indeed, under the pressure, Britain and West Germany both known for their long pro-Israeli biases, banned arms shipments to the combatants,

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[16] Shojai, S. Ed. 1995. The New Global Oil Market: Understanding Energy Issues in the World Economy. Westport,Conn.: Praeger. 217.
[17] Ibid, 35.
[18] Ibid, 35.
[19] Vernon, R. 1983. *Two Hungry Giants: The US and Japan in the Quest for Oil and Gas*. Cambridge: Harvard University Press.

including Israel. London even stopped American transport plane from landing on British territory and Bonn protested the shipment of American arms from Germany. Thus a rift developed in NATO and according to The Economist (of November 3, 1973), "the United States was left alone in its support of Israel".[20]

The pressure was undoubtedly borne out of the dependence of the industrialized nations on oil; for instance in the fall of 1973, the Arab nations were producing 19.1 million barrels of oil per day and the United States, consuming 17.2 million barrels per day depended on export from the Arab states for about 10 percent of it. Europe, consuming 15 million barrels per day, depended on Arab sources for 65 percent of it and Japan consuming 5.2 million barrels per day, depended on the Arab nations for 50 percent if it. Actually World dependency on Arab oil increased from 34 percent in 1957 to 54 percent in 1973.[21]

The strategy to cut away and subsequently isolate Israel from the main circuits of World politics could be said to have been substantially achieved by the Arab oil embargo. Foreign investments in Israel slumped by about 60 percent, while following the October war; many Afro-Asian nations that had initially established diplomatic links with Israel severed those relations. The Arabs were also successful in cutting off support from Israel by the United Nations Educational, Scientific and Cultural Organisation in 1974, thus eliciting the declaration by Taylor that;

> *It can be said that Israel is in many respects alone in the World because its own orientation is against the general trend. Even American-Israeli relations are in the process of change, owing largely to the fact that the United States can no longer center its Middle Eastern policies on the interests of Zionism alone.*[22]

In spite of the cautious and diplomatic approach of the Arab states and indeed Saudi Arabia to the embargo it proved to be the strongest of diplomatic weapons as "it prodded the US, which in turn prodded Israel and the result was the disengagement of Israeli and Egyptian forces along the Suez Canal".[23]

The United Nations, which had initially driven the Palestinians out of their homeland by a 1947 resolution that created Israel, had very little choice under an intensive Arab pressure but to bend its traditions by inviting the head of PLO, a political movement, to address the General Assembly as though he represented a Government.[24]

The head of the movement, Yasser Arafat, while addressing the United Nations on November 13, 1974, took an all-or-nothing approach that culminated in the passage of a resolution on November

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[20] The Economist, 1973. November 3.
[21] Ali, 1976, op. cit,117.
[22] Ali, 1976, op. cit, 117.
[23] Newsweek,1974. March 25.
[24] New York Times, 1974.November 16.

22 by the General Assembly, recognizing the rights of the Palestinians to independence and sovereignty in Palestine[25].

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.[26]

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 bidded against each other for the limited supplies of crude oil that the embargo left for the 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.[27]

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,

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[25] Washington Post, 1974. November 23.

[26] Turner, L. 1983. OPEC. *The Third Oil Shock: The effects of Lower Oil Prices* . *J.* Pearce . Ed.London, Royal Institute of International Affairs.177.

[27] Ibid,177.

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.[28] 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.[29]

The experience of 1978 was another indication of the politics of control that oil scarcity represented in the international community. By 1978, the international oil system was again vulnerable to disruption as world supplies were only barely adequate and any slight decrease in supply or increase in demand automatically precipitated a World shortage. Unfortunately, it was only when the supply reduction or demand increase were small that Saudi Arabia could fill the gap and thus stabilize the system. In a situation whereby shifts were large, even Saudi Arabia would not be and was indeed not able to control the system.[30] It was in an era that was this critical that the 1978 revolution in Iran took place and consequently brought the oil system into more disruptions. Iran was by 1978, one of the main world suppliers supplying as much as 17 percent of total OPEC exports. By the end of 1978, the action of oil workers cut off all oil exports as a strategy to depose the Shah of Iran considerably reduced supplies to the international community.[31] OPEC had to offset the loss of Iranian oil by an increased production in the other oil-producing nations. Saudi Arabia for example increased its production to about 9.5 million barrels in 1979.[32]

By mid- 1980 the system that seemed to have stabilised was however disrupted by the war between Iraq and Iran. With the outbreak of the war, a halt in oil exports from these two countries led to a reduction in world supplies by an estimated 3.5 million barrels per day, which was roughly 10 percent of world oil exports.[33]

Although the effect of the Iran-Iraq hostilities on the oil industry was reduced by a high level of world oil stocks and an increased production by other Gulf States at an estimated 1 to 1.5 million barrels, two major issues made the war an important issue in the oil industry.

The first revolved around countries that relied on Iraq for oil imports as they had little choice but to turn to the spot markets for supply and thus put pressure on the spot markets. As was to be expected, spot market prices gradually rose had negative effects on long term prices. The second had to do with the destruction and damage to both oil production and export facilities in both Iran and Iraq which suggested and raised the fear that oil supplies would still be negatively affected even after the

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[28] Ibid,180.
[29] Tillman, S.P. 1982. *The United States in the Middle East*. Bloomington, Indiana University Press. 78.
[30] Etiebet, D. 2004. Interview 28th June.
[31] Spero, op. cit, 265.
[32] International Energy Statistical Review, 1979, 2.
[33] Ibid,3.

war as it might take an appreciable period of time before the damage of the war could be adequately redressed to stabilize the industry.[34]

The second oil shock came at the time that the world was most unprepared for any severe and radical change in the international oil system. This was because, a little after the first oil shock, the sense of urgency had began to fade away; as the world recession and changing energy GNP ratios reduced the demand for OPEC oil by 11 percent and nominal OPEC prices actually reduced and declined throughout the period 1975 – 1978.[35]

While it is true that the 1975 recession was short lived and the world economy had rebounded by 1976, and it is also true that between 1970 and 1978, the World economy grew at healthy rate, there was nevertheless a decline in the price of oil as well as a relative calm in the world oil market. The calmness and stability led to four major consequences in the international oil environment, which invariably affected the World's reaction to the Second oil shock.

The first effect was the emergent change in outlook from fear and pessimism to complacency and optimism. This can be explained by the sudden increase in demand which had initially been restrained and had considerably reduced. With more optimism in place however, after the shock of the 1973 embargo, there was more eagerness to rely on the use of oil as a major source of energy. Most especially was the fact that the prices of oil had become stable in the international market. The second effect was that stocks of oil were drawn to minimum levels. The third consequence was that preparations for emergencies were reduced to rhetoric, while the fourth effect was that efforts at building up alternative sources of energy slowed significantly.[36]

The consequence of the February 1979 revolution in Iran disrupted international oil supply despite the fact that the World oil market was totally unprepared to deal with any crisis.[37]. Although more oil was produced in 1979 than in 1978, the massive stockpiling policies of the oil companies, the breakdown in distribution networks and the general disarray in the market played havoc with prices. The prices inadvertently went up and the outlook again changed from optimism to pessimism.

The consequent persistent decline in demand for oil during the 1980s however changed the perception of the oil industry as governments once again relaxed, regenerating the belief that the fundamental problems of oil supplies had been firmly and finally resolved. In fact, by 1983, the World oil market was projected, by the short-sighted view of those who extrapolate any short-term market

[34] Richard, A. & Waterbury, J.1990. *A Political Economy of the Middle East: State, Class and Economic Development*,.Boulder: Westview Press,109.
[35] Ibid, 8.
[36] Ibid,8.
[37] Fesharki, F. 1980. *Revolution and Energy Policy in Iran.* London, Economist Intelligence Unit, 9.

development into a long-term trend, to remain in a permanent state of glut. There was therefore expectation of continuous decline in the price of oil over at least a decade. Investment decisions to employ energy-efficient capital stocks or non-oil capital stocks were automatically postponed. Private and public investments in alternative energy sources also slowed down, with the world returning to a state of complacency similar to that of the mid-1970s.[38]

The events of 1990 however affirmed the continued importance of oil to the international community. In April 1990, the average price of a barrel of internationally traded crude oil was less than fifteen dollars, but five months later, stimulated by the Iraqi invasion of Kuwait, the price rose to more than forty dollars, and for the third time in less than two decades, the World again suffered from an "oil shock" with the price paid for the most widely used energy source skyrocketing.[39]

The Persian Gulf War underscored again, the great importance of oil to the economic security of States that are dependent on foreign energy supplies, a dependence that automatically translates to their national security.[40] While the United States President that foiled the Iraqi invasion, George Bush, did not openly admit that oil was the main reason for his decision to oppose Iraq's Saddam Hussein, he however observed that the shortsighted energy policies made the United States unduly dependent on Middle Eastern oil to fuel its industrial economy[41].

Interestingly, oil formed a fundamental factor in Iraq's security calculations and in Saddam Hussein's decision to invade Kuwait.[42] The war between Iraq and Iran that ended in 1988 caused severe domestic economic dislocations as well as a mounting foreign debt burden. To worsen it all, increased production by OPEC member nations which consequently reduced the prices of oil made it more difficult for Iraq to meet its obligations. To Iraq therefore, seizing the vast wealth of Kuwait, including its $100 billion assets was the practical solution to its problem.[43]

The Persian Gulf War culminated two decades of Middle Eastern turmoil in which access to its prized energy resources often figured prominently.[44] That concern remains. Indeed, prospects for global prosperity and peace depend on the preservation of order in the volatile Middle East, whose oil is especially critical to the economic fortunes of the global North. Ensuring access to the region's oil is thus a national security priority for the developed countries. Equally important is the ability to protect the region's vast oil fields from terrorist or other attacks, to avert a repetition of the internal political disruptions that have often plagued the region, and to secure the sea-lanes along which oil is shipped.[45]

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[38] Ibid.
[39] Kegley W. C. and Wittkopt R. E. 2001. *World Politics Trend and Transformation.* New York: St. Martin, 370.
[40] Hiro, D.1992. Desert Shield to Desert Storm: The Second Gulf War, New York: Routledge.92.
[41] Ibid.94.
[42] Vo, X. H. 1994.*Oil, the Persian Gulf States, and the United States*. Westport, Conn.: Praeger,.99.
[43] Ibid,101.
[44] Mofid, K.1990. *The Economic Consequences of the Gulf War.* London: Routledge 109.

[45] Ibid,109.

Internal dynamics within each nation, such as in the 1979 Iranian revolution continue to have dire and negative consequences on the international community. This has been particularly observed in Nigeria, where communal conflicts in the Niger Delta and shortly in Venezuela have considerably affected the supply of oil to needy nations. This represents another testimony of the politics of control that oil scarcity represents in the international community.

OPEC and the Issue Of Pricing

The issue of the pricing of oil is viewed from two major perspectives. The first is in relation to what the price of oil represents to oil producing nations of the South. In this sense the price of oil makes it imperative that oil is viewed as an income which negatively affects the possibility of the product being used as a weapon. The second is the dollar denominated sales-dependence of oil in the international community. This is implied in the fact that the dollar determines the pricing of oil in the international market and as such whatever affects the dollar automatically translates into the pricing of oil. This becomes a major and fundamental aspect of dependence because oil producing nations have no other denomination than the dollar that the pricing of oil is directly tied to and as such a dependence is created in the oil producing nations as the pricing of oil cannot be said to be in control of oil producing nations that have advantages in reserves and production.

The futility of an oil price increase, rather than a strategy of scarcity, had become evident in the North- South relation even since the days of the oil price increases of 1973. This again illustrates the dilemma of a Southern dependence. The influence of the structural dependency makes it imperative that the option in the South remains in picking oil either as a weapon or as an income. Unfortunately, the immediate benefits of an income which are more attractive to the South indicate how much the structural dependency has destroyed the potentials that oil would have been to the South. As Ali (1976) claims, the high oil prices of 1973 had a relatively minor impact upon the industrialised countries, many of which could borrow to finance their oil imports until broader adjustments ensued.

Unfortunately, the Third world nations, a group that the oil exporting countries belong, had no such options and their economic hardship was and is still not considered fundamental to the global economic order. Adelman has therefore had to declare and lament "It is the underdeveloped countries that certainly are hurt as much or more than anyone by high oil prices"[46]

Worse hit than the industrial consumers were the 32 most Severely Affected (MSA) countries including the nations of South Asia and African Sahel. Although their per capita consumption of oil was small, most had such large populations by 1973, that to satisfy their oil needs meant that their financial resources were depleted so fast that there was a threat of bankruptcy in these countries. This therefore shows the futility of employing a price increase as a punitive measure. An oil price increase has two major disadvantages; the first being that the punishment is not restricted to the industrialized nations,

[46] Ali S. 1974. *Saudi Arabia and Oil Diplomacy* New York, Praeger Publishers, 36.

as the developing nations, which are at the receiving end of the current economic order, are again worse hit in a price increase. The second is that a consistent focus on a price increase makes employing a politics of scarcity as a punitive measure very difficult to attain. Since the oil exporting countries view oil as an income and not a weapon, according to David-West, it automatically becomes an ineffective means of restructuring the international economic system.[47] The focus of a presently structured OPEC must be changed if the importance of oil to the developed economies would be exploited towards a reduction of the master-servant relation of the North on the South.[48] Unfortunately, rather than employing the right strategies towards an improved economic relation for the South, all that oil has actually gained is for international capital to move in the direction of those developing oil-producing countries, in the search for profits. Profit making has therefore conveniently diverted the international politics of oil from using the opportunity of the great reserves of oil in the South to obtaining the greatest possible share of the income generated by the business by the owners of oil reserves and investors interested in maximizing profits[49].

Rather than using the opportunity of the great reserves in the South, in actualizing a better economic relation, the effects have been different. In the first place, each oil producing nation with substantial oil reserves has been interested in obtaining the greatest possible share of the income generated by the oil business.[50] Secondly, investors were interested in maximizing profits and this involved, naturally as the OPEC Bulletin (of May 2001) states, in transferring the lowest portion of such profits to host governments[51]. Oil therefore represents an income to Southern oil producing nations and not actually a weapon[52]. In essence, in spite of the implicit contradictions in the interests of the host countries and international investors, the two groups are bound by what the Araque (2001) says is something much more powerful – their common goal of obtaining the largest benefit from what is to them, ever-expanding, highly profitable business. The difference that existed in the views of the Moderates within the OPEC and the Radicals has been there and may in fact continue to be there basically because of the oil use as an income rather than a weapon. The issues of excess supply have always generated conflicts between the Radicals that sought to maximize their short-term revenues in order to boost imports and hasten development plans and the Moderates that wanted to maintain foreign dependence on OPEC oil as long as possible by limiting the price increases.[53] Unfortunately, because of undue attention and focus on pricing, the problem of OPEC increased, as the organization became a victim of the classical cartel problem; cheating. The first episode was recorded between 1981 and 1983 when several OPEC members such as Algeria, Iran, Libya, Venezuela and Nigeria undercut the

[47] David-West, 2004 op cit.
[48] Ibid.
[49] OPEC Bulletin, May 2001, p5.
[50] Etiebet, 2004 op cit.
[51] OPEC Bulletin, May 2001 op cit.
[52] Silva-Calderon, A. 2003 op cit; David-West, 2004 op cit; Etebeit, 2004 op cit.
[53] Araque, A. 2001. Foreword to the 2001 Edition of the Annual Report. OPEC Annual Report. 2001, 11; David-West, 2004 op cit; Aminu, 2004 op cit.

cartel's price management system by producing over their prescribed ceiling[54]. Ironically, the cheating OPEC members could violate the rules without necessarily creating a collapse of prices, in as much as Saudi Arabia was still willing to shore up prices by restraining its own production.

By placing too much focus and attention on prices rather than employing a Southern cohesion to emphasise the importance and significance of oil to developed economies, the South not only became divided into OPEC and non-OPEC member countries, but also became more interested in boosting their different revenues through a consistent increase in prices. Rather than viewing the indispensability of oil as an opportunity to gradually but consistently change the status-quo, by ensuring that the North has no alternative source of supply and thus become more enthusiastic at meting Southern demands, the South, by far more interested in short tem benefits, conveniently played into the hands of the North.

To show how firmly tied to the issue of oil prices OPEC is, the OPEC Bulletin (of October 2000) states "the name of OPEC is generally associated in the public mind with one featuring increasing oil prices".[55]

To indicate that the issue of oil to the underdeveloped nations is no more than an income, Tanzer clearly states that 'obviously for nations with enormous oil deposits such as Venezuela, parts of the Middle East and North Africa, oil is the economic life. Oil exports provide not only a large share of national income but also most of these countries' foreign exchange earnings. Oil thus represents the great asset which could potentially provide all the capital necessary for economic development"[56].

The OPEC statute for instance, indicates the fact that the organization's aims, focus and attention are towards income generation rather than being an avenue towards employing a weapon. The principal aim of the organization for instance is "the coordination and unification of the petroleum policies of member countries and the determination of the best means for safeguarding their interests, individually and collectively.[57]

Another of its objectives is to devise ways and means of ensuring the stabilization of prices in international markets with a view to eliminating harmful and unnecessary fluctuations.[58]

Unfortunately, the desperation of OPEC to stabilise oil prices has put the organisation at the defensive. In essence, even when oil price increases, anxiety and agitation exist in an OPEC that values economic benefits over political control. There is therefore a desperate move to draw prices down. This

[54] Spero, 1990 op cit, 281.
[55] OPEC Bulletin, October 2000, 6.
[56] Tanzer, M. 1969. *The Race for Resources Continuing Struggles Over Minerals and Fuels.* New York, Monthly Review Press, 3.
[57] Silva-Calderon A. 2004.International Cooperation in the Oil and Gas Sector and the Development of Energy Diplomacy" Op cit, p1; Silva-Calderon, Alvaro, Interview 2004 op cit.
[58] Ibid.

explains the regular and consistent moves by OPEC members to pump more oil into the market to ensure that prices drop. Reacting to the consistent move by OPEC to increase supplies to bring prices down, the special adviser to the Nigerian President on petroleum matters, Dr. Edmund Daukoru stated that it was only through such strategies that oil-consuming nations could be discouraged from pursuing alternative sources to oil.[59] Dr. Daukoru declared that if oil prices continue to move upwards, it could force the oil consuming nations at intensifying efforts towards new sources. In essence, as far as Daukoru was concerned, OPEC has the obligation of maintaining a price limit that would be beneficial to both consumers and producers. Daukoru's claim therefore gives certain fundamental and important suggestions: the first being that even when market forces through increased demand push prices up, OPEC rather than being at an advantage could in fact be at a disadvantage. Second, it suggests that OPEC should continue to work beyond the market forces by working on increased supplies to force prices down.

Third is the fact that prices of oil are not reliant on market forces alone and oil producing nations, to favour the North or at least appease the consumers, must permanently work at stabilizing oil prices. In essence, rather than use oil as an element of power and as such use it to improve relations between the North and the South, the approach of the South is at a permanent and consistent accommodation. Fourth is the fact that alternatives have not yet been discovered to oil only because prices have been beneficial to both consumers and producers and not because little have been found so far in spite of serious efforts at making new discoveries. This already shows the attitude and approach of the Southern oil producing nations to oil, which is at almost a permanent basis, complacent and defensive. Even when market forces and not OPEC push prices of oil upwards, there is more pressure on oil producing nations than the consumers. In the politics of oil therefore, even when a kind of dependence tilts towards the North and oil reserves favour the South a totally wrong approach neutralizes the element of power that oil represents to the South. This indicates that Southern oil producing nations strongly hold the belief and view that the continued importance of oil depends on the way issues relating to oil are handled, especially matters relating to its price and not its value to the global community. There is therefore a possibility that if oil prices astronomically increase in the international market due to an increased demand and consumption, OPEC would rather be at a disadvantage and in the defensive. Rather than therefore view the increase in price as an improvement in the value of the product, and thus give OPEC and Southern oil producing nations a considerable power over the North, the Southern oil producing nations would ensure that very little pressure is mounted on the North.

This implies that the continued relevance of oil to the international community will not actually be dependent on how much the product is needed, demanded and consumed, but will rather be determined by the extent at which the consuming developed nations can be pushed into being less

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[59] Daukoru, E. Interview, op cit.

dependent on the product. The complexity of oil is no longer on its importance, but on how much those that the product benefit can ensure that those disadvantaged are not allowed looking the other way. This then implies that the Northern consuming nations have been indifferent to their dependent state to oil matters. The truth however is that oil is undoubtedly viewed by the North as a product that emphasizes its dependence and from which it needs to either make new discoveries or establish new sources of oil supplies that will reduce or eliminate its dependence on the South. Invariably, therefore the reserves that favour the South are enough to emphasize a dependent status on the North and indicate a necessity to check such reliance. That the dependence has not been eliminated or even appreciably reduced may only be because little solution has been found to what has since continued to be the oil problem to the North and definitely not because prices have not increased.

Even when prices increase and the efforts at alternatives to oil are intensified, only if the alternatives are realistic and effective can they become fully established. The fact is that in desperation to push prices down, majority of the producing nations operated at maximal level which was an indication that prices could increase in spite of efforts by producers to push prices down, if demand and consumption continued to increase. This indicates certain important facts; the first is that prices do not necessarily increase due to the economic theory of reduction in supply, since even when supplies sometime increase the price could still continue to increase. The second is that OPEC may find it difficult doing much about the price increase. The third is that if a continued increase in price would automatically make for new discoveries by consuming nations, OPEC may be helpless in destroying the effort. The fourth is that efforts at finding alternatives to oil have been highly intensive since the oil embargo of 1973 and have not only been too successful because all such alternatives discovered have been limiting in one form or the other. The fifth is that price increase alone does not make for intensifying efforts at new discoveries. Reserves that favour a section of the globe over another region could make for the necessity to search for new discoveries.

Etiebet, in sharing the position and viewpoint of Daukoru states emphatically that the only reason so far why the North has not developed alternatives to oil is basically because an astronomical price increase has not forced it into taking the decision.[60] As far as Etiebet is concerned, the technological advancement of the North indicates that if the North puts much intensity in discovering alternatives to oil, the story may be different. Etiebet emphasizes the fact that efforts at making new discoveries have not been too intense as the North has been easily satisfied with the price of oil. He states that with the exception of the 1973 oil embargo and the 1980/81 oil crisis not much problem has been associated to oil to make it imperative for the North to intensify efforts at new discoveries. To Etiebet “an astronomical price increase will undoubtedly and inadvertently change the situation.’’

[60] Etiebet,D. Interview op cit.

Silva- Calderon, the OPEC Secretary General does not only share the position of both Etiebet and Daukoru but actually views the strategy to bring prices down and thus reduce the possibility of new alternatives as OPEC policy.[61] The OPEC Secretary General stated that as far as OPEC is concerned prices could not be allowed to consistently increase astronomically, as the stability in relations between consumers and producers may be negatively affected if this is allowed to continue. Since oil producing nations depend on oil reserves and are also mono-culturalists, it will be dangerous allowing the North look for alternatives to oil and thus destroy the economies of these nations. The price increase, Silva-Calderon declares, is not therefore dangerous not only to major consumers of the product but even the South that produces it.

Tam David West on the other hand could not envisage any serious possibility of alternatives being discovered again having been on it for well over thirty years.[62] David West strongly holds the position that the developed nations have always wanted to ensure that the oil power of the Southern oil producing nations is checked if not totally eliminated by working at new discoveries that could take over from oil. He claims that this started in earnest in 1975 not long after the embargo of the Arab oil producers and has continued since then. While not unmindful of the fact that the absence of such embargo had considerably reduced the intensity, David-West argued that the discoveries so far made could not be viewed as insignificant as they have been extensive, and have equally come out of years of intensive technological advancements. While it is therefore true that more intensity might have been put into making the discoveries, Tam David West does not believe that more discoveries could have been made. He therefore declares that the continued strategy of OPEC at ensuring that prices are brought down to discourage new discoveries is unnecessary and unfortunate.

The position of Jubril Aminu, a former Petroleum minister in Nigeria is in line with that of the OPEC Secretary- General, the Nigerian Special Adviser on Petroleum, Daukouru and the former oil minister Don Etiebet. Jubril Aminu views the Northern attitude to oil from the perspective of taking a moderate approach to the issue of oil.[63] He claims that such a moderate approach as has been seen so far will not actually change or be cancelled in as much as oil is still as cheap, accessible and available as it presently is. As far as Aminu is concerned therefore, if any of the three elements is not in place, it is not unlikely that the intensity on discovering other sources of energy to take over from oil will be attained. Aminu therefore believes that it is only the existence of these elements that can guide against the North working earnestly at ensuring that there are new discoveries. He claims that the moment that oil is not serving the purpose that it presently serves by continuing to be as cheap as it used to be, there is a very high likelihood that oil will lose its present and current position to other sources of energy.

The importance of the pricing of oil to OPEC is hinged on the fact that the fundamental idea behind the creation of OPEC was to coordinate the efforts of its members to obtain a fairer income from

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[61] Silva-Calderon, A. Interview, op cit.
[62] David-West, T. Interview, op cit.
[63] Aminu, J. Interview, op cit.

the sale of their natural resource-oil.[64] To achieve this aim, OPEC's strategy has been to seek market stabilization to ensure a regular, efficient and economic supply of oil, which is having steady demand as a natural counterpart to stable supplies. OPEC had therefore consistently worked towards maintaining stable supplies.[65]

To indicate that the OPEC's focus is not totally towards achieving a better North-South relation, the organization seems to be deeply interested in pursuing a fair relation with the North that has consistently maintained an economic relation that is anything but fair. To show that the international economic relations do no hinge on fair and equitable process, the OPEC Secretary-General, Silva-Calderon declared that discrimination obviously exists over the treatment of oil and coal, with regards to taxation and subsidies in OECD countries.[66] In spite of this fact, OPEC Secretary-General, declared in September 2003:

> *All OPEC countries are part of the World economy. Therefore, they must all play their part in making it work smoothly and make it become as safe and sound as possible so we can all benefit from it. OPEC has always stressed the need for fair economic relations. Only in this way can we guarantee the stability and long-term health of the relationships necessary to achieve harmonious global economic growth.*[67]

The oil market stability that the OPEC desires has two fundamental elements. The first is to avoid disturbances on the supply side (such as interruptions, shortages and uncertainty). The second is to maintain a fair and stable price range.[68] Both are against the politics of scarcity. There is clear evidence of the organization's focus towards income generation rather than one that can be used to employ a weapon in its objective which states that "due regard shall be given at all times to the interests of the producing nations and to the necessity of securing a steady income to the producing nations; and an efficient, economic and regular supply of petroleum to consuming nations."[69]

This indicates that oil is no more than an income to the oil producing nations, rather than a weapon. Indeed, OPEC's present policy is to ensure that the international oil market is well supplied with crude, with reasonable, stable prices.[70]

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[64] Silva-Calderon, A. 2003. Welcoming Address for the Workshop on OPEC and Energy Charter Treaty, OPEC Secretariat, Vienna, Austria, January 23rd.
[65] Ibid.
[66] Silva-Calderon, A. 2003. What is the Role of OPEC in providing the stable Oil Market condition that are compatible with sustainable economic growth? First US-Arab Economic Forum, Detroit, USA. 28 – 30 September.
[67] Silva-Calderon Alvaro, 2003. Welcoming Address for the Workshop on OPEC and Energy Charter Treaty, op cit., 2.
[68] Ibid,3.
[69] Ibid,3.
[70] Ibid.

OPEC member countries see their role in the global economy as that of safeguarding the sustainability of oil supplies; a policy, which suggests and clearly shows that OPEC will be more favourably disposed to a regular supply of oil rather than engage in a politics of scarcity.[71]

In fact, the principal aim of the organization is the coordination and the unification of the petroleum policies of member countries and the determination of the best means for safeguarding their interests individually and collectively. In doing this, the organization is expected to devise ways and means of "ensuring the stabilization of prices with a view to eliminating harmful and unnecessary fluctuations".[72]

OPEC views the stabilization of prices as implying securing a steady income to the producing nations as well as an efficient, economic and regular supply of petroleum to consuming nations. Invariably; the organization's focus is basically on a regular and consistent supply of petroleum rather than engaging a politics of scarcity that could ensure the same attitude of the North to Southern demands that the oil embargo of the early 70s achieved. To OPEC, oil represents an income rather than a weapon, and a focus on the product as an income cannot but discourage any attempt at a disruption in production. Unfortunately as the oil embargo of the early 70s clearly shows, only by a politics of scarcity can the North be forced to listen and at least accede to the requests and demands of the Southern (developing) nations.

The Saudis control 25 percent of world oil reserves and the US pay the Saudi royal family up to $100 billion a year for it. This, according to Davey ensures and guarantees a stable flow of petrol and oil to the US at relatively low prices. The Saudi government holds its money in the United States' banks mainly Chase Manhattan, which has given these banks the collateral to extend excessive US domestic credit. This enabled US cost of imports to be exactly the amount of US consumer debt, described by Davey as funny money "not matched by goods and services, but just flowing out of the ground almost for free." The Saudi government also recycles its petrodollars back to the West in the shape of construction projects and arms purchases. In essence, the absorption of oil revenues is a big financial issue, even if it nominally belongs to the Middle East governments"[73]. The oil price drop after the 2003 Iraqi-US face off could be linked with the fact that OPEC wanted to ensure that the United States or any of non-OPEC nations took control of the oil system, an action that eventually boomeranged. The organization sought to calm oil markets at the beginning of the crisis by announcing its members' pledge to maximize output and make up for any disruption in crude exports from Iraq, believing, as the OPEC

[71] Ibid.
[72] Silva-Calderon, A.2003. "International Cooperation in the Oil and Gas Sector and the Development of energy diplomacy". International Institute of Energy Policy and Diplomacy of MGIMO-University, Ministry of Foreign Affairs of the Russian Federation. Third Russian Oil and Gas Week, Moscow, Russia, 5th November, 2003; Silva-Calderon, A. Interview 2003 op cit.
[73] Davey, B. 2001. Oil and World Politics after the World Trade Centre Attacks. *PETROLEUMWORLD* www.petroleumworld.com, 19.

President, Abdullah Bin Hamad Al-Attiya said, that the Iraqi 2 million barrels a day export, would cease as the war intensified.[74]

The International Energy Agency (IEA)'s reaction to the OPEC efforts however indicated that the control of the world oil system could be taken away from the organization, as the IEA declared it was ready to take action itself to ensure market stability.

The IEA Executive Director, Claude Mandril for instance said in a statement that "we are determined to promote stability in World Oil markets and remain ready to reinforce producers' efforts should the need arise", obviously referring to the Strategic Oil Reserves, which it could authorize its members draw on to help offset a supply shortage.[75]

Worried however that such a step would dilute its own influence over crude supplies and inevitably cause oil prices to plunge, OPEC increased different member states' production quota, to "use in the interim their available excess capacities to ensure continued supply" an action that eventually led to excess supply by the organization and which had dire consequences on the price of oil.

OPEC has also been seriously deficient in its treatment of the Arabs within its fold, as OPEC has continued to operate in a way to suggest that only when issues are important to the Arabs could oil be viewed and used as a weapon. A very good evidence of this was in the 1973 oil embargo, which was consequent on the need to penalise industrialised nations sympathetic to the cause of the Israelis. The embargo was no more than an actualisation of an Arab interest, which the Israeli-Palestinian imbroglio was. This is another evidence of the dilemma of the structural dependency. This is because it reveals the divisive nature of the oil producers and from which they meet issues relating to international oil politics. The colonial pattern and division therefore still determine, to an appreciable extent, the focus of the South. The dilemma of dependency is therefore represented in picking an option of effective utilisation of oil through a concerted effort or principally through individual nations' benefits. There is enough evidence that the latter seems more important to the South than the former, a testimony of the dilemma of structural dependency. The OPEC from an Arab perspective, which is undoubtedly a very deficient aspect of a presently structured OPEC therefore needs a critical examination.

[74] The State, 21 March, 2003, p1.
[75] Ibid.

CONCLUSION

The politics of control was fully entrenched by OPEC in its 1973 embargo of oil. Interestingly however, the focus, attention and consideration for oil which had dramatically changed between 1973 and the present have considerably and extensively affected the position of oil as a source of power in the global community. It is important to note that it is only if and when oil as a product is not viewed and seen as an income generating product by those that have it in *excess* can the politics of scarcity be sustained and effective. Where a nation is enthusiastic, excited and committed to profit making through a product like oil, it will automatically affect its utilization and exploration as a weapon. A politics of scarcity can only be applicable where a particular critical product like oil can be viewed as a weapon and as such the product even when available may not be necessarily supplied to needy nations that are ready to pay for it. The continued role of OPEC at permanently meeting with market needs is totally at variance with the principle that a politics of scarcity holds supreme. In variably therefore, oil may not assume the same position of 1973 when western nations were unhesitant in meeting the demands of OPEC, until the organization views oil beyond income generation.