

## **OPEC and the Emergence of the New International Economic Order (NIEO)**

**By**

**Pius Videezor**

**Department of History and Diplomatic Studies**

**Faculty of Humanities**

**Ignatius Ajuru University of Education**

**Email [videezor2020@gmail.com](mailto:videezor2020@gmail.com)**

**08032684865**

**&**

**Kingdom E. Orji**

**Department of History and Diplomatic Studies**

**Faculty of Humanities**

**Ignatius Ajuru University of Education Rumuolumeni, P.M.B 5047**

**Port Harcourt, Rivers State.**

### **Abstract**

The emergence of Organisation of the Petroleum Exporting Countries (OPEC) lubricated the Renaissance of economic esteem of developing countries' agitation for World Economic Restructuring when they realised that they were of age to reckon with even economic vibrant nations through inter-dependence and commerce. The agitation for economic restructuring was between the countries in the Northern Hemisphere called 'North' and the Southern Hemisphere called the 'South'. The North was classified among the developed nations and the 'South' was classified among the developing nations. It is shorthand to distinguish "rich" countries from "poor" countries. The South pointed out that they were not politically around when the World Economic System was structured by the North; so there should be restart all over again. The South strategically used Oil barrel needed by the North after the formation of OPEC as a persuasive or bargaining tools for the demand of New International Economic Order. It was a wake-up call for the developing nations, that have been given several obnoxious baptismal name like 'periphery', "Third World", "backward nations", and "under-developed nations", etc.; and to inform the world that they have come and have discovered the antics of the World Economic crème de la crème and that it is time to transact without economic segregation. This processes led to the formation of New International Economic Order.

**Keywords: Dependency, interdependency, North. South, developing nations, developed nations, Industrial Revolution, bargaining, antic, exploitation, UNCTAD,**

**NIEO, OPEC, industrial, monopolise, petro-states, OECD, cartel, globalization, restructuring, OPEC Disease and LDC.****Introduction**

Technology, development and economic greed boldly manifested in 1750s; the era of Industrial Revolution which started from Britain. Britain became “workshop of the world” and it tried to hoard the technology by closing its industrial door against the rest of the world. This made them to forbid the export of industrial machines and its technology to any state outside Britain. They also barred the people who built and operated the machines from leaving the country. This intention was for Britain to monopolise the technology, that gave rise to Industrial Revolution and that the outside world should be their market where they could get the raw materials to feed the machines and monopolistically sell the finished products.

This ill-intention turned sour in 1789 when a young factory supervisor by name Samuel Slater escaped out of Britain. He disguised himself as a farmhand and boarded a ship for New York. This young lad was the one who sneaked out the technology on cotton yarn to America and ignited the fire of the Industrial Revolution in America; (Mournir A. Farah and Andrea B. 1999).

This created consciousness to other industrialized countries not to share their industrial technology with others especially with the South, so the South would be the consumers of the industrial products and producers of the industrial raw materials.

This attitude of Britain contagiously gave Europe and America or the North the same economic Blood Group and DNA in their subsequent economic interaction with the Southern states.

The behaviour of the industrialized countries in the World Economy called for dialogue by the “less privileged” countries of the world. Their behaviour led to the Economic World Order or System which is affecting the less privileged countries of the world.

This monopolistic tendency and domineering spirit gave rise to the enslavement of the less privileged countries of the world through colonialism and neo colonialism.

The economic colonialists of these developed or industrial countries opened the eyes of the less privileged and led to the Emergence of OPEC (Organization of the Petroleum Exporting Countries) which became a negotiating tool for the NIEO (New International Economic Order).

In this article, I shall give the background of OPEC, objectives of OPEC, membership, achievements, challenges and how OPEC became a bargaining tool for the emergence of New International Economic Order and submission for the Southern states.

### **Background of OPEC**

OPEC is an inter-governmental organization or cartel of 13 countries. It was founded in Baghdad in 1960 and became the brain-child of these five countries: Iran, Iraq, Kuwait Saudi Arabia and Venezuela. They chose Vienna, a neutral state to host its headquarters in 1965. This means that Vienna in Austria is not a member.

### **Membership**

The thirteen member countries of OPEC are; Algeria, Angola, Congo, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, United Arab Emirates and Venezuela.

### **Objectives of OPEC**

One of the objectives of this body is to coordinate and unite the petroleum policies of its members and ensure the oil markets are stable.

Another one is to secure an efficient, economic and regular supply of petroleum to consumers.

Again, it has the objective of steady income to producers. Also a fair return on capital for those investing in the petroleum industry, "our mission" OPEC (2013).

Some Economists often regard OPEC as a symbol of a cartel whose cooperation reduces market competition. Also the organization is protected by the doctrine of state immunity under international law.

The organization provides information about the international oil market to its members.

### **Achievements of OPEC**

OPEC turned sixty years in 2020 and it was able to count its gains. The founders of this international organization gathered to express their initial despair during the formation of the organization because it is noted that the founders came from several developing nations, particularly dominated by oil concerns. However OPEC gradually won recognition due to the importance of oil in the world development or economy.

At the conference to celebrate its sixty years, Barkindo, said it was an organization linking the past, the present and the future. He enumerated OPEC's achievement six decades after

its foundation saying “the group of petro-states had served its own members and contributed to the balance in the tumultuous oil market and stabilizes the price of this vital energy product”.

OPEC according to him recorded its constructive talks with a view to reaching consensus on various issues which has proven to be successful.

The organization earned the UN General Assembly’s adoption of resolution 1803 on the “Permanent Sovereignty over Natural Resources”.

OPEC recorded another breakthrough in talks with key energy consumers e.g. China and India and other influential energy bodies like the International Energy Agency (IEA), establishment of the International Energy Forum (IEF) and the energy data initiative has been significant.

Also OPEC had been engaged in UN climate change talks and it has offered support for the Paris climate change deal. (60<sup>th</sup> OPEC Anniversary 2020 September).

Again, OPEC succeeded in being the oil market price influence. Their roles in world petro-politics helped fix or regulate world oil market price through their quota supply given to members which helped to regulate oil supply to the world market to avoid oil glut.

### **Challenges of OPEC**

In his presentation, Anthony H. Cordesman (2016) named the challenge of OPEC as “The OPEC disease”. The “OPEC disease” has led most members to seriously distort their entire economics over a period of decades, grossly over-rely on government use of petroleum export income, and enrich small elite at the expense of the massive corruption and unequal distribution of income.

Another alarming challenges faced by OPEC was the old problem of oil supply Glut from new producers that are not members of OPEC. This was an antic by developed nations especially U.S. to sabotage the effort of OPEC in regulating world oil supply and price control as noted by Dan Eberhart. The International Energy Agency spurred non-OPEC supply rising to 2.1 million barrels a day in 2020 far outpacing projected, global demand growth of 1.2 million barrels per day; Anthony H. Cordesman (2016).

### **The Emergence of NIEO**

The New International Economic Order emerged from a set of proposal advocated by developing countries to end economic colonialism and dependency through a new

interdependent economy; (Lazzlo Ervin et al (1978). According to the agitators of this New International Economic Order, they posited that they were not politically around when the developed nations were fixing the world economic system that selfishly favour the developed nations at the detriment of the developing nations.

Many of the agitators cited the International organization formed by Europeans in the absent of the Southern states. For instance, which of the developing countries was a pioneer member of UN, World Bank, WTO and other world organization that were formed with the economic undertone of economic subjugation of the developing nations that have less bargaining power. They were formed when the so called south had not gained independence or strong politically.

The most developing states were still scratching their eyes at the end of colonialism which did not automatically end foreign economic domination and exploitation. They achieved political independence without economic independence in 1950s and the 1960s; which did not change the unequal economic domination and exploitation. (Aja Akpuru-Aja, 2001).

In the spirit of "trade not aid", the NIEO called for changes in trade, industrialization, agricultural production, finance and transfer of technology now that they have gained sovereignty like any nation meaning they are of age to sit at any table to discuss any way forward that can spur their economy; Laszlo, Ervin Baker et al (1978).

The developing nations discovered in the International market what Videezor calls "using left hand to solve mathematics"; a deceptive formula. The agitation of the developing countries pointed to the fact that the world economic game should start all over again and that they should be part of restructuring of new rules that will be fair to all players. They also needed impartial commentators and referees in the world economic game that was lopsided against the South.

The South agitators took the world lopsided economic system to United Nations Conference on Trade and Development (UNCTAD) in 1964. UNCTAD became a more favourable vehicle of the 'new nations' to discuss their economic and technical needs.

As part of the weapons of the Southern States was OPEC. The rise of Arab Oil Power since 1973; when the Arab world used oil as weapons against the US and the other Western countries in protest for their support to Israel during the Arab-Israel war was a lesson for the North that "there is power in the barrel of oil and not in gun alone" (Ake Claude 1981).

The call for dialogue between the North and South on economic cum technological disparity saw a ray of hope through the instrumentality of the OPEC which instigated oil crisis in 1973 and 1974. This led to the Arab oil boycott of western nations; Oil prices rose by 344% between February 1973 and January 1974.

Also the oil bill of industrialized oil importing countries rose by 175 billion between 1973 and 1974 (Mimiko, 1997). These pushed the countries of the North to fall on their knees in acceptance of the negotiation for a new world economic order (Brown 2004:2)

In order not to worn out United Nations due to their agitations; the United Nations General Assembly adopted the Declaration for the establishment of a new International Economic Order in 1974 along with its accompanying program of action; and acknowledged the sentiments among nation states.

Since then, there have been many meetings to realize the NIEO. In 2018, the United Nations General Assembly adopted the resolution “towards a New International Economic Order”, which reaffirmed “the need to continue working towards a new international economic order based on the principles of equity, sovereign equality, interdependence, common interest, cooperation and solidarity among all states.

(Mahiou, Ahmed 2020)

Towards the implementation of the process of the NIEO in 1981 UNCTAD and Group 77 promoted the Low Developing Countries (LDCs), and assured external debt relief package which was one of the prayers of the South in their agitation for fresh world economic match. Fourteen states representing the organization of G77 met with 8 main industrialized states that represented the Organization for Economic Cooperation and Development (OECD).

At the long run, the North admitted that it has stake in the South and that the South economic relations are subject to negotiation.

### **Submission**

The World Economic Restructuring so to say cannot work perfectly if the Southern States do not proactively shun corruption which scares the North and also encourage indigenous technology and engineers in their States. Corruption is as cultural in the southern states as if the breathe of life is corruption.

It is pertinent to use corruption in the Southern States legislature as an example especially Nigeria. The legislature which would have built confidence and hope in investors from the

North often times amend the porous constitutions with other windows for escape of the corrupt people including themselves. For instance, in Nigeria of recent, the amended Electoral Act 2021 which everybody was pumping the breath of hope for the electoral system to be free and fair was marred with their jettison of the transmission of the result electronically from the polling units and the refusal of adopting Electronic Voting System. They did this so they will not be victim of free and fair election which is a sign of mature democracy.

What about the Executive arm? They seem to be the ardent corrupt arm of government in many developing states. For instance, Ministers of Education don't send their children and wards to public schools that are characterized by incessant strikes and dilapidated structures.

The health sector is not an exemption. Imagine the absent of common equipment that appear annually in their budgets are not found in their major hospitals because the political class do not patronize the facilities. Many government hospitals are moribund.

The basic issue is not what the developed nations can do for the developing nations rather, what the developing nations can do for themselves. Developing nations should not expect serious commitment by the developed nations if they are not ready to enact laws that can boost or attract development to their States. They should learn from the laws that spurred development in the developed nations rather than carving windows for escape in their legislative system.

The South should not expect bandage from the north on their economic wound due to economic rape caused by corruption. From my findings, 360 days military intervention can solve some of the economic loopholes in developing countries especially Nigeria (the giant of Africa). Military intervention can later give rise to strong legislation that can usher in new democracy. This is because it might be an unending expectation of good governance devoid of corruption if the present 'civil rule' subsists with netted laws.

The south should start whatever restructuring they are expecting from the North from within so the North could take them serious. Institutions in the South should work optimally in order to attract confidence in their agitation for the New International Economic Order. Most of the nations in the South practice kleptocracy instead of democratic form of government which cannot attract development.

## **Conclusion**

The persistent agitation of the NIEO was borne out of the historical antecedent of the North from slave trade to legitimate trade, colonialism and neo-colonialism. The South feel cheated in the world economic comity because they did not see any sign of sincere technological transfer and fair economic deal.

The south blame the North for their economic woes and pressed for restructuring while the North is claiming innocence of the whole deal; stressing that they should not be blamed because there is no law that they must develop the south.

In order to win the war, the South adopted persuasion and not direct confrontation in the struggle for a NIEO. The strategies of influence of the South are two-fold. The first is heavily intellectual and legislative participation in the UN General Assembly. The second is a measure of action on a number of fronts in world politics. Each is however a tool of persuasion in the realization that ultimately takes the political zeal of the advantage North to effect a structural change in the world economic system to the favour of the LDCs.

It is discovered that OPEC played a major or key role in the emergence of NIEO. OPEC exploited the demand of oil by the developed nations to bargain for understanding in the New International Economic Order.

OPEC was like a hook in the economic throat of the North or the developed nations. The blame-game and claims by the South is an on-going debate while the North still remains on the defensive wall.

The South should have a ray of hope in cooperation among themselves than over-reliance on magic help from the North.

South should imprint on their mind that despite the acceptance of NIEO; the North will continue to go for the economic goods in the South not for their good especially in this era of globalization. The South should not relax after the establishment of NIEO rather they should sit up and “shine their eyes” in their dealings with the North and use excess gain from their oil to diversify their economy and more towards industrialization and high-technology devoid of corruption which is an arch-enemy of development.

Again, the foreign policy of the south should be consolidated in order to command respect and integrity in their international relations.



### References

- Aja Akpuru-Aja (2001). *Efforts in the United Nations General Assembly* opt cit pp 162192
- Anthony H. Cordesman (2016). *The OPEC Disease the Impact of Lower Oil Revenues: Report*>
- Brown, T. (2004). *Problems in African Foreign Relations from NIEO Now. To Globalization.*  
From <http://ex.net.Brown Pages Com/NIEO.htm>.
- Laszlo Ervin, Baker et al (1978). *The Objective of the New International Economic Order*. New York. Ny; Pergamon Press.
- Maliou, Ahmed (2020). *Introductory note, Declaration of the Establishment of a New International Economic Order*. UN Audio-visual library of International Law.
- Mimiko, N. O. (1997). *The Global Village, Selected Topics on International Economic Relations*. Ondo. ABM Research and Services.
- Mournir A. Karah and Andrea Berren Karls (1999), *World History: The Human Experience*. Glencoe/McGraw-Hill. U.S.A