

## OPEC OIL CRISIS 1973 AND ITS IMPACT TO UNITED STATES OF AMERICA

**Daniel Haqem & Noraini Zulkifli**

Department of International Relations, Security and Law  
Faculty of Management and Defence Studies  
National Defence University of Malaysia

Corresponding Author: [noraini@upnm.edu.my](mailto:noraini@upnm.edu.my)

### Abstract

The OPEC Oil Embargo (1973) was precipitated by the Yom Kippur War. The United States was the first country to be sanctioned by Saudi Arabia, Libya, and other Arab countries on October 19, 1973 for its political and military support for Israel (particularly through the delivery of military equipment and arms, which played a key role in Israel's wars against neighboring countries). The 1973 Oil Embargo put a strain on a United States economy that had become increasingly reliant on foreign oil. The research is conducting to analyse the The Opec Oil Price Shock Crisis (1973) and Impact to United States of America. This study has three objectives. First, to identify the factor contribute to the 1973 OPEC Oil Price Shock Crisis. Second, to examine the OPEC Oil Price Shock Crisis impact to United States of America. Third, to analyse the actions taken by United States of America to stabilize the crisis. The concept of national interest is used to support the action of United States of America in solving the the crisis. The study is being carried out using a qualitative approach, including data gathered from secondary sources. The secondary data in this study also consists of printed and digital material gathered from articles and books. Findings of the study are, first, US intervention during the Arab-Israeli war has contributed to the factors for the crisis to happen. Second, The U.S. economy undeniably experienced a downward trend during the oil crisis. Third, an initiative called "Project Independence" which issued several new policies to control the economic situation during the crisis are well planned. This study concludes that the Government at that time succeeded in overcoming the problem of the crisis which was initiated by themselves and creating a peaceful atmosphere again to the United States.

**Keywords:** *Embargo, OPEC oil crisis 1973, The United States of America, Stock crisis*

## Introduction

In 1931, The United States started to recognize Saudi Arabia, and in 1933 they agreed to sign a provisional agreement for their diplomatic and consular representations. Saudi Arabia was discovered to contain significant oil in 1938 (Shamma A, 1980). In 1943, as concerns about Saudi Arabia's dwindling oil production capabilities grew, Saudi oil was essential to US security and provided financial assistance declared by President Franklin D. Roosevelt.



Figure 1.1 On February 14, 1945, US President Franklin D. Roosevelt and King Abdul Aziz Ibn Saud met aboard the USS Quincy north of Suez, Egypt, for a meeting.  
Source: Gilbert, M. (2008)

Based on Figure 1.1, in February 1945, Roosevelt and Saudi King Abdul Aziz met aboard a US ship in the Suez Canal to examine ways to strengthen ties. Years later, Saudi Arabia discovered the world's largest oil field. The country soon becomes the world's greatest oil exporter and producer, albeit becoming a significant US supplier takes decades. However, everything turned out to be the opposite as Saudi Arabia was one of the countries to embargo oil to United States in 1973 when United States intervened in the Arab-Israeli war that led to the first oil crisis in the world to occur. The 1973 OPEC Oil Embargo was precipitated by the Yom Kippur War (Covi. G, 2015). OPEC members agreed to cut off oil supplies as long as Israel's seized territories remained free and Palestinian rights were not re-established. The Gulf Six by the Saudi Light Blend increased the price by 17 %, from \$3.12 to \$3.65 per barrel, ten days after the war began (Darmstadter. J, 2013). They also announced production cuts. One day later, Officials from OPEC decided to use the reliance on oil supply by "industrialised western nations" as a weapon by raising prices, shutting off shipments, and imposing embargoes to pressure hostile countries (Ditté. P, 2006). On October 19, 1973, Arab nations, including Libya and Saudi Arabia, sanctioned the United States for its intervening in political and military backing up Israel, notably munitions and military equipment been transferred that were critical in Israel's battles against neighboring countries (Matthews. R & Steglich. E, 2011). Netherlands was the second country to be sanctioned for its assistance of the US military by providing facilities for supply planes to Israel (Office of the Historian, 2000).



Figure 1.2 Cars wait in long lines during the gas shortage.  
Source: Leffler W.K (1983)

Figure 1.2 shows that in 1973 the drivers tried to fill up their tank and frequently faced around-the-block lines. Not caring about dawn or late at night, the drivers would go to the gas stations to avoid the lines. Some gas stations took to posting flags. Green means they had gas, yellow if the rationing was in conduct, and red if no gas in the gas station. Not to forget the actions taken by petrol station owners who use odd and even day tactics to avoid congestion and overflow of users at petrol stations. Odd days for cars with odd plate numbers and even ones with even plate numbers. However, there are still things like the exchange and fraud of vehicle number plates in order to get gasoline for their vehicles. The 1973 Oil Embargo imposed a burden on the US economy, which had become more dependent on foreign oil and gas. The President during that period, Richard M. Nixon tried to break the crisis, signaled a complex change in the world financial balance of power in favor of oil-producing nations, setting off a series of US initiatives to address the foreign policy difficulties raised by long-term reliance on foreign oil (Willner S, 2018). The introduction of the crisis set off a high spiral in oil prices that had worldwide consequences. The price of a barrel of oil doubled, then quadrupled, imposing escalating prices on consumers and creating structural dangers to the viability of national economies. A worldwide recession looked to be on the horizon since the embargo corresponded with a currency devaluation. Although the US, European, and Japanese allies had stockpiled oil supplies, the long-term danger of rising oil costs and recession prompted a divide among the Atlantic Alliance. While attempting to separate themselves from US Middle East policies, European countries and Japan found themselves in the embarrassing position of requiring US assistance to secure oil supplies. With decreasing domestic reserves and a growing reliance on oil, the US found itself more dependant on imported oil than ever before, and was forced to discuss an end to the crisis despite severe domestic economic conditions that diminished its international influence. To add to the complication, proponents of the embargo linked its lifting to successful US efforts to bring peace to Israel's Arab neighbours (CFR, 2017).

On November 5, 1973 a cut in production of 25% announced by the Arab Oil Ministers which was below the September level (Takin. M, 1997). Portugal, Rhodesia, and South Africa were also included in the ban. Following a meeting of the OPEC Gulf Six in December 1973, they agreed to raise the price from \$5.12 to \$11.65 per barrel, the second

substantial price rise in this oil crisis happened. Despite growing costs and the fact that the United States not only imported oil but also possessed considerable reserves, President Richard Nixon signed the Emergency Petroleum Allocation Act as a countermeasure, allowing the state to regulate petroleum production, pricing, allocation, and marketing (Roeder. J, 2005). The United States organised an energy conference on February 1974, in Washington which was attended by 13 different industrial and oil-producing nations, to deal with the massive oil price hikes and their economic consequences (Ditté. P, 2006). The research is conducted to analyze The OPEC Oil Crisis (1973), and its impacts on the U.S. This is because various factors contributed to this crisis until U.S. became the first country to be embargoed. In addition, there were also impacts experienced by the U.S., thus putting them in a depressed position at the time. However, the American government also implemented measures and solutions to overcome and reduce the burden resulting from this crisis and to get rid of the anxiety that plagues all Americans.

## METHODOLOGY

The **study** is being carried out using a qualitative approach, including data gathered from secondary sources. The secondary data in this study also consists of printed and digital material gathered from articles and books. Regarding the printed data, it was obtained from General Tun Ibrahim's Library at Malaysia's National Defence University, and the resources employed allowed the author to gather knowledge and gain a thorough understanding of the issue from a wide range of reading sources completed by scholars. The book referred such as *National Interest (1970)* by Frankel. J and *The National Interest in International Relations Theory (2005)* by Burchill. S and. Furthermore, the author employed digital material as a guide to the research, such as E-books and articles that were referenced to throughout the study. For example, *The Oil Crisis of 1973-1974: A Brief History with Documents (2007)* by Merrill. K.R. and the other one is *Recalling the Oil Shock of 40 Years Ago (2013)* by Darmstadter. J.

## LITERATURE REVIEW

The research has concentrated on three themes: the Organization of Petroleum Exporting Countries (OPEC), the 1973 Oil Crisis, and the U.S.

### a. The OPEC Organization

According to Stoehr. L, (1979) in his article "*OPEC as a Legal Entity*" mentioned that, in general, the Secretariat is in charge of the organization's executive functions. The Secretary General led the organization, who also serves as the Secretariat's Chief Executive Officer and the organization's legal representative. He has been appointed for a three-year term, with the possibility of renewal. The first Secretary General of OPEC was from Iran, Dr.Faud Rouhani.

Shihata. I, (1983) in his article "*Organization of Petroleum Exporting Countries*" educated about the Organization of Petroleum Exporting Countries' primary activities (OPEC). Following the major oil companies' unilateral drop in advertised prices of Venezuelan and



Middle Eastern crude oil in 1959, the first step toward the formation of OPEC was taken. During the first decade of the organization's existence, the major concern of OPEC member states was to boost tax income from oil concessions operated on their borders by foreign businesses. However, as member nations' and Third World countries' political might grew in the 1960s, concerns over taxes gave way to demands for equal participation in concessions before the decade's end. By the early 1970s, a significant portion of these requests had been met, signalling a shift in the nature of the member nations' relationship with the big international oil firms. The organization's three core entities are the Conference, the Board of Governors, and the Secretariat. The Conference established the Economic Commission as OPEC's specialist entity.

As informed by Shihab-Eldin, (2005) in his article “*Oil and Development: The Role of OPEC: a Historical Perspective and Outlook to the Future*” argued that the quality of crude oil produced in impoverished countries was dictated by these huge oil firms from the developed world. The price at which this oil was sold, as well as the part to be given to the natural resource owner. During the colonial period, this was part of a one-sided concessionary agreement. And, with the agreement in place, the impoverished production nations were constrained in their options.

According to OPEC Secretariat, (2010) in the “*OPEC Long-Term Strategy*” The Organization of Petroleum Exporting Countries (OPEC) is a group of 12 members of the world's main oil-exporting and producer nations. In 1960, OPEC was formed to organize its members petroleum policy and to give extra assistance to its members regarding economic and technical sector. OPEC is an oil club with the goal to control the oil supply in order to determine the price and amount of oil on the world market and minimise price volatility that might harm the economies of both purchasing and producing countries.

Austin A.A, (2010) in his article “*Nigeria’s Membership of the Organisation of Petroleum Exporting Countries (OPEC): A critical Evaluation of Cost and Benefits*” The Organization of Petroleum Exporting Countries, like any other international organization, it was established after much debate among the founding member countries. According to reports, the plan was initially proposed by the Venezuelan government, which addressed Iran, Iraq, Kuwait, and Saudi Arabia in 1949, urging their help for regular and deeper oil cooperation. The so-called Seven Sisters International Oil Companies (IOC), which include Exxon, Texaco, BP, Shell, Gulf, Standard Oil, and Mobil Oil, were the driving force behind the formation of OPEC.

Research on El-Badri. A.S, (2010) in its bulletin “*Golden Jubilee Edition*” mentioned regarding the organization's headquarters and location of OPEC Secretariat, the organization's executive unit, is based in Vienna, Austria, where it conducts day-to-day operations. The reader will learn about the organization of the Petroleum Exporting Countries (OPEC), which marked its fiftieth anniversary in 2010, as well as the history of oil. The bulletin aims to promote awareness of the Organization's critical role in guaranteeing a consistent and sufficient supply of oil to global markets. It also summarises the organization's establishment in 1960, as well as its membership and organisation.

According to Lukman(2010) research in his article “*The Role of OPEC in the 21st Century*”, the purpose of this article is to promote awareness of the organization's critical role in guaranteeing a consistent and sufficient supply of oil to global markets. It also summarises the organization's establishment in 1960, as well as its membership and

organisation. It also highlights the consequences of oil prices being at historically low levels, with little profit for countries having petroleum reserves within their borders. As a result, the founding member nations were forced to take immediate action in order to save the situation.

Nilsson. M(2016) in his article "*International Organizations and the Rise of ISIL*", the goal and capabilities of the Organization of Petroleum Exporting Countries (OPEC), as well as its ability to deal with ISIL's rise in Syria and northern Iraq, are described. In late 1940s, Venezuela and Iran approached Saudi Arabia, Iraq, and Kuwait about holding regular meetings to trade information on oil output and pricing. The formation of OPEC was a reaction to Western multinationals' dominance of the global oil market, which they controlled and profited from. As a result of its 1973 oil embargo, OPEC had a tremendous impact on international politics by generating an exponential spike in oil prices.

Solomon Ogbu, P. O., & Obiageli, L. (2019) in their article "*Organisation of Petroleum Exporting Countries (OPEC): A Chronicle of Nigeria's Key Contributions to Its Goals and Aspirations*" mentioned about the first move to create OPEC. According to the report, Venezuelatook the first step toward the formation of OPEC in 1949 when it engaged with the governments of Iran, Iraq, Kuwait, and Saudi Arabia, proposing an exchange of ideas and easy contact among oil-producing countries. The founding members of OPEC, Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela, met in Baghdad in September 1960 to form the organization. It portrays itself as an international organization that is permanent.

Patrick. U, (2018) in his article "*Organization of the Petroleum Exporting Countries*" mentioned the origin and aims of OPEC. Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela founded the country in Baghdad in 1960. The main objectives are to unify member countries' petroleum policies and determine the best ways to protect their individual and collective interests; to devise ways and means to ensure price stability in international oil markets in order to eliminate harmful and unnecessary fluctuations; and to ensure a steady income for producing countries, as well as an efficient, economic, and regular supply of petroleum to consuming nations, as well as a fair price. OPEC nations are considered to own 75% of the world's known crude oil reserves, with the Middle East accounting for two-thirds of them.

#### **b. 1973 Oil Crisis (First oil crisis).**

Akins. J.E, (1973) in his book "*The Oil Crisis: This Time the Wolf is Here*" informed about the United States' response to Saudi Arabia's warning. The Saudi threat was dismissed by the State Department. The Saudis, according to American authorities, are in desperate need of them. The United States, on the other hand, departed "Biting Fingers" when the embargo had a negative influence on their economy. Their stock has been on a downward trajectory for the most part. The rise in the unemployment rate has resulted in a surge in inflation.

Laqueur. W, (1974) in his book "*Confrontation: The Middle East and World Politics*" talking about the action made by the Arab countries during a conference. On October 17, 1973, eleven Arab countries met in Kuwait for a conference: Algeria, Saudi Arabia, Dubai, Iraq, Kuwait, Abu Dhabi, Libya, Syria, Egypt, Qatar, and Bahrain. They made the decision to make the United Powers aware of the excessive price the big industrial states are paying as a result of Israel's unwavering and unrestricted support.

Ghareeb. E, (1974) in his article *"The US Arms Supply to Israel During the War"* mentioned about the United States supply ammunition and massive military items for Israel during the Arab-Israeli War. While the war was still going on, a large airlift of aircraft, tanks, weaponry, and ammunition to Israel formed. The outcome of the conflict in favour of the Israelis. During the fourth Arab-Israeli war, King Faisal's decision to join the more revolutionary Arab leaders in imposing an embargo on the US was the US's position throughout the conflict.

Colton. J and Palmer, R.R, (1978) in their book *"A History of the Modern World"* mentioned that oil-producing countries from Arab wanted to put pressure on countries from the west, particularly the United States, to demand that Israel evacuate its soldiers from Arab lands it had occupied since 1967. This covered the territories that Israel had recently taken over. That is why the 1973 oil embargo occurred and had an influence on the United States. The United States, on the other hand, waited a long time to reply in 1975, as they still believed the embargo was having a negative impact on their country.

Issawi. C, (1978) in his article *"1973 Oil Crisis and After"* mentioned that during the months of October and December 1973, through the Organization of Petroleum Exporting Countries (OPEC), a collection of tiny, economically undeveloped, socially underdeveloped, and militarily weak countries forced their will on the industrialized world—as well as the non-industrialized world. Their activities paid off handsomely: they now make \$130 billion each year as a result of their acts.

Schumacher. D, (1985) in her article *"The 1973 Oil Crisis and its Aftermath"* mentioned that by 1973, the Middle East countries contributed 36% of the world's oil. Since the oil from that sector was more abundant and cheaper to extract than oil from other known countries. Historically, though, the region has been riven by political and cultural strife. Many nations in the industrial world had their oil supplies cut off as a result of Egypt breaching the Suez Canal and assaulting Israel on October 6, 1973, resulting from the war of Yom Kippur. By the following year, oil prices had quadrupled.

Skeet. I, (1988) in his book *"OPEC: Twenty-Five Years of Prices and Politics"* mentioned about the countries that involve in the formulate of the oil crisis. Saudi Arabia, Kuwait, Libya, Egypt, Algeria, Syria, Abu Dhabi, Bahrain, and Qatar were among the nations engaged in the decision. They resolved to implement a production cut programme, commencing at 5 percent of September's volume and increasing by 5 percent each month until Israel's total departure from all Arab areas during the June 1967 conflict is completed and the Palestinian people's legitimate rights are restored.

Spigelman. A, (2000) in the book *"Has America Learned the Energy Lesson of 1973?"* reported that exports to the United States and other western nations were blocked by OPEC members in the Middle East in October 1973. They intended to punish western states for backing their nemesis Israel in the War of Yom Kippur, but they also realized the necessity of oil in maintaining their global domination. Higher oil prices throughout the Western country, notably in America, were one of the numerous effects of the embargo. The embargo forced the United States to analyze various factors of energy, such as cost and availability, that no one had addressed before to 1973.

Burr. W, (2003) in the article *"The October War and U.S. Policy..."* on the Jewish's Eid day of Yom Kippur, October 6, 1973, Syria and Egypt attacked Israel. \$2.2 billion military aid deal to Israel announced by the Nixon administration on October 19, 1973 while the

conflict is still ongoing. Meanwhile, the Pentagon reported that less than 50 US Air Force personnel had been dispatched to Israel to help in the airlift of military supplies that began on Sunday. The US had roughly 50 military personnel in Israel prior to the commencement of hostilities, including military attachés and marine guards attached to the embassy. Arab states retaliate by halting oil supply to Israel-friendly countries. The embargo decreases the amount of traded oil by 14%.

Maugeri, L, (2006) in the book *"The Age of Oil: The Mythology, History and Future of the World's Most Controversial Resource"* inform about Anwar Sadat's projects as Egypt's successor to Nasser. After seizing control of its area and removing its opponents within the country, he was poised to reinforce his reign by retaking the lost territories in the Six Day War. In this book, Maugeri clears the cobwebs by telling the intriguing history of oil and explaining its underpinnings. He presents a unique, fascinating, and contentious perspective on the industry, as only an insider could.

### c. The United States of America

Nixon, R. (1973) in its article *"Address to the Nation About National Energy Policy"* the price of fuel in the United States was mentioned. Within a few months, gasoline prices in the U.S. can rise by as much as 40%. Oil shortages cause fear among consumers in Europe, Japan, and the U.S. People begin to stockpile gas supplies as a result of gas rationing and price regulations, forming hour-long lineups at petrol stations across America. On November 7, President Richard Nixon unveils a slew of new energy measures, including "Project Independence," a goal of achieving energy independence for the United States by 1980.

Keohane, R.O, (1984) in his article *"After Hegemony: Cooperation and Discord in the World Political Economy"* Kissinger's evasion tactics are well-known. Other Western government leaders were apprehensive, but they convened in Washington in February 1974 for a summit. The International Energy Agency was established the following November after an agreement was achieved among seventeen advanced industrial countries (the French abstained). Kissinger had grand aspirations for the new international body, but it ended up being a modest mechanism for oil-sharing agreements in the event of a crisis and information exchange.

Krapels. E, (1988) in his article *"Pricing Petroleum Products"* mentioned about the American response to the oil shocks was distinctive in several respects. To begin with, the US was the only country that desired a coordinated, global response to OPEC. While other countries adjusted their economies to rising oil costs and strengthened economic connections with OPEC members, the US attempted to establish a single bargaining stance among consuming countries. Second, at the time of the first oil shock, the U.S. was the only country that had control over domestic petroleum pricing.

Mastio. D, (1998) in his article *"Lessons from The Oil Embargo Still Count in the 1990's."* mentioned about the effects after the actions taken by the U.S. after the crisis. The long-term effects still remain even today. Even now, the long-term repercussions are still evident. Appliances nowadays, or at least the excellent ones, use not more half the energy it used 30 years ago. The government's efforts to conserve oil have resulted in speed limits and fuel economy labels. The amount of money spent on resource exploration and development in the United States has skyrocketed. The administration was concerned



about the United States' reliance on foreign energy. CAFE (Corporate Average Fuel Economy) after then, the restriction was raised to 27.5 miles per gallon. Electric heat began to take the place of oil heat. The number of residences that use oil as a heat source has decreased by around 23%. If it hadn't been for the new houses in northern areas with natural gas heat, the reduction would have been considerably quicker. This was aided by a minor population increase in the south and west of the United States, where electric heat is more prevalent. In the suburbs, more readily available heat from electric. Heating systems now are 20% more energy efficient than they were in 1973.

Frum. D, (2000) in his journal "*How We Got Here: The 70's*" mentioned about the situation in US after the crisis happened. The Oil Crisis had immediate and catastrophic consequences. In only a few months, gasoline prices quadrupled, jumping from 25 cents to over a \$1. According to the American Automobile Agencies, up to 20% of the country's gas outlets were out of fuel for a week during the crisis. In other places, drivers were forced to wait in line for two to three hours to get gasoline. Drivers would arrive at stations early in the morning or late at night in order to escape long waits. Since then, gas prices have risen and dropped, but oil supplies in the United States have stayed generally consistent, and line-ups at the pump have remained thankfully short, with a few exceptions.

U.S. Department of State (2001) in its article "*Second Arab Oil Embargo, 1973–1974*" mentioned that following the Yom Kippur War in 1973, an oil embargo wreaked devastation on the economy. In January 1974, US Secretary of State Henry Kissinger launches "shuttle diplomacy" to help Israel and Egypt separate. On March 18, 1974, the oil ministers of Arab countries agreed to move out the embargo on the condition that the US likewise facilitate Israeli-Syrian disengagement. In May, Kissinger assisted in the negotiation of a deal between the two countries, which included a cease-fire and the departure of Israeli soldiers from certain occupied regions. The International Energy Agency was established by the world's leading economies to collaborate in the event of an oil supply crisis. In 1975, they meet in France for a conference to examine the global economy and energy reliance. The Group of Six, which subsequently became the G8 and then the G7, is a heads-of-state meeting.

US Department of Energy (2006) in its report "*Annual Energy Report*" mentioned that following the 1973 oil crisis, the United States Congress passed the Energy Policy and Conservation Act of 1975, which established the Strategic Petroleum Reserve, new automobile fuel efficiency rules, and a 55-mph speed limit on highways. Nixon-era pricing limits continue to stifle domestic oil production. In United States, import consumption nearly doubles between 1974 and 1978, while oil demand climbs by 2.1 million barrels per day. In 1977, the Carter administration redesigned the Department of Energy to include all energy agencies.

Graf. R, (2012) in his book "*Making Use of the "Oil Weapon": Western Industrialized Countries and Arab Petropolitics in 1973-1974.*". informed on measures enacted by the US Department of State. Energy policy remained a contentious topic when the OEEC was transformed from a European organization to the transatlantic OECD in 1961, with the entry of the United States and Canada. Energy officials from member nations addressed strategies to adjust for potential shortages in the Oil Committee and its High-Level Group. Other developments were occurring at the time, such as the formation of the European Economic Community in 1956, which began operations on January 1, 1959, and the founding of the European Free Trade Association in 1960. (EFTA). Because of the

presence of two other European organisations, the aim for which the OEEC was founded, European collaboration, suddenly appeared to be in jeopardy.

Chakarova. V(2013) in article “*Oil Supply Crisis*”. *Cooperation and Discord in the West*”, the acts of the United States throughout the crisis were mentioned. Simultaneously, they created forecasts for future energy demand and available oil supplies. The OECD produced a thorough questionnaire to assess crisis preparedness measures, which was sent out to member nations on a regular basis and allowed the OECD to assess how prepared member countries were for probable oil shortages. This research implies that under the presence of a strong leader, institutions are more likely to foster interstate collaboration, a position that the United States assumed until the early 1970s in the case of oil. Only a few studies have been done on cooperation in the oil field, and none of them have provided a systematic and thorough study.

Graf. R(2014) in his article “*Claiming Sovereignty in the Oil Crisis: "Project Independence" and Global Interdependence in the United States*”, the study looks at how the Nixon administration used institutional rearrangement, the creation of state energy knowledge, direct contact with the public, and diplomatic discussions with both producing and consuming countries to retain and establish its sovereignty. As a result, it examines sovereignty politics in the context of a worldwide economy that is highly interconnected, modern mass media, and the growing relevance of expert knowledge in political decision-making.

## **ANALYTICAL FRAMEWORK**

The word national interest is a fuzzy and vague notion that can have a variety of connotations depending on the context. It has always been used by statesmen and policymakers in ways that suited them and their objective of justifying government actions. The components of national interest is what feed into a state's national interest, and as a result, one state's national interest differs from another. It is determined by what a state thinks or feels it stands for, and is ready to seek and safeguard. The notion of national interests is still relevant in terms of politics and analysis today. National interests are becoming a central idea in all administrations. One of the founders of the philosophy of political realism ignoring it or taking a deceptive stance is exceedingly dangerous. It is the national interest, which encompasses both individual and objective socioeconomic and other variables. As a result of global economic processes, political acts, and other factors, national interests change (Morgenthau. J, 1949). National Interest is a Realism idea. All nations are always attempting to accomplish or secure their national interest goals. The foreign policy of any country is directed by its own national interests, and it attempts to achieve its objectives at all times. Each state has a legal obligation to protect its national interests. A government's actions will always be justified by citing national interests. A state's actions are constantly shaped and guided by its national interests. (Frankel. J, 1970). The conflict over national interests is growing increasingly acrimonious. According to liberalism's proponents, we are drastically boosting the significance of national interests, while psychological issues are receiving less attention. The state's interests take precedence over the individual's interests in an authoritarian or totalitarian society, but "national interests are established as the sum of individuals' interests" in a democratic society

founded on the principle of statehood. To bring ethnic and state groups together, some scholars use the term national state interests (Russett. J and Starr. H, 1981).

Based on the above assumption, the idea of 'interest' may be defined as the presence of a subject's conscious wants originating from his or her circumstances. The national interest is thus the application and reflection of the state's requirements in the activities of its leaders. This is also true for multi-national and multi-ethnic countries; in fact, we mean "national-state interest" when we say "national interest." The term "national interest" is just too imprecise. Analysing the goals and objectives of international relations is thus insufficient (Aron. R, 1985). Without a doubt, national interest is always a deliberate demand. Is it feasible for a conscious thing to have an unconscious aspect to it? This problem can be answered by redefining "national interest" and illustrating how it differs from economic interest, for example. In this regard, Mitrokhin. S.S, (1997) notes that the idea of interest is a phrase that refers not only to consciousness but also to the people's or government's unconscious possibilities for self-defence and restoration. The national interest, in all likelihood, incorporates eternal ideals. The notion of national interest has been exhibited as a category used by political leaders to unify citizens toward attaining socio-economic growth and preventing any harm since the founding of a sovereign state. Any national interest is based on the subject's or social unit's objective requirements as a consequence of its economic, social, political, and other situations. It is a method of conceptualizing people's desires in order to comprehend their societal expectations. As a result, an interest category might be objective as well as subjective (Burchill. S, 2005).



Figure 1.3 Analytical Framework

Based on the figure 1.3 of analytical framework, this analytical framework consists of three main variables which is 1973 OPEC Oil Price Shock as independent variable which affect the Impact to United States as the dependent variable, intervening variable which is Politics and Embargo explain the relationship between two other variables and dependent variable, a variable that is observed based on changes in the independent. The concept of National Interest has been chosen to explain the phenomenon being studies.

### Analysis

The factors that contributed to the 1973 OPEC Oil Crisis Shock have already been identified and those factors are the main cause of this crisis, again, it happened due to the United States itself. In chapter 2, it has elaborated on some problems such as US intervention during the Arab-Israeli war has contributed to the factors in the occurrence of this crisis. It can be stated that although Arab countries like Saudi Arabia have tried to negotiate in the initial phase, the United States is still stubborn and continues to provide

assistance to the state of Israel such as weapons and military equipment due to ideological war with the Soviet Union. Furthermore, the withdrawal of the United States from the gold standard or known as the Nixon Shock in honour of the name of the president of the United States, Richard Nixon in 1971 was one of the factors why the 1973 oil crisis occurred. After the US withdrawal, the barrel of oil per ounce of gold has already increased. Before it happened, 10 barrels of oil equalled one ounce of gold. After it happened, 12 barrels of oil equalled one ounce of gold. This has caused oil-producing countries to be quite angry and resentful with the United States. In addition, the United States' biased actions towards the Middle East also contributed to the 1973 oil crisis. It can be seen since the settlement of the Jews in the state of Israel, the Americans are more likely to help them than any other middle eastern country. This action is called bias and causes other middle eastern countries to feel unfair. Although the United States has diplomatic relations with middle eastern countries, the actions of the United States itself appear to be more "loving" the state of Israel than any other middle eastern states. For example, more military aid and equipment is donated to Israel than any other country. On top of that, the annual budget of the United States each year has special funds to help the state of Israel itself.

The 1973 OPEC oil shock crisis impact to the United States has already been examined holistically. Through this chapter, the research has already found several impacts that have a significant impact on the United States where it has already had an impact on the economy, politics and also the United States relationship with the OPEC organization. One of the obvious impacts is from an economic point of view. The U.S. economy undeniably experienced a downward trend during the oil crisis. It left no lasting impression, even more than a year on the United States. Not to forget the impact on U.S. politics. U.S. politics is seen as less stable and volatile after the oil crisis. But the United States Government is still able to work together to overcome this problem. Not to forget the impact on US relations and the OPEC Organization. The relationship between the two was seen to erode when the crisis began and in 1974 to 1975 witness their recovery phase but this crisis has taught the United States not to be too dependent on oil resources from foreign countries.

The US government's move to mend their relations with OPEC countries called "Shuttle Diplomacy", led by their own President Richard Nixon. Next, an initiative called "Project Independence" which issued several new policies to control the economic situation during the crisis.

Other than that, the creation of other alternatives as a source of energy was also introduced by Richard Nixon. In 1976 this plan was created to reduce the dependence of Americans on gas and petroleum. Various sources have been studied and numerous tests have been conducted to ensure its effectiveness. For example, wind, nuclear and solar power.

## **Conclusion**

This study is basically based on the concept of national interest where we can see various factors, impacts and solutions all occur because of national interest. Through the 1973 Oil Crisis and its impact on the United States, we can see a variety of things being discussed. Furthermore, after a fairly in-depth and thorough study conducted through identification, examination and analysis of this crisis, it can be seen that it occurred due to the intervention of external powers in wars involving other countries leading to it happening. Here, it can be concluded after analysing that the United States intervened a lot in what happened in the Middle East and also in matters involving Israel including their bias during

President Richard Nixon's era is one of the root factors to the cause of this crisis. From an economic point of view, it can be seen that this crisis has a very large and deep impact on the United States. While this is happening, the United States is experiencing economic problems such as high unemployment, sharp inflation, sky-high food and energy prices and an upward trend in labour costs. Those impacts directly impacted the United States and made them receive lessons from their own mistakes. From the point of view of the United States government under President Richard Nixon, we can see that their politics is not very stable but various new initiatives and solutions have been created to reduce the impact on their country. Among them is the creation of the Federal Energy Administration (FEA). From there, various new policies and acts have been introduced such as The Energy Reorganization Act of 1974 which has various economic recovery programs and also The National Energy Research, Development and Demonstration Plans which study many natural resources that can be replaced by gas and petroleum such as energy, nuclear, wind, solar and geothermal. The above solutions had a major impact in reducing the impact of this crisis on the United States. From the collection of resources from this research, the oil crisis that occurred in 1973 had a critical impact on the economic and political sector of the United States. But all of these impacts can be reduced directly or indirectly by the efforts of the United States government under Richard Nixon, even if it stems from the same government. It can be concluded that the government at that time succeeded in overcoming the problem of the crisis which was initiated by themselves and creating a peaceful atmosphere again to the United States.

## REFERENCES

- Akins, J.E. (1973). *The Oil Crisis: This Time the Wolf Is Here*. <https://www.foreignaffairs.com/articles/middle-east/1973-04-01/oil-crisis>
- Aron, R. (1985). Raymond Aron and the Theory of International Relations. *International Studies Quarterly*, 29(1), 13. <https://doi.org/10.2307/2600476>
- Austin, A.A. (2010). *Nigeria's Membership of the Organisation of Petroleum Exporting Countries (OPEC): A critical Evaluation of Cost and Benefits*. <http://kubanni.abu.edu.ng/jspui/bitstream/123456789/4882/1/NIGERIA>
- Burchill, S. (2005). *The National Interest in International Relations Theory*. Palgrave Macmillan.
- Burr, W. (2003). *The October War and U.S. Policy*. The National Security Archive. <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB98/index.htm>
- Chakarova, V. (2015). *Oil Supply Crises*. Lexington Books.



- Colton, J. and Palmer, R.R. (1978). *A History of the Modern World 10th edition by Palmer, R. R., Colton, Joel, Kramer, Lloyd (2007) Hardcover* (10th ed.) [E-book]. McGraw-Hill College.
- Council on Foreign Relations (CFR). (2017). *Oil Dependence and U.S. Foreign Policy*. Council on Foreign Relations. <https://www.cfr.org/timeline/oil-dependence-and-us-foreign-policy>
- Covi, G. (2015). *Puzzling Out The First Oil Shock. History, Politics and the Macroeconomy in a Forty-Year Retrospective*. *History Of Economic Thought and Policy*, 2, 57–91. <https://doi.org/10.3280/spe2015-002004>
- Darmstadter, J. (2013). *Recalling the Oil Shock of 40 Years Ago*. Published. <https://media.rff.org/documents/RFF-IB-13-06.pdf>
- Ditté, P. (2006) *Past Oil Price Shocks: Political Background and Economic Impact Evidence from Three Cases*. [https://www.files.ethz.ch/isn/20499/rev%20Oil\\_Price\\_ShocksI.pdf](https://www.files.ethz.ch/isn/20499/rev%20Oil_Price_ShocksI.pdf)
- El-Badri, A.S. (2010). *Golden Jubilee Edition*. OPEC. [https://www.opec.org/opec\\_web/flipbook/Children%20Book%202013/Children%20Book%202013/assets/basic-html/page10.html](https://www.opec.org/opec_web/flipbook/Children%20Book%202013/Children%20Book%202013/assets/basic-html/page10.html)
- Frankel, J. (1970). *National Interest (Key Concepts in Political Science)* (1st Edition in this form ed.) [E-book]. Macmillan.
- Frum, D. (2000). *How We Got Here: The 70's* (0 ed.). Basic Books.
- Ghareeb, E. (1974). The US Arms Supply to Israel during the War. *Journal of Palestine Studies*, 3(2), 114–121. <https://doi.org/10.2307/2535803>
- Gilbert, M. (2008). *Churchill and the Jews: A Lifelong Friendship* (First ed.). Holt Paperbacks.
- Graf, R. (2012). *Making Use of the “Oil Weapon”: Western Industrialized Countries and Arab Petropolitics in 1973-1974*. *Diplomatic History*, 36(1). <https://doi.org/10.1111/j.1467-7709.2011.01014.x>

- Graf, R. (2014). Claiming sovereignty in the oil crisis: *Undefined*, 39(4), 43–69. <https://doi.org/10.12759/HSR.39.2014.4.43-69>
- Issawi, C. (1978). 1973 oil crisis and after. *Journal of Post Keynesian Economics*, Taylor & Francis, vol. 1(2), 3–26. <https://doi.org/10.1080/01603477.1978.11489099>
- Keohane, R. O. (1984). *After Hegemony: Cooperation and Discord in the World Political Economy (Princeton Classic Editions)*. Princeton University Press.
- Krapels, E. (1988). *Pricing petroleum products*. McGraw-Hill.
- Laqueur, W. (1974). Confrontation: The Middle East and World Politics. *Middle East Journal*, 28(4), 458–459.
- Leffler, W. K. (1979). *Gasoline lines*. Library of Congress. <http://loc.gov/pictures/resource/ppmsca.03433/>
- Lukman, R. (2010). The Role of OPEC in the 21st Century. *World Energy* Vol.3 No.1, 38-41. <https://www.ourenergypolicy.org/wp-content/uploads/2013/08/RoleOfOPEC.pdf>
- Mastio, D. (1998). Lessons from the oil embargo still count in the 1990's. *The Detroit News*. <http://detnews.com/1998/biz/9810/25/10250034.htm>
- Matthews, R. B., & Steglich, E. (2011). A Tale of Two Countries: What The United States Can Learn From Brazil About Reducing Dependence On Foreign Oil. *International Business & Economics Research Journal (IBER)*, 10(8). 67-84 <https://doi.org/10.19030/iber.v10i8.5379>
- Maugeri, L. (2006). *The Age of Oil: The Mythology, History, and Future of the World's Most Controversial Resource* (annotated edition). Praeger.
- Merrill, K.R (2007). *The oil crisis of 1973-1974: a brief history with documents*. Bedford/St. Martin's, Boston
- Mitrokhin, S. S. (1997). *National Interests and Political Realia of Contemporary Russia* (1st ed.). Polis Studies.

- Morgenthau, J. (1949). *Politics among nations; the struggle for power and peace [by] Hans J. Morgenthau* (Fourth Edition, Fourth Printing ed.). Alfred A Knopf.
- Nilsson, M. (2016). *International Organizations and the Rise of ISIL* (1st ed.). Routledge. <https://doi.org/10.4324/9781315536095>
- Nixon, R. (1973) *Address to the Nation About Policies To Deal With the Energy Shortages*. Energy History. (1973). <https://energyhistory.yale.edu/library-item/richard-nixon-address-nation-about-policies-deal-energy-shortages-november-7-1973>
- Organization of Petroleum Exporting Countries (OPEC) Secretariat. (2010). *OPEC Long-Term Strategy*. Organization of Petroleum Exporting Countries (OPEC). [https://www.opec.org/opec\\_web/en/publications/346.htm](https://www.opec.org/opec_web/en/publications/346.htm)
- Patrick, U. (2018). Organization of the Petroleum Exporting Countries. *Shaping the Culture of Peace in a Multilateral World*, 185–188. <https://doi.org/10.4324/9781315129310-35>
- Roeder, J. L. (2005). What we learned from the oil crisis of 1973: A 30-year retrospective. *Bulletin of Science, Technology and Society*, 25(2). 166-169. <https://doi.org/10.1177/0270467604274085>
- Russett, J., & Starr, H. (1981). *Bundle: World Politics: The Menu for Choice, 10th. CourseReader 0–60: International Relations Printed Access Card* (10th ed.). Cengage Learning.
- Schumacher, D. (1985) The 1973 Oil Crisis and its Aftermath. In *Energy: Crisis or Opportunity?* Palgrave, London. 21-41. [https://doi.org/10.1007/978-1-349-17797-4\\_2](https://doi.org/10.1007/978-1-349-17797-4_2)
- Shamma, M. (1980). *The 1973 Oil Embargo Arab Oil Diplomacy*. [https://scholarworks.wmich.edu/masters\\_theses](https://scholarworks.wmich.edu/masters_theses)
- Shihab-Eldin. (2005). OPEC: Oil and Development. *The role of OPEC: A historical perspective and outlook to the future*. OPEC. Vol 1, 23-34. [https://www.opec.org/opec\\_web/en/894.htm](https://www.opec.org/opec_web/en/894.htm)

- Shihata, I. (1983). Organization Of Petroleum Exporting Countries. *International Organizations in General Universal International Organizations and Cooperation*, 224–228.  
<https://doi.org/10.1016/B978-0-444-86236-5.50067-5>
- Skeet, I. (1988) Opec: Twenty-Five Years of Prices and Politics. *Middle East Studies Association Bulletin*. Vol 23(2), 247-249.  
<https://www.jstor.org/stable/23060760>
- Solomon Ogbu, P. O., & Obiageli, L. (2019). Organisation Of Petroleum Exporting Countries (Opec): A Chronicle of Nigeria’s Key Contributions To Its Goals And Aspirations. In *Global Journal of Political Science and Administration* Vol. 7(4), 13-29. [www.eajournals.org](http://www.eajournals.org)
- Spigelman, A. (2000). *Has America learned the energy Lesson of 1973?* Routledge.
- Stoehr, L. (1979). OPEC as a Legal Entity. *Fordham International Law Journal* Volume 3(1), 91-105. Fordham Law.  
<https://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=1011&context=ijl>
- Takin, M. (1997). US sanctions against oil giants at odds with its Caspian policy. *Oil and Gas Journal*, 95(41). 214-228.
- U.S Department of Energy. (2006). *Annual Energy Report*.  
[https://www.epa.gov/sites/default/files/2015-09/documents/2006energy\\_report508.pdf](https://www.epa.gov/sites/default/files/2015-09/documents/2006energy_report508.pdf)
- U.S Department of State. (2001). *Second Arab Oil Embargo, 1973–1974*. <https://2001-2009.state.gov/r/pa/ho/time/dr/96057.htm>
- United States of America Historian Department. (2000). *Milestones: 1969–1976*. Office of the Historian.  
<http://history.state.gov/milestones/1969-1976/oil-embargo>
- Willner, S. E. (2018). The 1975 congressional feasibility study on “Oil fields as military objectives”: U.S.–Saudi Arabian relations and the repercussions of the 1973 oil crisis. *Journal of the Middle East and Africa*, 9(2). 121-136.  
<https://doi.org/10.1080/21520844.2018.1485337>