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Saudi Arabia finds in the perceived unity and power of OPEC a convenient illusion

THE CARTEL THAT NEVER WAS

BY EDWARD JAY EPSTEIN

OPEC, WHICH STANDS FOR THE ORGANIZATION OF PEtroleum Exporting Countries, is a four-letter word synonymous with prodigious wealth, arbitrary power, and fear. The wealth is from the combined oil sales of its thirteen member nations, which exceeded $240 billion in 1981—a sum greater than half of the entire M-1 money supply in the United States; the power from the fact that its members control nearly two thirds of the free world's oil reserves; and the fear from the threat that OPEC might cut off this lifeline of energy, paralyzing the world's economy. Sixteen industrial nations, led by the United States, banded together in 1974 to create an organization known as the International Energy Agency, which, in the event of a dreaded OPEC cutoff, would ration the remaining supply of oil among the industrialized nations. OPEC was taken so seriously that in 1979 President Jimmy Carter specifically blamed OPEC for both the recession and inflation, and there were even hints from Henry Kissinger of American military actions against OPEC. Indeed, no other organization, with the possible exception of the first Communist Internationale, has excited such fears on a global scale.

The continued preoccupation with the potential threat of OPEC, however, distracted attention from the actual flesh-and-blood organization that inspired it. Despite a booming voice that has reverberated through the world's media for the past decade, it turns out that OPEC is an astoundingly small organization. Its headquarters, in Vienna, is its only office: there are no branches or representatives elsewhere. Except for the alert squad of Austrian "Cobra" commandos with submachine guns guarding the entranceway, the four-story building at Donaustrasse 93 in downtown Vienna resembles any other modern office building in Europe. It is built of gray marble and glass, with a small parking lot in front, and almost identical buildings on either side, housing IBM and an Austrian bank. In 1982, twenty-two years after it was founded, OPEC employed only thirty-nine persons—all men—on its executive staff. Not counting a few dozen Austrian secretaries and clerks and a handful of employees of OPEC's Fund for International Development (which awards grants and other largesse to countries in the Third World), this staff of thirty-nine men constituted the entire worldwide employment of OPEC. It included everyone from the secretary general to the press officers.

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DESPITE THE MYTH THAT OPEC STATES DO NOT need the oil revenues they receive, a secret 1982 CIA analysis showed that they would have a minimum balance-of-trade deficit of $17 billion last year and $25 billion this year. When the economic situation of the individual members is considered, it emerges that only a few have any real room to reduce production without causing financial calamity for themselves.

The members of OPEC fall into two distinct groups. The first is the nine most populous countries, who desperately need every dollar of oil income they can get. For example, Venezuela requires all the revenue from its present production of 2.3 million barrels a day just to pay the multibillion-dollar interest on its foreign debt. Ecuador, which is in even worse financial straits, at full capacity cannot pay its debt charges this year and has been forced into virtual bankruptcy. Nigeria, which imports more than $1 billion worth of goods each month, cannot further reduce oil production without depriving its population of food and other necessities. Gabon, the other Black African member of OPEC, is in a similar financial bind. Algeria, which has a $17.5 billion foreign debt, and Indonesia, which has a $26 billion foreign debt, are almost entirely dependent on oil revenues to avoid defaults. Libya, once a cash-rich nation, recently announced that it will have to continue to produce at least twice its "quota" in order to avoid bankruptcy. Finally, Iran and Iraq, locked in an expensive war, need their oil revenues to pay for arms and ammunition.

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