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OPEC: Achievements, Constraints/Limitations as a Weapon of International Politics

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Abstract:

In contemporary times, the Organization of Petroleum Exporting Countries has attracted a great deal of attention regarding its potentiality as a weapon of International politics. Although, its formation was not initially influenced by factors of using it as an instrument of real politic, yet in its growth and experience over the years, circumstances and forces of its leadership, and services have ultimately turned it into an organization of global politics at least in the direction of one of the world's most desired energy resources – Petroleum. No doubt, any organization committed to petroleum development would adopt policies and measures, which would ensure that maximum of benefits, would accrue to its economy.

It was this motif that actually gave birth to the Organisation of Petroleum Exporting Countries (OPEC) in 1960 wherein as a result of serious fluctuation in the price of oil and its production, attendant low prices and poor financial returns to the product; a meeting was therefore inaugurated to find lasting solutions to the negative trend.

The need to reverse this trend was actualised when at the instance of Iraq government, representatives of the large exporting countries - Iran, Iraq, Kuwait, Saudi Arabia and Venezuela convened in Baghdad from September 10 – 14, 1960, to discuss/deliberate upon these unfortunate matters, the results of which led to the establishment of the Organisation of Petroleum Exporting Countries.

Given the circumstances of the establishment since 1960, a lot of actions and events of international dimensions have occurred which eventually shaped the operations of this organisation, which deserve attention and consideration. It is therefore, necessary to stress at this stage what this work seeks to assess the major achievements of the organisation – OPEC, its constraints and limitations over the years and ultimately to ascertain its potent force as an instrument of international politics, not just to its members alone but to its numerous patrons and customers in the international energy market. The methodology adopted for this work is the simple historical content analysis of the events in the lifespan of the organisation since 1960 till the present reckonings. This has been attained through the resort to a multiplicity of sources – the media, newspapers and television, and post written records on the subject matter.

Keywords: *Petroleum Administrations, OPEC, International Institutions, International Politics*

1. Statement of the Problem

Scholars have long debated the causal impact of international institutions. Existing research has concentrated so much on the United Nations International Economic Organisations such as impact of the International Monetary Fund (IMF) on fiscal monetary policies, the achievement and impact of the World Trade Organisation on Trade or the Debt burden of the third World countries and nature of rescheduling them and much more still on human rights and state behaviours and demonstration. Notable in recent times in the discourse and literature of contemporary scholarly effort has attempt at a genuine assessment of the attainments, problems and limitations of the Organisation of Petroleum Exporting Countries (OPEC), an institution, which hitherto had been a game-player in the international and politics and economic of not just the global South, but to a reasonable measure, has contributed to the industrial growth of the North for ensuring a steady supply of petroleum to them even at odd times. The dearth in its focus in recent times is surprising and requires immediate attention to remedy the notion that it is only the super-national organisations such as United Nations, European Union, etc or even sub-regional organisations that has been encouraging economic corporation among their members.

This is more critical at this period when oil prices are quite fallen and showing signs of imminent glut in the world oil market. In supply and production, oil is one of the most important commonly believed to have economic and political consequences. This task which pertinently confronts this research is to make a genuine attempt at evaluating the role played by OPEC since its establishment in 1960, to examine what impacts and achievements it has been able to render to its members, customers and consumers and its quota to

the betterment of lives and the economy of its members nations at large. The work will equally draw from its experiences in the international political realm and ultimately strive to ascertain the major problems, and limitations of the organisation.

Moreover, OPEC represents an intriguing test case for theories of international cooperation, while it is widely held that OPEC is influential, however, economic studies investigating OPEC's market impact have had difficulty finding conclusive evidence. It is therefore hoped that this current research will attempt filling these gaps of knowledge quest in its delivery.

A cartel is an international trading agreement among producers who hope to control the supply and price of a primary product. The first cartel was established in 1933 to regulate tea, but the decade of the 1960s, when it came into existence was the apex of cartel formation. They ravaged in importance from the Organisation of Petroleum Exporting Countries to the Asian and Pacific coconut community. As Ronke has noted, Cartels have not always proven to be successful. Even OPEC has had to struggle to maintain prices in the face of internal economic and political disputes such as the Iraq-Iran war in the 1980s, the production of about 60% of the world's petroleum by non-OPEC countries and other factors. Over the years, price increases, including sharp rises beginning in 2004 have had less to do with the effort of OPEC to increase prices by manipulating supply than with uncertainty in the oil markets caused by the Iraq war, tension with Iran and other events.

Another important reason for the limitations of OPEC efforts includes the increasing demand for oil by an energy-addicted world.

2. Historical Origin and Establishment

OPEC's origin is largely owed to an inter-hemispheric cooperation between Venezuela on one hand and Saudi Arabia on the other.ⁱ As earlier noted, it was a reactive body which came into existence in 1960 to stem the mono-politic practices of the oil majors.ⁱⁱ By way of reckoning, the oil majors are the major multi-national companies such as Exxon-Mobil, Chevron, Shell, Texaco, Elf-Total, Phillips etc. and their variations depending on their countries of operations. Hitherto, these oil companies dominated the international oil industry in an unfettered way and manner. They determined the prices of crude oil among themselves and paid to the oil producing countries what has been largely known as barkeesh i.e. mere pittance.ⁱⁱⁱ

In addition to these sharp practices, these foreign multi-nationals held concessions over vast tracts of lands in the producing countries such that it was not uncommon to find that such concessions covered the entire territory of the countries of their operation. However, this strangulating effect was not to last as events unfolded as from 1945 onwards. Among such pertinent developments was that a number of forces began to challenge the hegemony of these multi-national companies such as – the rise of the independents, the Soviet oil offensive and the vengeful tactics of the legendary Italian, Enrico Mattei.^{iv} Indeed, it was the relative success of these forces which enabled the oil producing countries to effect a unilateral reduction of posted prices in 1959. It was the subsequent refusal of these corporate bodies (MNCs) to heed these warnings that directly led to the birth of OPEC in 1960. Ironically, at the time of its formation, OPEC attracted very little attention in the western media. Indeed, in its first decade of existence, OPEC was consigned to a peripheral role in the international oil industry and projecting its organisational objectives as a cartel of petroleum producing countries which controlled about four-fifths of the non-communist world's reserves.

The five countries which were represented at the first OPEC Conference which held in Baghdad in September 1960 and who eventually signed the document creating the organisation are Iran, Iraq, Kuwait, Saudi Arabia and Venezuela.^v These founding members were later joined by nine other countries, Qatar (1961), Indonesia (1962) – suspended its membership from January 2009, Libya (1962), United Arab Emirates (1967), Algeria (1969), Nigeria (1971), Ecuador (1973) – suspended its membership from December 1992 - October 2007), Angola (2007) and Gabon (1975-1994). In its first five years of existence, OPEC had its headquarters in Geneva, Switzerland. However, this was moved to Vienna, Austria on September 1, 1965.

3. Aims and Objectives of the Organisation

The aims and objectives of OPEC were clearly spelt out in the resolution of its inaugural meeting which held in Baghdad in 1960 as follows:

- That members can no longer remain indifferent to the attitude heretofore adopted by the oil companies in effecting price modification.
- That members shall demand that oil companies maintain their prices steady and free from all unnecessary fluctuations.
- That members shall study and formulate a system to ensure the stabilisation of prices by among other means to regulate production with due regards to the interest of the producing and of the consuming nations and to the necessity of securing a steady income to the producing states.
- The producing aim of the organisation shall be the unification of petroleum policies for member-countries and determination of the best means for safeguarding the interest of member-countries individually and collectively.

4. Major Organs and Functions

OPEC is composed of the following three major organs as follows: The Conference, The Board of Governors and The Secretariat.

5. The Conference

The conference is the supreme authority of the organisation which is composed of the delegation of all member countries, each delegation having one or more members. This delegation might also include consultants, observers and other stakeholders. If the delegation is composed of more than one member, the country that nominated it must designate one of these members as leader. A member country must be represented at all conference meetings. The required quorum for holding a conference is three-fourth of the delegations representing the member-countries. Each member-country has a single vote in the conference. All decisions except those

relating to procedural matters require the unanimous vote of all the full members. A non-member country can be equally be invited to the conference meeting as an observer.

A resolution of the conference shall become effective within thirty days of the conclusion of its meetings, or after a specified period and unless the secretariat is notified within that period, the resolutions are assumed to have been approved. Two ordinary meetings of the conference are held a year. The Secretary-General, after consulting the President of the conference and with the simple majority of the member-countries, can, at request of a member-country, call for the holding of an extra-ordinary meeting. If there is no common agreement among the member-countries which had approved the holding of the meeting, regarding the date and place of meeting, it shall be decided by the Secretary-General after consulting the President. The ordinary meetings of the conference will be held at the organisation's headquarters in Vienna. Meetings can be held in any member-country or at any other appropriate place. OPEC has followed the tradition of holding the first ordinary meeting (Summer Conference in Vienna, and the second meeting (Winter Conference) in the capital of one of the member-countries. The organisation selects an alternate President at its first preliminary meeting. The Alternate President performs the duties of the President when the latter is absent or when to fulfil his duties. The President remains in office for the duration of the conference meetings and keeps his position until the following meeting. The Secretary-General acts as Secretary of the conference.

Among other functions of the conference include – to formulate the general policy of the organisation and determine the appropriate methods and means of its implementation; to consider applications for membership in the organisation; the approval of the appointment of the members of the Board of Governors; the issue of directives to the Board of Governors concerning the presentation of report or recommendation regarding matters of interest to the organisation; to consider and approve reports and recommendations submitted by the Board of Governors regarding the affairs of the organisation; to consider and approve the organisation's budget as submitted by the Board of Governors; to consider and approve the statement of accounts and the Auditor's report as submitted by the Board of Governors; to call for a consultative meeting of member-countries for the purposes and in the places and at the time deemed appropriate by the conference and to approve any revisions in the statutes; to appoint the chairman and the Alternate chairman Board of Governors, to appoint the Deputy Secretary-General and finally to appoint an auditor to audit the organisation's accounts for one year.

6. The Board of Governors

The Board of Governors is composed by Governors nominated by the members and approved by the conference. Each member state is represented at all meetings of the Board of Governors. The quorum for holding a meeting is two-thirds. If a Governor is unable to attend a meeting, an ad-hoc Governor substitutes for him. Each Governor has one vote and the decisions of the Board are taken by a simple majority of the Governors present. Each Governor serves for two years. The Board of Governors shall meet at least twice a year, at intervals fixed by the Board after consultation with the Secretary-General. It is customary however for the Board to meet a few days before the ordinary meeting of the conference. An extra-ordinary meeting can be held at the request of the Board Chairman, the Secretary-General or two-thirds of the Governors. The meetings are usually held at the headquarters, but can be held in any member country or elsewhere as deemed necessary.

7. Functions of the Board

The functions of the Board of Governors are as follows; to manage the affairs of the organisation and carry out the decisions of the conference to consider and approve the reports submitted by the Secretary-General; to submit reports and recommendations to the conference on matters of concern to the organisation; to draw up the budget of the organisation for each calendar year and submit it to the conference for approval; to nominate an auditor for one year, to consider the statement of Account and the Auditor's report and submit both to the conference for approval; to consider the appointment of Chief of Departments nominated by the member-countries, after seeking the recommendations of the Secretary-General into considerations; to consider holding extra-ordinary meetings of the conference; to nominate the Deputy Secretary-General before the conference approves his appointment and to finally, prepare the agenda for the conference.

8. The Secretariat

The secretariat performs the executive functions of the organisation with the provisions of the statutes and according to the directives of the Heads of Delegation, and in coordination with the Board of Governors. The secretariat is composed of the Secretary-General, his deputy and staff members. The secretariat performs its duties mainly at its headquarters in Vienna, and elsewhere if necessary. The Secretary-General is empowered to represent the organisation and as the head of the secretariat, he is responsible for the administration of its duties in accordance with the directives of the delegations and the Board of the Governors. The Secretary-General is removable / appoint-able by the conference for a term of three years. His term of office can also be extended. OPEC statutes stipulate that the Secretary-General shall be a national of one of the member countries and his appointment shall be made from the nominations of the candidates. He shall reside at the seat of the organisation and responsible to the Heads of Delegation and Boards of Governors for all Board meetings.

The functions of the Secretary-General are as follows – to organise and administer the work of the organisation; to ensure the execution of functions and duties assigned to the various departments of the secretariat; to prepare the reports of each Board Meeting on all matters that call for consideration; to keep the chairman and members of the Board of Governors informed of all the activities of the secretariat of all the studies conducted and of the progress made in executing the decisions of the conference and to ensure the performance of duties assigned by the conference or the Board of Governors to the secretariat. The secretariat consists of five

departments as follows – the Administration Department, Economic Department, Legal Department, Information Department and Technical Department.

9. The Emergence of OPEC in International Politics

If OPEC controls approximately one-half the world's known oil resources, then the organisation must be involved in international politics. The Middle Eastern countries which are major operators of OPEC are Europe's Chief Petroleum source. In the same manner, the OPEC is important to Russia, even though, it has substantial oil reserve and supplies of its own. The politics of oil that Russia is concerned about is to be in a position to debar/deny its oil to Europe or US in the event of a major crisis. It could be said that this major system of threat of withdrawal of supply or over-supply is what guides the international relations of oil.

It has been argued that the emergence of OPEC in international politics could be associated with the new profile and posture given to the organisation by the late Libyan leader, Muammar Gaddafi.^{vi} As Soremekun has noted, Gaddafi viewed oil in very straight and political terms. Subsequently, on his ascension to power in 1969, he forced the oil companies to effect an upward revision of oil prices. This was an unprecedented action and its demonstration effect was adequately captured by Louis Turner who contended that:

Once Libya had broken the ice and shown that the international oil industry could be forced to concede prices in the posted prices of oil, it was as though, the mystique of the companies which had served them for decades had gone, thus allowing much more timid and conservative regimes to join in an onslaught on the companies which had them in a state of psychological dependency for so long.^{vii}

Thus, with that development, it was hardly surprising that the emergence of OPEC as potential power broker in the international oil politics followed the action and the reactions it generated. Given the nature of the world economy, all forms of energy are traded internationally, but by far, the most important of the lot is oil which is relatively cheap to transport over long distances usually through pipelines and tanker ships. Russia and Eastern Europe receive vital hard currency earnings from exporting the commodity. Equally, Venezuela and Mexico (in Latin America) and Nigeria and Angola (in Africa) are major oil exporters. But by far, the largest source of petroleum exports is the Middle East, particularly, the countries around the Persian Gulf, viz Saudi Arabia, Kuwait, Iraq, Iran and the small Sheikdoms of United Arab Emirates – who formed the founding members of the OPEC at foundation in 1960 and thereafter.

Subsequently, Saudi Arabia is not only the largest oil exporter; it is no exaggeration to maintain that the politics of world energy revolve around the Middle East. The importance that oil has come to assume in the industrialised economies, helps to explain the political importance of the OPEC in international relations. With the increased growth in complexity and complexity of interdependence in the international system since the end of the second world war, changes have taken place in technological advancement, industrial production and utilisation and the acquisition of arms and ammunitions, all of which cannot escape the dire necessity of petroleum in their process of manufacture, distribution and transportation and sales.

With this realisation of the important role that oil could play in the acquisition of power status and apparatus among the powerful countries of the world, international organisations such as OPEC have become a vehicle by which these minor or middle level powers are able to exert substantial political power over major states who look up to them for the supply of the commodity.

The formation of the organisation in 1960 was therefore a manifestation of a desire by a group of host governments to counter the control which the international oil companies maintained over the settling of both "posted prices" and the level of production. The many goals of the organisation of the member countries and to gain control of oil resources depended on economic and political circumstances and OPEC's skill in exploiting them. With prices of petroleum rising high because of its demand for industrialisation, OPEC members became more conscious of the economic potentials of this natural resource. The change became more dramatic as the organisation strives to regulate its production quota and pushed the price of barrels of oil upward to the chagrin and displeasure of the industrial North. With sharp revenue substantially increasing, the OPEC members invested in their own economies. They built roads, and communication networks and improved their housing and schools, they boosted agricultural production and promoted industrial manufacturing. Some members of OPEC with large oil reserves such as Saudi Arabia and Kuwait provided free education to all citizenry.

By the 1970s, OPEC had effectively come into its own strength and direction, such that it was widely regarded as a veritable threat to the smug and opulent lifestyles of the western world. By this period, it could be asserted that its primary objective of stabilising oil prices and regulating its supplies in the petroleum market had started yielding comfortable results which made its members relevant in the energy calculations of the world.

As energy resources became more important to the survival of the international community, the OPEC's importance continued to appreciate. The commercial fuel that power the world's industrial economies are; oil - 39 percent of world energy consumption, coal – 32 percent, natural gas – 24 percent, and hydro electricity and nuclear – 5 percent. The fossil fuels (coal, oil and gas) thus accounted for 95% of world energy consumption. Admittedly, some energy consumed as electricity comes from hydro-electric dams or nuclear power plants. Even so, much of it comes from burning fossil fuels in electric-generating plants.^{viii}

Thus, having stabilise in its growth trends and proving its mettle through regular supplies to the western nations from inception in 1960 to the end of the 60s, the 1970s provided the OPEC in new circumstances and radicalised focus for attainments for its members and fold. Thus after Gaddafi's 1969 assault on the oil market, again in 1973, during a war between Israel and some of the Arab countries, OPEC was able to organise an embargo on the sale of oil. By implication, they refused to sell their oil to western nations until some effort was made to halt the war. In the years that followed, OPEC continued to try to set production limits and prices on oil and the western nations continued to be dependent on OPEC oil. From the 1960s to the 1980s, the OPEC countries experienced very rapid economic growth. The member states expanded and diversified their economies. The increase in economic activity led to more

new jobs and new technologies. Education though still not universal became more attainable as many universities and higher institutions were established by such central governments of members.

Although, the economy improved, longstanding social problems remained, while other new ones emerged. Corruption became more manifested as dubious contractors emerged while the foreign oil majors did not stop at finding other means to checkmate the attainments and methodologies of OPEC to curtail their excesses. This was done by a number of ways, by collaborating with dubious partners of the home countries, crude oil bunkering, and buying blocs through the indigenous partners who did not have the capital to operate the licenses granted them to drill oil in various parts of their countries. The result of these manifestations was that the increased wealth from the oil resources was not evenly distributed. A tiny percentage belonging to the leadership circles continued to embezzle the proceeds in such countries as Venezuela, Gabon, Nigeria and Angola. It could be said that the OPEC members of the Arab countries were more curtailed in their dispensation of the new attainments from their oil proceeds despite the quota stipulation of OPEC. In many of the African countries, peasants still struggled for subsistence in isolated villages and urban slums were neglected. Among the Arab states, there was rapid development of several cities such as Amman, Jordan, Cairo, Mecca and Riyadh.

By 1970, the demand for petroleum throughout the world was on the rise. The high demand was also helped by the fact that coal production continued to decline, while the development of nuclear energy lagged behind schedule and natural gas which accounted for a large proportion of the fuel consumption was in short supply. Another factor was the charged political atmosphere in the Middle East where the three OPEC members which accounted for the bulk of Mediterranean exports were all in a state of political turmoil.^{ix}

The Libya, as already noted, Gaddafi had turned a radical focus on the oil companies, while in Algeria, the government of Houari Bournedienne was engaged in a review of its ultra-close economic relations with France. Algeria was particular irritated by the fact that the French investments in oil exploration had been more fully insignificant or insufficient. More importantly, they felt that French investments and fiscal terms applicable to Algerian oil were well behind those of other countries. In fact, the failure to resolve these negotiations led to the nationalisation measures of 1971.

10. OPEC: 1973 Oil Embargo and Impact

The importance of oil in the industrialised economies was relevant once again in 1970, when three other OPEC members were involved in conflicts. Iraq's invasion of Kuwait in 1990, coupled with the possibility that the Iraq army could move next into Saudi Arabia, threatened the west's access to stable and unresponsive supplies of oil. World oil prices immediately rise sharply as they move than doubled in response. In the event, Saudi Arabia was able to increase its own rate of oil exports massively enough to compensate for both Kuwait and Iraqi exports, which were cut off in the wake of the invasion and sanctions against Iraq. When it became clear that Saudi export markets could not meet the western powers demand of petroleum to Western Europe, Japan/Pacific and to North America, America had to organise a United Nations assault on Saddam Hussein to stop the invasion which was called operation Desert Storm to save Kuwait oil supply.

Thus, not only is petroleum a crucial economic sector, on which all industrial activity depends, it is also one of the most politically sensitive because of the dependence of the west on energy imported from members of OPEC.

As Oye Ogunbadejo has noted "the Industrial West are all net importers of energy. For understandable reasons, the industrialised regions of the North use much more energy per person than those of the South. North America, for instance uses thirty times as much energy per person as do Asia or Africa. This is largely because Asia and Africa have in varying degrees, little industry."^x

It is common knowledge that even though, Britain had given up its colonial claims in the Middle East, after the Second World War, the western oil companies still remain there and as well in Nigeria, another OPEC country. To be sure, the companies maintain their production of cheap oil for western consumption.

However, during the 1973, Yom Kippur, war, the oil producing Arab states of the region decided to have their own back on United States for supporting Israel. They therefore, cut off their oil exports to the United States and curtail their overall exports. These two actions sent world oil prices skyrocketing and the lesson was not lost on OPEC.

After the war ended, it agreed to limit production so as to keep oil price high. The 1973 development had a profound effect on international relations. Huge amounts of hard currency accumulated in the treasures of the Middle East oil exporting countries, which in turn invested them around the world.

The economic consequences of the development included high inflation in the United States and Europe for years afterward. The accompanying economic instability and sense of US helplessness marked a decline in American power and the rise of the developing countries. In 1979 too, the revolution in Iran led to another major increase in oil prices. This second price hike further weakened the industrialised economies.

In a sharp reaction to the situations of the industrialised nations during these periods, a lot of adjustments were made to the new realities of world energy. The west therefore sought for locations and markets outside of OPEC – in the North Sea (Britain and Norway), Alaska, Angola, Russia and elsewhere. By the mid 1980s, the Middle East had begun to lose its market share of the world trade in oil. More so, industrialised countries turned to other energy sources apart from petroleum and invested in its usage and production. They learnt to be more efficient in the use of energy. With slackening demand due also to economic stagnation, and growing supply, world oil prices dropped from over \$50 per barrel in 1980 to around \$20 in 1986. This downturn in prices also led to a corresponding reduction of OPEC's power in international relations. It has been argued that low oil prices and competition within OPEC contributed to Iraq's economic problems in 1990 and its invasion of Kuwait. Yet, world oil prices ended up lower after the Gulf War.

As a result of these market adjustments, the industrialised west is now somewhat less dependent on Middle East oil and as a result turned somewhat to non-Arab oil producers such as Mexico and Nigeria. No doubt, low oil prices help the industrialised economies,

although, they have important constraints. For one, burning oil contributes to global warming, and low prices make it profitable to burn more oil and less energy-efficient. Furthermore, low oil prices reduce the export earnings of the oil-producing countries.

11. Nigeria and the Politics of Oil

As a member of OPEC, Nigeria is naturally affected by the organisation's policies and indeed subject too to the international oil regime. Unlike Saudi Arabia, a fellow OPEC member with huge financial reserves, which may feel little pain when oil prices are low, Nigeria like Venezuela and Mexico must be sensitive to unfavourable price fluctuations. In fact, these three members cannot but draw their national budgets reckoning with steady oil price levels. In other word, a Nigeria drive toward economic development is highly dependent on resources from the oil sector.^{xi}

Before the oil boom in Nigeria in the early 1970s, Nigeria exported various materials – agricultural and other non-agricultural commodities. It obviously still exports some non-oil products till date. However, in reality, more of these commodities attract as much attention as oil. This is precisely because oil remains the engine of Nigeria's national development. Oil provides the financial muscle for the implementation of the country's various policies aimed at promoting growth and development. In 1997, Nigeria exported about 200,710,200 tonnes of oil which yielded ₦1, 212,499.4m. From the standpoint of our analysis, oil as a total export value was 97.7%.^{xii}

The OPEC policy of quota production by each of the member states as a regulatory mechanism for ensuring a handsome price level to be. Once national revenues shrink noticeably, most members engage in quota bursting to survive. And Nigeria is no exception to this common practice.

The competitive cheating by the member states helps to drive further down the oil prices. For example, In June 1998, the oil price sand to a poor low of \$11.65 per barrel. This was due to an over-production. OPEC members produced 28.25 million barrels per day (BPD) in the month under focus, compared with 28.22 million in May, the previous month or 815,000BPD above the limit that the cartel had agreed on at the end of March of the same year in an effort to check falling prices.

OPEC for its part has been making frantic efforts to ensure that members uphold the international oil regime. Even though, Nigeria as well as other OPEC members, for obvious reasons has been generally unfaithful, in not adhering to its quota limit, yet the tendency has been to obey the regulations of the organisation as its results have been more reassuring than when the rules are bent. This is more realisable in the fact that despite such diversionary attitudes from the cartel's direction has stopped Nigeria's debt profile from accumulating. This is rather an obscure development which has been affecting Nigeria's rating in international politics and economic relations.

12. Achievements of OPEC

No doubt, since OPEC was formed in September 1960, much has changed in the oil industry and the world at large. In light of our discussion so far, it can be inferred that it has been a challenging time for an evolving organisation like OPEC, but one also of significant achievements. Eventually, the achievements highlighted here could help provide an understanding of where the organisation has come from, how it has developed and how these achievements can be built on in the future.^{xiii}

13. Secure and Steady Supply of Oil

It must also be observed that, OPEC has attached great importance to the responsibilities it attributes to the provision of a frontline energy source, namely working to ensure a stable, secure, well-managed oil sector. The very first resolution of the organisation aims to achieve stable oil prices, "with a view to eliminating harmful and unnecessary fluctuations;" a steady income for producing nations; an efficient economic and regular supply of petroleum to consuming nations; and a fair return on their capital to investors. These principles are enshrined in the OPEC Statute, which was first adopted shortly after, in January 1961, and has provided the statutory beacon for the organisation's actions in the market ever since.

Various landmark declarations and statements have subsequently reaffirmed OPEC's commitments to these original objectives. This includes the Solemn Declarations from the three OPEC Summits that took place in Algiers, Algeria, 1975; Caracas, Venezuela, 2000 and Riyadh, Saudi Arabia, 2007, as well as OPEC's broad-based, visionary Long-Term Strategy that was adopted in 2005. OPEC has demonstrated repeatedly its commitment to market order and stability, even though, in practice, this can sometimes be hard to achieve. This can be viewed in the experiences of the past few years, with the growing scale of the paper market and the expanding role of speculations.

However, over the past 50 years, the oil market has remained adequately supplied, and OPEC has responded, as and when necessary, to market developments and unforeseen happenings. For example, as earlier shown, when capacity from Iraq and Kuwait were withdrawn from the market in 1990, other OPEC members increased exports to help meet the shortfall. And from 2003 to 2006, OPEC responded swiftly to a demand surge and supply disruptions in the market by increasing its production by more than 5 mb/d.^{xiv}

Looking ahead, OPEC remains committed to ensuring stable, secure, reasonably priced supplies of crude oil to the market at all times. And in the medium-term, there are significant OPEC Member Country investments committed; both for the upstream and downstream.

14. Sustainable Development

Thus, from its very early beginnings, OPEC, whose membership comes from the developing world, has placed a high priority on easing the plight of impoverished nations, in particular by helping them pursue the goals of sustainable development. At the OPEC Summit in Algiers in 1975, the Sovereigns and Heads of State of our Member Countries, in a Solemn Declaration, reaffirmed "the natural solidarity which unites their countries with the other developing countries in their struggle to overcome under-development."^{xv}

This development has also entailed the establishment of many effective bilateral and multilateral aid institutions, including the OPEC Special Fund, now the OPEC Fund for International Development (OFID), which was a direct result of the First Summit. The Fund was inaugurated the following year to promote South-South solidarity through cooperation between OPEC Member Countries and other developing countries; primarily by helping provide the financial resources those countries need to realize their economic and social development goals.^{xvi}

From the outset, the Fund has directed its resources to where they have the greatest impact on the lives of the poor, such as primary healthcare, basic education, water supply and sanitation, transport and agriculture, and rural development, while allowing the key decisions to be made by the beneficiary governments and the people themselves. It constantly strives to work ever more closely with its recipient countries, fellow development agencies and other partners, to ensure that its assistance continues to be well targeted, effective and timely.

By the end of January 2010, over 120 countries from the developing world – Africa, Asia, Latin America, the Caribbean, the Middle East and Europe – have benefited from OFID's assistance, with the level of cumulative development assistance extended by OFID standing at US\$11,682 million.^{xvii}

The OPEC Fund, moreover, is just one of many multilateral and bilateral institutions that are supported by OPEC Member Countries as a means to provide aid to developing countries. It is all part of OPEC's continuing commitment to help meet the pressing needs of other developing countries. In fact, relative to their per capita income, OPEC Member Countries have done a lot more to alleviate poverty in poorer developing countries than the richer nations of the world. For example, Saudi Arabia has consistently earmarked a near four per cent of its annual budget for the purpose of aid, which it makes through bilateral and multilateral channels.

OPEC, the OPEC Fund and its Member Countries continue to advocate a coordinated, balanced and holistic approach to sustainable development through its three mutually supportive pillars, as defined by the United Nations: economic development, social progress and environmental protection.

15. Encouraging Dialogue and Cooperation

OPEC was formed based on the premise of cooperation, with a commitment to safeguard the interests of its Member Countries and to ensure order and stability in the international oil market. This has been reaffirmed repeatedly in its declarations, statements, decisions and actions since.

This cooperation has since grown stronger as the Organization has become an established and respected member of the global energy community. Other oil-producing developing nations have joined, extending the organisation's reach to North Africa, West and Southwest Africa, and the organisation has reached out to other industry stakeholders to help achieve its longstanding objectives focused on market and stability.

A major advance in bringing more industry stakeholders closer occurred in the late 1980s. This followed the 1986 oil price collapse and the realisation among non-OPEC producers – from both the developing and developed worlds – that market stabilisation measures were urgently needed and that OPEC required support in providing these.

This process expanded further in subsequent years with major advances in the producer-consumer dialogue in the 1990s, particularly the formation of the International Energy Forum (IEF), whose specific purpose was to provide the setting for such dialogue.

OPEC, together with other stakeholders, played a key role in the establishment and development of the IEF. And today, the organisation and its Member Countries are also active participants in the Joint Oil Data Initiative, set up to help enhance the transparency, quality, timeliness and flows of oil market data, which is hosted at the IEF Secretariat in Riyadh.

OPEC has also put much effort into expanding dialogues on a variety of issues between it and other industry stakeholders. In recent years, this has included the International Energy Agency, the European Union, China, Russia, and a number of other non-OPEC producers. Interaction with international organisations is expected to increase further, as OPEC becomes more directly involved in oil and energy-related issues that are being addressed at high-level policy platforms such as the G-20.^{xviii}

Today, the importance of cooperation between producers and consumers has never been greater. The reason is that globalisation is bringing us all closer together and there is no getting away from the fact that we live in an increasingly interdependent world. It is one in which we are continually seeing advancement in international trade, an explosion of instant mass communication, rapidly advancing technology and greater mobility, but at the same time, it is one in which energy poverty continues to blight the lives of billions of people.

The organisation and its Member Countries recognise that genuine, committed, multilateral, well-targeted and constructive dialogue is essential, if the many, diverse challenges facing the industry are to be met efficiently in the future. Inclusivity is the key: thinking and planning ahead to look at the needs and responsibilities of oil producers, oil exporters and importers, and developed and developing nations.

16. Strengthening of National Oil Companies

OPEC has indeed strengthened the National Oil Companies of its members, for example, when OPEC was formed in 1960, and many of its National Oil Companies (NOCs) formed in the years after, the world oil industry was very different to that of today. Outside the self-contained former Soviet Union, it was dominated by the multinational oil companies, which controlled the quantity of oil extracted, managed how much was sold and to whom, and determined the price. Host governments were paid small royalties, in contrast to the large profits made by the multinationals of that time – known as the Seven Sisters – which were the forerunner to many of today's International Oil Companies (IOCs).

Since then, however, the voices of those host countries and their NOCs have grown louder, as they pushed forward the inalienable rights of all countries to exercise permanent sovereignty over their natural resources in the interest of their national development. OPEC has helped towards a platform that has enabled its NOCs to flourish; by affording them a stronger global presence, not only in the oil industry, but in global trade and environmental negotiations, particularly, by enabling the pooling of knowledge, resources and intellect. Over the past few decades, these NOCs have gradually increased in size, stature and strength, with their roles, responsibilities and capabilities advancing enormously. They are now considered to be in the vanguard of the industry's present, and its future.

The ever-expanding role becomes further apparent when looking at the definition of what is an International Oil Company (IOC) and National Oil Company (NOC). It is not as straightforward as it was in the past. In some cases, the lines that previously distinguished the two are becoming increasingly blurred. In many instances, one can see mutually beneficial relationships evolving, as the energy landscape becomes more complex and interdependent.

Whenever the evolving nature of IOCs, NOCs, and their relationships, the key word when discussing the two remains cooperation. The benefits are clear. NOCs and IOCs share many challenges in the industry and are thus well-placed to find common, effective and sustainable solutions throughout the energy value chain. There is a need for strong relationships and partnerships between all stakeholders, based on complementary strengths and mutual interests.

17. Constraints and Limitations

Effort has been made to highlight the constraints of the body within the work's analysis. However, it is still necessary to summarise them.

Firstly, the economic need of OPEC member states often affects the internal politics behind OPEC production quotas. Various members have pushed for reductions in production quotas to increase the price of oil and thus own revenues. These demands conflict with Saudi Arabia's stated long-term strategy of being a partner with the world's economic powers to ensure a steady flow of oil that would support economic expansion. Part of the basis for this policy is the Saudi concern that expensive oil or oil of uncertain supply will drive developed nations to conserve and develop alternative fuels. To this point, former Saudi Arabia Oil Minister, Sheikh Yamani famously said in 1973: "The stone age didn't end because we ran out of stones."¹⁹

One such production dispute occurred on 10 September 2008, when the Saudis reportedly walked out of OPEC negotiating session where the organisation voted to reduce production. Although, Saudi Arabian OPEC delegates officially endorsed the new quotas, they stated anonymously that they would not observe them. Notably, one such anonymous OPEC delegate asserted "Saudi Arabia will meet the market's demand. We will see what the market requires and we will not leave a customer without oil. The policy has not changed (Iyere, 2012).

Apart from disagreements among member states, OPEC as a global organisation still face so many internal challenges which include but are not limited to: Dominance of smaller member states by powerful member states. For example, the dominance of Latin American states by Venezuela; Pragmatism and dogmatism by some member states in economic and political decisions; Over bearing influence from both the Eastern and Western blocs.

Some factors have contributed to OPEC's relative success and these include the fact that the demand for oil is relatively inelastic. To a reasonably extent, despite the fact that other alternative/fossil fuels as coal exist, there are few substitutes, but more importantly, it is difficult to change over from oil to non-oil substitutes. The cost is, very often prohibitive. Also, it must be noted that the organisation comprises the leading producers; therefore, they exercise overriding control over the supplies. Most of the leading producers have other socio-cultural and religious ties which bind them together with a few exceptions including Nigeria. They belong to the Arab world. However, Nigeria's Rilwan Lukan, for a long while was OPEC Secretary-General. He is a professed Muslim and was close to the Riyadh government of Saudi Arabia which gave Nigeria a smooth running period as an executive of the body. The socio-cultural and religious affiliation has played an important role in solidifying the effort of the organisation, yet that has not entirely foreclosed all problems within the fold of the organisation.

18. Problems Facing the Organisation

Some of the major problems facing OPEC include the gauging together of the developed countries to disorganise the association through buying from members at non-stipulated prices which has earlier been noted in the work. Another problem confronting OPEC member countries is the increasing research and development to find substitutes for oil by the western countries and other non-oil producing states such as Japan, Untied States, particularly and other western nations as France in hydro, wind energy, biomass, and solar energy. The declining loyalty on the part of OPEC members to keep to general agreements and regulations has earlier been highlighted. This trend has led to some countries servicing other countries at lower prices. In addition to these sharp practices are other emerging devices to sidetrack the production quota imposed on OPEC members such as counter trade.

More importantly, increasing number of non-OPEC members are emerging resulting from discovery of oil deposits in other countries. It must be noted that despite its good sides, the price of petroleum still fluctuated as some members still disregard OPEC pronouncement. This has led to the depreciation of the organisations image as viable team player. Some member states do exceed the production quota, allowed them by the organisation. This has made it impossible for the organisation to attain fixed and consensus price stability.

19. Conclusion

An attempt has been made in the above analysis, to trace the historical formation of the OPEC, its administrative apparatus, the involvement of the organisation in International politics and how Nigeria particularly has faired in this game-plan of Nigeria and

leaders of multinational companies on the oil industry. The work also examined the achievements, challenges and problems of the organisation, and how these shortcomings have undermined the lofty ideals of the vibrant organisation. The OPEC in spite of these challenges will continue to play a prominent role in the production, distribution and supporting industrialisation efforts of not just its members alone but of countries of the world.

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