



# World Bank Group Archives Exhibit Series

World Bank Concerns and Policies during the  
1973-74 OPEC Embargo

NUMBER 071  
ORIGINALLY PUBLISHED: MARCH 2011

January 2016





The World Bank Group Archives Exhibit Series contains exhibits originally published on the Archives' external website beginning in 2002. When the Archives' website was transferred to a new platform in 2015, it was decided that older exhibits would be converted to pdf format and made available as a series on the World Bank's external database, [Documents & Reports](#).

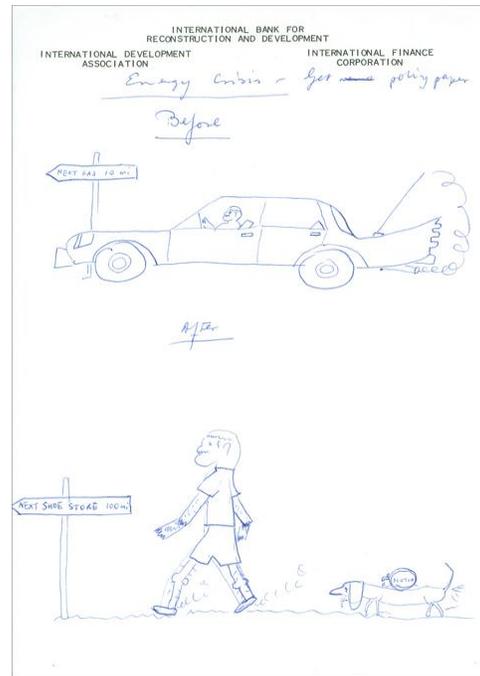
These exhibits, authored by World Bank archivists, highlight key events, personalities, and publications in the history of the World Bank. They also bring attention to some of the more fascinating archival records contained in the Archives' holdings.

To view current exhibits, visit the [Exhibits](#) page on the Archives' website.



## World Bank Concerns and Policies during the 1973-74 OPEC Embargo

To mark Energy Week 2011 at the World Bank, and to consider the current issue of rising oil prices, the Archives has chosen to highlight a drawing by [Pedro-Pablo Kuczynski](#), created during the 1973-74 OPEC oil embargo. This sketch, entitled “Energy crisis – gen. policy paper,” is in two parts, a before and after picture of how the oil embargo will affect transportation. The “before” picture is that of a man driving a large car -- the exhaust particularly prominent -- and cruising from gas station to gas station without any concern. The “after” picture is that of the same man, only now he is walking great distances to buy new shoes, dutifully followed by his dachshund, which inexplicably has a bottle of scotch strapped to its back. While a fascinating record on its own, this cartoon is even more interesting when placed in the larger context of World Bank policy at the beginning of the embargo in the early 1970s.

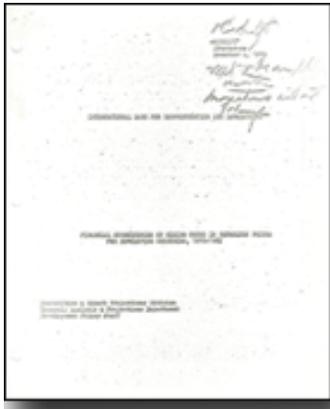


*The cartoonist Ranga drew this line sketch of Barber Conable during Conable's 1987 trip to India*

The Bank was tracking the causes and implications of the dramatic rise in prices that were occurring (from 88¢ per barrel in 1970 to \$3.11 per barrel at the beginning of October 1973), however there was no projection for any major shortage or crisis. Even before the embargo, the Bank was taking a global view of the prices. Their interest was focused on two separate, but related, issues.

The first issue examined how developing countries, which were dependent on the importation of oil for their energy needs, would be financially challenged by the rising costs. James P. Grant's “Energy Shock and the Development Prospect” [Archives folder 30020127] sums up this concern:

*“The admittedly limited goal of increasing growth rates was jeopardized in a majority of developing countries... by the jolt of sudden, massive price increases in their essential imports, primarily oil, food and fertilizers, and by the impending*



*The World Bank was closely monitoring the situation in regards to rising oil prices even before the embargo began, as shown by this draft report. [Archives folder 30020125]*

*global economic slowdown. The development prospects of some of the most populous poor countries... were thus even more gravely endangered for the balance of the decade. And some of the higher-income developing countries... now faced serious short-term disruption."*

The second issue examined how the rise in prices will alter the global economic situation, and thus the ability of the U.S. and other industrialized nations to provide aid to the developing world. Concerns were directed towards the embargo's effect on international markets, capitalist economies, and how the newly found "financial power" of OPEC countries will enable them to interact with other nations. A memo from 11/30/1973 entitled "Oil to start affecting German aid," shows the reality of this concern. The opening sentence reads "*The short-lived era of idealistic German*

*development aid...which was based on an extremely affluent economy... may have come to an unforeseen and undesired end'* (From an office memorandum between J.W. Strobl and Mr. William Clark, [Archives folder 30020125]).

With oil prices on the rise, thought was being given to the idea of reducing dependence on foreign oil. In March of 1973, "*An increased level of energy costs, particularly in the U.S., could encourage the development of domestic sources of energy and thereby reduce the ever-growing need to import oil and gas*" (From office memorandum titled Projections of Oil Revenues of OPEC Member Countries, between John Foster and Mr. M. Shoab [Archives folder 30020125]).

In February 1974, World Bank representatives attended the Washington Energy Conference. At this Conference, alternative energy sources were discussed as evidenced in the Energy Research and Development Background paper [Archives folder 30020127]. The report states, "*Hydrogen itself, either in elemental form or in*



*Background Paper for the Washington Energy Conference. The paper provided information on how scientific advancements might alleviate future energy crises [Archives folder 30020127]*



*compounds such as ammonia, is an excellent fuel, transportable as a gas or a liquid.”* Discussions about domestic energy sources and the possibility for vehicles powered by hydrogen fuel cells are as current today as they were in the mid-1970s. The archival records related to the Bank's response to the OPEC oil embargo during these years show us how prominent these same issues are today.