

## **Document 7: Oil Prices in the 70's**

The Arab-dominated Organization of Petroleum Exporting Countries (OPEC) announces a decision to cut oil exports to the United States and other nations that provided military aid to Israel in the Yom Kippur War of October 1973. According to OPEC, exports were to be reduced by 5 percent every month until Israel evacuated the territories occupied in the Arab-Israeli war of 1967. In December, a full oil embargo was imposed against the United States and several other countries, prompting a serious energy crisis in the United States and other nations dependent on foreign oil.

OPEC was founded in 1960 by Saudi Arabia, Iran, Iraq, Kuwait, and Venezuela with the principle objective of raising the price of oil. Other Arab nations and Third World oil producers joined in the 1960s and early 1970s. For the first decade of its existence, OPEC had little impact on the price of oil, but by the early 1970s an increase in demand and the decline of U.S. oil production gave it more clout.

In October 1973, OPEC ministers were meeting in Vienna when Egypt and Syria (non-OPEC nations) launched a joint attack on Israel. After initial losses in the so-called Yom Kippur War, Israel began beating back the Arab gains with the help of a U.S. airlift of arms and other military assistance from the Netherlands and Denmark. By October 17, the tide had turned decisively against Egypt and Syria, and OPEC decided to use oil price increases as a political weapon against Israel and its allies. Israel, as expected, refused to withdraw from the occupied territories, and the price of oil increased by 70 percent. At OPEC's Tehran conference in December, oil prices were raised another 130 percent, and a total oil embargo was imposed on the United States, the Netherlands, and Denmark. Eventually, the price of oil quadrupled, causing a major energy crisis in the United States and Europe that included price gouging, gas shortages, and rationing.

In March 1974, the embargo against the United States was lifted after U.S. Secretary of State Henry Kissinger succeeded in negotiating a military disengagement agreement between Syria and Israel. Oil prices, however, remained considerably higher than their mid-1973 level. OPEC cut production several more times in the 1970s, and by 1980 the price of crude oil was 10 times what it had been in 1973. By the early 1980s, however, the influence of OPEC on world oil prices began to decline; Western nations were successfully exploiting alternate sources of energy such as coal and nuclear power, and large, new oil fields had been tapped in the United States and other non-OPEC oil-producing nations.

**Oil Price in Today's \$ / Barrel**



