CHAPTER IV
CHAPTER - IV

OPEC AID; A NEW FACTOR IN THIRD WORLD POLITICS

The creation of OPEC, which does qualify for the title of an instrument of collective self-help, was a major event in the history of developing country efforts to rectify systematic inequalities detrimental to their interests. The history of financial cooperation between member countries of OPEC and other developing nations began soon after the foundation of that organization in 1960. This process started with the creation in 1961 of the 'Kuwait Fund for Arab Economic Development'. The chronological coincidence of these events may be considered accidental; as there was no necessary link between the actions of the five oil-exporting countries which decided in 1960 to join together in order to defend their vital economic interests threatened by the erosion of petroleum prices, and the separate decision of Kuwait in 1961 to establish a Fund for external development aid. Yet, in a subtle sense, one may now recognise in their diverse actions the features of a new and important phenomenon: the emergence of effective solidarity in the Third World - both within a group of countries with similar economic interest and between members of this group and other developing

1. The five oil exporting countries cited above are: Islamic Republic of Iran, Iraq, Kuwait, Saudi Arabia and Venezuela
nations. The point of interest in the context is the birth as early as 1961, of a new concept in foreign aid in which both donor and recipient are developing countries. The Kuwait Fund during the 1960s was, by present standards, a fairly modest aid institution. Yet, Kuwait was in this period transferring in foreign aid every year a percentage of its Gross National Product higher than that of any other donor country. Cumulative disbursements from the Kuwait Fund between 1962/1963, in the first year of its operation, and 1970/1971 were of the order of KD 60 million or approximately $ 200 million (US). Other aid institution sprang up in OPEC member countries early in 1970s, prior to the oil events of 1973. The Abu Dhabi Fund for 'Arab Economic Development' was launched in 1971, and the 'Arab Fund for Social and Economic Development' established in 1968, became operational in 1972. The Abu Dhabi Fund, like the Kuwait Fund, is a national institution owned by one OPEC member country. While the Arab Fund is a regional institution founded by a group of

2. The term Third World countries is relative in general to those countries which have recently gained independence and have a real per capita income less than a Quarter of the per capita income of the United States of America, Canada, Switzerland etc. Or are falling within the income range of less than $ 500 per capita, per annum. Most of the countries of Asia, Africa and Latin America and some countries of Europe are included among them.

3. Specially Kuwait could be given some credit for having tried to create conditions, atleast in the Arab world, which could make investments safer and thus more possible. For instance, Kuwait initiated the Inter-Arab Investment Guarantee Corporation (IAIGC) with the Kuwait Fund for Arab Economic Development (KFEAD), taking the lead as early as 1966 when it proposed this step to the 1st Arab Industrial Development Conference, later, KFEAD convened a meeting of Arab Financial experts to study the different aspects of the Question. By 1970, KFEAD had prepared a draft convention, and by the beginning of 1973 The Convention had received the approval of 13 Arab countries, Michael Field, A Hundred million Dollars a Day (Sidwich & Jackson, London 1975) P. 239.
countries not all which are members of OPEC. However, these funds were mainly concerned and limited with the granting of project loans on concessional terms to Arab countries.

However, aid from OPEC member countries before 1973, was not uniquely channelled through development finance institutions. Late in the 1960s three Arab oil exporting countries, Kuwait, Libya and Saudi Arabia, began to extend substantial grants to Egypt, Jordan and Syria in Pursuant to a resolution adopted in the Khartoum summit of August 1967. There were considerable differences between this particular type of aid and that provided by the funds. The payments were in the form of grants not loans. They were not tied to projects nor to plans, but given as straight budgetary support. They were benefitting only three Arab countries while the Funds had, from the beginning a much wider vocation. They were motivated by a strong political imperative, the need to support the states victim to the Israeli armed attack of June 1967 and to the military occupation which resulted from it. Estimates of actual disbursements of OPEC members in the years 1970 to 1973 are as follows (US $ million):

Table No.2: FUND DISBURSEMENTS OF OPEC MEMBERS - 1970-73

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The data suggest that OPEC aid, even with the exclusion of the Khartoum payment, was already substantial before 1973. The Oil events of that year enabled OPEC countries to inaugurate a new chapter in their record of aid provision, but they did not mark an absolute beginning - institutions with proven capabilities in the provision of financial assistance which were in existence before 1973. Governments had already recognized the need to express solidarity with other developing countries, beginning with immediate neighbours, through foreign aid. Large disbursements in the form of grants and soft loans for budgetary support were being made since 1968 and the scope of aid in terms of objectives, geographical extent and scale of disbursements had broadened significantly in 1971.

In general, OPEC members sensed early the need for a more conscious effort to assist other developing countries in a more concrete form. The interesting point to be noted here is the existence of a direct relationship between the economic emancipation of OPEC countries - at least as far as petroleum is concerned; their overall chances of development and their level of income; and their willingness to assist other developing countries.

The events of 1973 had a significant impact on OPEC - Third World relations. First, the oil embargo of 1973 and the

ensuing oil price increases demonstrated for the first time the new vulnerability of industrialized countries to OPEC actions, and at the same time resulted in a considerable transfer of financial assets from the industrialized countries to OPEC members, ultimately leading to a relative shift of the balance of bargaining power in favour of OPEC. Second; these developments, by causing great hardships for the Third World, created new responsibilities for OPEC towards these countries. The combined effect of increased OPEC responsibility towards the Third World, and increases in its power, was a closer interaction between OPEC and the Third World countries, focused principally on the reform of the international economic system, to make it more responsive to Third World needs.

However, it took OPEC and the Third World countries some time before they could agree on an operational and conceptual frame work for their cooperation. This was so because not all OPEC countries were equally interested in this matter. Their differences in outlook and interests were made manifest in their individual approaches. For instance, the Israel and the West Asia conflict in general concerned more to Arab countries against the countries who take side with Israel. The Arabs with the exception of Iraq, worked together in imposing the 1973-74 oil embargo, while non-Arab states continued to export oil at the same level (Venezuela) or at slightly higher levels (Iran, Nigeria and Indonesia). Iran maintained oil exports to Israel during the
embargo but at the same time pressed very hard for a price increase. Hence the preoccupations of the industrialized countries with the security of their oil supplies and their efforts to reach some sort of agreement with OPEC on this issue, also meant that the question of Arab-Israeli conflict, energy shortagess in the west, and the link between these two questions and not the broader problems of the Third World, dominated early international negotiations.

In addition to traditional political considerations, economic factors also contributed to the division among Arab oil producers. As conservative Arab countries were the low absorptive, high surplus countries with large oil reserves, and thus were accumulating large monetary assets. These assets were held in the currencies of the industrialized countries and were deposited in their banks, thus making them vulnerable to serious economic disturbances in these industrialized countries. Therefore - at least in the short term, conservative Arab interests coincided - to a significant degree with the interests of the industrialized countries. Hence the scope of vital issues in the international forums, and the addition of the problems of development and raw materials, thus occurred later. This was also partly due to the fact that the Arab members of OPEC came to realise the value of Third World support for the advancement of their cause. However, despite these delays, the
differences in the order of priority of OPEC and Third World countries, these events were extremely important since they led to the most ambitious joint OPEC - Third World efforts to reform international economic system to their own advantage. Short-term economic considerations were not, however, the only factors affecting the policies of these countries. Some OPEC members had over-riding national objectives which were determined to pursue consequently different approaches to this issue.

**Saudi Arabia** - Having the world's largest oil reserves and being the world's largest exporter of oil, this country has an interest in maintaining a market for oil over the long run, maintaining its long run political influence derived from oil, retaining its position as the world's largest oil exporter, conserving its oil reserves and keeping the world economy in a state that protects her own interest. Increased financial resources since 1968 had already enhanced Saudi Arabian impact on Arab politics and their evolution. For example after the death of President Nasser, Saudi Arabia contributed to the evolution of Egypt's foreign Policy in a more Pro-Western direction. It wanted to consolidate

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6. Egypt's attitude in its earlier phases towards Arab oil policies was both ambivalent and ambiguous. According to one expert writing about Egyptian Oil Policy during the 1950s and the 1960s: Two tendencies have viewed with each other in Egyptian oil thinking. On the one hand the Egyptian government has sought to give the impression that it is not interested in benefitting from the oil revenues of the major Arab oil producers, and to that extent it has refrained from setting itself as a Pioneer of Oil Policies in the Arab World. On the other hand, in the course of its general Propaganda Campaigns against the traditional regimes, it has inveighed against deplorable squandering of Oil revenues by the privileged classes. This has led Egypt, in accordance with its cult of

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these gains, and at the same time recognized the importance of a satisfactory resolution to the Arab-Israeli conflict, if it were to succeed. However, the Saudis also knew that they could not achieve this objective without the United States' help. To obtain this US assistance, the Saudis were prepared to make concessions on other issues - such as the price of oil, the early lifting of the (1973-74) oil embargo and the recycling of surplus funds in ways that would ease the balance of payment problems of the industrialized countries.

Moreover, even from a long-term perspective the interest of Saudi Arabia along with Qatar and UAE favoured stable oil prices, sided the line of industrialized countries than those of other OPEC members. Kuwait, which in economic terms was also a member of the same group, often sided on price disputes with radicals like Algeria and Iraq. These states in contrast to the conservatives, seek higher prices and remained more aggressive in the use of political influence derived from oil. However, given their huge oil reserves, the Saudis were concerned that oil prices could make their oil non-competitive with other sources of energy unlike, the countries with relatively small reserves but more potential for economic development wanted to sell their oil at the highest price and industrialise. However,

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masses, to preach the ill defined gospel of some kind of people's takeover bid.

David Hirst. Oil and Public Opinion in the Middle East (Faber and Faber Ltd., London, 1966), PP. 109-10
the Saudis could not be oblivious to Third World demands, if only to prevent the more radical Arabs from presenting themselves as the sole defenders of Third World interests. After the conference in Algeria in 1973, in that it produced a document incorporating the most important principles on the basis of which its members believed that the international economic system should be reformed. She also played an important role in developing a common OPEC approach towards global economic issues with other radical OPEC members, which was finally embodied in the 'Solemn Declaration' of OPEC head of States and Governments in Algeria in March 1975. But she also at times used the threat of closer cooperation with developing countries to obtain concessions from the west.

Consequently, Saudi Arabia behaved in a contradictory manner, on the one hand pressing in the mid 1970s for reduced oil prices and for the early lifting of the 1973-74 oil embargo and, on the other, was making the continuation of these efforts conditional on the west's favourable and cooperative response to Third World demands. However, ultimately the former considerations determined Saudi behaviour and led to its rather tepid support for Third World objectives.

Iran and Venezuela: Given the absence of any overriding objectives, such as the Question of Arab-Israeli conflict
(which affected Arab OPEC members), the attitude of Iran and Venezuela towards the above mentioned issues was determined principally by their political preferences and other national objectives and ambitions. As far as Iran was concerned, its Pro-Western orientation at the time, as well as its close political and economic links with Western countries, argued against its championing radical approaches to these issues. At the same time, however, Iran's ambitions to play an increasingly important role on the international scene, plus its desire to enhance its influence and prestige in the Third World made it a supporter of the letter's goals. Thus, whenever possible, Iran tried to make proposals which in its view would answer the needs of both industrialized and Third World countries. But whenever it was forced to choose, Iran supported the position of developing countries without, however, going too far in pressuring the industrialized countries. However, it is important to note that, given Iran's economic and financial needs its capacity for such action was also limited.


8. For example unlike the Arab countries which favoured intra-Arab organizations as channels of aid to developing countries - Iran proposed an international fund with OPEC, industrial and developing country membership, based on the principle of one country, one vote, irrespective of the level of contribution. See the interview of Iran's Minister of Finance Jamshid Amouzegar. In Keyhan International, 3 April 1976, p.4. Also see the editorial in Keyhan International 11 April 1974, p.4
Venezuela's position on these issues bears considerable resemblance to that of Iran and emanated from its special needs and aspirations, including its desire to increase its influence among the central American and Caribbean nations.

A principle consequence of the foregoing discussion demonstrate that throughout these years, OPEC remained as an amalgam of countries deeply divided along Ethnic and political lines, with serious differences in their resource mix - including petroleum - reserves and their economic needs. These differences also affected its relations with the Third World countries, including its approach to the question of aid to these countries. Instead contacts were established at different levels - among OPEC and as between industrialized and developing countries in which OPEC remained reactor rather than initiator, responding to external circumstances rather than trying to shape them. However the tendencies to cooperate with the Third World intensified after the Sixth UN General Assembly

9. Venezuela's active role at such an early stage is explained by the fact that the commercial production of oil in Venezuela had started as early as 1917, thus giving the Venezuela a better understanding of oil and problems related to it. Moreover Venezuela which by 1945, had managed to establish the 50-50 principle in its relations with the oil companies, suffered from the competition of lower-priced Middle East oil. In fact, the oil companies increased oil production in the Persian Gulf in order to warn Venezuela against making heavier financial demands on them. Thus the creation of a cooperative front of oil producers served Venezuela's interest well - See Fuad Rouhani, A History of OPEC (New York, Praeger 1972).
session which produced a declaration and programme of action on the NIEO held at Algerian request in 1974.

A further, novel, response of the Third World to these events was to bend economic power to diplomatic ends, hitching up the OPEC horse to the UNCTAD Pantechnicon. Very much against its will, the US administration was forced in 1974, by the threat of further increases in the price of oil collectively, to give way over the calling of a Conference on International Economic Cooperation (CIEC) the so called North South Conference, to discuss a wider range of questions affecting Third World development in the new era of high energy prices. The same threat hung over the large number of negotiations in the three years following the October war. A new round of multilateral trade negotiations (MTN) started under the GATT, negotiations to repair or replace the crippled 'Britton Woods monetary system', talks aimed at adopting the Yaoundé convention to a European Community enlarged to include Britain with its retinue of former dependencies, a third United Nations Conference, on the Law of the Sea (UNCLOS III), and a further full session of UNCTAD — held in Nairobi in 1976, all full under the shadow of Arab oil power.

Subsidies to Third World countries especially affected by higher oil prices were an obvious step for the Arab members of

OPEC. Their action on prices had not simply been dictated by their opposition to Israel. It was important for them to maintain as extensive as possible a diplomatic coalition in the UN and elsewhere in order to isolate Israel, and aid offered a relatively simple and inexpensive way of securing cohesion. Saudi Arabia, Libya and Kuwait had already set out along this path. Their efforts now subsequently extended and reinforced by the addition of further resources from other OPEC members working through a variety of bilateral and multilateral channels.

Let us straight away put on one side two large groups of transactions which ought not to be considered as concessionary development assistance. First there were the regular amounts, believed to approach $0.5 billion a year by 1973, given to Egypt, Syria and Jordan to support their war effort, together with additional ad-hoc amounts for arms purchases. Second there were the very large amounts made available to LDCs through the IMF oil facility and the substantial Arab purchases of bonds of the World Bank and the various regional development banks, together running into many billions of dollars. These funds, however, are not to be thought of as amounts transferred. They are more akin to deposit earnings as they do generate commercial rates of interest. However, in addition to these substantial sums, the OPEC countries

provided very considerable amounts of concessional development assistance. Amongst the institutions created to effect this transfer were the Special Arab Fund for Africa established in 1974, The OPEC Special Fund, and the Arab Bank for Economic Development in Africa. Through these and other agencies OPEC states extended aid worth more than $5 billion a year from 1975 to 1977, only fractionally less than 40 percent of the total aid provided by the OECD countries during the same period. For the 1975-77 period Saudi Arabian aid averaged almost 5 percent of GNP while aid from Kuwait and the United Arab Emirates averaged 7.6 and 9.7 percent respectively. Since these three provided more than three quarters of OPEC aid, it will be evident that the contribution of the highly absorptive oil exporters - those populous states whose oil revenues were heavily committed to domestic development programme - was substantially less. Yet even Nigeria recorded a higher ratio of aid to GNP than Italy, while by the same measures, Iran and Iraq, and Libya easily outperformed the OECD, implying a very considerable devotion to the Palestinian cause, or to the demand for a new international economic order. In spite of the very

12. It has been estimated that Arab Banks alone have lent or co-managed some $40 billion worth of commercial loan Syndications between 1977-79, of which $32 billion went to developing countries. See Rehamn Sobhan, Institutional Mechanisms for channelling OPEC surpluses within the Third World, Third World Quarterly, Vol. 2 No.4 October 1980, P. 735.

substantial amounts involved, OPEC aid, no less than OECD aid, provoked criticisms from clients before long. Oil-importing LDCs outside the West Asia complained of neglect; pointing out that the bulk of OPEC aid, in the mid 1970s went to just two states, Egypt and Syria both of which were not exporters of Petroleum, while a further 25 percent went to Muslim states as was chalked out in the final communique of the 'Islamic Summit Conference' of 1974. There were also the usual complaints about slow disbursement, and even generously treated states found that OPEC aid did not wholly compensate for higher oil prices.

Discontent among the non-Arab African states found expression at the Cairo summit Conference of Afro-Arab States in March 1977, but were assured for the time being by promises of further aid.

14. Islamic Summit Conference held in Lahore from 22-4 Feb, 1974 which turned its attention to economic matters and particularly to problems of the less developed Islamic countries. This conference set up a committee of representatives of Algeria, Egypt, Kuwait, Libya, Pakistan, Saudi Arabia, Senegal, and the United Arab Emirates, and empowered it to seek help from other Islamic states in order to find ways and means of realising the communique's objectives. In addition, the committee was entrusted with the task of studying the possibility of creating an Islamic Development Bank - MEED, Vol. No. 18 No. 9 Ist March 1974, P. 23. The Bank was established in 1975.

However under the auspices of the OAPEC, several inter-Arab development institutions were formed during the seventies. Notable among these are the Arab Fund for Economic and Social Development (AFESD) which was set up in 1970 to support development project in the Arab countries and which could increase its lending commitments for 1976 to $600 million from the 1975 level of $316 million; the Arab development Bank (ADB); and the Arab Development company set up in 1974 initially with a capital of $225 million which has since been expanded to $300 million.

The Arab States have given high priority to bridging the technological gap that currently exists between Arab World and the developed industrialized world. Not only are the Arabs importing on a large scale advance technologies from whatever sources these are available, they have also addressed themselves to the task to develop a home grown Arab technology. A ten day conference of representatives of the Arab states held in Rabat in August - September 1976, under the joint auspices of the Arab League and UNESCO, and known as CASTARAB, decided to devote $500 million to research and development in the Arab world. One of the recommended project in this conference calls for the building of three 50 magawatt nuclear reactors as pilot projects to prepare for the eventual Solar Power. The Conference also set as its goal 500 scientists for every one million Arabs and asked each Arab state to devote one percent of its GNP to research and development.
Expended cooperation in such areas as those enumerated above is all the more necessary in view of the fact that both OPEC and other developing countries stand to gain from it. However in their effort to control spending and calculated investment, the Gulf states have been - and are specially concerned with particular institutions, important among them are:

Arab Investment Company

The company studies specific plans and projects for their short and long-term viability and accordingly decides on the allotment of funds for these specific projects. For instance, the company approved a capital investment in the Sudanese Sugar-Cane Company of $24.2 million. It also studied a project for the production of trailers in Egypt in partnership with the Egyptian Government. A tourist project in Tunisia was also financed by this company. The revised economic thinking in the Arab world and the steps which they took have shown positive results in a short period of time. Between 1969 and now due to the various efforts involved the Iraqi per capita income has gone up from 90 to 350 Iraqi dinars. The emphasis which Syria gave for the construction of Euphrate Dam at Tabaqa to its fourth five year plan has made possible for the Syrian planners to irrigate an extra 640,000 hectares of land besides producing 800 MW of Power for domestic and industrial use. This Dam is further expected to boost Syria's textile and food industries, which rose
to 730,000 tons by 1980. Kuwait is also taking part in various Jordanian projects with an investment of over a 100 million dollars. The Sudan is attempting the world's longest canal in the upper Nile Province. The Plan is to cut a Canal from North to South to eliminate the elbow to the West. The Canal is expected to be 175 miles long. Egypt and the Sudan have entered into an agreement on the financing of the project and a consortium of French Firms is planning it.

On 18 November 1975, the members of the OPEC decided to establish a $1,000 million fund to provide interest-free long-term loans to developing countries but what is important to note is that these loans are to be repaid by the recipient countries not to the donor countries, but to a central self-perpetuating fund. The amounts to be contributed annually by the members of the 13 nation organization will take the form of non-repayable grants as far as the donors are concerned. Unlike the other aid programmes such as the oil facility of the international Monetary Fund to which the OPEC member are major contributors, the new fund is administered directly by the OPEC Officials. A report by UNCTAD of 1975 revealed that its disbursement by Kuwait, Saudi Arabia, and Libya during the first

16. However, in general most development assistance by Arab Investment Company, thus has tied to specific Projects. For explanations to this situation, plus merits and disadvantages of either approach see David Wall, the Charity of Nations: The Political Economy of Foreign Aid (Basic Books, New York, 1973) P. 106.
half of 1975 alone amounted to $2,728 million of which $1,520 million were contributed by Kuwait, $1,020 million by Saudi Arabia, and the remainder by Libya. The report also stated that between 1973 to the middle of 1975 India had received $515 million, Bangladesh $181 million and Sri Lanka $55 million. The OPEC official aid to non-Arab Asian countries during the period amounted to $1,600 million. The non-Arab African State received $680 million. The UNCTAD report also indicated that aid distribution by the OPEC members in 1974 amounted to $3,400 million and that Saudi Arabia and Kuwait ranked 5th and 7th among the world's largest donors. During the first half of the year Kuwait, Saudi Arabia, Libya, Qatar, and the UAE had already exceeded 0.7 percent of their GNP set by the OPEC for its members for aid.

The US exports to the West Asia and North Africa in 1975 rose by 75 percent to $6,000 million while its imports from the area rose by only 35 percent, leaving a surplus of $1,700 million in favour of the USA. The American agricultural exports to Saudi Arabia were greatly helped by the opening of Suez Canal. The surpluses in the current accounts of the trade balances of the industrial countries are good indicators of the economic restructure of the Third World countries.

The world food conference held in Rome in November 1975 decided to set up a $1,200 million fund for agricultural development to assist developing countries in expanding food production.
The OAPEC countries have started taking measures to help African countries tide over their economic problems and get on to the road of economic development. Early in 1977 the Afro-Asian Ministerial Conference meeting at Dakar adopted an eight point economic collaboration charter. The charter was decided at an Afro-Arab summit conference in the following year with proposals for closer links between the organization of African unity and the Arab League. According to the charter, the 67 Signatory states will strictly respect each other's independence and sovereignty refrain from interfering in each other's internal affairs, respect each country's sovereign rights over its natural resources, strive to resolve bilateral differences through peaceful means only, struggle together for the final defeat of imperialism, neo-colonialism and racism, and for a new, more equitable World Economic Order. The African countries have pleaded to support the Palestine people's rights, and to press for Israeli withdrawal from occupied Arab territory.

The charter, then, has created suitable political climate for wide and deeper Afro-Arab Economic collaboration. The OAPEC countries have already allocated $210 million in aid to 31 African countries on the basis of these countries' needs and requirements as well as their own national priorities. Tanzania and Ethiopia had each been allocated $12.40 million and $14.20 million, followed by Zaire $12.70 million and Zambia $12.40.
million till 1977. These states had been chosen because they were more in need to help as a result of their landlocked economy or draught conditions or a large increase in the cost of their petroleum imports. However, the creation of a large number of new institutions for financial cooperation after 1973, necessary as it was, raises problems also. There is a danger of duplication, and manpower difficulties are often experienced. The pool of available talent is still so small in relation to the new demands for its services.

In its short experience OPEC aid faced the chronic problem of balancing the advantages of project and general support aid. The emphasis on project loans as a mode of financial assistance has known advantages and drawbacks. Project aid often involves long administrative processes with feasibility studies, economic appraisals and the drawing-up of elaborate contracts. Donors may become victims of some illusion about the quality of the investment funded as the project - tied aid often releases other funds to finance different expenditures. The poorer and less developed countries, which are perhaps in the greatest need of aid are often least able to identify projects useful to the country and attractive to the donors. Project aid may inadvertently favour countries which have the specialized

manpower resources for identifying projects and for promoting them to the donors. Donors may also find that they are committing for project financing much smaller amounts than intended and that the distribution of their aid does not correspond to their preferred allocation. The advantages, however, are that project aid involves an element of technical assistance to the recipient; it ensures that certain standards are applied in the scrutiny and selection of projects; and it contributes in a certain way to an increase in the rate of investment in the recipient country. It also provides the donor with psychological and sometimes political rewards by associating him and identifying him to some extent with a concrete achievement. However, disbursement flows in this type of aid, whatever the volume of funds allocated or committed, tend to be very constrained. Hence, the significant resources to general support grants and loans, which form a very large proportion of OPEC aid.

OPEC aid includes considerable contributions to the major international financial agencies. One could argue that the contributors should have insisted from the outset on acquiring a role in the management of these agencies commensurate with their importance as contributors. Here again restraint was displayed suggesting that aid has not been fully used by OPEC members as a tool of foreign policy. Many developing countries are calling upon OPEC members to adopt a more aggressive policy in this respect for the promotion of the interests of the Third World in the agencies hitherto dominated by the developed industrialized countries.
Finally, OPEC members have not yet resolved in this short time the important issue of how much aid should be given on a bilateral basis and how much on a multilateral basis. At present, aid from OPEC as a group is provided through the OPEC Fund an international account to which all member countries contribute. In this area what matters most is not the size of the collective facilities but the concerted action of member countries, which ensures a greater degree of effectiveness. Recent experience has revealed the advantages of collective and concerted efforts, especially in international fora where co-ordination among OPEC member countries has been effected through OPEC Fund, such as in the case of the establishment of IPAD.

Whatever are the likely prospects of OPEC aid in the immediate future and in the medium term? So far the volume of OPEC aid is not only large but in 1974-75 expanded suddenly at a very rapid rate. The events in the oil sector, which were associated with this expansion of aid efforts, were fairly unique and are unlikely to be repeated in the near future in the same way. Barring unforeseeable events, one should not expect, therefore, much growth in the gross volume of OPEC aid in the years to come.

It is unlikely, however, that the level of aid will remain high in the immediate future. Many of the forces and
interests which motivated a large part of OPEC aid in recent years are likely to decline.

However the prospects of OPEC aid beyond the short-term will be influenced by two factors: the manner in which aid is being channelled and the developments related to oil revenues. That part of aid which is channelled through the many institutions created by member countries will continue over time, as these institutions have their own capital endowments and are thus able to survive, even if confined to their present resources. That part of aid which is financed directly by governments may well be strongly influenced by political developments or further to oil prices and oil revenues. Though oil revenues and financial surpluses do not necessarily provide a case for aid giving, they are obviously the enabling factor. There is no need to indulge here in forecasts of future oil prices, as the main point is simply that stagnation or decline in revenues (if they take place) would inevitably effect the volume of aid that OPEC member countries could afford.

A further consideration is that needs of OPEC countries in respect of their own development are increasing. Absorptive capacity that is the ability to spend domestically on economic development has a tendency to increase with time. As oil is a depletable asset, the priority given to domestic economic objectives becomes more, rather than less, important with the passage of time. Oil-exporting countries are increasingly aware
that surplus funds at their disposal are not income but paper assets acquired in exchange for a natural asset on terms which are not, from their view point, as favourable as suggested in the outside world. They depend crucially on these assets - whether financial or natural - for their economic future, and they have an important duty towards future generations in their countries, particularly, since, many have few or no resource other than depletable oil. Estimates of the accumulation of liquid assets of OPEC member countries as a group indicate at any rate of rapidly declining trend and several OPEC countries have already switched from a net surplus to a net deficit position.

The medium - term may thus involve a decline in the volume of concessional flows for all the reasons mentioned unless revenues grow significantly. This decline, if it occurs, may, however, be partially offset by an increase in the volume of OPEC investments in other developing countries. Investments with adequate returns to both the OPEC investor and the host developing country may present at any rate a more balanced pattern of co-operation in the context of Third World solidarity in view of the special nature of oil revenues and the future needs of OPEC countries. The slow pace of such investments which, by definition, require a long period of time to materialize, may, it is to be hoped, accelerate, paving the way to greater cooperation in this field. The trilateral venture formula which
involves cooperation of third parties from the developed countries could help advance such a process especially when the legitimate interests of all parties are secured.

The level of sophistication of financial cooperation extended by OPEC countries, the modes of assistance and the patterns of allocation (irrespective of what happens to volumes) will also inevitably improve as the aid donors progress on the road to economic development. As there are gains to donors when the recipients' economies grow and progress, there may be gains to recipients when the donors become more developed, even if they lose, in the process, some of the false appearances of wealth.