Was the 'Oil Weapon' Effective in Achieving the Arab States' Goals in 1973–74?

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What political goals were the Arab states seeking to advance when they applied a selective oil embargo against major oil importing states in 1973-74, and to what extent – if at all – did the 'oil weapon' prove effective in advancing those goals?

In October 1973 the Organisation of Arab Petroleum Exporting Countries (OAPEC) jolted the industrialised Northern states by declaring oil production cutbacks and a selective oil embargo (the 'Oil Weapon') against states perceived as supportive to Israel in the Arab-Israeli conflict (Licklider 1988: 206). Scholars viewed this at the time as a watershed in history, as oil power was translated into political power and signified the growing dependence of the Global North on Arab oil for its capitalist development (Graf 2012: 185). In this essay I will provide a historical narrative of the 1973 OAPEC oil embargo. I will also discuss the economic and political context that underscored the decision by the Arab oil states to implement the oil embargo and assert that this economic and political environment served as the platform for the advancement of two sets of political goals by OAPEC. I will then evaluate the success of the Oil Weapon as an economic means to accomplish these political ends. I will argue that while the Oil Weapon had some successes and had significant potential to alleviate the poverty and power disparity between the Western states and the Non-Aligned Movement (NAM) by altering the prevailing economic and political order, it was ultimately a political failure, as few of the political goals envisioned by the OAPEC states were achieved.

In October 1973 the Arab branch of the Organisation of Petroleum Exporting Countries (OPEC) initially raised the price of its oil exports by 70 percent, implemented production cutbacks, and imposed a selective embargo against major oil consuming states in the Global North (Prashad 2012: 24). The Arab branch of OPEC was loosely organised as a sub-branch of OPEC known as OAPEC (Licklider 1988: 206). OAPEC divided the world's states into three groups subject to their posture towards Israel evident in their Middle Eastern foreign policies and, more pressingly for the Arab leaders, their support for Israel in the Yom Kippur War (Alhajji 2005: 25). States considered supportive of the Arab cause were classed as 'friendly' and would experience no reduction in Arab oil imports; those states classed as 'neutral' would be subject to a five percent reduction in imports; and those considered 'hostile' or pro-Israeli would bear the full brunt of the embargo (Alhajji 2005: 25). States embargoed by OAPEC included the United States (US), the Netherlands, Portugal and South Africa for their explicit support of Israel in the War (Alhajji 2005: 25).

In order to understand the Arab motives behind the initial oil price rises and the subsequent production cutbacks and embargo it is important to appreciate the economic and political context that underscored the actions of OAPEC preceding and during the embargo. It is also important to clearly differentiate the price rises from the production cutbacks and embargo (the Oil Weapon *per se*) as it is my assertion that the price rises were motivated by economic factors and the Oil Weapon by interrelated, but separate, political dynamics (Licklider 1988: 206). Despite claims that OAPEC increased the price of its oil exports as a political weapon over the Yom Kippur War (Prashad 2007: Caracas 12), Prashad affirms that the price rise was imminent before the wars began and was unrelated to Western support for Israel and Arab-Israeli relations (2012: 25). The price rise was in fact a direct response to the exorbitant increase in the price of the world's commodities following Nixon's decision to break the US dollar from the gold standard in 1971 (Samuels 2005: 522). Delinking the dollar from the gold standard lead to its rapid depreciation and caused investors to put their capital into tangible assets such as commodities rather than into the new and shaky world of goldless money markets (Prashad 2012: 24). The sudden increase in demand for commodities caused the price of goods such as beef and grains to increase by 115 percent between 1972 and 1974; and industrial commodities peaked in 1974 after an increase in value of 127 percent over the two years prior (Prashad 2012: 24).

The commodity boom increased the cost of wheat, sugar, and cement imports into the Arab oil states from the US and its allies by 300 percent. Coupled to this was the growing frustration among the Arab oil elites that they were being exploited by the largely US controlled oil corporations who bought crude oil from the Arab oil lands, had it refined into petrochemicals, and then sold it back to them at disproportionate prices (Prashad 2012: 25). These economic inequities played out across the globe and had the effect of suffocating the economies of not only the Arab oil states but also other developing states that had been reduced to exporters of one or two raw materials due to the legacy of colonialism and the international division of labour (McMichael 2012: 33). Thus the economic backdrop, which caused OAPEC to increase the price of its oil, was built upon a level of dissatisfaction amongst the OAPEC elites regarding the inequitable international economic system.

The immediate political context for the initial oil price rise by OAPEC was the Yom Kippur War, however the commonly held belief that the war was the causal factor in the price rise is erroneous (Prashad 2012: 25). As the Algerian oil minister implied in 1974, the Yom Kippur War was merely a side show, and at best served as the catalyst for an economic policy that had been well crafted and was justified on economic grounds alone (Prashad 2012: 25). The preponderance of literature cites the Yom Kippur War and pro-Israeli support from various states (particularly the US and the Netherlands) as the immediate political context for the selective oil embargo, and could be described as the orthodox account. The immediate political context captures the motivation behind the OAPEC decision to implement an embargo in order improve their regional status in the Arab-Israeli conflict (Prashad 2012: 25). The orthodox account however largely discounts the broader political landscape and power structures that existed in the midst of the Cold War. In 1973, the world was divided into three ideologically disparate blocs, *viz*., the First World, the Second World and the NAM (Prashad 2007: Introduction 3). As the Arab oil states were members of the NAM, the immediate political context of the Yom Kippur War served as useful conjuncture to implement the Oil Weapon as an attempt to enhance not only their regional political interests with regard to Arab–Israeli relations but to jostle with the First and Second World superpowers in order to enhance their international political and economic standing through the collective actions of the NAM (Prashad 2012: 12).

Out of this economic and political context the Arab oil states advanced two sets of political goals using the Oil Weapon as the political instrument to achieve them. The first set of political goals was based on Arab-Israeli relations and stipulated: the complete withdrawal of Israeli troops from Arab territory captured in the 1967 Six Day War (in accordance with United Nations (UN) resolution 242), the recognition of the legitimate rights of the Palestinian people (Graf 2012: 185), and the alteration of the status of Jerusalem (Licklider 1988:206). In addition the Oil Weapon was used as a ploy by the Arab states to bring about changes in the foreign policies of the industrialised states, particularly those supportive of Israel, in an attempt to isolate Israel and tip the balance of the Arab-Israeli conflict in their favour (Prashad 2012: 25). It is my assertion that although less explicit, a second set of political Arab goals emerged from this overheated economic and political climate. The Arab oil exporters forged the second set of political goals as a direct response to the exploitative prevailing international economic structure. Through the use of the Oil Weapon they attempted to increase their political power at the international level through the NAM and to demand a New International Economic Order (NIEO) in order to redress their poorly-performing economies which were the direct result of this exploitation; and for some of the Arab oil states damaged previously by colonialism (Prashad 2012: 25). The perceived success of OAPEC's 'commodity power' by other states within the NAM buoyed the hopes of the Non-Aligned bloc (Prashad 2012: 31). The outcome was the construction of several other producer cartels within the NAM, including the copper cartel and the bauxite cartel (Prashad 2012: 25). These initial gains prompted an optimistic NAM to assemble at the UN in 1974 with demands for a NIEO (Prashad 2012: 32).

I will now evaluate both sets of political goals advanced by the Arab oil exporting states and discuss whether the Oil Weapon was a successful means for their achievement. To turn to the first set of goals regarding the Arab-Israeli conflict, I believe that while some gains were made by the Arab oil states in the short term, in the long run the Oil Weapon was largely ineffective. In terms of its successes the Oil Weapon was the major cause of a more realistic US policy on the Middle East and this was made evident by the Ford administration's initiative to promote an Arab-Israeli peace settlement (Itayim 1975: 4). This initiative by Ford was taken up by Carter and culminated in the Camp David Accords of 1979 in which Israel and Egypt brokered a peace treaty (Roberts 2012: 18). The 'no-war-no-peace' slogan is commonly cited in reference to the Yom Kippur War and the Oil Weapon, and it is widely believed that these two events broke the stalemate in Arab–Israeli relations that paved the way for the Israeli–Egyptian peace treaty of 1979 and subsequent peace talks (Ahrari 1979: 10). Furthermore, the dramatic increase in oil prices lead to the rapid accumulation of wealth in a number of the Arab oil states, such as Saudi Arabia, and this had the effect of increasing their geopolitical power in relation to the industrialised states (Himley 2007: 576).

Despite these successes the Oil Weapon failed to achieve the first set of political goals envisioned by OAPEC. Firstly the Oil Weapons failure to accomplish the declared Arab aim of the implementation of UN resolution 242 is commonly cited as evidence of the embargo's ineffectiveness (Graf 2012: 188). In addition, as Licklider emphatically affirms, the oil embargo was a failure as it did not coerce the target states to make any immediate or significant alterations to their policy positions on the Arab-Israeli conflict, and few concessions were made by the target states (Graf 2012: 188). While the target states did change their policies regarding the Arab world in the longer term, Licklider argues that this was not due to the Oil Weapon *per se*, but the accumulation of wealth by the whole of OPEC as a result of oil price rises which, unlike the Oil Weapon, were not politically motivated (Graf 2012: 188). The newfound wealth of the OPEC states provided the capital that allowed their regimes to invest in Atlantic foreign assets and in effect pay off the debt accrued by Europe and the US as a result of the hike in oil prices (Prashad 2012: 27). Thus the OPEC states' substantial foreign investment in the Global North with their surplus 'petro-dollars' created a dependence on them by the Atlantic states in order to balance their deficits and provide their banks with the capital to invest further to their profit (Prashad 2012: 27). This was the dynamic that gave OPEC their nascent political clout, not the Oil Weapon.

The Oil Weapon's failure to achieve its political aims arose from several limitations to the use of oil as a tool of political coercion. Firstly the US, one of the primary targets of the embargo, was largely insulated from its effects due to its control over the majority of the oil multinationals (MERIP Reports 1974: 23). The US-owned oil corporations skilfully routed Arab oil, which would under normal circumstances have gone to the US, to non-embargoed states of Europe and Japan, and supplemented the shortfall in US oil supplies with oil from states such as Nigeria and Iran. This manoeuvre largely mitigated the effect of the embargo on the US and the net shortfall in oil supplies to the US was less than one million barrels per day (MERIP Reports 1974: 23). Secondly, as Licklider claims, sanctions by their very nature are self-defeating and this was perhaps well known by the states of OAPEC before and during the embargo's implementation (Licklider 1988:220). This caused the Arab oil elites to execute the embargo timidly; as they understood that with enough pressure the US and other industrialised states would look to alternative sources of oil and alternative energy sources, and engage in oil conservation initiatives (Reid 2004: 19). Furthermore the fear of inducing a recession in the US as a result of the embargo further quashed the intensity and duration of the embargo by the OAPEC states. As the OAPEC states held significant quantities of US dollars as part of their foreign reserves, a recession in the US could lead to depreciation of the dollar and a subsequent reduction in their wealth (Prashad 2012: 24).

With regard to the second set of political goals implicitly pushed by OAPEC, *viz*., increased political leverage on the international stage through the NAM and the demand for a NIEO to enhance their economies and spur their development, these never came into fruition as a result of the Oil Weapon. As mentioned above, the OPEC states experienced an increase in their political influence globally, but this was the result of the increase in oil prices and the resulting wealth that ensued, not the politically-motivated Oil Weapon. In fact, the newfound wealth for the OPEC states had the effect of causing significant disunity between the NAM and the OPEC states it encompassed and this was reiterated by US Secretary of State, Henry Kissinger, who had long considered the unity between the NAM and OPEC fragile (Prashad 2012: 38). This disunity was in large part a result of the oil price rises by OPEC, as those members of the NAM without a domestic oil supply now not only faced increases in the prices of other imported commodities as a consequence of the commodity boom, but were now struck by a huge increase in the price of their oil imports as well (Prashad 2007: Caracas 11). Despite calls for a differential pricing system to the various states of the world (by the more radical members of OPEC such as Libya) in order to ease the strain on the economies of the developing states, these were rejected by OPEC, who maintained its purely economic origins and feared such policies would stray into political territory (Prashad 2007: Caracas 11).

The internal fracturing within the NAM was further intensified by the exogenous diplomacy of Kissinger who pounced on the internal fragility between the NAM and OPEC and resorted to the old colonial strategy of ‘divide and conquer’ (Prashad 2012: 32). As oil prices increased, Kissinger sought out the non-oil-producing states within the NAM and peeled them away from OPEC by labelling them the less-developed countries (LDCs); in essence creating a fourth world bloc and further contributing to their disunity (Prashad 2012: 32). The NAM was now split as the potentially powerful OPEC states drifted away from the LDCs due to threats from Kissinger that if the LDCs aligned themselves with OPEC they would lose their lifeline to financial aid from the Northern-controlled World Bank and the International Monetary Fund (IMF), which they desperately needed in order to pay off their ballooning debt due to the spike in commodity prices (Prashad 2012: 39). With the NAM in a state of disarray, they had lost their power in numbers and congruent moral power. In such a context the NAM could not possibly compete with the preponderance of political and economic power wielded by the industrialised states of the Global North and the NIEO was finally crushed.

The OAPEC oil embargo of 1973 is commonly cited by political scientists as a paradigmatic case that reinforces their position that economic sanctions fail to coerce target states and are ineffective at influencing political outcomes. This is reflected by the Oil Weapon’s failure to pressure the target states, *viz*., the US and the Netherlands, and other industrialised states to comply with OAPEC’s first set of political goals. None of the target states adopted new policies or altered existing policies in a significant way with regard to Arab–Israeli relations, and the Oil Weapon’s failure to implement UN resolution 242 is indicative of this failure. The Oil Weapon also failed to accomplish the second set of political goals envisioned by OAPEC, namely increased international power for the NAM, and thus greater international influence for the Arab oil states, and the improvement of their tattered economies through the employment of a NIEO. Thus the Oil Weapon could be considered a political debacle. On the other hand, the generation of significant wealth for OPEC through the OAPEC price rises that preceded the Oil Weapon, and further price hikes that followed, resulted in their accumulation of significant capital. The investment of these surplus ‘petro-dollars’ in Northern assets forged a symbiotic economic relationship between Northern states and OPEC. Thus this economic dynamic, not the political Oil Weapon, led to the creation of a more pro-Arab atmosphere in the Global North and provided the Arab oil states, and the whole of OPEC, with increased political power. This came at a significant cost for the NAM that was ultimately dismembered, and the NIEO that once buoyed hopes for a better future for the NAM fell by the wayside.

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