PREFACE

In formation of OPEC as an organisation of primary commodity exporting economies to define their interest and bargain and negotiate for better price was perceived as the beginning of new era in North-South economic relations. During the seventies, OPEC successfully promoted the interests of its member-states and indirectly contributed in providing political clout to South in its dialogue with North. However, in the eighties, when the global oil market was in downward swing, the organisation faced serious setback. Differences and conflict among its members became pronounced affecting its mediating capabilities also underlining the limitation of the organisation in crisis management. The present study is an attempt to evaluate and assess the role of OPEC during crisis period of eighties.

The global oil market in eighties underwent a qualitative shift both on supply and demand side. The former was marked by excess supply leading to glut situation in the global oil market due to the emergence of a number of non-OPEC oil producing countries. The use of new sources of
energy and non-Oil supplies also contributed in the shift. OPEC's share in the international oil market came down to 40% in 1981 from 55.8% in 1973, while during this period, non-OPEC witnessed unprecedented growth in its share in the world oil market. Its share increased from 44.2% in 1973 to 60% in 1981. On the demand side, conservation efforts, substitution of oil and greater efficiency of oil utilisation in consuming countries also contributed to the shift. One of the leading steps in this direction was collective action by the OECD (organisation of Economic Co-operation and Development) countries to establish International Energy Agency (IEA) in November 1974. The main objective of its establishment was to develop an international co-operation on energy question and also to meet crisis in case of oil shortfalls. It has been playing major role in the field of oil conservation since 1974. The share of oil as a percentage of energy consumption came down from 54.4% in 1973 to 46.9% in 1983. It is calculated that oil consumption in OECD countries declined between 1979 and 1984 by about 7 million b/d. It is established that 50% of it could be attributed to the efficiency of fuel utilisation and other half of the substitution of oil by other sources of energy.
The origin of crisis can be traced back to the year 1980 when for the first time, the market started apprehending the possibility of oil glut. This was an unique phenomenon. Eventually OPEC lost control over oil prices. It found that with the changing proportion of the global oil profile, it could no more stabilise the prices particularly when its member started conducting beyond the framework of the organisation. This resulted in further increase in oil supply, instead of curbing surplus of crude oil in the global oil market. It got reflected in the weakening of spot market prices. The OPEC was not in a position to influence the terms to the oil consumers during eighties. The manifestation of crisis in the forms of price and output had direct bearing on intra-OPEC conflict. The change in the nature of crisis had a corresponding impact on the conflict.

The emergence of non-OPEC producers was one of the foremost source of uncertainty for OPEC's ability to operate as cartel. In the March 1983 meeting of the OPEC conference, for the first time in its history, OPEC was forced not only to seek co-operation from non-OPEC producers on the issue of
pricing but also to ponder over the need for sustained cooperation with them. The action of North Sea producers became increasingly significant in OPEC as well as for oil companies in the early eighties.

The IEA, the Paris based organisation of OECD nations responded to the crisis in eighties through its International Energy Programme (IEP), contained short-term as well as long range policies. The short-term policies were aimed at protecting oil consumers and the long range policies was to develop long-term co-operative mechanism aimed at reducing dependency on imported oil.

In the eighties, OPEC faced different and difficult times when it has to recast its role in resolving conflicts and contradictions of its members during the crisis situation in the global oil market. A study of OPEC during this period helps in assessing the effective mediating role of a regional organisation in crisis-situation. The main objective of the research is to analyse the impact of crisis in the global oil market on OPEC both as organisation defending producer's market as well as in mediating the conflict among
its members. The OPEC's experience of eighties can provide valuable insight and lesson for any similar efforts in future.

In the present study, Chapter I titled: "Global Oil Markets in Eighties: An Overview" deals with a brief overview of the changes in the international oil market during the eighties. The Chapter II titled: "OPEC Agenda in Eighties" examines all issues and items which have been put in the agenda of OPEC in important meetings of OPEC conferences during the eighties and how OPEC attempted to meet oil market turmoil situation in eighties. The concern of Chapter III titled: "Intra-OPEC Conflict in Eighties" is an indepth examination of the basis and issues of conflict in eighties. The IV and V Chapters titled: "Producers Responses to Crisis with Special Reference to Non-OPEC Nations" and "Consumer Responses to Crisis with Special Reference to IEA", respectively, are an attempt to assess the responses of both producers and consumers towards crisis in eighties.

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