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Intereconomics

Suggested Citation: Gälli, Anton (1979) : The foreign trade of the OPEC states, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 14, Iss. 6, pp. 278-285, <https://doi.org/10.1007/BF02925858>

This Version is available at:

<https://hdl.handle.net/10419/139643>

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The Foreign Trade of the OPEC States

by Anton Gälli, Munich*

The changes brought about in the OPEC states by their oil are reflected most clearly in their foreign trade¹. How did their trade develop during the present decade? What will be the outcome of the latest drastic oil price increases?

In an analysis of the foreign trade of the OPEC states two factors must be borne in mind: One are the grey zones beclouding their foreign trade statistics, the other one is the fact that oil is not only internationally traded but used for direct barter and as a political and military weapon. Statistical grey zones exist for instance in the – in part substantial – goods exchanges between a few OPEC states and the state-trading countries (barter deals) and in the large arms purchases. It is also a fact that as a result of the luxuriating corruption which gives rise to underinvoicing, customs evasion and similar practices the real import duties are in some OPEC countries about 10 % higher than shown in the statistics². Furthermore, it may be assumed that OPEC states have been shipping oil to various political and military crisis areas, and still do so, and that this is not disclosed in the statistical records. Besides, the national statistics of the OPEC countries, and even those of the OPEC itself, are incomplete, ambiguous and not very up-to-date. The present study therefore uses only statistical information from the UN, GATT and IMF.

According to these statistics the international goods exchanges of the OPEC countries underwent an extraordinary and in the history of the developing countries unique expansion from 1970 to 1978 (see Tables 1 and 2). Their exports rose in this period from US \$ 17.6 bn to US \$ 141.7 bn – i. e. at an annual average growth rate of 29.8 %. Their imports increased even faster, from US \$ 9.9 bn in 1970 to US \$ 113.5 bn in 1978 – i. e. at an annual 35.7 %. As a

result the OPEC share of world trade has also expanded substantially: from 5.7 % to 11 % in the case of exports and from 3.1 % to 7.6 % in regard to imports. While the increase of imports was continuous, that of exports was marked by major fluctuations.

Three Phases of Development

An *ex post facto* analysis of the OPEC trade since 1970 indicates a sequence of three crucial phases:

- A relatively slow upward movement until 1973;
- A boom phase triggered off by the first big oil price hoist in 1973/74 which continued until 1976; and finally
- A downtrend in 1977 and 1978.

The new phase ushered in by the events in Iran and the following tightening of supplies and price rises is as yet too short to be assessed in the light of statistical information.

The *balances of trade* clearly reflect the three development phases: In 1970-73 the trade surpluses of the OPEC countries advanced continuously, from US \$ 7.7 bn to US \$ 18.2 bn; in 1974-76 – when the initial record of US \$ 86.1 bn in 1974 declined to US \$ 52.1 bn in 1975 and recovered to US \$ 62.1 bn in 1976 – they stayed on a high level; and in the next two years they contracted to US \$ 28.2 bn.

All OPEC states participated in the upswing during the first two phases, albeit to different degrees (see Table 2). The exports at least trebled (Libya) and in one instance (Saudi Arabia) grew almost seventeenfold; the United Arab Emirates, Iran, Qatar, Iraq and Nigeria all achieved above-average growth rates. The average annual growth rate of the whole

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Cf. on this and what follows Anton Gälli: Die sozio-ökonomische Entwicklung der OPEC-Staaten – Auswirkungen und Perspektiven des Devisenreichtums (The social-economic development of the OPEC states – repercussions and perspectives of the abundance of foreign currencies), Ifo-Studien zur Entwicklungsforschung, Vol. 4, Munich 1979, espec. p.153 ff.; p.316 ff.; and p.372 ff.

² Kuwait's balance of payments for 1974/75 for instance contains a separate item of "unrecorded imports" which account for about 7 % of the separately shown "imports (cif)". Cf. Central Bank of Kuwait: Quarterly statistical bulletin, January-March 1978, p.36. In Indonesia large quantities of goods are smuggled into the country from Singapore.

Table 1
Foreign Trade of OPEC by Groups of Countries
(in %)

Origin	Destination	Year	Industrialized Countries	OPEC ^a	Other Developing Countries	Eastern State-trading Countries	World ^b
Industrialized Countries		1970	51.4	2.4	10.3	2.6	69.1
		1974	44.9	3.4	9.3	3.1	62.7
		1976	44.0	5.4	8.6	3.3	62.8
		1977	43.7	6.0	8.5	3.0	65.0
		1978	45.0	6.1	9.3	3.2	65.0
OPEC ^a		1970	4.4	—	1.0	—	5.7
		1974	11.3	—	2.7	0.2	14.5
		1976	10.2	0.1	2.8	0.3	13.9
		1977	9.8	0.1	2.7	0.2	13.0
		1978	8.2	0.1	2.2	0.2	11.0
Other Developing Countries		1970	8.5	0.3	2.2	0.9	12.2
		1974	8.1	0.6	2.2	0.8	12.0
		1976	8.0	0.7	2.3	0.8	12.0
		1977	8.3	0.8	13.0		
		1978	8.3	0.8	2.4	0.7	13.0
Eastern State-trading Countries		1970	2.5	0.3	1.3	6.4	10.5
		1974	2.8	0.3	1.1	4.4	8.6
		1976	2.7	0.4	1.1	5.3	9.5
		1977	2.7	0.4	1.2	5.3	10.0
		1978	2.6	0.5	1.1	5.3	10.0
World ^b		1970	68.6	3.1	15.2	10.1	100.0
		1974	68.5	4.4	15.8	8.6	100.0
		1976	66.3	6.6	15.1	9.7	100.0
		1977	66.0	7.6	15.0	10.0	100.0
		1978	66.0	7.6	15.0	10.0	100.0

^aUntil 1976 recorded in the source as "oil exporting developing countries".

^bIncl. Australia, New Zealand and South Africa which are not included in any of the other sectors.

Sources: GATT: International Trade 1977/78, p. 6; GATT: Press Release: Prospects for International Trade, Sept. 4, 1979.

OPEC export trade in 1970-1976 (by value) was 36.8 %.

The OPEC imports grew almost as fast as the exports: the average annual rate was 35 %. The imports into Saudi Arabia, the United Arab Emirates and Qatar increased more than tenfold; those into Iran, Libya, Gabon and Nigeria also showed above-average increases. The distinction between "low absorbers" (the Gulf states) and "high absorbers" (Iraq, Algeria, Iran, Libya among others) is thus of doubtful relevance for an *ex post facto* consideration, at least as far as the literal meaning of these terms is concerned.

A comparison of the relation of exports to imports in these first two phases shows a better balance in the group of off-centre OPEC countries than in the central group³.

This is connected with the somewhat broader export structure of the former on the one hand and their on the whole more limited financial means as well as their larger population numbers on the other. That the only countries with adverse trade balances in the first two phases were Algeria (almost all the time), Ecuador and Indonesia is due to Algeria's forceful investment policy, to Ecuador's late entry into the circle of oil exporting countries and to Indonesia's specific population problems. The OPEC's trade surplus as a whole was in 1976 about ten times as large as in 1970.

Overestimates and Misinterpretations

In the course of such a remarkable rise of the trade surpluses of a whole group of countries in a relatively short time, which was probably without parallel in economic history, it could easily happen that the actual figures were overestimated or misinterpreted.

There are two important factors in particular which were not taken into account: the *fall in the purchasing power of the surpluses* (the prices of some export articles of industrialized countries had risen steeply in the meantime, not least because of the higher energy costs)⁴ and the *depreciation of the dollar* which had also a noticeable effect on the OPEC surpluses. It must always be borne in mind, besides, that the spectacular rise of OPEC revenue was made possible not by the price changes alone but also by the growth of demand in other countries, especially in the industrialized

³ The OPEC is here sub-divided into two groups, mainly according to geographical and political criteria: The *central group* consisting of the four Gulf states (Kuwait, Qatar, United Arab Emirates, Saudi Arabia), the socialist bloc (Algeria, Iraq and Libya) and Iran; and the *off-centre group* of OPEC countries which includes two African countries (Gabon, Nigeria), two Latin American countries (Ecuador, Venezuela) and Indonesia.

⁴ Cf., amongst others, E. v. Pilgrim: Welthandel belebt sich wieder (World trade is recovering), in: Ifo-Schnelldienst, No.9/10, 1978, p.15-20; by the same author: Entwicklungstendenzen der Weltwirtschaft und des Welthandels (Trends of world economy and world trade), in: Ifo-Schnelldienst, No.17/18, 1979, p.49-58.

Table 2

Foreign Trade of the OPEC Countries: Total Exports (fob) and Imports (cif) in 1970-1978
(in US\$ mn)

Country	1970		1973		1974		1977		1978	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Algeria	1,009	1,257	1,896	2,408	4,602	4,048	5,810	7,125	5,855	7,868
Iraq	1,095	510	1,955	894	6,972	2,370	9,664	4,052 ^a	11,009	3,500 ^a
Libya	2,843	554	3,454	1,813	7,127	2,763	9,761	3,782	9,503	5,886
Kuwait	1,691	624	3,321	1,052	9,856	1,552	9,801	4,840	10,543	4,613
Qatar	258	64	619	195	2,015	271	1,986	1,225	2,317	1,000 ^a
United Arab Emirates	550	267	1,807	821	6,413	1,705	9,477	4,503	9,049	4,892
Saudi Arabia	2,173	711	7,747	1,975	30,989	2,895	41,210	14,656	37,935	2,852
Iran	2,623	1,662	6,205	3,393	21,554	5,427	24,246	13,750	22,549	19,186
Gabon	144	80	382	160	766	332	1,095	831	1,000 ^a	600 ^a
Nigeria	1,240	1,059	3,526	1,865	9,216	2,763	11,780	11,095	10,509	11,913
Ecuador	221	274	358	397	1,135	678	967	1,508	629	1,583
Venezuela	2,598	1,811	4,891	2,810	10,833	4,190	9,548	10,353	9,126	10,373
Indonesia	1,152	1,002	3,211	3,393	7,449	3,842	10,853	13,750	11,643	19,186
OPEC total	17,588	9,876	39,372	21,177	118,927	32,800	146,198	91,470	141,667	113,452

^a Estimated.

Sources: IMF: International Financial Statistics; UNO: Statistical Yearbook; UNO: Monthly Bulletin of Statistics; national sources; author's own calculations.

world, although this latter was not free from fluctuations⁵.

The difference between nominal and real growth of imports and exports is indicated by the terms of trade in particular. The following figures probably reflect the characteristic trend of the OPEC countries accurately although they include data for four outsiders (Brunei, Bahrain, Oman, and Trinidad and Tobago): While the index of nominal exports climbed in the period of 1970-1976 from 100 to 726 and that of nominal imports from 100 to 585, the terms of trade "only" improved from 100 to 251.

The average prices of OPEC exports advanced by 463 % while those of their imports rose over the same period by 185 %. About two-fifths of the oil price increases by the OPEC countries between 1970 and 1976 were thus absorbed by higher prices for their imports. It is interesting to note that whenever the terms of trade worsened (in 1972 and 1975) this was offset by a corresponding rise of the oil price. The 1973/74 price hoist however had no connection with a directly preceding worsening of the terms of trade.

The purchasing power of the OPEC export earnings was further affected by the depreciation of the dollar. In dollar terms the exports of the OPEC countries increased between 1970 and 1976 by 656 %; in relation to the special drawing rights the rise was a little lower, namely 607 %. The dollar depreciation cost the OPEC in the six years together about 7-8 % of its revenue. Account must be taken however of the fact that this is an arithmetical mean which does not do full justice to the reality of the situation. For instance, the dollar depreciation did not affect imports from the USA and countries with currencies tied to the dollar. In

relation to these the purchasing power of the oil export earnings was not affected by exchange rate movements although it was certainly affected by inflation.

When all these qualifications have been made, there remains the obvious fact that the foreign trade of the OPEC countries has undergone an exceptionally strong expansion in comparison with other countries. In the years from 1970 to 1976 as a whole the terms of trade moved against the industrialized countries and also against the non-oil developing countries while they clearly benefited the OPEC states. Another aspect of the terms of trade is that despite oil shock and recession the industrialized countries as a whole still recorded better relative figures in their foreign trade than did the Third World countries which do not produce oil.

Features of the Phase of Decline

The third phase, the phase of decline which began in 1977 and lasted until the end of 1978, had several characteristic features: The mainly oil-related exports reached a peak in 1977; the proceeds from such exports then declined continuously. This was connected with the relatively constant oil prices and also with the appearance in the world market of new suppliers – Great Britain, Norway and non-OPEC oil-producing developing countries – which resulted in something of a glut in the world oil markets. Besides,

⁵ The OPEC exports of crude oil, incl. re-exports, rose from 20.2 mn b/d in 1970 to 27.4 mn b/d in 1973, amounted to 27.0 mn b/d in 1974, increased to 27.5 mn b/d in 1977 and are estimated at 25.9 mn b/d for 1978. Cf. OPEC: Annual Statistical Bulletin; IMF: International Financial Statistics; national sources; author's own calculations.

Table 3
Development of OPEC Trade by Categories of Goods in 1970-1977

SITC class	Year	Food and Beverages		Raw Materials excl. Min. Fuels		Mineral Fuels, Lubricants, etc.		Chemicals		Machines and Means of Transport		Other Manufactures		Total	
		0 + 1		2 + 4		3		5		7		6 + 8		0 - 9	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
OPEC exports and imports by categories of goods (in %)	1970	5.0	10.7	6.6	3.8	85.9	1.7	0.4	8.4	0.3	36.9	1.6	28.4	100.0	100.0
	1972	3.6	11.2	5.5	3.9	88.7	1.3	0.3	7.9	0.4	43.2	1.3	29.8	100.0	100.0
	1974	1.3	13.9	2.1	4.3	95.3	1.9	0.4	8.1	0.2	36.8	0.7	32.2	100.0	100.0
	1975	1.3	10.7	2.0	2.9	95.5	2.5	0.5	6.5	0.0	44.9	0.6	29.2	100.0	100.0
	1976	1.6	9.9	2.0	2.6	95.1	1.8	0.5	0.2	0.0	49.5	0.5	27.9	100.0	100.0
	1977	2.0	10.4	1.9	2.6	94.7	2.2	0.2	0.1	0.0	47.0	0.8	28.8	100.0	100.0
Share of OPEC exports and imports of the various categories of goods in world trade (in %)	1970	2.2	2.5	3.6	1.1	53.4	0.5	0.3	3.7	0.1	3.9	0.3	3.0	5.8	3.1
	1972	1.9	2.9	4.0	1.4	58.3	0.4	0.3	3.8	0.1	4.9	0.3	3.6	6.8	3.4
	1974	1.6	5.3	3.4	2.1	68.7	0.4	0.8	4.6	0.1	6.5	0.4	5.5	14.5	4.4
	1975	1.4	5.9	3.2	2.5	62.9	0.9	0.8	6.2	0.0	10.5	0.3	7.9	12.7	6.6
	1976	1.9	5.8	3.5	2.2	65.2	0.6	1.0	0.2	0.0	13.6	0.3	7.6	13.8	6.6
	1977	2.3	6.8	3.3	2.5	64.5	0.8	0.4	0.1	0.0	12.2	0.4	8.6	13.4	7.3

Sources: UNO: Statistical Yearbook 1976, p. 464 ff.; UNO: Monthly Bulletin of Statistics (May 1979); author's own calculations.

the imports of the OPEC countries rose at first steeply because of greatly enhanced consumption standards in certain circles in the oil countries on the one hand and the exertions to increase investment activity on the other.

The trade surplus which in 1976 had still been going up declined continually in the following two years; the terms of trade likewise changed rapidly to the disadvantage of the OPEC countries: in 1978 they fell by 10.5 % compared with the previous year⁶ – a more unfavourable movement than recorded by any of the other big world trading groups. Another reason for the decline was the more restrictive economic policy pursued by some OPEC countries which aimed at greater internal and – in several instances – external economic stability⁷; this began to make itself felt in 1978 in particular.

The decline of exports was especially marked in Iran where the disturbances in 1978 resulted in considerable shortfalls and in Saudi Arabia, Venezuela, Qatar, Gabon, Nigeria and Ecuador. The imports on the other hand continued to increase strongly in all countries except Iraq, Qatar, Kuwait and Gabon; Saudi Arabia and Libya recorded the largest import increases in the OPEC group while the United Arab Emirates, Venezuela, Nigeria and Algeria showed a more marked reluctance to expand their imports. Generally, in the second half of 1978 the imports of most OPEC countries showed distinctly lower growth rates, a fact which can be attributed only in part to the shortfalls in Iran. Significant was certainly also the fact that the revenues of most oil exporting countries had fallen abruptly in the first half of 1978.

⁶ Cf. IMF: Annual Report, 1979.

⁷ Cf. BIS: 49th Annual Report, Basle 1979, p.84.

While between 1974 and 1977 the growth of the imports into oil exporting countries had always been far above the growth rate of world trade, "it seems to have fallen between 1977 and 1978 from 22 to no more than 5 %".

Exports of OPEC States

Lack of more up-to-date statistical data makes it impossible to determine the pattern of the total OPEC foreign trade beyond 1977. More recent figures can be gathered from the statistical records of the individual industrialized countries but these do not provide an overall view as required for an analysis of the latest trend.

Among *exports* (see Table 3 for details) mineral oils held their dominant role throughout the period from 1970 to 1977. In 1975 mineral oils rose to 95.5 % of all exports from OPEC countries, which was a record. In the preceding year the OPEC oil had set up another record by accounting for 68.7 % of all oil exports in the world. The contribution of genuine industrial products to OPEC exports was and is very modest. In view of the great efforts made in various OPEC countries in the petrochemicals sector in particular⁸ it seems at a first glance strange that its contribution to the exports has actually declined; in 1977 it was down to 0.2 %. But this is certainly connected with the big increase of the OPEC countries' own requirements and the marked decline of their imports in this sector; in future the trend will probably be more clearly upward.

In all this it has however always to be borne in mind that the 13 OPEC countries share in widely differing

⁸ Cf. for details Wolfgang Ochel: Die Industrialisierung der arabischen OPEC-Länder und des Iran – Erdöl und Erdgas im Industrialisierungsprozeß (The industrialization of the Arab OPEC countries and Iran – Mineral oil and natural gas in the industrialization process), Ifo-Studien zur Entwicklungsforschung, Vol.5, Munich 1978.

measure in the various sectors. As far as the central group is concerned, the export trade in products unrelated to petroleum and natural gas is quite insignificant in all Arab OPEC countries except Algeria; in the latter country wine, fruit, metal products, iron ore and phosphates are also important. In Iran on the other hand the share of other exports was rising slowly until recently, especially those of textile raw materials and goods, vegetable products, hides, furs, leather goods and – in recent years – vehicles and metal goods.

In the off-centre group, in contrast, "other export goods" are far more in the foreground: manganese and uranium ore and various species of wood in the case of Gabon; cocoa, walnuts, rubber, tin, palm-oil, groundnut oil, groundnuts, hides and skins, as well as woods in Nigeria; coffee, bananas, cocoa, fish and sugar (until recently) in Ecuador; iron ores, coffee, fish and fish products, and crafts products in Venezuela; and timber, rubber, coffee, fish and fish products, copper and tin in Indonesia where oil makes the smallest relative contribution to exports apart from Ecuador.

Among the *recipient countries* absorbing the OPEC exports there have been quite substantial shifts between 1972 and 1978⁹. In 1972 Japan was the leading OPEC customer, followed by the USA and Great Britain; in 1978 the USA was clearly in the lead, and Japan followed next, before France, while Great Britain had in the meantime opened up more oil of its own. The list of customers of individual OPEC countries shows that the chief consideration for the principal customer countries was in part geographical proximity but in part also the survival of links from the colonial era. It also emerges from the statistics that the big industrialized countries are striving to reduce their dependence on individual sources by drawing on as many OPEC countries as possible.

The pattern of the *imports* into OPEC countries (see Table 3 for details) underwent widely different changes between 1970 and 1977. The largest item, "machines and means of transport", increased its share strongly, from 36.9 to 47.0 %, while the second largest category, "other manufactures", remained almost constant at 28-29 %; only in the first boom year, 1974, was its share much higher. The chemicals group has fallen sharply, from 8.4 to 0.1 %, reflecting the growing importance of the local petrochemicals industries.

Owing to the big expansion of imports into OPEC countries in absolute figures since the beginning of the

seventies this changed trade pattern does not clearly indicate the influence on the entire world market of the attraction of goods to OPEC countries. In 1970 only 3.1 % of all the merchandise traded world-wide found their way into the 13 OPEC countries; by 1977 their share had risen to 7.3 %. The OPEC market gained almost continually in importance. The OPEC demand reaching the world market for machines and means of transport increased more than proportionately, a fact reflecting the rapid advance of motorization on the one hand and the great investment efforts of these countries on the other; in 1976 the OPEC share of this world market rose to 13.6 %, so far the highest point reached. The OPEC share of the world market of "other manufactures" reached 8.6 % in 1977, after an almost continuous increase.

As far as the *supplying countries* are concerned, the composition of the leading group – USA, Japan and the Federal Republic of Germany – did not change between 1972 and 1978¹⁰ while the West as a whole reinforced its dominant position. Japan and the FR Germany have however moved notably closer to the USA. While the US exports to OPEC countries rose from US \$ 2.7 bn to US \$ 17.9 bn, those from Japan shot up from US \$ 1.8 bn to US \$ 15.4 bn and those from the FR Germany from US \$ 1.5 bn to US \$ 13.2 bn. Japan's average annual growth rate of 43.1 % was thus just ahead of the Federal Republic's of 43.0 %. Italy also achieved an above-average increase (41.7 % a year) which was significantly more than the French gain (37.0 %). Again, colonial links and geographical proximity were often decisive. The Eastern state-trading countries were dislodged from the front-ranking positions in all OPEC countries in the course of the six years under review. Japan, which managed to supplant the USA as prime supplier in two countries, is now the leader in the Emirates, Iraq and Indonesia; the USA ranks first in Saudi Arabia, Iran and the two Latin American states Venezuela and Ecuador; Italy held the first place in Libya and France in Algeria and Gabon.

Trade with the FR Germany

If any example can be used to illustrate the development of the trade of the OPEC countries to the present date it is that of the Federal Republic of Germany (see Table 4). The *German imports* from this group of countries¹¹ rose between 1970 and 1978 from DM 7 bn to DM 19 bn; the imports in the first half of 1979 were as much as DM 12 bn, a figure which already reflects the latest oil price rise and suggests that the import figure for the whole of 1979 will for the

⁹ Cf. IMF: Direction of Trade Yearbook 1979.

¹⁰ Ibid.

Table 4

Foreign Trade of the Federal Republic of Germany with the OPEC Countries in 1970-1979

(Producer and Consumer Countries, in DM mn)

Country	1970		1973		1974		1977		1978		1979 ^a	
	Exports	Imports	Exports	Imports								
Algeria	363	549	826	1,409	1,242	2,827	2,502	2,729	2,552	2,341	1,145	1,311
Iraq	70	214	113	145	950	788	1,811	295	1,606	412	1,871	332
Libya	169	2,431	560	2,222	1,035	4,248	1,508	5,027	1,631	3,416	1,044	2,297
Kuwait	156	250	186	321	411	913	858	370	693	530	341	387
Qatar	13	21	27	62	54	241	210	239	175	140	89	41
United Arab Emirates	31	383	74	652	232	1,940	851	2,111	858	1,396	500	909
Saudi Arabia	238	733	334	1,923	735	5,256	3,957	4,463	4,159	3,033	2,181	1,890
Iran	1,177	871	1,806	1,686	2,933	3,198	6,351	4,336	6,767	4,215	1,163	1,539
Gabon	27	63	42	112	73	248	77	140	41	257	20	171
Nigeria	374	567	549	1,075	890	2,836	2,990	2,553	2,873	2,450	789	2,170
Ecuador	94	118	122	143	212	170	400	181	412	184	128	60
Venezuela	535	332	772	303	852	630	2,278	275	1,739	313	522	224
Indonesia	337	365	515	371	836	488	1,132	759	1,018	703	343	421
OPEC total	3,584	6,897	6,006	10,424	10,455	23,783	24,925	23,477	24,524	19,390	9,136	11,752
FR Germany total	125,276	109,606	178,396	145,417	230,578	179,733	273,614	235,178	284,907	243,707	153,079	138,193

^aFirst half-year.

Source: Compiled from data of Statistisches Bundesamt, Außenhandel, Series 1.

first time top DM 30 bn. The exports of the FR Germany to member countries of the OPEC cartel increased over the same period from DM 4 bn to DM 25 bn; apart from a first light setback in 1978 the exports also rose almost continuously; exports of DM 9 bn in the first half of 1979 suggest that this downward trend has continued in the current year as a whole. The German trade balance with the OPEC states in 1979 may – after an interruption of two years – again show a deficit.

Until 1973 Libya was the most important supplier to the FR Germany among the OPEC countries; in 1974 and 1975 Libya was temporarily superseded by Saudi Arabia and in 1978 by Iran. These countries are, together with Nigeria which has gained increasing importance in the most recent years and with Algeria, the principal OPEC oil sources of the FR Germany. They supply continuously about three-quarters of the total.

Over 80 % of the German imports from OPEC countries, which accounted for 6.3 % of the total German import trade in 1970, 10.2 % in 1977 and in the first half of 1979 still represented 8.5 % of all German imports, consisted of mineral oils¹². Other articles of some importance are fabrics made from wool and other animal fibres, liquid fuels, lubricating oils, natural gas, raw cocoa, tin, coffee, Mediterranean fruit, various crafts products, oil-cake and iron ore.

The German exports to OPEC countries amounted in 1970 to no more than 2.9 % of all exports from the

FR Germany, rose by 1977 to a record 9.1 % and in the first half of 1979 were down to 6 %. They are of course much more diversified than the imports. The most important customers are Iran, which had occupied the first rank from 1970 to 1978 and only in 1979 fell back to the third rank, and increasingly, Saudi Arabia, Nigeria and Algeria. A comparison of the categories of goods exported in 1972 and 1978 shows medium growth in the food sector, a slight decline in raw materials, a bigger fall in semi-manufactures and primary products, as well as a notable increase in final goods which with 77.9 % in 1972 up to 82.3 % in 1978 lay in any case claim to the lion's share. The exports to the Arab countries include a higher share of foodstuffs, raw materials were in greater demand from the off-centre group of OPEC countries and from Algeria and Iran where the effects of industrialization are beginning to be felt; semi-manufactures exports which were also increasingly concentrated on these same countries also reflect the larger requirements of the building sector. Above-average orders for primary products were received from Indonesia, Iran, Venezuela, Nigeria and Ecuador; the predominant category of final goods is of relatively less weight only in trade with Algeria and Nigeria.

Among the product groups of major importance for the German export trade with OPEC countries motor vehicles were in 1977 in the lead, followed by electro-technical products, machinery and ironware¹³. This rank order changed in 1978 when electro-technical products were well in front and machine tools and

¹¹ Indirect purchases accounted for 70.5 % of the total German crude oil imports of DM 20 bn (in 1978). Crude worth DM 7 bn from Saudi Arabia, Libya, Nigeria, Iran and others was bought in the USA and crude worth DM 5 bn from Iran, Libya, Nigeria and others in Great Britain. Cf. Statistisches Bundesamt (Federal Statistical Office): Handelswege im Ausland (Trade routes abroad), in: Wirtschaft und Statistik, 6/79.

¹² Cf. Statistisches Bundesamt (Federal Statistical Office): Außenhandel, Series 3, Wiesbaden, various issues.

¹³ Ibid.

rolling mill equipment, pumps and compressed air apparatus improved their positions.

Trends in OPEC's Foreign Trade

Certain characteristic features emerge from this summary account of the goods exchanges with the OPEC states which typify the whole foreign trade of this group of countries and also provide some indications for the future. For one thing, individual market shares have fluctuated quite substantially; as far as OPEC exports are concerned, the fluctuations are in particular connected with the price changes and speculative purchases of oil while the main factor on the import side has been the predominance of investment goods which are always subject to trade fluctuations. Another significant fact brought out by the statistics is that the main supplier is not necessarily also the main customer. The respective needs are in some instances not complementary. Furthermore, political events have evidently a prolonged effect on the volume and direction of trade flows. Thus although a demand obviously exists and financial resources are available, German exports first to Iraq and then to Iran have slackened off.

It can also be deduced from the statistics that after acutely-felt crises such as the present one in Iran the oil finds its way back into the market more quickly than predicted. Early this year only few observers would have expected such speedy normalization. In June and July of 1979 the German imports from Iran were already back to the level of the corresponding previous year's months or even higher. On the other hand, it seems to be more difficult to regain quickly ground that has been lost in the export trade with OPEC countries through crises or disturbances. In the export field progress is slower. Finally, the latest available statistics reveal that today – six years after the big price boost which was to be made use of for intensive industrialization – oil is still of overwhelming importance for OPEC's exports. The wish for an export trade in industrial manufactures is still far from being reality.

New Price Boost

At the end of June the 13 OPEC countries effected another drastic oil price rise. While in 1978 the price of a barrel of crude averaged approximately US \$ 13, the middle price now is about US \$ 20.50. The pricing arrangements inside the OPEC are nowadays somewhat flexible, also officially – Saudi Arabia charges US \$ 18, Libya US \$ 23.50 –, and the oil

revenues of individual countries will differ accordingly. There can be no doubt however that the current account surpluses of the OPEC countries will once more show overproportional increases¹⁴.

There is no question that the new price boost has put additional funds in the hands of the OPEC countries – which some of them certainly need – and these will soon be reflected in the world market by an increased order flow. In the short term at least ordinary and luxury foods and technical consumer goods will again be the main beneficiaries. There is however some evidence to suggest that this fourth phase in the history of the OPEC will not bear the marks of an almost uncontrolled boom as did the (second) phase immediately after the first price hoist in 1973/74.

A Stronger Sense of Realism

In the last few years many OPEC countries have chosen a more thoughtful approach to planning. They have learnt to distinguish between what is necessary and what is pleasing and desirable and found out more about the apparatus of feasibility studies and other graduated and fully rationalized preparations for increased industrialization. There is also a greater awareness in some OPEC countries, and especially in those with overproportionately high oil revenues, such as the Gulf states and Libya, that one-sided enrichment of small circles cannot be in the long-term interest of social stability. In consequence they are more wary of spending money as quickly as they make it.

It has to be borne in mind also that in six of 13 OPEC member countries the highest posts in the governments have changed hands in the last nine months and that in some of them the game is now played according to different political rules. Besides, the non-oil developing countries are exerting more pressure; they either demand specially reduced oil prices from the OPEC countries or else want to be

¹⁴ According to the latest annual report of the IMF this surplus is put at as much as US\$ 42 bn for 1979, as against US\$ 6 bn in the previous year. In this estimate it is already taken into account that of the actual additional revenue of US\$ 75 bn about US\$ 32 bn will be spent additionally on imports of goods and services. Cf. IMF Survey, Sept. 17, 1979, p.287. The figures relate to "oil exporting countries".

¹⁵ Cf. IMF Survey, Sept. 17, 1979, p.287. See also the study of Bundesministerium für Wirtschaft (Federal Ministry for Economic Affairs): Die Auswirkungen der Ölpreiserhöhungen seit 1973/74 auf die Nicht-Öl-Entwicklungsländer (The repercussions of the oil price increases since 1973/74 on the non-oil developing countries), Bonn 1979; Deutsche Bank: Zahlungsbilanzen: Höhere Ölrechnungen belasten Industrieländer 1979 mit rd. 40 Mrd. Dollar (Balances of payments: Higher oil bills cost the industrialized countries about \$ 40 bn in 1979), Frankfurt 1979; Deutsche Bank: OPEC nach der zweiten Preiswelle (OPEC after the second price hoist), Frankfurt 1979.

given greater consideration in the financial distributions by the various OPEC funds and imports of OPEC countries. How hard the higher oil prices bear on this group of countries is shown by a recent IMF estimate that their current account this year will suffer an additional minus of US \$ 12 bn as a result of higher oil prices¹⁵.

Impact on Industrialized Countries

The Federal Republic of Germany and Japan who are the major trading partners of the OPEC countries after the USA will most probably benefit in the future from the fact that they are not politically as exposed as their main competitor, and their market shares will accordingly increase further. The trade in general will be marked by even greater fluctuations and a geographical redistribution, especially in the export trade of the OPEC countries, because the share of the multinational corporations is more likely to decline than increase and the importance of bilateral short-term contracts – preferentially on the government level – will grow in the oil business. Improved – but also more expensive – cargo safety regulations will carry more weight, and several OPEC countries will make greater efforts to operate the distribution of their most important product right down to the filling stations in the consumer countries on their own account.

To judge from the experience up to date, the seven industrialized countries of the West which want to hold their oil imports till 1985 down to the level of 1978 will not be able to keep strictly within their quotas. Nevertheless this will induce some OPEC countries with large populations to go further in trying to cover their growing needs once more by charging more for the exported oil, and other developing countries, which have no oil, will strive to emulate the OPEC example and raise the prices of other primary commodities. Their growing indebtedness leaves them no choice in the longer term while the increased flow of OPEC

monies makes it in the short run even easier to obtain finance from the international credit market or through funds.

Pre-eminence of Political Considerations

Among the OPEC countries Iraq, Venezuela, Nigeria and Indonesia are likely to become more important as importers. Iran will probably also return more quickly to a normal state at least in the economic sector than was originally expected, but economic progress will probably be on a lower level and less dynamic than in recent years.

There is one constant basic principle which in the light of experience must be borne in mind in all forecasts: Political considerations are to the OPEC more important than economic ones. The Middle East conflict and the resultant demands will be brought further to the fore; possible changes in the political scenario in individual member states of the oil cartel may all of a sudden create a new situation and new bottlenecks. The 13 developing countries making up the OPEC will in any case – however greatly they differ amongst themselves in political and social structure as representatives of the "young" continents of Africa, Asia and Latin America – not rest content with orienting their prices solely by the inflation rates in the western world. They are and remain the mightiest lobby of those who want to enforce a redistribution of the global income in favour of the Third World. They gave unequivocal expression to their demand on the 20th anniversary of their organization: "In regard to both the creation of a New International Economic Order and the question of aid-giving, OPEC continues to call upon the industrialized countries to take a more positive stand on these issues and to cooperate with OPEC in the attainment of a more equitable world economic system"¹⁶.

¹⁶ OPEC Press Release, No.7/1979, p.3.

WELTKONJUNKTUR DIENST

Annual subscription rate
DM 60.–
ISSN 0342-6335

This quarterly report – compiled by the Department on Business Cycles and Statistics of the Hamburg Institute for International Economics – analyses and forecasts the economic development of the most important Western industrial nations and on the international raw material markets.

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