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BRIDGING A GULF

Peacebuilding in West Asia

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CHAPTER 10

The Curse of Oil

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Oil is often a blessing particularly in developed countries where it often generates a variety of related industries and products. In developing countries, the case is different. It could be a blessing of course but a curse as well. In the long run the latter could be far more serious than the former.

To begin with, oil discovered and extracted in developing countries is not actually produced. It is not the outcome of productive processes through which something produces more valuables than the factors used for its production. In fact oil produced in such countries is nothing but part of their existing assets.

Consequently, oil revenues are not earned revenues. They are not the outcome of productive works and patents. Such revenues, like gambling money, tend to be used loosely thereby burdening the economy with as many non-productive but operationally costly projects. Thus instead of speeding up its economic development it actually slows, and even hinders such development.

On the social side, people in oil societies tend not to work to generate income but depend on oil money to meet their financial requirements. Without productive work and productive ethics, the society fails to achieve a healthy integration and viable social institutions.

But oil is a non-renewable natural resource which is bound to go through a gradual decrease and eventual depletion no matter how great the oil reservoirs are. Paradoxically the greater the reserves are and the longer a society depends on it, the more dire their social and political consequences.

Perhaps worse than any of the above curses is the fact that oil is an indispensable source of energy in the industrialized world. As such it attracts the attention and "protection" of developed countries. For this reason the latter countries seek to ensure safe access to oil and oil products at prices they deem reasonable. As often as not

these concerns and interests provide a cause for, indeed encourage, intervention by the industrialized countries in the internal affairs of the oil producing countries which in certain cases leads to military intervention or military coups. Moreover, to keep oil-producing countries dependent on their oil revenues, the industrialized countries seek various ways and means to prevent or make difficult and expensive for the oil producing countries to diversify their economies.

Consequently the oil-producing countries must coordinate their policies and cooperate to protect their vital interests in such a way as to preclude the intervention in their internal affairs and to weaken the role of the industrialized countries in affecting the price structure to the detriment of the producing countries. Indeed OPEC was established just to ensure the above objectives. Yet the terms of the OPEC Charter are not always sufficient to guarantee them. The requirement of unanimity is one obstacle as it gives marginal producers a veto power that might jeopardize the long-term interest of OPEC and the major producers whose vital interests require that oil remains a major source of energy in the industrialized countries.

Another defect in the present charter of OPEC is the absence of an efficient mechanism ensuring that all member countries abide by OPEC resolutions and decisions.

A third fault is the absence of any reference, let alone a mechanism, for joint production from joint fields or for swapping crude oil according to the respective market of each producer.

These defects can best be remedied by bilateral or regional arrangements that take into consideration the unique situation facing each country. Thus cooperation need not and should not be limited to collective and comprehensive collaboration. Such common collaboration is of course necessary but simply not enough for it is usually addressed to the common problems of all member countries. Bilateral and regional cooperation would address itself to the problems and issues with which common cooperation does not deal. Such cooperation could also provide examples for other cooperative agreements between two or more member countries.

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