

# **The Influence of OPEC in the Development of Petroleum Industry of its Member Nations in a 21<sup>st</sup> Century Industrialization**

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## **ABSTRACT**

This dissertation evaluated the role and contribution of the OPEC in the development of the petroleum industry among member nations. The aim of this dissertation was to examine how impactful OPEC membership is to the petroleum industry of a nation. To achieve this, the dissertation objectives were to critically evaluate the roles of OPEC towards its member nations, the extent to which the OPEC contribute to the development of the petroleum industry belonging to its member nations in a 21<sup>st</sup> century industrialization, analyze the state responsibility of member nations towards OPEC as a body and the effect of being a Non-OPEC member on the growth and development of the petroleum industry of the nation. So, the natural and positive law theory constituted the theoretical thrust for this dissertation, then doctrinal research methodology was adopted for the dissertation and utilized both primary and secondary sources of law. The dissertation revealed that as matter of principle, OPEC was set up to regulate crude oil prices for the benefits of both the host nation and the investors, stabilize oil market and provides a regular, reliable, efficient and economic supply to consuming countries and a fair return to investors in the oil industry. Also, it was made known that the formation of OPEC made Government participation in the commercial oil sector continues to this day through a joint venture partnership between the national government and any private investment. In the same vein, it was revealed that member nations bear the responsibilities required to continuously manage the survival of OPEC by providing every needed resources like personnel, finance and adherence to resolutions made from the conference, although, not all resolutions are adhered to by member nations, only when favourable to them. Then the comparison between OPEC and non-OPEC nations showed that while OPEC petroleum industry is regarded as oil price controller, non-OPEC petroleum industry are price takers because they lack the capacity to influence the oil market. Therefore, this dissertation recommended that OPEC member nations should remain resolute to the tenet of the organization as it is the sure way to protect their national interest, OPEC should draft a "Uniform Petroleum Code" or to establish an inter-OPEC High Court "for the settlement of all disputes and differences relating to petroleum matters. Also, OPEC should devise means of ensuring that resolutions passed by the Conference will not be disregarded when not in Member's interests. Similarly, member nations of OPEC should think of better ways of exploration, so as to reduce the environmental impact crude oil production process cause to the environment. Finally, more effective aid programmes should be given to members in Third World states in order to improve their economic conditions.

**Keywords:** OPEC, member nations, petroleum industry, global oil market, development

## **INTRODUCTION**

According to the provisions of the OPEC Statute, the Organisation of the Petroleum Exporting Countries was created to exist as a permanent intergovernmental organisation after the five founding members Iran, Iraq, Kuwait, Saudi Arabia and Venezuela resolved<sup>1</sup> to combine resources together with the aim of coordinating and unifying petroleum policies of member nations, thereby determining the suitable medium to safeguard their interest both as a nation as well as an organization.<sup>2</sup> Additionally, the Organisation further expounded their mandate as provided in the act to include the stabilization of the international crude oil pricing in order to eliminate destructive and unwelcome fluctuation.<sup>3</sup> And

this endeavor is expected to be in the best interest of petroleum producing nations as a means of generating stable income for themselves, as well as making their supply ability more efficient, economic and frequent to consuming nations with a reasonable return on investment for investors operating within the petroleum industry.<sup>4</sup>

Sequel to this move, OPEC became synonymous to a monopolistic entity, in some instances she is characterized as a "political cartel",<sup>5</sup> while other non-petroleum oil producing nations have described the intergovernmental organisation as such that was formed to exact control on a commodity very crucial to the world economy. But a little understanding of the historical happenings in the global oil control, prior to September 1960 which date the establishment of OPEC, revealed justification for the creation of OPEC as the only economic option available to petroleum producing nations. This was because as at this time nations endowed with the petroleum oil production capacity were faced with the challenge of not being able to have control of their own wealth simply because the political and economic powers was concentrated on the group of multinational companies known as the "Seven Sisters". Additionally, during this time oil companies were also in charge of operation and marketing, while the national government where these exploration take place had no basic participation. The investors were entitled to all profits, while the government was only entitled to a per ton royalty.

So by the adoption of declaratory statement of petroleum policy in member countries that paid more emphasis on inalienable right of all countries to exercise permanent sovereignty over their natural resources in the interest of their national development, OPEC nations were able to gain freedom from the process of concession which was the only way of acquiring the right to explore and produce oil prior to 1969. It was discovered that OPEC nations has made significant progress in better linking the oil industry with the wider economy through the passing of local laws; like the passage of petroleum laws in Nigeria, nationalization of oil exploration processes in Iran, Iraq, Kuwait and the likes.<sup>6</sup> This is a major achievement as it began to provide a platform that enabled the revenues and expenditure in the industry to be utilized locally in creating capacity and jobs for nationals.

Notwithstanding, there seems to be other significant issues of great concern when considering the survival of OPEC is that often times OPEC members finds it challenging reaching consensus on policy decisions due to the fact that its member countries possess different exporting capacity, cost of production, reserves, geological features, population, economic development, budgetary conditions as well as political circumstances. For instance, it is an obvious fact that a nation like Nigeria is not as rich as Saudi Arabia, and there have been times poorer nations have demanded for cut down on production quota so as to increase the price and enhance their revenues. But, richer nations like Saudi Arabia have refused such proposal (although with very reasonable justification which is at the expense of other OPEC member states) stating its long-term strategic partnership with the world's economic powers to ensure a steady flow of oil that would ensure economic expansion.

Therefore, in the light of the above issues, it is essential to evaluate the influence of OPEC in the development of petroleum industry of its member nations in a 21<sup>st</sup> Century industrialization.

<sup>1</sup> OPEC Statute, 2012 S 1

<sup>2</sup> OPEC Statute, 2012 S 2 (A)

<sup>3</sup> OPEC Statute, 2012 S 2 (B)

<sup>4</sup> OPEC Statute, 2012 S 2 (C)

<sup>5</sup> G. Hochman and D. Zilberman, The political economy of OPEC [2011] (48) *Energy Economics*, 203-216.

<sup>6</sup> I. B. Olayinka, 'Nigerian Oil Industry and the Relevance of OPEC to Nigeria' (2012), available at <https://www.academia.edu/15567394/>, assessed 3 July 2019.

The research question for this study is based on responding to this all important questions:

1. How has OPEC influenced the petroleum industry of its member nations since inception?
2. What is OPEC's contribution in the development of the petroleum industry belonging to its member nations in a 21<sup>st</sup> century industrialization?

### Literature Review

The debate regarding the role of OPEC towards its member states have experienced different attention raging from the perspective of the authors. The formation of OPEC marked a turning point toward national sovereignty over natural resources, and OPEC decisions have come to play a prominent role in the global oil market and international relations. This is very instructive and beneficial to OPEC member nations as OPEC's consultations are protected by the doctrine of state immunity under international law. This understanding and more were gained in this segment through the review of publications and research works undertaken by several scholars relating to the examination of OPEC's contribution towards the development of the petroleum industry of its member nations.

Sarbu<sup>7</sup> posited that the unfolding of the nationalization process started in 1960 with the creation of the Organization of Petroleum Exporting Countries (OPEC) as a joint effort of producer states to collect a higher share of revenues from the foreign oil companies exploiting their national wealth. Two years later, the United Nations (UN) General Assembly Resolution 1803 (XVII)<sup>8</sup> recognized the right of the state and, implicitly, the people to "permanent sovereignty" over their national resources. This marked a particularly important moment in the history of oil because states hosting oil operations of the major corporations had received little of the proceeds derived from their national wealth. The UN Resolution emboldened the states in question to get a grip on their own resources and exploit them to the benefit of their people.<sup>9</sup>

Notably, the levers introduced by the UN Resolution 1803 (XVII) are twofold. Though not named this way, the sovereignty rights proclaimed in the Resolution can be categorized as ownership rights and control rights.<sup>10</sup> While the state—on behalf of the people—is the sole titular of the former, in the case of the latter—as in the rights to explore, develop and produce the resources—the state can decide to either retain them or grant them all or parts thereof to third parties such as privately-owned foreign oil companies.

Other scholars like Yergin and Stanislaw<sup>11</sup> perceived the UN resolution as a commanding height for all oil producing nations because they viewed the petroleum sector as critical to the economy of most producer countries. The authors expounded that control rights regimes—whether state, private or mixed—over oil resources can have a widely different impact on the domestic income and economic development of the producer country.

Brunschweiler and Valente<sup>12</sup> description of the agitation of OPEC nation for resource control and sovereign wealth as such that span beyond the oil sector, rather more generally it included the entire mineral resource sector of which state control can be exercised through different policy tools: (1) creation of an NOC; (2) contractual arrangements between the host government and IOCs; and/or (3) fiscal systems.

<sup>7</sup> B. Sarbu, *Ownership and Control of Oil: Explaining policy choices across producing countries* (London: Routledge, 2014) 16 – 19.

<sup>8</sup> UN, 'Permanent Sovereignty over Natural Resources General Assembly resolution 1803 (XVII)' New York, 14 December 1962 available at [https://legal.un.org/avl/ha/ga\\_1803/ga\\_1803.html](https://legal.un.org/avl/ha/ga_1803/ga_1803.html) assessed 19 March, 2020.

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

<sup>11</sup> J. Stanislaw and D. Yergin 'The Commanding Height: The Battle between Government and the Marketplace that is Remaking the Modern World' [1998] 41 (4), *Challenge Journal*, 128 – 133.

Mahdavi<sup>13</sup> asserted that alternative policy tools such as the concessionary and contractual systems including fiscal elements are handsoff exercises of control by the state, which raise the question of effectiveness in ruling the oil sector and taking the fair share of oil revenues. History has taught us that NOCs have been preferred by oil producing countries in their endeavor to gain control over national resources and were de facto created for this purpose. As Fadhil J. al-Chalabi, a former Secretary General of OPEC, put this:

“Perhaps the most significant development which contributed to the shake-up of the concession system, and which played a great role later on in radically changing the structure of the industry, was the growing trend in the producing countries towards the establishment of national oil companies. These were designed from the beginning to be instruments through which the state could exercise its rights over national resources.”<sup>14</sup>

Furthermore, Ross<sup>15</sup> stipulated that NOCs enable government control over the oil sector and its profits in a way that a Ministry of Energy (or equivalent) regulating IOCs does not. State control ensures easier and direct access to oil revenues, which tend to be considerably larger than taxes on IOCs, especially in the short term. Moreover, IOCs are subject to international accounting standards which impose a certain level of transparency and impede manifest rent-seeking behavior—a practice particularly widespread and favored in authoritarian regimes that many of the oil-rich countries happen to be. Therefore, the NOC becomes a strong (if not the strongest) policy tool for many producer countries in their pursuit of control over petroleum resources.

Ross expounded further that the period since the nationalizations in the 1970s which marks a turning point in the history of the oil industry. He indicated that for several decades since the beginning of the late nineteenth and early twentieth century, foreign-owned oil companies (IOCs) had dominated the crude oil exploration and production activities all over the world by taking the lion’s share out of concessions in regions as different as Latin America, the Middle East or the East Indies. A new twist to the relation between IOCs and host governments came with the renegotiation of the concessional agreements in the 1950s in favor of the latter and the creation of OPEC in 1960. Yet the waning star of the IOCs loomed larger as the 1970s drew closer and the loss of their concessions in the flow of nationalizations became a fact. Most host countries founded their NOCs in this era in two main ways: either from scratch or through the (outright or gradual) divestment of foreign assets. By endowing their NOCs with the former territories of the foreign concessions, host governments paved the way to an oil industry where the IOCs started to take the backseat and the NOCs have increasingly come to the fore. The 1970s thus inaugurated a reverted balance of power between host governments and IOCs.<sup>16</sup>

Additionally, Algeria, being one of the largest natural gas producers in what is known as the Arab World behind Qatar and Saudi Arabia, came a mere nine years after the nation declared independence from colonial France which had ruled over the region for 130 years. Algeria joined OPEC in 1969 and fully nationalized its industry in 1971.<sup>17</sup>

Another nation that have benefited from the Nationalization and resource control is Ecuador. Ecuador changes in political power led to an increase in government control over oil extraction. In particular, the election of President Rafael Correa, on a resource-nationalism platform, prompted increases in government control and the approval of a windfall profits tax.<sup>18</sup>

<sup>13</sup> P. Mahdavi, ‘Why do leaders nationalize the oil industry? The politics of resource exploration’ [2011] 75(C), *Energy Policy Elsevier*, 228-243.

<sup>14</sup> *Ibid.*

<sup>15</sup> M. L. Ross, *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations* (New Jersey: Princeton University Press, 2012) 192.

<sup>16</sup> *Ibid.*

<sup>17</sup> B. Albawaba, ‘Algeria: the Arab World's often forgotten massive oil giant’ Available <https://www.albawaba.com/business/algeria-oil-giant-528212> assessed 20 March, 2020.

<sup>18</sup> O Manzanoli and F. Monaldi, ‘The Political Economy of Oil Production in Latin America’ (2008). Available at [http://servicios.iesa.edu.ve/Portal/CIEA/latinamerica\\_oilproduction\\_manzanomonaldi\\_%20lacea.pdf](http://servicios.iesa.edu.ve/Portal/CIEA/latinamerica_oilproduction_manzanomonaldi_%20lacea.pdf) assessed 10 January 2020.

Iran is one nation that successfully actualizes nationalization of their petroleum industry in 1974 after the National Iranian Parliament passed the Petroleum Law.<sup>19</sup> As a result, the 1951 law was abolished.<sup>20</sup> This law was enacted merely one year after the first oil shock in 1973 justifying a different legal regime. Based on this law, the oil industry of Iran was once again declared national,<sup>21</sup> this time in a true sense, although the NIOC was permitted to attract investments only through service contracts.<sup>22</sup> Based on this contractual mechanism, foreign concerns are merely contractors which receive remuneration in return for the services they provide and are not entitled to any oil neither in the reservoir nor at well head in contrast with previously used mechanisms such as Concessions and Production sharing Agreements. For the first time, a systematic and competitive bidding system was established and specific provisions as to remunerations were devised; it was dictated that they were to be paid only in the form of discount for crude oil.

### **Critical analysis of the influence of OPEC in the development of petroleum industry of its member nations in a 21<sup>st</sup> Century industrialization.**

#### **1. Price Stability and Rewarding Returns in Oil Investment**

OPEC was created in 1960, based on principles. These principles revolve around the coordination of her Member Countries' oil policies, in order: to ensure price stability in the world oil market; to obtain a stable revenue for oil-producing nations; and to provide a regular, reliable, efficient and economic supply to consuming countries and a fair return to investors in the oil industry. OPEC's activities are focused on oil, a commodity that has contributed more than any other form of energy to economic development around the world, over the past century and a half. Analysts agree that hydrocarbons will remain the most important source of energy for decades to come. OPEC's mission is not restricted by time or circumstance, however. It is, instead, a permanent one, which is centred around petroleum, but broadens out into the energy industry generally. It involves close cooperation and exchanges with other leading, influential parties in the sector at national and international levels.

In ensuring the actualization of stable oil pricing, OPEC has been branded to be a cartel, as some people still insist they are. Instead, the organization maintained that they are an international organization of sovereign states, with a legitimate, permanent and essential mission for both its Member Countries and mankind generally.

#### **2. Oil Market Stabilization**

OPEC's actions over several difficult period provided a vivid demonstration of the important role the organization plays in stabilizing the volatile oil market, a role that it will continue to play well into the future so long as it is important that prices are kept in a moderate range and in avoiding extremes. Accordingly, OPEC developed its price band mechanism at the 109th Meeting of its Conference in March 2000. At that time, it identified US \$22–28 a barrel as the price range that balances the needs of consumers and producers. The success of the mechanism was judged from the fact that, since its inception, the OPEC Reference Basket has averaged \$25.30/b, which is slightly above the center of the band. The price band mechanism has faced a stern test, in the light of the supply disruptions in some of the producing nations likes Venezuela, Iraq and, to a lesser extent, Nigeria.<sup>23</sup>

The Venezuelan oil industry strike, which happened in December and extended into January, withdrew a startling 2.8 million barrels a day from the market. This pushed prices to more than \$3/b above the band. In response, OPEC rapidly organized an Extraordinary Meeting of its Conference, which raised the OPEC-10 production ceiling by 1.5 mb/d and restored some balance to a potentially destabilizing market. It is important to note that, while the price band mechanism allows for increments of 500,000 b/d to be added to the market when prices rise above 28/b,<sup>24</sup> the OPEC

<sup>19</sup>Petroleum Law, National Iranian Parliament, Iran Senate, 1974.

<sup>20</sup> Ibid., Article 29, Paragraph 6.

<sup>21</sup> Ibid., Article 3, Paragraph 1.

<sup>22</sup> Ibid.

<sup>23</sup> OPEC, 'Role of OPEC in the 21<sup>st</sup> Century,' Available at [https://www.opec.org/opec\\_web/en/press\\_room/918.htm](https://www.opec.org/opec_web/en/press_room/918.htm), assessed 20, December, 2019.

<sup>24</sup> Ibid (n43)

Conference, recognizing the severity of the situation, agreed to add more than three times that amount. Thereby, using this action to show OPEC's flexibility, as well as the sincerity of its commitment to maintaining market stability.

However, despite OPEC's best efforts, the oil price continued to sit stubbornly above the price band throughout the first quarter of that year. The main cause of this was the so-called 'war premium', based on speculation about the effect a possible war in Iraq would have on the oil market. At its 11 March Conference, OPEC provided assurances to the market that its Member Countries had sufficient capacity to cover any shortfall in supply that might occur. In response, consumer nations — such as Japan, members of the European Union and the United States of America — as well as consumer groups — such as the International Energy Agency — expressed confidence in OPEC being able to manage such a shortfall. Thus, OPEC could once again calm a jittery market and prevent prices from spiralling upwards.

Nine days later, the war began in Iraq, halting that country's production of roughly 2 mb/d. This loss was compounded by an almost simultaneous disruption of supplies from Nigeria, due to unrest in its oil-producing Delta region. This resulted in a total withdrawal of more than 2.5 mb/d of crude from the market. OPEC rapidly convened a Consultative Meeting of its Conference on 24 April. Its Member Countries decided to raise the output ceiling to meet the needs of the market, with effect from 1 June, while at the same time reducing actual production to reduce the threat of over-supply heading into a period of seasonal low demand.

Throughout this period of high prices and supply disruptions, non-OPEC producers were, in the main, supportive of OPEC's efforts, but were unable to put any additional oil to the market, because of export limitations and lack of spare capacity. This period demonstrated the direct benefit consumer nations derive from OPEC decisions to make the necessary costly — and risky — investment in spare capacity to prevent future supply disruptions. It clearly underlined OPEC's commitment to security of supply.

Uncertainty about the situation in Iraq led OPEC to adopt a "wait-and-see" attitude at its most recent Conference in Doha one month ago, when it decided to maintain its previous production levels until it could reassess the situation at an Extraordinary Conference it arranged for 31 July. Assured that OPEC is constantly monitoring the situation, the market has responded favourably to this. OPEC has also repeatedly demonstrated its commitment to ensuring that prices do not fall too far. The most notable recent case of this concerned the price weakness that followed the tragic events of September 11, when OPEC used the price band as a rallying point to coordinate efforts with several important non-OPEC producers — namely, Angola, Mexico, Norway, Oman and Russia to stabilize the market by agreeing to make production or export cuts.

Although non-OPEC producers do not have the spare capacity to assist OPEC in covering supply shortages, they can at least cut production when prices are especially low. Such cuts are painful for all producers, non-OPEC and OPEC alike, and therefore should be shared equally among all producers. Fortunately, responsible producers recognize this fact.

### **3. Provision of Adequate Foresight towards Oil and the Future for Proper Guidance**

The latest projections from the OPEC World Energy Model, indicate that fossil fuels will remain the world's dominant energy source in the next two decades and that they will meet more than 90 per cent of world energy requirements. As for non-fossil fuels, nuclear energy is forecast to continue its decline, while hydropower is expected to grow rapidly in developing countries. Renewable energy will also increase from its very low base, although at rates lower than those set out in the EU green paper on energy security. Among the fossil fuels, oil and gas in particular will continue to play the leading roles in meeting world energy demand. OWEM predicted that world oil demand will rise to 89 mb/d in 2010, compared with around 76 mb/d in 2000, and to 107 mb/d in 2020. As non-OPEC oil production reaches a plateau in the first two decades of the century, OPEC Member Nations — with more than 75 per cent of global proven crude oil reserves — are expected to be called on to satisfy most of the new demand. The projections forecasted OPEC producing 36 mb/d of crude in 2010,<sup>25</sup> which is more than 40 per cent of

<sup>25</sup>B. Loumiet, *Toward an International Commodity Agreement on Petroleum*, [1975] (5) DEN. J. INT'L L. & POL'Y, 513.

global supply, rising to over 52 mb/d in 2020, when OPEC's share will exceed 48 per cent. Therefore, with the projected expansion in both oil and gas use, there is a constant need for producers to not only replace depleted reserves, but also expand production to meet the world's increasing energy needs.

The level of investment Member Countries alone will need to make is enormous. OPEC's projections estimate a figure of nearly \$100 billion by 2010 and a substantial \$209 bn by 2020. However, for the high-cost, non-OPEC producers, investment forecasts are much greater than this — around \$600 bn by 2010 and over \$860 bn ten years later.

#### 4. Oil and Cooperation

The task of stabilizing the oil market and guaranteeing secure demand and supply, with reasonable prices and fair returns to investors, cannot be carried out by OPEC alone. Cooperation is necessary. Cooperation between OPEC and non-OPEC producers. Cooperation between producers and consumers. Cooperation among organizations. Cooperation is central to OPEC's thinking. Recently, eight non-OPEC oil-producing nations have become observers of our Organization's activities and this includes attendance at the Ministerial Conferences. Before these Conferences, we hold meetings to exchange ideas among her Ministers and the representatives of observer countries. OPEC also promote workshops and bilateral meetings between themselves and observers. In line with this, contacts and action plans are being made among producers and consumers. The organization established The Permanent Secretariat of the International Energy Forum in Riyadh. The relationship with the IEA has become strengthened through different events, such as high-level bilateral meetings, joint press conferences and the Joint Workshop on Oil Investment Prospects held in Vienna just. Also, meetings and seminars with the Energy Treaty Secretariat have been held and have kept close contact with UNCTAD and WTO, just as we do with UN bodies that deal with the environment, climate change and sustainable development.

## 2. Analysis of the extent to which OPEC contribute to the development of the petroleum industry belonging to its member nations in a 21<sup>st</sup> century industrialization.

1. OPEC made the institutionalization of a robust legal framework possible for member nations. In the 1960s, government interest in the oil industry was limited to the collection of taxes, royalties and lease rentals. Many developing countries had begun to agitate for greater control over their natural resources in reaction to the continued control of their economies by the old colonial masters. In 1962 the *Resolution on Permanent Sovereignty over Natural Resources* was adopted by a majority of the General Assembly of the United Nations. The Resolution asserted that the right of people to freely use and exploit their natural wealth and resources is inherent in their sovereignty.<sup>26</sup> In this spirit, in 1969 the Petroleum Act was enacted which vested the entire ownership and control of all petroleum in, under or upon all land. Then later in 1971 Nigeria joined the Organisation of Petroleum Exporting Countries (OPEC).<sup>27</sup> OPEC was formed to improve the lot of oil producing countries by adopting a "group" stance (all resolutions adopted are binding on every member).<sup>28</sup>

In accordance with OPEC's 1968 and 1971 Resolutions urging member countries to participate in oil operations by acquiring ownership in the concessions held by foreign companies, Nigeria's military government in 1971 established the Nigerian National Oil Corporation (NNOC) by Decree.<sup>29</sup> The NNOC was empowered to acquire any asset and liability in existing oil companies on behalf of the Nigerian government, and to participate in all phases of the petroleum industry. In that same year, the government acquired 3 percent and 35 percent of the operating interests of

<sup>26</sup> United Nations, Charter of Economic Rights and Duties of States, G.A. Res. 3281 (XXIX), art. 2, (1974).

<sup>27</sup> OPEC, 'Member Country,' (2019), Available at [https://www.opec.org/opec\\_web/en/about\\_us/25.htm](https://www.opec.org/opec_web/en/about_us/25.htm), assessed 16 February, 2020.

<sup>28</sup> OPEC Statute, art. 40

<sup>29</sup> O. Akinjide-Balogun, 'Legal Framework of The Nigerian Petroleum Industry' (2001), available at <https://www.mondaq.com/Nigeria/CorporateCommercial-Law/10726/Legal-Framework-Of-The-Nigerian-Petroleum-Industry>, assessed 16 February, 2020.

Agip and Elf respectively. Further acquisitions occurred in 1973 and 1974 in the operations of all the other foreign oil companies. Government participation in the commercial oil sector continues to this day through the NNPC and government's participatory interest is 60% in all the JVs except the Shell operated JV where it is 55%.<sup>30</sup>

2. One of the benefits for the member countries can be identified regarding to the primary purpose of OPEC, which is to secure its member countries' fair shares of the value of their oil resources, for the purpose of accelerating economic development and improving the welfare of people of the member countries<sup>31</sup>.
3. OPEC has proved to be a good example of an alternative international political economy with an undisputed amount of bargaining power and one of the few powerful organisations not controlled by the West<sup>32</sup>, among all international trade organisations,. This gathering brings great benefits in both economic and political sense for oil exporting nations. It is important for the member nations that the organization provides opportunity to influence on Western countries as most of them depends on the OPEC oil, as well as paying key role in the global oil market/ industry. This also includes the murky international politics synonymous with the oil industry. As we know OPEC emerge in time when the cold war has just end, and international attention was focused on the tense situation between the Eastern Block and the Western powers.
4. Another non-economical benefit for the members of the organisation, is that OPEC protects its member countries interest, within the oil market and the global arena. Also the fact that the organization provide and willing to increase its development assistance to minor member nations is another advantage; since this will lead to divers economy, reduce external debts, create new work places, reduce poverty and malnutrition.
5. OPEC nations mainly drive their main revenues to the GDP from oil export<sup>33</sup>. This could be interpreted as OPEC being responsible for the provision of economic growth experienced in the member nations, because their economy runs on the revenues generated from oil trade. Thus, it is significant to underline the contribution of OPEC in oil market and pricing. Moreover, understand how the member countries are making large benefit from oil export despite the existing quotas on oil production settled by OPEC.
6. OPEC provides aid for member nations. In March, 1975,<sup>34</sup> The International OPEC Development Fund and the International Fund for Agricultural Development was initiated at the Summit in Algeria. These initiatives were aimed at assisting the poor nations in order to accelerate economic development in the developing countries through its aid programs. It has urged the industrial countries to contribute positively to these efforts and to work towards the reduction of debts of the developing countries.

## CONCLUSION AND RECOMMENDATIONS

The real benefits gained directly from oil export, OPEC in its long term strategy, has emphasized that unstable prices cause difficulties in the interpretation of signals sent by market. It makes no difference whether such signals are indicative of the market's structural change or is resulting from a temporary phenomenon. Therefore, it is difficult to support long-term market stability only by one supplier, if prices remain unstable.<sup>35</sup> So it is on this note that this study recommends the following:

<sup>30</sup> Ibid (n56)

<sup>31</sup> I. Osayimwese, 'OPEC: The quest for alternative financing for development,' (1999), available at [06 OPEC article - Biblioteca Hegoabiblioteca.hegoa.ehu.es > downloads > system >](http://06.OPEC.article-Biblioteca.Hegoabiblioteca.hegoa.ehu.es/downloads/system) assessed 20 December, 2019.

<sup>32</sup> F. Al-Farhan, *The Saudi Arabian Experience and what is needed in the 21st century OPEC Policies and the Economic Development of Member States* (OPEC, 2003).

<sup>33</sup> OPEC Secretariat, *Fund for International Development, Annual Reports*, (Vienna, Austria, 2009)

<sup>34</sup> OPEC, *Food production developing countries major contrast and possible solutions*, OPEC review 3, (1979)

<sup>35</sup> OPEC Secretariat, *OPEC long-term strategy*. (Vienna, Austria, 2010) 4,7.

1. OPEC member nations should remain resolute to the tenet of the organization as it is the sure way to protect their national interest.
2. OPEC should draft a "Uniform Petroleum Code" or to establish an inter-OPEC High Court "for the settlement of all disputes and differences relating to petroleum matters.
3. OPEC should devise means of ensuring that resolutions passed by the Conference will not be disregarded when not in Member's interests.
4. Member nations of OPEC should look into better ways of exploration, so as to reduce the environmental impact crude oil production process cause to the environment.
5. More effective aid program should be given to members in Third World states in order to improve their economic conditions.

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