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**OPEC as an Actor in World Politics:**

**A Study in its Internal and External Dimensions**

**By Dr. Mohammed Ibraheem Al-Hulwah**

**ABSTRACT**

The OPEC oil price increases of the 1970s and their economic and political effects on the oil-importing and oil-exporting countries have called attention to OPEC as an actor in world politics. This study examines the internal and external aspects of OPEC in light of the following hypotheses: (1) the bargaining power of the major oil companies has been curtailed in favor of OPEC members. (2) Potential economic differences and political conflicts among OPEC members raise no real threat to the survival of OPEC. (3) The development of alternative sources of energy will not likely restrain OPEC's active role in world politics. (4) The unbridled power of OPEC to increase oil prices will likely be restrained by the effects to these increases on oil-importing countries.

In addition to testing these hypotheses, this study attempts to trace OPEC's origin and explores the role of Saudi Arabia as the residual OPEC supplier.

Since the OPEC revolution of October 1973, numerous academic works and press reports have been published on OPEC. The author has depended heavily on these sources. In addition, information supplied by some prominent energy institutions during a research trip to Vienna, Austria, and Washington, D.C., has also been used.

The findings of this study tend to support the preceding hypotheses and can be summarized as follows:

1. Cooperation among oil-exporting countries of the Third World in the oil sector existed long before the creation of OPEC. The creation of OPEC was caused by the emergence of an "oil consciousness" among a small but important segment of the OPEC population and by the consecutive reductions of the posted prices of crude oil by oil companies.

2. Economic differences and political conflicts among OPEC members, although they sometimes led to delays in OPEC's ability to make decisions and curtailed its functioning as a cartel, raised no real threat to the survival of OPEC during its troubled decade (1970s).

3. Saudi Arabia is the only member in OPEC which alone has the ability to break OPEC. But, because of domestic, regional, and international political considerations, such action is unlikely.

4. Since October 1973, the structure of the relationship between OPEC and major oil companies has changed. In that month the major oil companies lost three important powers: the power to define oil prices, to determine the level of oil production, and to designate oil export destinations.

5. In the coming two decades the world energy market structure will allow oil to

continue as a significant factor in international relations and will allow OPEC to be an active actor in world politics.

6. OPEC oil price increases, justified by OPEC as a reaction to the erosion of its purchasing power, have led to the redistribution of wealth between oil-importing and oil-exporting countries. the process of redistribution has affected oil-importing countries, particularly the Fourth World countries, and has caused an increase in the level of political tension between oil-importing and oil-exporting countries.

## **Research Centre Activities**

