

The Organization of Petroleum Exporting Countries was formed in 1960. Prior to its creation, control of the world petroleum business lay primarily in the hands of the major oil companies. Prices were established through a distributors' cartel. With the aim of gaining a better price for their oil and improving their negotiating position with the majors, a number of oil-producing countries held discussions concerning a united pricing and production policy, culminating in the formation of OPEC on September 10, 1960, in Baghdad. The five founding countries were Saudi Arabia, Kuwait, Iran, Iraq and Venezuela.

A decade was to pass before OPEC would be able to exert much influence on the world oil scene. Throughout most of the 1960s, the price of Saudi Arabian light crude oil, the world benchmark crude, remained fixed by the oil companies at US\$1.80 per barrel.

Today, OPEC membership stands at 13: Saudi Arabia, Kuwait, Iran, Iraq, the United Arab Emirates (UAE, with the principal oil-producing members being Abu Dhabi, Dubai and Sharjah), Qatar, Libya, Algeria, Nigeria, Gabon, Venezuela, Ecuador and Indonesia. Table 1 shows the 13 member states of OPEC and their estimated levels of crude oil production in 1973, 1979 and 1986. Total OPEC crude output in 1986 averaged only 58% of the 1973 and 1979 levels.

On January 9, 1968, Saudi Arabia, Kuwait, and Libya concluded an agreement in Beirut founding OAPEC – the Organization of Arab Petroleum Exporting Countries. Membership was restricted to Arab countries in which oil represented the principal source of national income. Algeria, Abu Dhabi, Dubai, Bahrain and Qatar joined in 1970; Iraq became a member in 1972. In 1971, the Beirut agreement was modified to allow membership of any Arab state in which petroleum represented an "important" source of national income. Syria, Egypt and Tunisia subsequently joined the organization and Dubai withdrew. OAPEC precipitated the oil embargo of late 1973 during the Arab-Israeli war. In April 1979, Egypt's membership was suspended after it signed a peace treaty with Israel. For consistency in statistical records, Egypt's oil production generally continues to be included with that of OAPEC.

The rise in OPEC's influence largely corresponded to the American decline. U.S. crude oil output reached its highest level in 1970, when production totalled 3.52 billion barrels (equivalent to an average output over the year of 9.64 million barrels/day). American production of all oils, including natural gas liquids, totalled 4.13 billion barrels in 1970, or 11.31 million barrels/day on average. At the time of the Arab oil embargo, the United States was importing more than 35% of its oil requirements.

The income which OPEC has derived from the export of oil since 1965 is displayed in Figure 6. Values are expressed in billions of current U.S. dollars. Over the period 1973 through 1986, oil exports earned OPEC more than US\$2.1 trillion. This enormous transfer of wealth has been one of the factors contributing to the current external debt load of US\$1.1 trillion burdening the developing countries and stressing the world banking system.