Have you heard of OPEC? What about the story of the “1973 Oil Embargo?” OPEC, which is an acronym for Organization of Petroleum Exporting Countries, is an organization that controls the import and export of oil between different countries. The “1973 Oil Embargo,” on the other hand, is a story of how OPEC suspended petroleum shipment to some countries, including the United States, in other to bring peace between two countries. Why don’t you grab yourself a bottle of your favorite drink or juice and read what happened? Are you ready? Dig in!

In October 1973, the Organization of Petroleum Exporting Countries (OPEC) placed a prohibition (an embargo) on the United States for supporting Israel and the Yom Kippur War. The reason for the embargo was to counter the US decision to resupply the Israeli military and secure an edge in post-war peace negotiations. The blockade imposed by the Arab members of OPEC was also extended to other countries that supported Israel, including Portugal, South Africa, and the Netherlands. Petroleum shipments to the affected countries were suspended, and oil demand was reduced as a result of the embargo, causing a dramatic change in global economic and political influence, as OPEC countries (mostly in the Middle East) were now able to dominate dominant nations such as the United Kingdom and the United States by influencing oil supply. Negotiations between OPEC countries and oil giants also destabilized the pricing system, aggravating the consequences of the embargo.

At the time, the US economy that had become increasingly reliant on foreign oil for growth was severely impacted by the 1973 Oil Embargo, forcing President Richard M. Nixon’s administration to launch a series of foreign policy initiatives in response to the country’s long-term reliance on foreign oil. The President’s efforts to lift the embargo signaled a complex shift in the global financial power balance in favor of oil-producing countries.

By 1973, OPEC imposed that foreign oil companies raise prices and give their local subsidiaries a larger revenue share. As a result, oil prices began to rise, with global implications. The oil price per barrel doubled, then quadrupled, putting consumers’ costs through the roof and posing structural threats to national economies’ stability. In April, President Nixon’s administration announced a new energy strategy to increase domestic production, reduce the country’s reliance on oil imports, and alleviate the strain of nationwide fuel shortages. Because the embargo coincided with a dollar depreciation, US allies in Europe and Japan began stockpiling oil supplies, securing a short-term buffer. However, the prospect of high oil prices and a recession, in the long run, caused a schism within the Atlantic Alliance. Despite their efforts to distance themselves from US Middle East policy, European countries and Japan found themselves in the awkward position of requiring US assistance to secure energy sources.

Despite its best efforts to reduce its growing reliance on oil consumption and depleting domestic reserves, the United States became more reliant on imported oil than it has ever been. As a result, a deal to end the embargo was made under difficult domestic economic conditions, reducing the country's international leverage. However, for the negotiation to be successful, the US was tasked by OPEC to bring about peace between Israel and its Arab neighbors.

In response to OPEC's demands, the US announced Project Independence on November 7, which aims to promote domestic energy independence. It also pursued intensive diplomatic efforts among its allies, advocating for a consumer union to provide strategic depth and a consumer cartel to control oil pricing. These efforts, however, were only partially successful. US President Richard Nixon and Secretary of State Henry Kissinger were well aware of the constraints imposed by peace talks to end the war, which was held concurrently with conversations with Arab OPEC members to lift the embargo and increase production. They also understand the connection between the issues in the minds of Arab leaders.

However, the United States started parallel negotiations with key oil producers to put an end to the embargo and met with Egypt, Syria, and Israel to plan an Israeli withdrawal from the Sinai and the Golan Heights. The initial talks between Kissinger and Arab leaders began in November 1973 and ended on January 18, 1974, with the signing of the First Egyptian-Israeli Disengagement Agreement. Despite the failure of a finalized peace deal, the US was able to convince Israel to evict its forces from the Sinai Peninsula in May 1974 — a strip of land east of the Suez Canal that Israel took from Egypt during the 1967 War. As a result, the ban was lifted, and oil imports resumed their normal flow.

The full impact of the embargo, which included high inflation and stagnation in oil importers, was caused by a complex set of factors other than the immediate actions of OPEC's Arab members. The eroding excess capacity of East Texas oil fields, the declining leverage of the United States and European oil corporations, which had previously stabilized the global oil market, and the recent decision to allow the United States dollar to float freely in the international exchange all contributed to the crisis's aggravation. When the broader impact of these factors became apparent across the United States, it prompted new measures beyond the energy conservation and development of domestic energy sources initiatives launched in April and November 1973. These new measures included the establishment of the Strategic Petroleum Reserve, along with a national 55-mph speed limit on US highways, and, later, the imposition of fuel economy standards by President Gerald R. Ford's administration. It also prompted Kissinger's proposal to establish the International Energy Agency.

The embargo exposed one of the most difficult issues confronting US Middle East policy: balancing the contradictory demands of unwavering support for Israel and maintaining close ties with Arab oil-producing monarchies. The strains on US-Saudi bilateral relations demonstrated the difficulty of balancing those demands. The United States' response to the events of 1973–1974 clarified the need to balance US support for Israel with foreign and domestic economic policies to counterbalance Soviet influence in the Arab world.

OPEC provided 56 percent of the world's crude in 1973, which is why the 1973 Oil Embargo had a significant impact on the economies of several dominant countries that had become heavily reliant on imported oil.