

Organization of the Petroleum Exporting Countries (OPEC)

Organization of the Petroleum Exporting Countries (OPEC) was founded in a meeting held in the Iraqi capital, Baghdad, for the period from 10 to 14/9/1960, upon an initiative by the five basic oil-producing at the time (Saudi Arabia, Iran, Iraq, Kuwait and Venezuela), so, OPEC became the most important organization established by the developing countries to take care of their interests. The main reason for this initiative is to gather in the face of big oil companies, and to greater control over oil prices and production arrangements.

The five countries that attended the meeting in 1960, which signed an agreement establishing the organization are the founding members, the organization includes currently twelve countries: Qatar, Indonesia, Libya, United Arab Emirates, Algeria, Nigeria, Angola, in addition to the five founding countries, it moved its headquarters in 1965 from Switzerland to the Austrian capital, Vienna.

OPEC is classified as a governmental organization, in accordance with the international order, and under Article 102 of the UN Charter. The Organization is not a commercial enterprise and does not get into financial and commercial transactions. The Secretary-General of the organization is the legal person responsible for its actions; its employees are international employees.

It is worth mentioning that although the official language of the majority of the states is Arabic, 7 members of the OPEC countries are Arab, but, the official language of the OPEC is English. There is only one member country (Nigeria) that English is its official language.

This organization counts on its oil exports mainly to achieve is income. Its name is abbreviated to OPEC, its members work to increase the revenue from their oil sale in the global market. Member states have 40% of the global output and 70% of the world's oil reserves. It was founded in Baghdad in 1960, by Saudi Arabia, Iran, Iraq, Kuwait and Venezuela, its headquarters were in Vienna.

OPEC structure

The Ministerial Council: the supreme authority of the organization responsible for setting public policies and directing its activities and the development of its rules. It also ratifies the appointment of members of the Board of Governors, approval of the budget, consider requests for membership, and directing the Board of Governors to submit reports and recommendations of topics of interest to the organization. It consists of delegations representing member states; usually the delegation is headed by the minister in charge of oil affairs in the state.

Board of Governors:

The board consists of representatives of the member states, the most important job it carries out is directing the OPEC affairs and implementation of resolutions and recommendations on the reports submitted to it by the Secretariat of the organization and committees formed to study various subjects.

Economy Committee:

This Committee was established in 1964 to be a permanent specialized body in the organization, it is composed by representatives of the members states, the most important work of this committee is to study the situation of the oil market, prices, and analysis of economic and other factors that affect them and to make recommendations thereon to the OPEC Ministerial Conference.

Secretariat:

The Secretariat implements OPEC tasks in accordance with its law and upon direction of the Board of Governors, it consists of information, the Administration Department, Personnel, Secretary General Office, Research Administration, and Secretary General Administration.

OPEC Goals:

The organization aims at coordination and standardization the oil policies of the member states, in order to ensure price stability in the global markets; therefore, it tries to protect the interests of oil-producing countries, which depends on a steady income for development and promotion. The Petroleum Exporting Countries guarantee their safety from consumer countries that affect them economically. The organization aims to achieve revenue on the capital invested in the oil industry, identifies the factors that lead to the deterioration of prices in the global market, and try to address them so as not to affect the global market.

Reasons behind founding OPEC:

The Arab region gained great importance, especially after the discovery of oil, a thing that made the oil producing countries such as Iraq, Saudi Arabia, Kuwait and Iran to unite their efforts to protect their interests that affect the oil-consuming countries. The founding countries ended the international oil companies control on oil prices on a global scale. Therefore, the establishment of OPEC was inescapable for multinational companies that control about 90 % of the oil produced in the world, thanks to the privileges given to these companies by the producing countries, which allowed them to explore oil in main areas, extracting and marketing it, and the time of privileges that ranged between sixty and seventy years, the role of the producing countries was limited to collecting taxes on the companies, and because the most oil-rich parts of the world are Arab areas; they were always coveted of the western colonialism.

OPEC's policies and position:

The OPEC is one of the most important international organizations; it regulates the export of oil by its members the producing countries who are the biggest producers in the world, its members reserves are also the largest among oil reserves in the world. The organization established a secretariat in 1965 for the use of the resolution for the good of the OPEC countries based on its objectives which seek oil policy coordination between Member States and to ensure fair and stable prices for petroleum producers and regular and economic oil stock.

In 1965 it attempted to influence the prices of crude oil by putting production limit of the organization and determined each country's share, but, the members did not comply with it.

In January 1968 the organization agreed with western firms on discount on the sale price. Pricing crude oil in international markets emerged during the 1970s. In February 1971 a collective agreement with the oil companies to raise the prices and the development of a unified program for the prices for six years.

In the 1990s, the price increases on international markets were set, thus, OPEC oil production was disrupted, then the prices settled relatively in 1998, then the oil market collapsed due to the economic crisis in Asia.

Mistakes made by OPEC:

Including the gathering of western nations to confront OPEC in 1973, which forced the industrial countries to develop strategic stocks of oil used in crises and to affect price of the world's oil, it also pushed the industrial countries to search for alternatives for energy. Another mistake is the pursuit of high prices without analysis and study, which helped building strategic reserves in the industrial countries, a thing that led to the establishment of the International Energy Agency on November 18, 1974.

OPEC and the major industrial countries

The big problem in oil is its contribution to the development of the economies of Western industrial countries and this is what the oil-producing countries are missing and this was reflected on the economies of the producing countries in the areas of industrial development and the economy. That made the industrial countries, the major consumer of oil, realize that the control of OPEC is considerable to weaken the mechanism of the market and limit the role of OPEC in drawing the oil market. That created instability of prices at the global level, which led to a crisis between industrial and the developing oil producing countries.

Has oil helped in resolving issues to our side?

During the Arab wars with the Zionist entity, oil entered the battle as a weapon already, a siege was imposed on the countries that support the Zionist entity, which caused significant damage on them and proved the effectiveness of this weapon at that time, the use of oil as weapon was carried out in two key measures:

Reducing production and exports

A strict ban on "Arab oil" export to America was imposed because of its support for the Zionist entity militarily and diplomatically and for its absolute support for the Zionist policies towards Arab countries. The ban included the Netherlands for its blatant bias for the Zionist entity. At that time, the goals were set for the exploitation of oil as a weapon and were hoped to be achieved. They were announced during Arab oil ministers, which stipulate the continuation of the ban actions on export and reduce production and exports until full withdrawal from all occupied Arab territories, first of which is Al Quds, and the restoration of all the legitimate rights of the Palestinian people in particular. But, were these goals actually achieved? Did the oil as a weapon serve the legitimate Arab and Islamic issues?

As we have mentioned, the main objective was to withdraw from the occupied Palestinian territories, and this has not happened yet!! Let alone securing the legitimate and necessary rights for the Palestinian

people!! Some political analysts believe that the failure lies in not using this weapon efficiently by the Arab states because they have committed several serious strategic mistakes.

- The escalation of the Arab States with the use of oil as a weapon peaked in the 1973 war to an alliance of the western countries against the OPEC. Those countries could have been damaged indirectly by the ban. The USA run the game shrewdly, it circulated that OPEC is a monopolistic organization and that its members are a group of greedy countries that control the market according to their wishes.

- The same crisis led to alerting the industrial countries which sought to build a strategic stockpile of oil to be used in crises and to affect the oil prices, and to stop its influence.

- This crisis also led the industrial nations to search for alternatives to petroleum-based energy.

- In the seventies, the oil-producing countries committed other mistakes due to the lack of experience; those countries wanted the highest prices without analyzing and studying which resulted in, as mentioned above, to build a strategic backup store in the industrialized countries.

- The events of 1973 also led to the establishment of the International Atomic Energy Agency (IAEA), which was established on Nov. 18, 1974.

- In fact, the goals that can be achieved realistically out of the use of oil as a weapon can be put as suggestions are as follows:

- Notifying the world public opinion about the Palestinian cause and the real situation in the Palestinian territories, and to mobilize international support for it.

- The use of oil as a pressure card on the western European countries and Japan to put pressure on the United States of America, the main ally of the Zionist entity.

- The United States can also be pressured to adopt "objective" positions as an influential force in the Palestinian cause. It is obvious that those positions need firmness to come to fruition.

Iraqi oil exports of crude oil during December 2011

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Year	Month	Basra oil		Kirkuk oil		Total		Average Price \$/barrel
2011		<u>amount</u>	<u>Price</u>	<u>amount</u>	<u>Price</u>	<u>amount</u>	<u>Price</u>	
		million barrel	million dollar	million barrel	million dollar	million barrel	million dollar	
	December	53.7	5.722	12.8	1.339	66.5	7.061	106.180

The above mentioned oil was exported through Basra and Al Amiya ports on the Arab Gulf and through the Turkish Cehan Port on the Mediterranean and through Jordan on the oil trucks of the buyers and as follows:

ALWAHA	API OIL	BP OIL	CEPSA	CHEVRON	CHINA OFFSHORE	CHINA OIL	CONOCOPHILLIPS
Q3P	Q3P	Q3P	Q3P	Q3P	Q3P	Q3P	Q3P
ENI	ERG	EXXON MOBIL	GS GALTEX	HINDUSTAN	INDIAN OIL	JORDAN PET.CO	JX NIPPON
Q3P	Q3P	Q3P	Q3P	Q3P	Q3P	Q3P	Q3P
KOGAS	KOREA NATIONAL	LUKOIL	MOTOR OIL (HELLAS)	OCCIDENTAL	PETROBRAS	PETRO DIAMOND	REPSOL
Q3P	Q3P	Q3P	Q3P	Q3P	Q3P	Q3P	Q3P
SAMER	SARAS	SHELL	SINOCHEN	SK ENERGY	TOTAL	TOYOTA	TUPRAS
Q3P	Q3P	Q3P	Q3P	Q3P	Q3P	Q3P	Q3P
UNIPEC	VALERO	VITOL	ZHENHUA OIL				
Q3P	Q3P	Q3P	Q3P				

Annual Summary:

Year	Month	Basra Oil		Kirkuk Oil		Total		Average price (\$/barrel)
		<u>amount</u>	<u>Price</u>	<u>amount</u>	<u>Price</u>	<u>amount</u>	<u>Price</u>	
		million barrel	million dollar	million barrel	million dollar	million barrel	million dollar	
2011	January	54	4.880	13.0	1.202	67	6082	90.776
	February	47.8	4.701	13.8	1.363	61.6	6064	98.442
	March	52.3	5.551	14.6	1.616	66.9	7167	107.130
	April	49.7	5.638	14.5	1.704	64.2	7342	114.361
	May	53.5	5.793	15.5	1.677	69.0	7470	108.261
	June	51.8	5.444	16.4	1.729	68.2	7.173	105.176
	July	53.0	5.739	14.2	1.572	67.2	7.311	108.795
	August	53.6	5.614	14.3	1.510	67.9	7.124	104.919
	September	53.0	5.529	10.1	1.090	63.1	6.619	104.897
	October	50.6	5.229	14.2	1.513	64.8	6.742	104.043
	November	51.4	5.490	12.7	1.343	64.1	6.833	106.599
	December	53.7	5.722	12.8	1.339	66.5	7.061	106.180