PREFACE

Nationalism emerged as the major force animating Afro-Asian and Latin American countries in the world that developed following the end of the World War II. The diverse manifestation of this emergent nationalism exercised for reaching effects on the development of international relations - both political and economic. On the political level, the objectives of Third World 'nationalism' were to end colonial domination, to take change of their own destinies, and to play more effective role in global affairs - particularly in those matters that directly affected their vital interests.

On the economic plan, their goals were to generate and encourage international cooperation in the field of development assistance, and to establish their sovereign rights over their natural resources. For several reasons, the oil producing countries eventually came to play a major role in advancing these objectives, shifting their focus from political liberation and struggle for independence to economic independence.

In addition to general international factors, developments in the countries of the West Asia after the World War II, regarding Arab unity and the role assigned to oil in its achievement along with other countries speeded this process that finally led to the creation of the Organisation of Petroleum Exporting Countries in 1960.
As is often the case with the major historical events the creation of OPEC was prompted by two sets of factors:

The immediate factors were the two subsequent unilateral and arbitrary reductions of oil prices by the international oil companies in February 1959 and August 1960. These price reductions had a determining effect on the creation of OPEC by galvanising the oil producers to take action to counter the erosion of their economic position. Yet at the same time, the establishment of an association of oil producers would not have been possible, if certain developments had not taken place within the oil producing states in the light of the emerging new ideas and concepts regarding international economic relations, the relationship between developing and industrialised countries, and the factors stimulating cooperation among developing countries - all contributed to OPEC's establishment.

Although the creation of OPEC did much to intensify the need felt among Third World countries for closer cooperation in order to achieve their political and economic objectives. However, the fundamental differences among OPEC members - as they differ widely in size, population, petroleum reserves, development needs and political and ideological orientation, affected to a great deal the outlook and approach of the member countries towards oil matters, which in turn have restricted OPEC's operation and policy evolution. Of course, one major source of difference within OPEC is the division of its members between Arab and
GULF OPEC MEMBERS

Source: Based on OPEC at a Glance published by OPEC Secretariat, OPEC, VIENNA, Austria, 1983.
non-Arab countries, and this has led the West Asian Arab
countries to fulfill their particular needs, to establish
purely Intra-Arab and Arab Gulf countries' Organization in the
form of OAPEC and GCC, which contribute the largest share of
OPEC's oil reserves and financial surplus. Yet the Arab members
of OAPEC and GCC within OPEC do not form a homogenous group, but
rather have remain divided along ideological lines between the
so-called progressive and conservative regimes.

This is also true in the case of three major non-Arab
OPEC countries i.e. Iran, Venezuela and Nigeria which like
their Arab counterparts are more confined to their own specific
objectives than for a cohesive unity of OPEC. In the past,
their needs and objectives have sharply conflicted with one-another
with the OPEC - the best example of which is the Iran-Iraq dispute
over border problems - and later their war - in addition to a whole
range of other issues. And hence this study of the 'OPEC and
the Politics of Indian Ocean' is purposely try to confine
itself to the Gulf OPEC members in the context of their being
located as littoral states and dominated by the rivalry between
the Super powers, in the Indian Ocean. As the rise of OPEC is
not an event that the Super Powers have viewed with equanimity
and composure. Both the United States and the Soviet Union have
been affected by the growth of the economic power of the OPEC
countries. Looking at the map, the Persian Gulf region of the
Indian Ocean is obviously important for the Super Powers to
control the production and transportation of oil, while the
control of the Red Sea region, means to ensure a smooth passage
of cargo vessels and warships. In the wider circle, control of the area includes not only the control of political units directly located on the shores of the Persian Gulf and the Red Sea, but also other units that depend economically, militarily and strategically on the Red Sea, the horn of Africa and the Persian Gulf. The United States and the West depend for their oil needs on this region while the Soviet Union considers the Red Sea important as the nearest route connecting its black sea ports to the Indian Ocean. These reasons give to this area general strategic dimensions in the international arena where the situation may likely to fall into three broad categories; Interstate conflicts, domestic crises, and acts of non-state entities. Interstate conflicts may further fall into three sub-categories: conflict between the Super Powers, between the gulf states and the major oil consuming nations, and among regional states. Thus we cannot talk about the policies - economic, political and strategic - of the OPEC Gulf countries without taking into consideration the security of the Red Sea, Mediterranean Sea, the Persian Gulf and the Indian Ocean. This Power politics of Indian Ocean has badly affected the desire of conservative OPEC Gulf countries to fullfil their commitment to support the under-developed countries and hence to support the issues for the New International Economic Order. To them the monetary help has become a way of obtaining diplomatic support for their own cause rather than an earnest campaign to be waged for their goals. Thus the aid policies of the Arab members of OPEC have been motivated first and foremost by their security - political and economic both at the level of individual Arab
countries and at the Pan-Arab level. However despite their divergences, the Arab countries, at least in theory, are committed to the ideal of Arab unity and to use their new oil wealth to fulfill some of their common Arab political and economic objectives. Yet they disagree on the exact nature, order of priority and the best means to achieve these goals and through its financial leverage, every major Arab donor separately has tried to influence the evolution both of Intra-Arab relations and relations between Arab and Third World countries in directions more akin to its own interests and ideological preferences. This is not to say that Arab countries have been totally insensitive to the aspirations of the developing countries. It is simply to stress that their individual and common objectives and interests have had priority over other considerations.

It needs to be stressed that adverse political developments in the oil rich countries of the Gulf are likely to effect OPEC's position in world markets. It is also quite clear that the oil producing developing countries outside OPEC have contributed to further weakening of oil market by increased production and price reduction. In most cases these non-OPEC countries have been forced to take these decisions, which are obviously not in their interest.

The question, then why the Gulf States should make a stand over an issue that appears to effect their position less severely than other factors that have been controversial within
OPEC FLOWS OF CRUDE AND REFINED OIL 1982

- OPEC Africa - Algeria, Gabon, S.P. Libyan A.J. Nigeria
- OPEC Far East - Indonesia
- OPEC Latin America - Ecuador, Venezuela
- OPEC Middle East - I.R. Iran, Iraq, Kuwait, Qatar, Saudi Arabia, UAE.

Map No. 2

The flow of OPEC crude and refined oil links the 13 oil producing Member Countries with many parts of the globe. The total flow of OPEC crude in 1982 amounted to 14,280,600 barrels per day (b/d), while in refined products it was 2,128,000 b/d during the year.

Source: Based on OPEC at a Glance, Published by OPEC, Vienna, Austria, 1983.
OPEC. The Gulf states have seen their oil revenues diminishing rapidly as a result of weak demand, and by having played the role of residual producer by adjusting their production to maintain a grip on total supply and hence price. The OPEC's share of the capitalist world market has slumped from 67.4 percent in 1976 to 44.6 percent in 1982. Despite a productive capacity of more than 30 million barrels per day (b/d), the OPEC total plunged to 14 million b/d in early 1983, and has now established at a level of 17-18 million b/d. OPEC oil as a share of total primary energy consumption of the capitalist world amounted to only 13.6 percent in 1982, compared to 22.6% in 1979.

OPEC has been pushed into the role of a marginal supplier responsible for bearing the brunt of demand reductions. A number of structural factors have combined to reduce demand for OPEC oil and to undermine world market prices:

1. Increased production of cut-priced non-OPEC Oil.
2. Alternative energy use had increased slightly.
3. The global economic crises resulted in unprecedentedly large cuts in energy consumption.
4. More energy-efficient industrial production technologies are being developed in "old" industries. New "high technology" industrial sectors are only marginally dependent on energy input.
However, the demand for oil and other energy resources are mainly "derived demands" in the sense that they are used as inputs in the production of a flow of services or output. Both the price of these resources and the level of aggregate demand/output will therefore be important factors in determining the overall demand for oil and other energy resources. This relationship, however, is complex to understand in part because these two determining factors interact and also because it is likely to change through time. Furthermore, the recent economic environment is very different to that of the previous two decades and hence, past trends which reflected falling real energy prices and a growing volume of world trade and output are likely to prove a helpful guide for future demand projections.

It has been argued that a fall in the price of oil/energy could help to stimulate world demand, since lower prices would imply lower costs of production of oil/energy users. This could stimulate demand either through increased profit margins, which could increase investment, employment and output and/or through lower output prices leading to higher output demand, then increased investment and so on. This could prove ultimately to be beneficial to the resource owners since they can then hope to restore their original bargaining power to fullfil their commitments, although at present it is complicated as the Super Powers' economic intervention in the International energy markets contributes towards an erosion of their collective economic power.

Given these facts, OPEC cannot be a narrowily functionalist organization, intentionally oblivious of the political demension of developments within the energy industry. OPEC must address itself to the political initiatives of the Super Powers and seek
to offset the repercussions. OPEC policy in the field of trade, investment and aid must be explicitly based upon a firm commitment to safeguard the political interests of its member states.

What it required is a recognition of a reorientation of OPEC's role as an instrument for enhancing the economic power of member countries. It can play this role by accelerating the process of industrialization and reduce their dependence on the West. In Asia and Africa, OPEC can become a vehicle for regional development through aid. Such a policy can be pursued if, despite their preoccupation with affairs close to home, the member countries not ignore the wide problems of the West Asian region. A settlement of the Israeli-Arab or perhaps more precisely of the Israeli-Palestinian conflict matters to the Gulf OPEC countries for a number of reasons as their rulers genuinely care about the lot of the Palestineans and they strongly object to Israel rule in the region.

It is in this scenario, to ensure security-political, economic and military, the area has to work together. It is probably the case, however, that without calculated economic steps at this juncture, political and military security would have an inadequate base. Economic ties will be an immense tool to bring these countries together in a meaningful way. However, one is bound to believe that the Gulf countries must continue to have a strong association with the rest of the Arab world, not only politically but economically because this is very
critical. Second important, is a question, which involves the transfer of technology - not in the sense of the non-oil producing countries transferring technology to the oil producing nations - but the way in which oil countries can transfer energy technology to the non-oil states in the Gulf region. Here there is a mutuality of interest that could be enhanced.

For all these reasons, such an approach provides incentive for cooperation among the Gulf OPEC members. It also provides a step or a stage in a wider cooperation, involving the oil rich states of the Gulf and the rest of the Third World developing countries. And hence, if one looks at OPEC as a regional development, as a stage in a greater effort, then it is worth while for all parties in the area to meet jointly the more immediate economic, political and security needs as well as an expended long term potential for a larger Third World grouping.

ORGANIZATIONAL FRAME WORK

In order to substantiate the thesis outline above, this study will focus a comprehensive overview of where OPEC has been and where it finds itself today. It will also fore-shadow what the future might hold for oil producers in a world rapidly sloughing off its reliance on oil. This study will also try to provide at least a partial answer to the broader question of why
the OPEC countries have failed to achieve certain political goals, when their economic policies may be used as a means to achieve the wider aims of controlling the policies of other countries to their benefit. And why the OPEC countries have failed to advance Third World objectives. What it suggests - is a recognition of a reorientation of OPEC's role as an instrument for enhancing (its members) economic power by accelerating their industrialisation and reducing dependence on the West.

In so doing, this study will concentrate on describing and analysing five distinct areas, leading to significant conclusions about the overall phenomenon of OPEC's politics in the regional and international context. The areas chosen have been put in a logical order so as to lead to the central thesis of study.

The chapter I proposes to set the scene by discussing OPEC's own history and the history of the Gulf developing countries' efforts to reform the international economic system in order to make it more responsive to their own needs. Since the voracious appetite for energy in industrialized societies and the growing nationalism of the producing countries in energy matters have caused oil to become a prominent political issue. This chapter also aims to assess the true place of oil in the world, for around oil as a raw material there arise relations of cooperation and of conflict between men, organizations and states.
Chapter 2 will provide a background for discussion of comparative International Energy Policy of three countries and of one of the regional groupings i.e. U.S.A., USSR, Japan and E.E.C., including a summary of current energy problems and their likely future options in relation to the framework of OPEC's action. The objective of this comparative study is two fold: First there is a heuristic purpose of learning how other societies resolve energy problems within their different political economic and geographical contexts, and secondly, to what extent did the internal political structure of these countries, their resource base beyond oil, and the geo-strategic contexts within which they have to operate, effect their domestic and foreign policies.

Chapter 3 is important in assessing particular means of dispersing aid which have an impact on basic questions of its orientation and effectiveness in the light of the conflicting scenario West Asia faces today. It will explore the following key questions, among others: what were the factors that affected OPEC's choice of channels for aid?, did all OPEC countries prefer the same channels or were their differences among them and - if so - what were the reasons for the differences? What were the implications of OPEC's choices for achieving developing country goals, including that of reforming the international economic order? What were the implications of OPEC's choices for achieving developing country goals, including that of
reforming the international economic order? As until now, the North-South Dialogue has shown a lack of vision and thus has remained ineffective. It would also suggest the means to achieve serious cooperation between North and South in order to move ahead in a process that reflect the community of interests of all nations.

Chapter 4 will focus on the frame work of OPEC actions: the why of aid programmes, set within a broad context of foreign, security, and economic policies. It will include discussion of the following questions among others: How consistent were OPEC country motives with the Organizations declared objectives in granting aid? To what extent were these motives influence by the needs-security, political and economic - of the OPEC Gulf countries? In addition did the OPEC countries use aid as an instrument of security and foreign policy and - if so - how effective was it? What was the impact of aid on recipient countries in terms of their - political and economic dependence on OPEC and their capacity for independent economic action? In sum, what were the politics of OPEC's aid?

Chapter 5 and 6 provide a backdrop to the problems of the Indian Ocean region. As it is essential to bear in mind the general question of the third world equation (or equations) with the Super Powers in order to put Super Powers involvement in the region in its proper perspective, as this has a direct bearing on the problems of peace and security to the West Asian littoral and
hinterland states of the Indian Ocean. Since this rivalry has broadly proceeded on three considerations: competition in developing and maintaining the capability for development of strategic nuclear weapons; competition to exercise influence and control in the littoral and hinterland states in the Indian Ocean area, and competition to maintain the security of the sea lanes. These two chapters simply do not pretend to discuss the history of inter-state relations, but try to examine the whole security environment of the region. These chapters will also assess the strategic interests of the major global powers in the area in relation to their commitments elsewhere, for it is their commitments that are going to decide the degree of their interference in the region and it is the extent of their interference that will influence the shape of economic, political and security issues of the area.

The chapter 7, also concluding chapter will synthesize different factors that have shaped OPEC politics what it is. This chapter will also demonstrate how the interaction of these factors tended to strengthen the device elements both within OPEC and between OPEC and the rest of the developing world in general and with the developed world in particular, preventing OPEC from using aid, principally to advance its Third World objectives. Further this chapter will make some general remarks regarding an understanding of alternative and most likely future of oil vis-a-vis the further operative development of OPEC. Since the question of its supply and price are central to the prospects for the overall development of the world's economic system and thus for the welfare of most of the world's inhabitants. Second, because the
future of oil is increasingly influential in determining major political issues at the international level, including the question of peace and war, and a failure to resolve this issue will in fact provide a ground for future upheavals.

Thus, in modern world which is increasingly interdependent and yet fragmented the OPEC cannot be isolated from major world issues as a subject of study of the international system. However this study cannot and does not claim to be comprehensive or conclusive. It looks at the kaleidoscopic situation and portrays a snap of the picture at one point of time. The dissertation does not attempt to give the answers, it endeavours only to raise right questions. It is an opening statement in generating further discussion through OPEC on the over growing problems of the region. This is an outsiders view of the crisis and development and hence all the comments here are personal.

Since a realistic examination of the oil problems cannot be adequately studied with the conventional economic tools, therefore my ability to develop a broad gauge system approach to economic problems is devoted in exploring applications of Economic, Political, Sociological and Psychological theories to the analysis of historical problems.

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