

# The Emergence of OPEC

Following the bitter defeat of the Arab states in the Six-Day War, from which the Jewish state of Israel emerged victorious, some in the Arab world began planning their revenge. Others began rejecting the militancy of the Egyptian leader Gamal Nasser and pursued a more pro-Western set of policies. (Nasser had turned to the Soviet Union for support in previous years.)

Arab nations such as Saudi Arabia increased their purchasing of American and Western European goods and technology. While the dream of a pan-Arab world had nearly evaporated, the Saudis supported a pan-Islamic approach, one which would unite the various nations, Arab or otherwise, that were home to large populations of Muslims.

More radical Arab nations did not support a pro-West approach to international politics, and some even supported political terrorism against the West—especially Israel. Among the leading Arab terrorist organizations of the period was the Palestine Liberation Organization (PLO), which carried out a terrorist attack in Munich, Germany, at the 1972 Olympics. Eleven Israeli athletes at the games were murdered by PLO gunmen.

In 1973, Arabs and Israelis went to war once again. On October 6, on the Jewish holy day of atonement known as Yom Kippur, Egyptian and Syrian tanks rolled into Israeli-occupied territory. Armed with Soviet weapons, the Arab invasion brought an immediate response from the Israelis, who, with aid from the United States, launched a counterattack.

As the Soviet Union threatened to send in troops to prevent another Arab defeat against the Israelis, the regional conflict engaged the attention of both superpowers. United States president Richard Nixon ordered U.S. strategic forces on full alert. In the end, the Russians backed down agreeing to a UN cease-fire resolution.

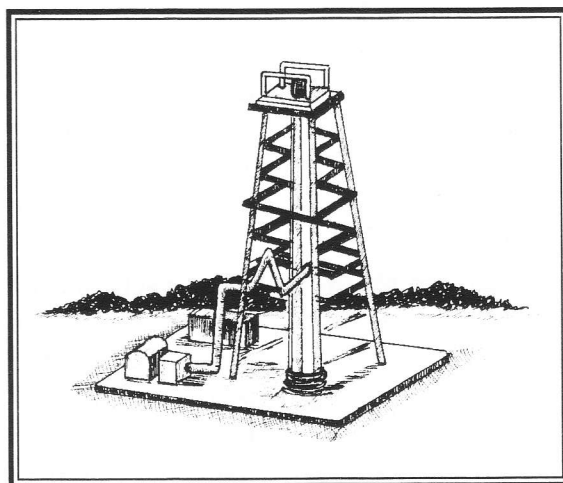
With another military failure behind them, the Arab nations attempted a different form of aggression—this one economic. Even during the Yom Kippur war, some Arab nations, through an international organization known as OPEC, announced dramatic increases in the price of their oil. The Organization of Petroleum Exporting Countries

(OPEC) had been formed in 1960 to help Arabs gain control of the pricing of their domestically produced oil. Until the early 1970s, OPEC made little headway in forcing foreign oil companies to take them seriously. During the Yom Kippur war, OPEC nations did just as they promised—they increased oil prices.

The effect was staggering on the world economy. By 1974, OPEC had quadrupled the price

of a barrel of crude oil. The result was a severe recession in the West which doubled unemployment in the U.S. and Europe. Throughout the 1970s, much of the economic news was not good for the West and even Third World nations, whose economies were linked to those of the Western powers.

At the end of 1973, the inflation rate in West Germany had risen to 8 percent, while France faced a rate of 12 percent, and Portugal, 20 percent. By 1974, Britain's and Italy's inflation rate was 13 percent and, in the U.S., inflation stood at 8 percent. Interest rates soared, producing, in some countries, the worst economic times since the Great Depression.



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## Review and Write

1. Describe the ongoing struggle between Israel and various Arab organizations such as the Palestine Liberation Organization as described on this page.
2. What significance did OPEC have during the 1970s, and how did its policies effect world economics?