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ORGANISATION OF PETROLEUM EXPORTING COUNTRIES (OPEC) AND NEW INTERNATIONAL ECONOMIC ORDER (NIEO)

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INTRODUCTION

Before the formation of OPEC, the control over world's oil Industry was in the hands of the seven sisters: Exxon (ESSO); Shell, British Petroleum (B.P), Gulf, Texaco, Mobil and Standard Oil/Chevron (Socal);¹ These were the big Multinational companies of the technological advance that dominated the international oil Industry. These companies determined the revenues and posted prices to pay the host government and operated freely without due regard to the overall economic interest of the oil producing countries. Productions and marketing were equally controlled by them and the profits which were derived from these multi-national corporation were usually transferred to the home countries.

Without any consultations with the producing countries, these seven multi-national oil companies, in February 1959, cut the posted prices with serious adverse effects on the producing countries revenues². Infact, this was what prompted the oil producing countries to initiate the joint actions to form an organisation that would take care of their interests.

In this paper, I shall examine the OPEC and the NIEO, However, I shall need to briefly discuss formation of OPEC before considering OPEC and the NIEO.

FORMATION

Having noticed the serious adverse effect on their revenues as a result of the cut in posted prices, the Arab Oil producing countries were the first to meet. They met in Cairo with Iran and Venezuela as observers, and the objectives of the meeting was to put an end to a situation whereby oil prices could be reduced by the multinationals without consultation with the producing countries. Contrary to their expectations the posted prices was out again in August, 1960 with its attendant reduction of royalties and foreign exchange earnings of the oil producing countries which were dependent on the royalties. As a consequence, in September 1960 another meeting was convened in Baghdad with Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The meeting adopted the following resolutions, which marked the beginning of OPEC.³

- i) That members shall remain indifferent to attitudes heretofore adopted by the oil companies in effecting price modifications;
- ii) That members shall demand that all companies maintain their prices steady and free from all unnecessary fluctuations;
- iii) That members shall endeavour, by all means available to them to restore present prices to the levels prevailing before the reduction;
- iv) That members shall study and formulate a system to ensure the stabilisation of prices by among other means, the regulation of production.

OBJECTIVES

As a result of the 1960 resolution, OPEC took off as inter government commodity organisation with the following objectives:

- (a) To co-ordinate and unify the petroleum policies of its members as well as safeguard their interests;
- (b) To devise ways and means of ensuring oil Market stability;
- (c) To ensure a steady income for the producing countries
- (d) To ensure a fair rate of return on investment in the oil industry; and
- (e) To ensure adequate supply of oil to consumers

From the foregoing objectives, it is clear that the central aim was probably to achieve nothing less than the prevailing price level before the "Seven Sisters" intervened in the late fifties. The OPEC was based on principles, which have been summed up as the Baghdad Declaration, to wit:⁴

- 1. The oil-producing countries' development plans are chiefly financed through oil revenue.
- 2. The domestic budgets of these countries are dependent on those revenues.
- 3. Oil is an exhaustible wealth, which will have to be replaced by other types of wealth in the long run.
- 4. Oil is the prime source of energy resources for industrial development.
- 5. Price fluctuations deeply affect the economies of the oil producing and exporting nations.

The combination of the principles and objectives of OPEC has served as the driving force over the years in propelling

the organisation in its quest for advantage over the importers that controlled the market.

DIFFERENT BELIEFS WITH REGARD TO THE FORMATION OF OPEC

OPEC, is often looked at from the angle of its pricing policies and the effects these have had on the economics of both the developed and the developing nations.

As the first, and some would argue, the only Third World's organisation to succeed in standing up to the strong force of multinational capital, OPEC has been the object of considerable intellectual attention.⁵

THE NORTH'S VIEW

With the formation of this organisation in 1963, it has been viewed by the North or the (OECD) countries as something of an evil spectra which since its emergence on the International scenery, it has compounded the economic and political problems of the whole world through narrow and selfish pricing policies. This is the image of the organisation that has been peddled by the Western Media especially during the decade and which has sent shock waves in interstate relationships.

The American Political Leadership, especially during the Nixon-Ford-Kissinger era, dismissed OPEC as little more than an exploitative organisation that would be smashed either through its own greediness or more insidiously, through infiltration.⁶ Henry Kissinger's open declaration in

1976 that the U.S.A. would not hesitate to take over by force, the production of crude oil in the Middle East should such a move be deemed necessary to protect "American National Interest" in a clear testimony of the Venomous and belligerent mood in which American policy makers held OPEC then.⁷

THE SOUTH'S VIEW

Irrespective of the above protest advanced against the formation of the organisation, OPEC has been looked upon by the Developing Countries as perhaps the best thing that has happened to the Third World Countries in terms of demonstrating their ability to get together, act together and pursue a common cause. It should be noted here that the formation of this organisation (OPEC) weakened the existing patterns of relationships between the Third World Countries and the industrial world. From this perspective OPEC is perceived as organisation struggling to revise, if it cannot totally reverse, an old order during which the industrialised states through the instrumentalities of their multinational corporations controlled not only the production but also the pricing of petroleum extracted in The Third World Countries. This Point will be further looked into under the sub-topic dealing with OPEC and the New International Economic Order (NIEO).

OPEC AND THE NEW INTERNATIONAL ECONOMIC ORDER (NIEO)

When this organisation was formed in 1963, an ambitious notion like the NIEO was very far from the thinking of OPEC's founders.⁸ As already pointed out in the introductory part of this paper, from the onset, the organisation was very much on the defensive, and achieved practically nothing in its struggles vis-à-vis the powerful multinational oil companies. It was during the seventies that through various individual and collective efforts, the oil producing countries succeeded in putting the oil companies on the retreat. This could be regarded as the starting point of OPEC's positive in-put towards the new order, for these transactional corporations occupy a central place in the Western Economic System.⁹

By 1973 the Arabs were bent on using oil as a weapon to bring the Middle East War to end. As such the Arab members of OPEC, through their own organisation, the Organisation of Arab Petroleum Exporting Countries (OAPEC), announced that they would meet in Kuwait to discuss the use of oil as weapon of war. On the first day, they decided to raise the price of oil to 5.12 dollars. Following closely on this, the Arab met by themselves for the OAPEC meeting. It was agreed that an immediate cut-back of 5 per cent in oil production be effected until Israel withdrawal from the whole Arab territories.¹⁰ The price hike and the embargo which proved to be the most effective possible device which jacked up the oil price further.

By the 22nd December, 1973, the six Persian/Arab members of OPEC met again at Teheran where at the opening of the meeting the Shah made clear that he would settle for

nothing less than fourteen dollars. This was confirmed and the price of oil had been quadrupled in just over two months. The direct consequence of the phenomenon on the NIEO is best appreciated in the comments of two American writers who pointed out that "when the oil producing countries started to close the oil faucets, visits to the Local gas stations in the United States became more expensive, thus altering the lifestyles of many middle-class families in sub-Urban America"¹¹.

On the OPEC side, the accumulated revenues were quite enormous. This was amply demonstrated by the Nigerian example, where, in 1968, total government oil revenue stood at about 42 million Naira, whereas by 1974, this figure had taken on the dimension of 1,550 million Naira.¹²

It was quite a new sensation. For the first time in the history of international economic relations, the industrial World found itself on the defensive. Here, Ian Seymour had this to say:

"No longer could the oil-producing countries be treated as a mere cog in the Machine of the industrialized nations and their major multinational oil companies. This was the first time that any group of raw material producers in the Third World had taken their own destinies so decisively in hand"¹³

Having seen this danger on their economies the developed World resorted to the dubious expedient method of alienating the non-oil exporters in the Third World from OPEC: This attempt was never yielded to by the Non-Oil Exporting Countries (NOPEC). Instead, the rest of the Third World tended to view the OPEC initiative as something to be

emulated, if not improved upon. As a result the bauxite producers not together and announced new increases in the prices of their products. Equally, four leading Copper producers through the international Copper Exporting Countries (CIPEC) announced a seizure of a greater share of the Copper market. They all resolved to work directly with the producers of potentially substitutable metal with a view to reducing the risk of cartelisation to each.¹⁴

Also, five of the leading banana producers through the Organisation of Banana Producing Countries levied sizeable taxes on banana exports to boost their returns.¹⁵ From the foregoing, it is evident that in an unwitting way, OPEC succeeded in blazing the trail for other Third World Commodity groupings. With all these pressures, the OECD countries met and issued a Declaration on Relations Between cooperations of talks with the Third World countries which would deal generally with the problems of raw materials.

At this juncture, anyone who has been steadily following up the discussion must have come to realise three of OPEC's contribution towards the creation of a NIEO viz: Its stand towards the oil companies; its solidarity with the rest of the Third World, such that it was possible to engender "NEW" attitudes from the Western World; and its serving as a model which other Third World commodity producers have been eager to emulate.

THE LIMITATIONS OF THE OPEC'S EFFORT TOWARDS THE CREATION OF A NIEO

Though aimed at improving the economies of Third World Countries, the oil price rises spared, nobody, least of all the non-oil producing countries in the Third World. The

situation was not helped by the fact that many of these countries that were hardest-hit, were at the same time those that were able to shoulder the burden which accrued from the offensive.¹⁶

The industrialised countries merely passed on the increased costs of fuel to the prices of their manufactured export goods. Infact the costs of fertilizer, pesticides and other chemical by products from petroleum have increased more sharply than that of oil. In other words the NOPEC countries were the targets of two successive offensives. One from the OPEC countries in the form of price rises, and the other from the consequent increase on prices of manufactured goods.

In a reaction of this, President Nyerere observed in a dismal way that "we do not only pay from our poverty for the extra wealth acquired from us by the oil producers. We also compensate the people in the wealthy countries for any loss, which they experienced through a transfer of wealth from their economies to the oil producers."¹⁷

In order to urgently arrest this situation, there was the upward revision of oil prices in 1973, which placed OPEC in more auspicious position to emerge as a major source of aid to the Third World. Total official flow from OPEC to NOPEC and other multinational organisations amounted to 1.7 billion dollars in 1973; and by 1975 the amount had reached 8.2 billion dollars.¹⁸

From the foregoing, one cannot but conclude that OPEC has irrespective of all the odds made substantial inputs to the NIEO. It should be noted that the oil which informs OPEC's radicalism cannot be exploited without the active

technological support of Western oil companies. In fact, because these corporate bodies still dominate the frontiers of the most sophisticated of oil technologies, they constitute a formidable force in the oil industry.

ENDNOTES

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See OPEC's Seminal resolution for their defensive nature

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CONCEPTION OF WEALTH, ITS ACQUISITION AND OBLIGATIONS UNDER THE SHARI'AH

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The various kinds of human activities in all walks of life of any society emanate from the conceptional tenet of the society. It is the belief which the society professed whether religious or otherwise that direct social, political, economical or behavioural activities. All these activities are based on its conceptual doctrine and its reflection to the world, the man and the life as a whole. It is this outlook that makes the social, political and economical circumstances of various individual societies differ from each other.

It is possible, at our present day to divide economical structure all over the world, if we overlook some partial differences among them, into three major divisions. These divisions are: (i) Islamic structure; (ii) Capitalist structure; and (iii) Socialist. Each one of these structures has got its ideology attached to wealth and property.

In this study we aim to set down the essential points of the Islamic economic structure as attainable in the Qur'an, the Sunnah and the the Ijtihad of muslim jurists of past and present times, in a concise manner.