

The Peace on The Horizon - 70 Years after The World War 2 in the Middle East (24)

[\(Japanese Version\)](#)

[\(Arabic Version\)](#)

Chapter 3: The grace of Allah – Oil boom

3-2(24) Inauguration of OPEC



In 1948 just after World War II, the price of oil was \$ 2.8 per barrel. Barrel is a measurement unit peculiar to petroleum. In the old days when there was no specialized transport facility like a pipeline or tank lorry, oil was loaded in a wooden barrel on a coach and conveyed to consumers. One barrel is 42 gallons corresponding to 160 liters. Therefore, the crude oil price at that time was 2 cents per liter. It would be equivalent to 25 dollars at the present value taking into consideration the inflation ratio. This price was not much different from the one in 2015.

However, the oil-producing countries themselves could not get proper return. They got royalties and small amounts of dividends paid by Western oil companies like Seven Sisters. Oil producing countries negotiated with oil companies in search of better income. But their efforts had been meaningless. Western oil companies monopolized every fields of business from crude production, refining, distribution and marketing. Oil producing countries could not match with Western oil companies at all. Remember the incident in 1951 when Prime Minister Mossadegh of Iran tried to nationalize the oil industry. He was defeated by severe counterattacks of Seven Sisters.

Demand for oil increased rapidly during the postwar reconstruction period. Oil companies could earn sufficient profits only by increasing production while leaving prices unchanged. Cheap oil was good news for oil consuming countries and individuals. Japan was one of the best countries which enjoyed the fruits. By means of cheap oil, Japan overcame the difficult time of post-war era. Japan achieved high economic growth.

In 1959 oil price was sharply fallen by recession. Seven Sisters lowered the prime cost of the oil producing countries at their discretion. The oil producing countries had been suffered from decreasing revenue drastically not only due to the upsurge of inflation but also the lowering of the price.

It was out of patience for oil producing countries. They stood up against oil majors. Oil producing countries had learned from the Iranian case that they could not compete with oil majors by means of bilateral negotiation. They had to unite together. In September 1960 OPEC (Organization of the

Petroleum Exporting Countries) was inaugurated. Its founding members were Saudi Arabia, Iran, Iraq, Kuwait and Venezuela. Libya, Indonesia, the United Arab Emirates, Algeria and Nigeria have joined the OPEC one after another within the following 10 years.

OPEC member countries struggled against the oil majors aiming to increase their share. But it was hard to overcome the obstacle. There was only one means left. It was the nationalization of oil industry which Iran could not fulfill formerly. Muammar Gaddafi of Libya had grasped the power in coup d'etat in 1969. Libya was radical and not satisfied with moderate members like Saudi Arabia. Libya nationalized the oil industry in 1970 as a front runner. Gaddafi was famous in his barbarous political decisions. The nationalization of the oil industry was his first brutal outcome.

Since then nationalization of the petroleum industry became the main stream in the world. OPEC was encouraged by two UN resolutions on natural resources. The first one was the General Assembly resolution 1803 (XVII) in 1962 regarding "Permanent sovereignty over natural resources". This was further strengthened by the General Assembly resolution 2158 in 1966. In this resolution, three principle were proposed. They are that;(1) Resources are originally attributable to their own country, (2) Development and sales of resource are self-directed by the country where the resource is located, (3) Foreign capital engaged in resource development is to be controlled by host country. Nationalization of natural resources was recognized overwhelmingly.

OPEC was inspired by the UN resolutions. They started powerful march in the 1970s. The oil-shock was happened when Yom Kippur War or Ramadan War took place in October 1973. Oil consuming countries were scared furiously.

(To be continued ----)

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