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# The Non-Oil Developing Countries and OPEC: Coalition or Conflict?

by C. Paul Hallwood, Stuart W. Sinclair\*

**For a time in the mid-1970s, "Third World solidarity" was at its zenith and the prospect of a new international economic order appeared to be within reach. But by the Cancun Summit in 1981 the schism between the oil exporting developing countries and the non-oil exporting developing countries had become apparent. What are the determinants of relationships between these two groups of countries? What are the prospects for the second half of the 1980s?**

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Any number of statements about the Third World's political and economic relations with industrial countries can be found which support the idea that the Organisation of Petroleum Exporting Countries' (OPEC) success in raising oil prices in 1973 was a breakthrough, not only for the OPEC members but, also, for the Third World as a whole. The one written by a leading Third World academic that we used to open our book<sup>1</sup> serves well to hint at the excitement and expectation that OPEC's actions had generated in many quarters: "October 1973 was a turning point in the history of international relations... the point when the Third World countries became aware, not of their rights, but of their power"<sup>2</sup>; and even in 1980, an ex-Secretary General of OPEC claimed that OPEC had added "to the political weight of the *Third World* in international fora".<sup>3</sup>

However, the notion of "Third World solidarity", with OPEC as its cutting edge, contained a rather obvious flaw which has beggared the concept: OPEC's success in quadrupling oil prices imposed costs not only upon the North but, also, upon the non-oil exporting less developed countries (or "NOPECs" for short). For a time though, in the mid-1970s the Third World's collective viewpoint and negotiating positions in international forums – such as the Sixth Special Session of the United Nations and UNCTAD IV (both held in

1974) and the Conference on International Economic Cooperation in Paris (1975-76) – were able to rise above this latent schism. This was mainly because in the negotiations with the "North" the Third World might have had something to gain from solidarity between the oil exporters and the NOPECs. Indeed, following the disappointment over "global negotiations" during the 1960s, Third World collective bargaining power was at its zenith, and a new international economic order (NIEO) was a prospect worth maintaining solidarity for. For the first time the Third World had won from the North the concession of the right to negotiate with them over the structure of international trade, commodity, finance, debt and other developmental issues. If the negotiations were successful the NOPECs stood to gain much: the centre piece of the NIEO was the Integrated Programme for Commodities which was designed to manage international commodity markets through a combination of buffer stocks (financed by a Common Fund) and internationally agreed export or production quotas with the objective of achieving "fairer" and more stable prices.

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<sup>1</sup> P. Hallwood, S. W. Sinclair: *Oil, Debt and Development: OPEC in the Third World*, London 1981.

<sup>2</sup> S. Amin: NIEO: How to put the Third World Surpluses to Effective Use, in: *Third World Quarterly*, January 1979, pp. 65-72.

<sup>3</sup> A. M. Jaidah: *An Appraisal of OPEC Oil Policies*, New York, London 1983, p. 119, italics added.

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However, the NOPECs were to be disappointed with the outcome: first, the Northern countries stalled on the implementation of what were not only politically contentious but, also, technically difficult issues. Secondly, nor, as it turned out, was OPEC willing to come forward with anything much more than rhetoric in support of the Third World's negotiating position.

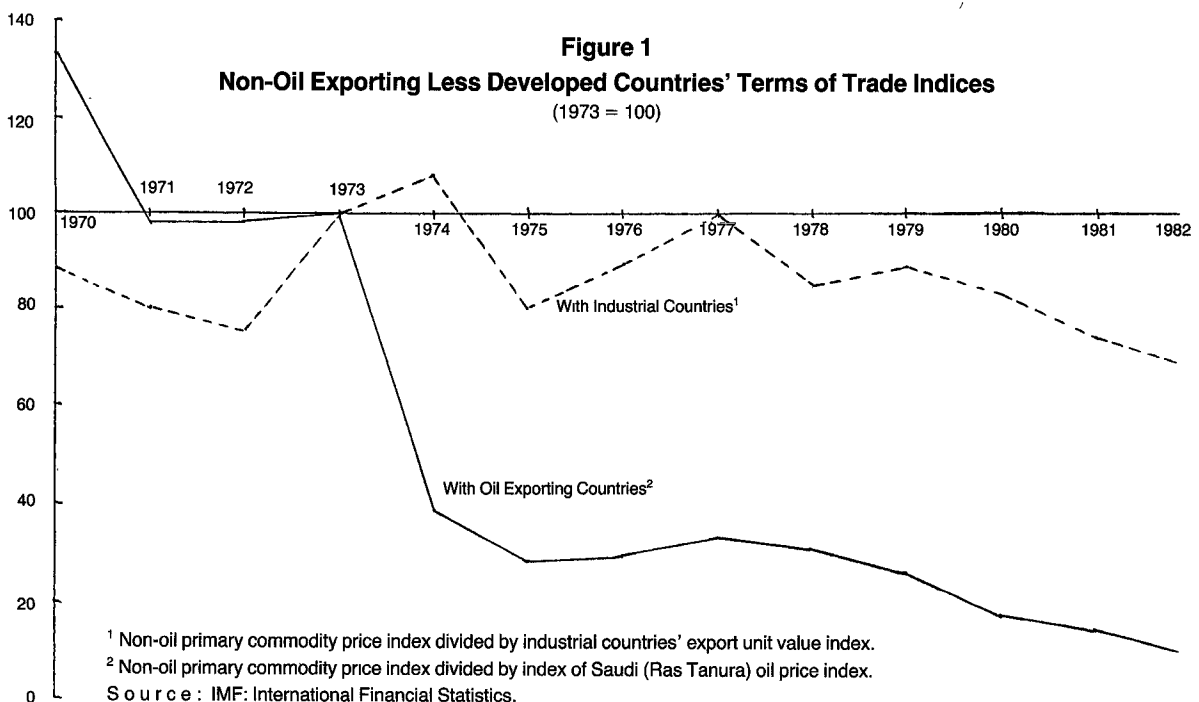
What is important in this for the OPEC-NOPEC nexus is that "Third World solidarity" failed to achieve very much, especially for the NOPECs. During 1973-76 they had stood with OPEC against Northern diplomatic offences against higher oil prices, enabling OPEC to deflect international debate at the official level away from the single topic of "oil prices" to the much wider perspective of "developmental issues" as embodied in the NIEO concept. But as the 1970s and 1980s progressed, the NOPECs were still seeking a *quid pro quo* for their support for OPEC. Indeed, the NOPECs have had to suffer two "oil shocks", those of 1973 and 1979-80 and, it is argued here, there is evidence showing that the economic cost of the second was even greater than the first, so widening the economic distance between OPEC and the NOPECs. At UNCTAD V in 1979, a hurriedly constructed group of NOPECs gave themselves the title of the Organisation of Petroleum Importing Countries and tried to have the issue of oil prices added to the agenda. This was headed off only by an Iraqi initiative to increase OPEC aid, provided that this was matched by a similar increase by industrial countries. Thus, without "solidarity" and

above all without a "cutting edge", by the time of the Cancun Summit in 1981, of 22 developed and Third World countries, the latter had had to abandon their demands for sweeping changes in the international economic order and had come to recognise that progress would be more gradual.

This paper discusses, first, some of the more important aspects of the economic impact of higher oil prices on the NOPECs. Secondly, this is followed by a discussion of the political realities that lie behind OPEC's relationships with the NOPECs. The final section of the paper draws conclusions from the foregoing discussion.

### NOPECs' Terms of Trade and Balance of Payments

The increase in oil prices in October and December 1973, and again in a series of steps during 1979 and 1980, had a marked effect on the NOPECs' terms of trade as well as their balance of payments. It was this impact which has predominated in the economic relations between OPEC and the NOPECs, although, in the case of some NOPECs, the effects have been mitigated by "counter-flows" such as OPEC aid, enlarged exports to OPEC members and remittances of wages of NOPEC nationals working in these countries. At the time of the first "oil shock", the price of primary commodities relative to oil fell from an index of 100 in 1973 to an average of 38 in the following year (see Figure 1). After a period of relative stability, six years



**Table 1**  
**Non-Oil Exporting Developing Countries' External Financial Deficits**  
(\$ billion)

	1973	1974	1975	1976	1977	1978	1979	1980	1981
(1) Merchandise Account Deficit—Global <sup>1</sup>	9.3	28.3	34.9	23.6	25.2	33.1	46.9	75.0	78.1
(2) Merchandise Account Deficit with OPEC <sup>2</sup>	5.2	17.5	15.2	20.3	20.3	18.0	31.7	49.7	44.5
(3) Deficit with OPEC as Percentage of Global Deficit	55.9	61.8	43.6	86.0	80.6	54.4	67.6	66.3	57.0
(4) Export Price Index of Non-Oil Exporting Developing Countries <sup>3</sup>	44.3	60.0	59.2	62.5	71.9	74.6	87.1	100	94.7
(5) Real Non-Oil Balance with the World	9.26	18.0	33.3	5.3	6.8	20.2	17.5	25.3	35.5

<sup>1</sup> Exports f.o.b., imports f.o.b. (plus net insurance and freight costs)

<sup>2</sup> Exports and imports f.o.b.

<sup>3</sup> 1980 = 100

Sources: Line (1), UNCTAD: Handbook of International Trade and Development Statistics, 1983, Table 5.1; Line (2), IMF: Direction of Trade Yearbook; Line (4), IMF: International Financial Statistics

later, the second "oil shock" further reduced the relative price of primary commodities to an index of 14 in 1981. By 1982, compared with 1973, ten times more primary commodities had to be given in exchange for a barrel of oil.<sup>4</sup>

The effect of the higher real price of oil upon the NOPECs' external financial accounts was marked. As Table 1 shows, the merchandise account deficit worsened in nominal terms by a multiple of 3.75 (to \$ 35 billion) between 1973 and 1975. There was some recovery in the deficit in 1976 and 1977 as real oil prices stabilized and the world economy recovered somewhat from the world economic recession of 1974-75. An important feature of this improvement in the merchandise account deficit was that the non-oil deficit fell sharply (Table 1, line 5), while the deficit with OPEC continued to increase (line 2).<sup>5</sup> In effect, the oil-price "tax" levied by OPEC was being paid for by the NOPECs through larger net exports to industrial countries and other areas, including OPEC itself (see below). Or, looked at another way, the financial transfer to OPEC constituted by higher oil prices was paid for, to a large extent, by real transfers in the form of smaller

deficits on the non-oil account. By this means growth in NOPEC debt was contained during the mid-1970s.

However, the second "oil shock" of 1979-80 boosted the NOPECs' global merchandise deficit to even higher levels than had the first. In real terms<sup>6</sup> the global deficit in 1980 was half as large again as it had been in 1974. On both occasions, the deficit with OPEC increased sharply by a multiple of more than three in 1973-74 and a little less than three in 1978-80, and the real deficit with OPEC was over twice as large in 1981 as it had been in 1974. Indeed, merchandise deficits with OPEC accounted for most of the NOPECs' global deficit over the 1973-81 period: of an aggregate global merchandise deficit of \$ 354 billion, 57 % was with the thirteen OPEC members.<sup>7,8</sup>

It is not at all a straightforward matter to quantify the effects of the different factors which contributed to the NOPECs' external payments deficits in the 1970s. However, the World Bank has tried to do so for the group of twelve newly industrializing LDCs (NICs).<sup>9</sup> As a group, during the 1970s these countries suffered from three adverse external economic developments: worse terms of trade with the oil exporters, with the developed countries and, also, below-trend export volume growth.

<sup>4</sup> The non-oil LDCs' terms of trade with the industrial countries displayed no secular trend during the 1970s (cf. P. Hallwood: Instability in the Terms of Trade of Primary Producers, in: OPEC Review, 1984, Vol. VIII, No. 1, pp. 49-62). Figure 1 shows that this particular terms of trade series tended to fluctuate near the 1973 level until 1979, with a marked deterioration in the early 1980s as the demand for primary commodities weakened with the world recession.

<sup>5</sup> It is clear that the NOPECs' rising oil import bills were due to higher oil prices rather than to higher volumes, for their imports from OPEC members measured in constant 1980 prices fell from a peak annual average of \$ 74 billion in 1972-74 to \$ 67 billion in 1978, and a similar declining trend followed the 1979 peak (\$ 75 billion) falling to \$ 57 billion in 1981. (The data upon which these calculations are based were drawn from UNCTAD: Handbook of International Trade and Development Statistics, New York 1983, and IMF: Direction of Trade Yearbook, Washington, D. C., 1983).

<sup>6</sup> In this paper conversion of nominal to real has been done using IMF price indexes, 1980 = 100. Cf. IMF, op. cit.

<sup>7</sup> The OPEC members' merchandise account tended to move in the opposite direction to that of the NOPECs. In constant 1980 prices OPEC's surplus jumped to \$ 149 billion in 1974 and in 1980 to \$ 170 billion. The second "oil shock" was an even larger bonanza for OPEC than had been the first.

<sup>8</sup> Less developed country debt increased at an annual rate of 16.8 % 1967-1972 and by 19.6 % 1973-1982.

<sup>9</sup> B. Balassa: The Newly Industrializing Developing Countries After the Oil Crisis, in: Weltwirtschaftliches Archiv, 1981, Vol. 117, No. 1, pp. 142-194.

According to the calculations, the deterioration in the group's terms of trade with the oil exporters cost them about \$7.8 billion per annum during the 1974-78 period (measured in constant 1971-73 average prices) which was over one-and-one-half times as much as the other two adverse factors put together. Nor does this take any account of the indirect effect of higher oil prices on rates of economic growth in developed countries and the derived demand for products exported by the NICs.

### Performance Differences

An important feature that emerges from a more disaggregated analysis of non-oil LDCs is that they did not all react in the same way to the external shocks to their balance of payments. Broadly, countries which sought to adjust to the external shocks by allowing domestic prices and exchange rates to reflect scarcity values performed economically much better than did countries which chose to rely upon external financing (i.e. the building up of foreign debts) and allowed price distortions to deepen. Again Balassa<sup>10</sup> provides evidence on this: in a study of nineteen sub-Saharan African countries he found that those countries which could be described as broadly "market orientated" (nine in number) coped with the effects of the 1973 oil price rise much better than did "interventionist" countries (ten in number). The latter group resorted to considerably enhanced levels of external borrowing, running their debt service ratio up to 24 % in 1978 compared with 11 % in 1973 – a deterioration that was worsened by a trend of declining shares in their export markets. "Market orientated" countries improved export market shares considerably, and by this means alone financed over 40 % of the adverse balance of payments effects caused by external shocks. Their debt service ratio actually fell from 14 % in 1973 to 12.5 % in 1978. Moreover, improved export performance by twelve more non-oil LDCs which have pursued progressively more open trade policies has shown up in the 1970s. This group seems to be following about a decade behind the original twelve NICs and seems to be coping better than many other NOPECs with the upward adjustment of oil prices.

At the individual country level the impact of the two "oil shocks" on the NOPECs can be illustrated by the cases of Brazil and Korea. In both cases the second "oil shock" was worse than the first as measured by the size of the constant-price merchandise account deficit with OPEC (Brazil: \$ 3.3 billion in 1974, \$ 7.9 billion in 1980;

Korea: \$ 1.6 billion in 1974, \$ 3.2 billion in 1980). Also in both cases, efforts were made in the mid-1970s to reduce the merchandise deficit by the means of smaller non-oil account deficits (i.e. by making real resource transfers to the rest of the world), although Korea was more successful in this than was Brazil. Korea, quite remarkably, increased exports to OPEC members eighteen-fold between 1973 and 1978, and also sharply increased exports to the rest of the world. But, then, after the second oil shock, Brazil was able to achieve a substantial surplus on its trade with industrial countries, primarily by cutting back on imports in 1981 and 1982.<sup>11</sup> Korea, too, has had to adjust differently to the second oil shock as rapid export growth could not be repeated owing to slower world economic growth and deepened trade protectionism amongst developed countries.<sup>12</sup>

### OPEC Aid

Perhaps more than any other single variable, OPEC's aid policies, especially Arab aid policies, reveal the members' fundamental (i.e. non-rhetorical) posture on the issue of politico-economic relations with the NOPECs. Like all aid programmes, those of the OPEC members weigh political considerations heavily. Naturally, with limited funds, the aid donors have to set priorities, and it happens that the majority of non-oil LDCs do not appear at the top of this priority list. Judging from the geographical distribution of OPEC's aid, the most important motivating factors behind the generosity, for Arab aid is generous both in amount and terms and conditions, are the Israel-Palestine question, regional security and pan-Arab and Muslim issues. Promotion of Third World solidarity is a factor of relatively minor importance.

Most OPEC aid is Arab aid, and the political content is obvious: most striking perhaps is that while Egypt was a belligerent frontline state against Israel, she received more OPEC bilateral aid disbursements than did any other country (\$5.5 billion during 1973-77 or 32 % of total OPEC aid) but, with the signing of the Camp David Accords, Egypt was virtually shut off from OPEC aid, receiving none in 1980 or 1981. During the 1973-77 period it was the frontline states of Egypt, Syria and Jordan which predominated among OPEC aid recipients and, in the later period, 1979-81, it was again the frontline states which predominated, this time made up of Syria, Jordan and Lebanon. Muslim countries, or countries regarded as having substantial Muslim

<sup>10</sup> B. Balassa: Adjustment Incentives and Development Strategies in Sub-Saharan Africa, 1973-78, in: World Bank, Development Research Department, Report No. DRD 41, 1982.

<sup>11</sup> Morgan Guaranty: World Financial Market, September 1983.

<sup>12</sup> D. P. Vincent: The Effects of Higher Oil Prices on Resource Allocation and Living Standards: The Case of Korea, in: The Developing Economies, September 1982, Vol. XX (3), pp. 279-300.

factions, also feature as large recipients of OPEC aid: in 1973-77, 19 of the top 20 aid recipients could be so categorized, and 16 could in 1979-81. But this latter observation points towards another feature: OPEC aid has tended to become more geographically dispersed. In 1973-77 the largest 20 OPEC aid recipients received 87 % of the disbursed funds, but this ratio fell to 50 % in 1979-81, and more states have been identified as receiving OPEC aid – 48 in the earlier period and 54 in the later.

But does this tendency towards a greater geographical dispersion of OPEC's aid point to a rise in the importance of wider Third World solidarity issues in the OPEC members' vision? The answer would seem to be no, and three statistical features lead to this conclusion. First, OPEC aid seems already to have peaked – in nominal terms – in 1980 (at \$12.5 billion), or in terms of what this aid would buy from the world as a whole, in 1978; and measuring OPEC aid in terms of the quantity of oil that it would buy, it peaked in 1977, falling in 1981 to virtually the level achieved prior to the first escalation of oil prices. Secondly, the ratio of OPEC aid disbursements to the NOPECs' merchandise trade deficit with OPEC displays a marked downward trend from 1978 onwards. In that year OPEC aid financed 53 % of this deficit, falling in successive years to just 23 % in 1981. Over the entire 1973-1981 period OPEC's disbursed aid financed just 29 % of the NOPECs' trade deficit with OPEC.

Thirdly, receipts of aid from OPEC fell a long way short of the "extra" cost of the NOPECs' oil import bills.<sup>13</sup> During the 1979-81 period the shortfall amounted to some \$53 billion in the case of the less developed Western Hemisphere, and to about \$11 billion in Africa. We have previously shown<sup>14</sup> that few countries received enough OPEC aid to compensate them for their enlarged oil import bills during 1973-77 – just those five or six countries which happened to be at the top of the Arab donors' priority lists as frontline states or deserving Muslim countries.

#### NOPEC Exports to OPEC members

NOPEC exports to OPEC have increased rapidly since 1973, and were one means by which the former made real transfers to pay for more expensive oil. Between 1973 and 1982 the NOPECs' nominal exports to OPEC increased by 82.5 % to \$ 24 billion. Adjusting

<sup>13</sup> The "extra" unit cost of oil is measured as the actual price per barrel minus the index linked (from 1960) price. The method and detailed results for the period up to 1978 are given in Hallwood, Sinclair, op. cit.

<sup>14</sup> Cf. Hallwood, Sinclair, op. cit.

**Table 2**  
**Non-Oil Exporting Less Developed Country Exports to OPEC Members**

	Real Rate of Increase per annum (%) 1973-1981	Nominal Value (\$ millions) 1982
Africa	11.2	1,185
Asia	19.5	10,068
Western Hemisphere	19.2	3,382
<b>Selected countries:</b>		
Brazil	24.7	1,795
Korea	42.4	2,834
India	15.5	948
Thailand	18.9	749
Pakistan	8.1	610
Argentina	n.a.	499
Colombia	27.4	352
Hong Kong	n.a.	1,946
Singapore	36.0 <sup>a</sup>	1,407

<sup>a</sup> 1973-1980.  
n.a. not available

Sources: IMF: Direction of Trade Yearbook; IMF: International Financial Statistics.

nominal exports to real terms so as to account for NOPECs' rising export unit values, their exports virtually doubled during the period, increasing at an annual average rate of 18.4 %. The real rate of increase, however, decelerated from 30 % per annum during the earlier years (1973-76) to 13 % per annum during the remaining years (1976-82). Real exports of the less developed Western Hemisphere and Asia increased fastest at 19 %, while African countries could sustain only an 11 % growth rate (see Table 2).<sup>15</sup>

However, some NOPECs performed much better in penetrating OPEC markets than did others. Already it has been mentioned that African countries achieved slower export growth rates with the OPEC members than did other continents. Amongst NOPECs, Brazil, Korea, Colombia, Hong Kong and Singapore did particularly well with real growth rates of up to 42 % per annum being recorded (see Table 2). In many cases, OPEC was taking a larger share of the NOPECs' exports in 1982 than they had in 1973 or even 1976. And there is one other important brightspot: the fastest growing category of OPEC imports from the NOPECs was manufactures, which grew in nominal terms by 31 % per annum over the lengthy period 1965-80.<sup>16</sup> By 1980, the thirteen members of OPEC were taking 10 % of the NOPECs' manufactures exports and 7 % of all

<sup>15</sup> NOPEC exports to the world as a whole increased at slower rates than they did to OPEC, in nominal terms by about 100 % between 1976 and 1982, only one half the increase recorded in exports to OPEC.

<sup>16</sup> U N C T A D, op. cit., Table 3.6A.

items, compared with 5.3 % and 2.5 % respectively in 1970.

### Labour Migration and Remittances

Labour migration from certain NOPECs to the capital-rich, labour-scarce OPEC members occurs on a substantial scale with, in 1975, about one half of employment in Saudi Arabia, Libya, Kuwait, UAE and Qatar taken together, being made up of foreign workers.<sup>17</sup> Employment levels of foreign nationals are not exactly known, but might have totalled 1.6 million in 1975, and were almost certainly higher in later years with Pakistan alone sending 1.1 million workers to these countries in 1979.<sup>18</sup> But what is just as important as the overall magnitude of this labour migration, as far as the NOPECs' economies are concerned, is that the labour migrants came from relatively few of them. Much of the migration is inter-Arab, with North and South Yemen, Egypt, Jordan and Palestine predominating as sending countries. Outside of Arab countries, it is Pakistan and India which are the main sources. What this means is that the substantial sums which workers remit home can directly benefit only a few countries.<sup>19</sup> Nor should the costs of labour migration to the sending countries be overlooked, costs which can be measured in terms of lost output in the domestic economy due to the loss of the most skilled and adventurous workers. However, studies which have tried to assess the *net* benefits of labour migration to the sending countries have all shown it to be positive.<sup>20</sup>

### Political Realities

Apart from the historical interest of these findings, do they matter for the future? The answer to this question is yes, for a thorough analysis of the economic relationships between the highly variegated countries of the Third World helps define some of the political constraints within which OPEC members will be operating henceforth. In the early years there was a lot of talk about the possibility of OPEC blazing a trail for other exporters of raw materials, and thus acting as the

shock troops, as it were, of a southern assault on the northern hemisphere's economies. Even at the time of the second oil shock one finds this argument being used by Fadhill Al-Chalabi, previously assistant secretary-general of OAEPC, who towards the end of his book picks up the familiar theme that OPEC's pricing actions "should eventually serve as a model for correcting the prices of other raw materials . . . OPEC has effectively strengthened inter-third world solidarity".<sup>21</sup> Apart from the possibility, explicitly referred to in this and similar essays, of cartelised prices in other commodities, Al-Chalabi suggests that OPEC will act so as to further the interests of other developing countries over the developed. What reason is there to believe this? And where would the confines of such loyalty lie?

The economic and political assessments of this article do not lead one to place much credence in the notion that "Third World solidarity" has been, *or will be*, any greater with the advent of OPEC as a successful market manipulator.<sup>22</sup> The "shock troops" view was that OPEC would be only the first of a series of cartels which would raise raw materials prices and redistribute world income in favour of the inhabitants of the hitherto poorest countries. But the truth has been rather different. OPEC members have steadfastly refused to divert any of their funds to finance other raw materials cartels. Oil remains the only natural resource of any importance whose control lies outside the influence of corporations or agencies located in the industrial North. Moreover, political links between OPEC and the NOPECs have remained fairly distant except where regional security and pan-Muslim issues are at stake. Muslim countries in North Africa are by far the largest OPEC aid recipients, while big oil importers like Brazil and South Korea have received little aid from OPEC. Thus, despite the frequent repetition of the idea of "Third World solidarity" in some United Nations circles, and notably in the Brandt Commission's report on North-South relations<sup>23</sup>, the reality is different: OPEC has lent support to the NOPECs only on soft issues such as UNCTAD's Common Fund, and virtually costless issues like the severance of diplomatic links with South Africa. OPEC members have not taken up any "Third World" issues which might have damaged their own relationships with the industrial countries. After all, several OPEC members have large investments deployed in foreign

<sup>17</sup> J.S. Birks, C.A. Sinclair: International Labour Migration in the Arab Middle East, in: Third World Quarterly, Vol. 1, No. 2, April 1979, pp. 87-99.

<sup>18</sup> I. Tsakok: The Export of Manpower From Pakistan to the Middle East, 1975-85, in: World Development, 1982, Vol. 10, No. 4, pp. 319-325.

<sup>19</sup> The sums involved can be large, as Pakistan's case shows. Remittances in financial year 1980-81 are estimated by the Bank of Pakistan to total \$ 2.1 billion and to amount to 80 % of merchandise export earnings and 35 % of merchandise import expenditures. Cf. Tsakok, op. cit.

<sup>20</sup> Ashraf Ali Syed et al.: Labour Migration from Bangladesh to the Middle East, World Bank Staff Working Paper No. 454, 1982; P I D E (Pakistan Institute of Development Economics): Labour Migration from Pakistan to the Middle East and its Impact on the Domestic Economy, Report Nos. 126, 127 and 128, 1982.

<sup>21</sup> F. Al-Chalabi: OPEC and the International Oil Industry, Oxford 1980.

<sup>22</sup> We will leave aside here the very interesting question of whether OPEC is a cartel in the true sense of the term.

<sup>23</sup> Brandt Commission: North-South: A Programme for Survival, The Report of the Independent Commission on International Development Issues, London 1980.

Western banks that could be put at risk if they became too strident and the leaderships of several more do, to a marked degree, depend for their security on Western countries.

Three points of particular importance should be drawn out. First, it is evident that the disappointment and anger felt by various statesmen from NOPECs, which grew in intensity after 1973, did prompt greater aid from OPEC. However, the OPEC aid agencies have always been concerned not to have their programmes interpreted as an admission that OPEC actions have seriously harmed the NOPECs, and thus as a *quid pro quo* for damage inflicted by higher oil prices upon other countries. In their various public relations efforts, OPEC members have, both individually and collectively, stressed that the increase in oil prices resulting from the growing takeover by national governments of multinational oil companies' interests is simply one step along the road to liberation for the developing world generally.

Related to this is the fact that in its dealings with industrialised countries OPEC has never accepted the argument that its pricing actions have damaged the world economy. Instead, OPEC members argue that in an imperfect world – to a large degree one fashioned in the industrialised northern hemisphere – all they are trying to do is redress the balance of interests. Statements such as “the oil weapon was not forged by the Arabs: it was forged by Gulf, Shell and BP”, made at an Islamic Council of Europe meeting in 1978, illustrate this well. Thus, any matters arising from oil pricing policy could logically and legitimately only be pursued in the context of discussions on the whole economic system. In Manila in 1979, for instance, the OPEC secretary-general stated that the energy issue could only be considered if it were treated “as an integral part of all the other problems” on the UNCTAD V agenda.

What this points to is that the notion of the OPEC members feeling a direct responsibility for the balance of payments or debt difficulties of any NOPECs is unlikely to be correct. From this follows the second important point: that future oil price policy is unlikely to allocate much weight at all to the argument that oil price-rises would create a serious loss of prestige or diplomatic support in the Third World.

The view that the Middle Eastern OPEC states require the continuing diplomatic support of those countries they wooed away from Israeli aid and alignment in the early 1970s is rather too simple. Just as many of these states did not begin voting with the Arabs because they were convinced of the intrinsic merits of

the Arabs' case, so too for the Arabs the active support of the European countries – now within sight – has become a far more valuable objective. While anything is worth acquiring at a price, the diplomatic support has in this case carried a price in terms of a substantial aid programme. That price may have become excessive. In real terms OPEC aid peaked in 1978; the objections from several black African leaders that their states were receiving insufficient aid to compensate them for oil price rises may have prompted an evaluation of the value to OPEC of these allies.

But thirdly, what is most important of all to bear in mind about these calculations is that any move towards a full discussion of energy, raw materials, debt, finance, aid, development – in fact another stab at a new international economic order conference – would find OPEC itself largely unprepared. For OPEC is unlikely to be able to act with sufficient consistency and unity of purpose to agree on matters of such significance. Quite simply, its own heterogeneity and differing ambitions prevent much unity. Venezuela, with its relatively sophisticated industrial base, Nigeria with its vast surplus labour supply and Saudi Arabia with its regional interests to defend while embarking on a massive downstream industrialisation programme, will all naturally have different critical interests, will accord them different priorities through time, and will want to pursue them through different channels.

### Conclusion

The picture created by the evidence described above is thus one of the climate of divergent interest, and, at the very most, distant cooperation continuing in the 1980s. Non-oil developing countries will continue, in all probability, to complain about high real prices of oil, while acknowledging the mitigating value of the by now geographically more dispersed OPEC aid programmes. They would also have to recognise that by the 1980s, as opposed to 1973, the position of many countries of the world has shifted to accept the notion of some form of Palestinian homeland. The threat of withdrawing support, in one or other international forum, for the Arabs' position on this – even if it could be orchestrated – would thus be a relatively unconvincing one. Finally, despite the calls for a new international economic order, from the more voluble OPEC members such as Algeria and Libya, the likelihood is that the third United Nations Development Decade, now half over, will not proceed beyond the level of talks about talks. The congruence of interest and consistency of purpose necessary to move beyond that stage simply does not appear to exist.