



# HISTORICAL ADVISORY

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**HISTORICAL ADVISORY PANEL**

## **Welcome Letter From The Under-Secretary General**

Most esteemed participants;

My name is Kemal Yılmaz, I am a junior in Cağaloğlu Anatolian High School. In this edition of HaydarpaşaMUN, I will be serving as the Under-Secretary General of Historical Advisory Panel.

During these four days you will be debating upon a topic that I personally find interesting and challenging, which is the Oil Crisis of 1973. In order to be debated efficiently, our topic requires some historical and economical knowledge upon the specific time period and I believe the study guide is a good source for this purpose. However, I encourage you to make some additional research to get a good grasp of the topic.

I can assure you that, with my great assistant Ceren Altuntaş, we will be doing our best to academically satisfy you during the conference.

As my closing remarks, I am looking forward to meeting you all and I wish you all a good time studying. If you have any further questions, you can always contact me [kemalyilmz72@gmail.com](mailto:kemalyilmz72@gmail.com).

Best Regards

### **A. Introduction to the Committee**

The Advisory Panel is a consultative organ which seeks to find solutions to pressing issues around the world. It consists of experts from many different countries, with each being knowledgeable enough to give advice on the topic at hand.

The main goal of the Advisory Panel is to provide guidance upon solutions to a corporation or organization from a non-biased point of view. It is a non-binding organ, therefore it has no authority to force a penalty or action; its job is merely to suggest such things. bu

In the committee, the experts will be submitting clauses and debating upon them one by one. The experts are expected to come up with new ideas and advice regarding the issue at hand.

## **B. Rules of Procedure**

### **B.1: Experts**

All participants in the Historical Advisory Panel will be representing an expert in the committee. While experts are expected to obey the rules of formality, they have more freedom in advising actions as the Advisory Panel is a non-binding organ. Experts can be referred to using both first-person and third-person pronouns.

### **B.2: Ad-Hoc Procedure**

The Historical Advisory Panel follows the rules of the ad-hoc procedure, which is a procedure in which clauses are submitted and voted upon individually. It includes lobbying sessions in which experts can write and discuss clauses in order to reach a consensus, and the usage of electronic devices is permitted during these sessions.

### **B.3: Consensus**

For a clause to pass, a full house consensus is expected. This means that any against votes or abstentions would make the clause fail. An expert may ask for a revote if their clause is failed, and experts may be asked to explain their reasoning as to why they broke the consensus.

### **B.4: Clauses**

Experts will be drafting their clauses, which will be in the form of an operative clause, in the designated lobbying sessions. Experts are not allowed to urge or demand any action due to the fact that the primary objective of the Panel is to advise. Towards the end of the lobbying, experts are expected to submit their clauses individually to the chairboard. After the lobbying sessions, experts will be able to entertain clauses one by one. Due to the functioning of the committee, clauses require full house consensus to take effect.

## **C. Definition of Key Terms**

**Organization of Arab Petroleum Exporting Countries (OPEC):** OPEC is an international organization that is a major authority on global oil prices. It is made up of 13 nations and owns most of the world's known oil reserves.

**Bretton Woods Conference:** The Bretton Woods Conference was a gathering of various different delegates in order to regulate the international monetary and financial order after the Second World War. Its agreements include several important decisions regarding economic adjustments.

**Yom Kippur War:** The Yom Kippur War was the Arab-Israeli war fought in 1973, with the Arab side being supported by the Soviet Union and the Israeli side by the United States, which was the trigger for the start of the 1973 Oil Crisis.

**Seven Sisters:** A popular term that was used for the seven multinational oil companies that controlled most of the oil industry for a while back in the 20th century. These companies are Exxon (now ExxonMobil), Mobil (now ExxonMobil), Chevron, Gulf Oil (now Chevron), Texaco (now Chevron), BP and Shell.

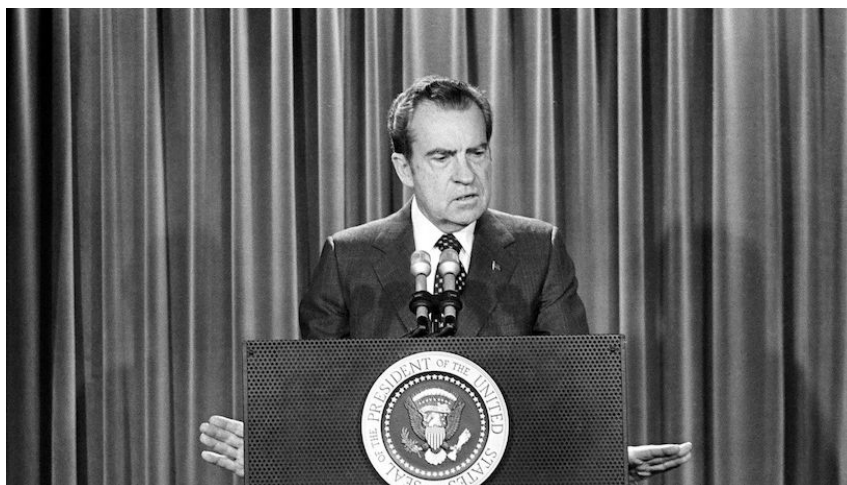
#### **D. Introduction to the Agenda Item**

In October 1973, the members of the Organization of Arab Petroleum Exporting Countries (OPEC) announced an oil embargo targeted towards nations who were perceived as supporting Israel during the 1973 Arab-Israeli War, also known as the Yom Kippur War.

This embargo not only begun lessening in oil production but also banned petroleum exportation to the nations which were targeted, therefore causing an oil crisis. This oil crisis also referred to as an oil shock, caused the economic order regarding oil prices to become unstable for years to follow.

#### **D.1: Causes**

When Richard Nixon went against the 1944 Bretton Woods Conference's terms by taking the United States off of the gold standard in 1971, it rose to become one of the



provocations for the oil shock. This move resulted in the prices of gold going up to extreme amounts. Despite the past exposing that this was inevitable, President Nixon's action being so sudden sent the value of the dollar down.



With the value of the dollar plummeting, the economy of OPEC countries began to deteriorate. This was due to the fact that the price of oil went down with the dollar. Therefore, this unexpected action contributed deeply to the oil shock, as OPEC countries were slow in readjusting oil prices.

In 1973, when the Yom Kippur War broke out, it was the last straw for OPEC. Arab countries in OPEC responded to the United States' actions by blocking any and all oil exports to the United States and other allies of Israel, therefore starting the crisis. Despite the truce called by the fighting countries in October 1973, the embargo kept going until March 1974.

## **D.2: Effects**

Although the embargo was technically a failure due to the fact that OPEC didn't get what they wanted, which was for the Israeli allies to stop their support, the embargo did have many long-lasting effects on various areas. The first immediate effect of the embargo was on the economy: oil prices quadrupled. This was a major shift in power for the Middle Eastern countries who were mostly dominated by industrial influences. This embargo was proof that OPEC was now the one in charge of stabilizing and controlling the world's oil prices.

Another main result was the worsening of inflation. The oil shock caused a vulnerable time in the economy of the United States. Domestic oil producers were unable to produce the oil needed to make up for the demand, therefore declining the oil production's percentage of the world output.

International relations were also affected by the crisis, including the creation of disagreement inside of NATO, with policies shifting from pro-Israeli to pro-Arab, distorting the Western alliance. Countries started disassociating themselves from the international policy of the United States in the Middle East as a way of staying away from the embargo.

## **E. General Overview**

### **E.1: The Start of the Oil Crisis**

With the Yom Kippur War starting, the international community began to take sides. With that, the Arab countries inside of OPEC saw the opportunity of helping the Arab side using this embargo by making the United States and its allies economically unstable. In doing so they also aimed for these countries to stop aiding Israel.

With the Arab-Israeli conflict in mind, the embargo was officially put into place in October 1973. As a response, the Nixon Administration put the “Emergency Petroleum Allocation Act” into place, which decided upon the usage of governmental control over oil production and pricing. With this act, the government of the United States hoped to regulate oil prices and ease the immediate effects of the crisis

Along with the United States, other countries affected by the crisis were forced to reevaluate their domestic and international policies on oil, along with focusing on advancing energy performance. This was due to the fact that the economic results of the oil shock were immediate, causing oil prices to rise rapidly in countries outside of the embargo. As for the countries that were embargoed, they had to deal with the lowering of the demand for oil.

## **E.2: The Situation During the Oil Crisis**

During the years of the oil crisis, not only the governments of the countries were suffering, but also the people. The rise in oil prices caused a great shock and decline in the usage of oil due to the shortage’s inability to adapt to the high demand.



Due to the crisis, governments took various different actions to ease the consumers’ economic problems regarding oil. For example, the United States adjusted the national speed limit to 55mph. They also took initiative and launched projects such as “Project Independence”-a project which was made in order to achieve

self-sufficiency in energy in the United States.

Consumers were forced to switch to cars that used up less energy and save energy in their homes in order to be able to afford gas. They would wake up at dawn and rush to gas stations in order to avoid lines. All of these resulted in the high demand at the start of the crisis to slowly decay, as did the quality of life regarding the privileges of using gas and oil as a source of energy.

Another main topic of concern during the crisis was the situation of NATO, which was experiencing strains. Most countries’ foreign policies shifted towards pro-Arab policies, while some-including the United States-kept their pro-Israeli policies due to their financial relations. Along with its policies on Israel, the



United States suffered a huge blow in its policies regarding the Cold War. The U.S. was mainly concerned with the Soviet Union, however, this crisis made the importance of the Third World on the economy and international relations of the United States more clear. Another country in which the shock's effects were evident was Japan. Who, despite having minimal involvement with the Arab world priorly regarding international relations, mainly depended on them for energy sources. This triggered Arab countries to provoke Japan to change its non-involvement policy.

As for the Arab states, while they had priorly secured a stable financial position amidst the Cold War, the embargo hurt their status between the US and USSR. Despite this, the embargo was a major step in proving to the world how massive the influence of OPEC and the Arab world is regarding economics.

All in all, the crisis caused hard times for all members of the crisis to deal with. It strained the international scene, caused major fluctuations in economics for years to come and took away the privilege of the proper access to gas from many consumers.

With the end of the crisis in 1974, although the short-term effects of the crisis seemed to be amended, it was made clear later on that the effects of the crisis would persist and affect the economy surrounding petroleum for years to come.

### **E.3: The End of the Crisis**

In 1974, OPEC announced the end of the embargo after several months. It took some time for the immediate effects of the embargo to be amended, however, slowly but surely, things started to go back to normal. There were, however, many issues that could not be resolved by the ending of the embargo. These issues persisted as the embargo made a huge impact on the world's economy, energy sources and international relations for years to come.



The main issue that persisted long after the crisis ended was the resolution of oil pricing. Oil prices persevered, staying high and unstable for years due to inefficient planning after and during the crisis. As a result, not only did OPEC start to lose their power over the international price of oil but also the countries that were embargoed were deeply affected regarding oil pricing. The countries remained unadjusted to the oil fluctuating oil prices.



Not only did that issue pursue, but other issues regarding the shaken international relations also came up. Countries were now much more aware of the political power the Arab world held regarding oil pricing and were much more wary of the actions they took regarding them.

With the end of the shock, thoughts on the possible usage of more alternative energy sources turned more positive, however, not much action was taken regarding that topic until later on. This was one of the possible ways to avoid having yet another crisis affect the economy of the world so deeply, yet enough attention wasn't paid to it.

#### **E.4: Conclusion**

All things considered, the crisis did have a major effect on many different aspects that were aforementioned, and it is up to the Experts of the Advisory Panel to reenact and solve the issues that persisted throughout the years of, and during the years after the crisis. The job of the Advisory Panel is crucial in advising both those who suffered from the crisis and those who caused it. Experts must be willing to do their absolute best to come up with original ideas upon the topics of international relations and economics. This devastating crisis's effects must be resolved and amended with the help of the experts.

### **F. Historical Background**

#### **Bretton Wood System**



After the conference that was held with the participation of 44 countries mainly from the Western bloc, the world's first obligatory money enforcement system was drafted. Signatory countries agreed to keep their currencies fixed (but in exceptional situations adjustable) against the dollar, and the dollar was fixed to gold. Since the start of the Bretton Woods agreement

in 1958, countries have settled their financial accounts in dollars, and US dollars have been convertible to gold at a fixed exchange rate of \$35 an ounce. The United States was



responsible for keeping the gold dollar price fixed, and had to adjust the dollar supply to maintain confidence in future gold convertibility.

Until the early '70s, the system functioned greatly causing rapid economic growth and commercial trust within the signatory countries. However, as an economical safety measure against the growing inflation and unemployment, President Nixon of the United States abolished the dollar convertibility standard on 15 August 1971, causing heavy consequences to the world economy.

### **Late 60's and Early 70's American Economy**

During the quarter-century after World War II, the monetary intensity of the United States was unrivaled. Many experts remarked that the after-war United States was amidst "the best prosperity the world has ever known."

The American GNP increased from 200 million to a trillion in the time period of 1940-70. Due to increased productivity American life standards doubled in 30 years which resulted in Americans owning %40 of the world's wealth while being only the %6 of the total population.

However, alarming signs started to develop in the late 1960s. Unemployment rose by 33% between 1968 and 1970, while the consumer good prices went up by 11%. Simultaneously, real wages started to stagnate. Synchronous inflation and stagnation called stagflation, resulted in Americans having drastically reduced purchase power and expensive exports.

Following the oil embargo and several other political incidents stock markets crashed between 1973-74 resulting in the recession of Western economies and putting an end to the golden economic era after WW2.

### **Yom Kippur War**

Yom Kippur War, also known as the October War, was launched on 6 October 1973 by Egypt and Syria on the Jewish Holy Day of Yom Kippur, which lasted until 26 October 1973. The war resulted in an indirect confrontation between the US and the Soviet Union.

The political aim of the war was to negotiate better terms for the Arab countries after the defeat in 1967

On the afternoon of October 6, Egypt and Syria jointly struck Israel on two fronts. Egyptian forces successfully crossed the Suez Canal with greater ease than planned with the element of surprise to their benefit, sustaining only a fraction of the predicted losses, while Syrian forces had the chance to launch an attack against Israeli positions and reached to the Golan Heights. The strength of the Egyptian and Syrian attack quickly began consuming Israel's reserve stocks of munitions. Israeli Prime Minister Golda Meir turned to the U.S. for assistance, while the Israeli general staff quickly devised a plan for the war.

The United States' unwillingness to support Israel quickly shifted when the Soviet Union launched its own attempt to resupply Egypt and Syria. The U.S. Richard Nixon responded by setting up an emergency supply line for Israel, although the Arab countries enforced a costly oil embargo and numerous US allies declined to allow arms shipments.



The Israel Defense Forces quickly turned the tide, with reinforcements on the way. Israel succeeded in disabling portions of Egyptian air defense which allowed Gen. Ariel Sharon's Israeli forces to cross the Suez Canal and surround the Egyptian Third Army.

In November, Israel and Egypt signed a cease-fire and on January 18, 1974, peace accords. The agreements called for Israeli withdrawal into the Sinai west of the Mitla and Gidi passes, while Egypt was to lower the scale of its forces on the canal's eastern side. A peacekeeping force of the United Nations set up a buffer zone between the two armies. Another agreement, signed on September 4, 1975, supplemented this agreement. On 31 May 1974, Israel and Syria signed a cease-fire agreement that also included a UN buffer zone separating their forces and exchanging prisoners of war.

## **G. Timeline**

- January 1973—The 1973–74 stock market crash commences as a result of inflation pressure and the collapsing monetary system.
- August 23, 1973—In preparation for the Yom Kippur War, Saudi king Faisal and Egyptian president Anwar Sadat meet in Riyadh and secretly negotiate an accord whereby the Arabs will use the "oil weapon" as part of the military conflict.
- October 6—Egypt and Syria attack Israeli positions on Yom Kippur, starting the 1973 Arab–Israeli War.
- Night of October 8—Israel goes on full nuclear alert. Kissinger is notified on the morning of October 9. The United States begins to resupply Israel.
- October 8–10—OPEC negotiations with major oil companies to revise the 1971 Tehran price agreement fail.
- October 12—The United States initiates Operation Nickel Grass, a strategic airlift to provide replacement weapons and supplies to Israel. This followed similar Soviet moves to supply the Arab side.
- October 16—Saudi Arabia, Iran, Iraq, Abu Dhabi, Kuwait, and Qatar raise posted prices by 17% to \$3.65 per barrel and announce production cuts.
- October 17—OPEC oil ministers agree to use oil to influence the West's support of Israel. They recommended an embargo against non-complying states and mandated export cuts.
- October 19—Nixon requests Congress to appropriate \$2.2 billion in emergency aid to Israel, which triggers a collective Arab response. Libya immediately proclaims an embargo on oil exports to the US. Saudi Arabia and other Arab oil-producing states follow the next day.
- October 26—The Yom Kippur War ends.
- November 5—Arab producers announce a 25% output cut. A further 5% cut is threatened.
- November 23—The Arab embargo is extended to Portugal, Rhodesia, and South Africa.
- November 27—Nixon signs the Emergency Petroleum Allocation Act authorizing price, production, allocation and marketing controls.
- December 9—Arab oil ministers agree to another five percent production cut for non-friendly countries in January 1974.
- December 25—Arab oil ministers cancel the January output cut. Saudi oil minister Ahmed Zaki Yamani promises a ten percent OPEC production rise.
- January 7–9, 1974—OPEC decides to freeze prices until April 1.

- January 18—Israel signs a withdrawal agreement to pull back to the east side of the Suez Canal.
- February 11—Kissinger unveils the Project Independence plan for US energy independence.
- February 12–14—Progress in Arab-Israeli disengagement triggers discussion of oil strategy among the heads of state of Algeria, Egypt, Syria, and Saudi Arabia.
- March 5—Israel withdraws the last of its troops from the west side of the Suez Canal.
- March 17—Arab oil ministers, with the exception of Libya, announce the end of the US embargo.
- May 31—Diplomacy by Kissinger produces a disengagement agreement on the Syrian front.
- December 1974—The 1973–74 stock market crash ends.

#### **H. Points That Should be Considered**

- What are the possible dangers of moving according to self-interest in the case of the oil shock?
- What could the Advisory Panel suggest in regards to setting up negotiations with the Middle East?
- What are the possible actions that can be taken in order to prevent the crashing of banks and the decline of production?
- What actions could be advised in order for the West and East blocs to reach a reconciliation?
- What are some actions that can be taken in order to ease the crisis' effects on consumers?

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