5

Post-Hegemonic Regimes and the Prospects for International Cooperation

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This research shows the limitations of institutionalist assumptions concerning the prospects for the success of international regimes. After showing the theoretical shortcomings of institutionalist and neo-liberal deductions, I propose a "state-power" model for better understanding regime dynamics. I test my propositions with an extensive case study that traces the Western oil regime from its creation under the global hegemony of the United States through its demise after the United States lost relative power in the petroleum issue area. I also show that attempts by the West to re-create a viable oil regime to counter OPEC power have been unsuccessful.

Since the late 1960s, the concept and study of international regimes has remained a vibrant research area in the field of international relations. The upsurge in regime scholarship is, in part, a response to examinations of the relative decline of U.S. power and global stability. Interest in regime theory can also be attributed to its transideological appeal. Indeed, both liberal institutionalists and structural realists recognize the existence of regimes, although the two groups disagree on their usefulness in explaining the behavior of states in the international system. Realists such as Kenneth Waltz acknowledge the concept of a regime, but see regimes only as formal representations of the underlying power relationships that created them and keep them functioning (Waltz, 1979, 118). Regimes themselves are assumed to play a minimal role in influencing state behavior. In contrast,

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neoinstitutionalist and liberal scholars argue that once regimes are in place and their frameworks are understood, they can constrain and condition the behavior of states, and continue to do so despite shifts in the distribution of power(Kratochwil and Ruggie 1986, 760).

This study first defines regimes and analyzes the variables that lead to their formation, existence, and decline (Krasner 1976, 343; 1993). It then presents the theoretical basis for the central proposition that the survival of a regime in a period of hegemonic decline depends on the distribution of relative power within the regime. The study concludes that without a predominant power in specific issue areas to uphold the principles of the regime, dilemmas of common interest (Stein in Krasner, ed. 1983, 120) and corresponding collective action problems (Olson 1971) will lead to suboptimal outcomes for most states.

Because energy is closely related to state capabilities, power, and security, it provides an appropriate testing ground for the evaluation of cooperation between states. Since the oil regime is one that relates directly to states' vital interests, power can be isolated as an overriding variable. This article's propositions are tested by analyzing the post-World War II rise, decline, and failed re-creation of the Western oil regime. The main thesis of this paper—that a predominant power is necessary, though not sufficient, for a strong regime—is tested with an analysis of the four decades following World War II.

Theoretical Overview and Deductions

Hegemonic stability theory provides a useful framework for studying the systemic effects of shifts in state capabilities. From this analysis, further assumptions concerning power, change, and cooperation among states can be formulated and tested.

For the purposes of this study, regimes are defined as "rules of the game" in specific issue areas. The concept of regimes does not require the formal institutionalization of explicit rules, but it does include implicit patterns of cooperative behavior that embody principles, norms, rules, and decision-making procedures which "guide" the behavior of states (Keohane 1980, 133). Regimes are also the underlying values between states that make cooperation and agreement possible (Krasner 1983, 3). Thus, as Robert Jervis notes, regimes must be conceptualized as "not only norms and expectations that facilitate cooperation, but a form of cooperation that is more than the following of short-run self-interest." (Jervis in Krasner, ed. 1983, 173)

The study of international regimes can provide an explanation for the behavior of states in terms of changes in relative distributions of power. It also allows for an observation of the effects of "institutionalized" norms and expectations of behavior in relation to the power capabilities of states. Regimes may be viewed as a microcosm of the system as a whole. Thus, an understanding of the effects of shifts in power within regimes can give insight into how behavior is conditioned in the international system.

Regimes provide the necessary elements for optimal inter-state cooperation (Oye 1986, 1-24). These elements include shared interests, clear and valued rules, decreased transaction costs, increased communication and information, reduced numbers of players, and known penalties for breaking the rules. Cooperation should take place within such a framework. Findings to the contrary would severely hinder the institutionalist assumptions made in much of the cooperation literature.

Hegemonic Stability Theory and the State Power Model

Hegemonic stability theory is essentially a theory of power distribution and regime development. By definition, a hegemon is a state with disproportionate relative power in specific issue areas. If a hegemon loses relative power in an issue area, the regime created under the conditions of original asymmetrical leadership will fragment and eventually dissolve. If, however, the hegemon retains asymmetrical power in other issue areas the regime will remain strong (Keohane 1980, 144). Thus, using this interpretation of hegemonic stability theory, this paper argues that cooperation without a conventional "global" hegemon is possible, but for reasons different from those provided by institutionalist theory.

According to hegemonic stability theory, successful regimes can emerge only if there is an actor so dominant in economic, military and political resources that it can create conditions for the achievement of collective goods. The hegemon takes on the role of an Olsonian "privileged group," overcoming problems of collective action stemming from dilemmas of common interest, such as the prisoners' dilemma (Olson 1971, 48). A hegemonic state has the capability to maintain regimes that benefit it and other states by using coercion and positive sanctions to enforce the rules (Keohane 1980, 136).

Under realist assumptions, each actor in a given arrangement to provide a collective good has a dominant strategy to defect and free ride on the contributions of others. States also want to avoid being exploited. While all would benefit from the provision of the good, each pursues the same rational dominant strategy resulting in a Pareto sub-optimal equilibrium.

According to hegemonic stability theory, a dominant state absorbs costs in order to benefit from the long term political and economic stability associated with regimes (Kindleberger 1973, 291-294). One state must assume a leadership role in the system in order to guarantee that free riders will be detected and penalized, and that costs for the maintenance of the system are distributed proportionately (Gilpin 1975, 75). This leader must also provide security. Members should be confident that the leader can, and will, provide distress "goods" and management in times of crisis (Gilpin 1975, 79-80). Secondary states will not worry about the sanctity of agreements because the leading power will keep all states in line. Hegemony therefore provides "what otherwise has to be constructed more laboriously through multilateral international regimes: standards of conduct, information about others' likely patterns of behavior, and ways of providing incentives to states to comply with rules." (Keohane 1984, 180-81) Therefore, a strong leader is necessary for a strong regime; regimes "created" without such asymmetrical power may be considerably weaker.

Hegemonic stability theory defines regime change in terms of relative power distributions between states within the system. Robert Gilpin and other proponents of hegemonic stability theory argue that as a hegemon declines it will undermine the regime that it created (Gilpin 1975, 89). The hegemon becomes increasingly intolerant of free riders taking advantage of its "altruistic" initiatives. The declining hegemon begins to take advantage of its continued relative power to pursue more self-interested policies. The hegemon begins to act less as a benevolent shopkeeper and more as a predator seeking narrow self-interests (Krasner 1983b, 363).

However, this theory does not predict that continued cooperation is impossible after the decline of the hegemonic power, providing that the interests and social purposes of the major powers in the regime are congruent (Gilpin 1975, 91). Regimes are slow to change, in part because of the intrinsic value and "sunk costs" of member states. Because undoing the present system will be costly and of uncertain benefit (Krasner 1983b, 138), nations may continue to conform to regime dictates despite power shifts.

The Institutionalist Model

Alternatively, the institutionalist model posits that, once established, regimes "assume a life of their own and do not necessarily change even though the basic causal variables that led to their creation in the first place have altered." (Krasner 1983b, 358). This approach leads one to expect that certain values created by regimes themselves, such as a changed context for interaction, alter the behavior of states. For Robert Keohane this means that "international institutions change rational calculations of interest and facilitate mutually advantageous bargains among states." (Keohane 1984, 184)

Institutionalists view regimes as important not because they act as "centralized governments," but because they "facilitate agreements, and decentralized enforcement of agreements, among governments. They enhance the likelihood of cooperation by reducing the costs of making transactions that are consistent with the regime. They create the conditions for underlying multi-lateral negotiations, and legitimize... different types of state action. `Regimes' increase symmetry and improve the quality of the information that governments receive." (Keohane 1984, 245)

Thus, the effects that regimes have on individual state actions play into each actor's rational assumptions of costs and benefits. Regimes foster the principle of reciprocity with decentralized enforcement by establishing standards of behavior and improving ways to monitor compliance (Keohane 1984, 245). Regimes decrease transaction costs by providing a recognized forum for negotiations. They also decrease marginal costs of state interactions over time (Keohane 1984, 96) and enhance the quality of information exchanged between states.

Institutionalists posit that regimes create powerful networks to achieve common interests. They overcome the self-help nature of states' actions and foster mutual gains. For the institutionalists and liberal trade theorists alike, the mutual benefits of cooperation override the costs of defection. They do not believe that asymmetrical power resources within regimes are necessary for their success. While some authors (Keohane, Stein) believe a power might be necessary initially to create a regime, others (Kratochwil, Young) feel that common interest is sufficient to create a successful regime. Both groups share the view that once regimes are established they become autonomous variables that constrain and shape state behavior in an orderly way. The legitimacy of international regimes emerges from the vested interests of the member states. Even if the underlying reasons for a regime's formation are no longer present, a regime should continue because the benefits reaped from the regime still outweigh the expected costs of creating a new one.

There are three major shortcomings to the institutionalist approach. The first, and most important to scholars of international relations, is that states perceive different situations according to a "hierarchy" of interests. Some issues that call for interactions among states require cooperation, but others are one-time prisoners' dilemmas.

The state's action is determined by an evaluation of relative versus absolute gains (Grieco 1990) and a differentiation of issues of importance. States act more conservatively when they feel that they are losing relative power in any relationship. It is also very difficult for states to identify the "vital issues," although clearly there are hierarchies of concern. The prisoners' dilemma payoff structure should become more conducive to an optimal solution as the benefits of being a free-rider rise relative to the costs of being exploited. Regimes in areas of vital concern, such as oil, should be predicated and assessed on more than just slippery notions of "norms" and "legitimation." As the costs of exploitation rise, so will the need for an underlying power to enforce mutual cooperation.

The second shortcoming of institutionalism is that many scholars overlook the underlying assumptions about the creation of a regime. According to Arthur Stein, a regime can survive the disappearance of the power asymmetry that created it because of the following factors: (1) states do not assess their power positions very often; (2) the value of "sunk costs" may preclude the regime's collapse; and (3) the fear that a violation of common legitimacy decreases the possibility of future agreements (Stein in Krasner, ed. 1983, 138-39). In other words, regimes shift the criteria by which decisions are made and remain even if the "creating" power decreases or new ones develop. Regimes cause states to adopt joint-maximizing instead of self-maximizing behaviors.

Thus, institutionalist scholars assume away the dilemmas that caused power to be necessary for regime creation in the first place. In a regime that is providing a collective good, with no real sanctioning power to penalize violators, common interest is the only remaining incentive for participation. Free-riding will become each state's most preferred outcome. Furthermore, with no "guarantor" to stabilize the regime in times of crisis, states become increasingly reliant on the "cooperative" policies of other parties, rather than a large power to ensure behavior.

Finally, institutionalists make unsubstantiated assertions about the strength of "symmetrical" international regimes. They assume that the success of post-hegemonic regimes is due to the institutionalization of norms, but fail to assess the relative power distributions within that specific regime. Moreover, in many of the regimes studied by regime theorists it is difficult to really know how robust the regimes are; some may be ready to crumble at the first sign of trouble.[1]

Defining Power, Leadership, and Common Interest

In regime analysis the leading state seeks power not only to fulfill individual desires, but also to provide long-term benefits for the group—benefits that would normally be unattainable due to the prisoners' dilemma. In the context of this study, power is dependent not only on the distribution of capabilities within specific issue areas, but also on the allocation of "sensitivities" and "vulnerabilities." Sensitivity refers to the costs states incur due to changes within a regime. In contrast, vulnerability refers to states' capacity to handle the breakdown of the regime. The distribution of tangible resources and vulnerabilities in different issue areas determines who sets the rules in interstate relations. As Thucydides said, "the strong do what they have the power to do and the weak accept what they have to accept." (Thucydides, trans. Rex Warner 1972, 402) The distribution of power, on the other hand, determines the outcome of arrangements in general (Krasner 1993, 6-8). To be strong and successful a regime requires two other variables in addition to a preponderant power: common interest and the willingness of the strong power to "lead."

Neoinstitutionalists have made important contributions to regime analysis by assessing the role of common interest in interstate cooperation.

They argue that common interest is crucial for achieving the mutually preferred outcomes that are a necessary part of strong regimes.

In strong regimes, as explained by hegemonic stability theory, there is also the need for a dominant power to assume the role of stabilizer and example-setter (Kindleberger 1973, 291-94). According to Charles Kindleberger, leadership is exercised when one actor persuades others to follow a given course of action that would not be in their short-run interest if they were acting independently (Kindleberger 1981, 243). Even though Kindleberger views a successful hegemon as "altruistic," he also states that a true leader uses strong-arm tactics such as arm-twisting and bribery. The leader alternatively accepts a disproportionately small share of the "good" provided by its management as an incentive to others to abide by the rules.

Testable Propositions

This study contends that the regimes that continue after the decline of a global hegemon will be weaker and less capable of crisis management. If they remain strong, it is probably due to (1) a continued power source in that specific issue area, or (2) the fact that the regime does not involve vital state interests. Hence, regimes that continue after the predominant power declines will lack (1) the robustness of the original regime to handle crises, (2) the confidence of the member states, and (3) an effective mechanism to deter costly defection.

Stephen Krasner notes that "interests alone, have not been able to constitute an international order. It has always been necessary to have some political power that can provide collective goods and enforce rules and norms." (Krasner 1978, 86). Hegemonic stability theory provides the foundations for a strong state-power model concerning regime creation, change, and demise. Along these lines, this study proposes that post-hegemonic regimes fade away as the power of the state that upholds them falls to a level more equal to other states' capabilities in a specific issue area. This could happen in four different ways: (1) a shock that tests the robustness of the regime, (2) a gradual erosion of confidence as rules are undermined, (3) a shift in power, and (4) a demise in common interests.

According to the institutionalist model, interstate cooperation without a strong global leader is unlikely. Nevertheless, this study proposes that a global hegemon is not necessary for the success of issue-specific regimes; a regime leader can play the same role. A regime without a strong leader may also endure due to normative expectations and past successes—provided no major crisis disrupts the status quo.

The following propositions are tested in the case study which follows:
Proposition 1: A decline in the leading power's capabilities and its willingness to enforce the rules result in a frail regime. This frailty is demonstrated by a regime's lack of robustness and inability to manage crises and maintain stability.

The lack of an effective political leader and provider of "confidence" leads to the demise of the regime as (1) the regime confronts unexpected shocks, (2) states become unwilling to pay the additional costs for maintaining the regime, and (3) states lose confidence in the regime. As uncertainty grows, players begin to view the situation as a last play in a sequence of prisoners' dilemma games. There will be an incentive to cheat against the system in pursuit of short-term self-interest (Avery and Rapkin, 30).

Proposition 2: A regime will not be created without the presence of a strong leader, even if states share perfectly compatible interests. This leader, however, is not necessary to the continuance of the regime, given no major crises in the system.

The Case of Oil

The rise and decline of Western oil regimes provide a unique opportunity to trace the factors involved in regime development and tangible shifts in the distribution of power. State power and institutionalist assumptions can thus be directly tested within this framework.

For analytical purposes, the following overview is divided into three time periods. The first covers the formation and composition of the post-WWII, U.S.-sponsored oil regime. The second incorporates the decline of U.S. power and the U.S. oil regime, the rise in power of the Organization of Petroleum Exporting Countries (OPEC), and the effects of this power shift on the traditional regime during the decade. The third period includes the attempts to create a new Western oil regime and analyzes the effect of that regime on the behavior of member states.

Within these three time periods, the crucial analysis centers on the effects of five oil crises that occurred between 1950 and 1981: the 1956 Suez crisis, the 1967 Arab-Israeli War (period one), the 1973 Arab-Israeli War (period two), the 1979 Iranian Revolution, and the 1980 Iran-Iraq War (period three). The conclusion relates the findings to the propositions.

Period I: Forming the Traditional Oil Regime (1947-1969)

The connection between oil and state power is not new. As early as 1905, when oil was used mainly for household purposes, Britain protected oil drilling operations in Persia (Business Week Team 1980, 101). As oil became an integral element of industrialization, the major powers attempted to gain as much control over it as possible.

Following World War II, the United States emerged as the world leader by fostering economic and political recovery in Europe and Japan. By 1953, the U.S. "hegemony" controlled 53 percent of global oil production, 54 percent of steel production, 42 percent of iron production, 17 percent of wheat production, 50 percent of international financial reserves, and 30 percent of total world exports; it also spent over 30 percent of global military expenditures (Gilpin 1975, 344). Between 1945 and 1947, the United States provided more than $9 billion in economic assistance to Western Europe. In 1947, the U.S. initiated the Marshall Plan, under which oil was the single largest "import" for most Western European countries. Oil, however, was provided to Europe indirectly through a cartel of major international oil companies that controlled over 90 percent of all oil reserves outside of the United States (Painter 155-56).

The oil cartel controlled production, pricing and the distribution of the West's oil supply. The United States maintained considerable influence over these companies and tolerated the cartel in order to ensure unrestricted American access to inexpensive oil. Washington was even prepared to waive antitrust laws in times of crisis to allow intercompany collaboration. The bilateral relationship between the United States and the oil companies, supplemented by extensive U.S. domestic reserves, was the hinge of the postwar oil regime.

Although there were never any formal arrangements to institutionalize an official oil regime (until the International Energy Agency agreement of 1974), after 1947 the Western nations acted under the guidelines of an international regime. Actors' expectations converged around certain principles, norms, rules and procedures, allowing for the maintenance of mutually beneficial cooperation. Free access to oil at stable prices provided the incentive for Western nations to adhere to the regime. The norms of the regime consisted of the international oil companies providing Western Europe and Japan with Middle Eastern oil, to be replaced by U.S. domestic resources in times of crisis. The principle rule of the regime involved consuming countries maintaining low barriers for major producers and high barriers for new producers. In return, major producers limited price competition (Keohane 1980, 133).

This regime was made possible by the predominance of U.S. power in oil issues and a vested interest in maintaining vibrant economies in Western Europe and Japan. The basis for U.S. hegemony in petroleum centered around (1) its vast political influence in the Middle East, especially Saudi Arabia and Iran; (2) its close ties with the international oil companies that led to a convergence of interests in the distribution of oil; and (3) its minimal dependence on imported oil due to the availability of large oil-producing capacity at home.

As predicted by hegemonic stability theory, the United States incurred costs and accepted a certain amount of free riding by others in order to achieve a long-term stable oil regime. Under normal circumstances, U.S. oil producers had trouble competing with cheaper foreign oil; however, in times of crisis, the United States provided domestic supplies to its allies and absorbed shipping and other expenses to ensure "business as usual" for the West. These U.S. financial outlays ensured the smooth operation of the regime.

Also in keeping with theory, the United States repeatedly demonstrated leadership during the creation of the oil regime. This included supplying Western Europe with U.S. oil during the Mossadegh nationalization attempt in 1951 and forming a new oil business order in Iran against the wishes of the British. However, the first real test of the regime's strength and longevity was the 1956 oil shock.

SHOCK I

By the mid-1950s, 90 percent of Western Europe's and 95 percent of Japan's oil supply came from the Middle East (Kapstein 1984, 100-01). The United States, however, relied primarily on domestic supply. At that time, U.S. domestic reserves accounted for over 20 percent of the West's total oil reserves (Darmstadter and Landsberg 1975, 30-31). This asymmetry of power capabilities, along with a common interest in the access to oil at fair market prices, allowed a strong regime to remain functional despite the 1956 shock.

Because 70 percent of Western Europe's oil supply travelled through the Suez Canal, Nasser's plan to nationalize it in July 1956 represented a security threat to the West. This "threat" was used as justification for the invasion of Egypt by France, Britain and Israel in late October in an attempt to regain control of the waterway. As a result of this military action, Nasser shut down the canal. The closure, along with Syria's blockage of the Iraq Petroleum Company (IPC) pipeline to the Mediterranean and Saudi Arabia's embargo of oil shipments to Britain and France from the Trans-Arabian pipeline (Tapline), forced Western Europe to face the prospect of losing 1.8 million barrels of imported oil per day (Kapstein 1984, 102).

The United States was quick to act with its vast economic and political resources. Under the leadership of then-President Dwight D. Eisenhower, the United States established a Middle East Emergency Committee (MEEC) under the provisions of the Defense Production Act of 1950 (Keohane 1984, 170). Comprised of the major U.S.-based oil companies, the MEEC devised a plan to increase domestic production and re-route tankers to Western Europe around the Cape of Good Hope. It also called for the reinstatement of mothballed tankers and the use of several U.S. naval vessels to provide extra distribution capacity.

Although the United States did not support the nationalization of the Suez Canal by Nasser, it viewed the allies' military action unfavorably. Washington maintained that military action violated international law (Kapstein 1984, 102) and could escalate into a superpower war. Eisenhower halted the emergency oil supply plan, chastised the allies and demanded their immediate withdrawal. After receiving assurances of allied withdrawals by the end of November, Eisenhower implemented the MEEC plan. Faced with the direct threat of a severe oil shortage, Britain and France had no choice but to comply with the wishes of the United States.

Once the withdrawal of British, French, and Israeli troops was underway, the United States successfully met the oil needs of the Western industrialized world. To ensure increased production, Eisenhower threatened the Texas Railroad Commission (the oil sanctioning board that reduced production to raise prices) with a federal takeover if it did not increase production. Production increased from 3.3 million barrels per day (mbd) in November 1956 to 3.73 mbd in March 1957, thus considerably easing the European shortage (Kapstein 1984, 103). With the increase of over 400,000 barrels per day provided by the U.S., the diversion of extra oil to Western Europe, and the new tanker schedules, the oil crisis subsided by March, without a noticeable change in price (Keohane 1984, 158). By the end of May, the Suez Canal and the oil pipelines were reopened and the MEEC was disbanded (Kapstein 1984, 103).

The success of the emergency sharing plan in 1956 demonstrates the necessity of power in order to achieve desired outcomes amid divergent interests. Although there was a common interest in maintaining access to oil at a low price, the United States and its two most powerful allies (Britain and France) also had differing interests in the Middle East, especially regarding the Suez Canal. The United States, because it controlled immense resources (oil and transportation) that it could redistribute at relatively low cost, was able to achieve its preferred outcome.

The Organization of European Economic Cooperation (OEEC) states had confidence in the regime because the U.S.-sponsored MEEC was distributing oil equitably to all states confronted by a shortage. Therefore, individual states did not enter oil markets unilaterally and/or seek bilateral arrangements that would have affected the market price. While Britain and France disagreed with U.S. action, most states felt that the United States was exerting its power and leadership in a mutually beneficial way. The 1956 shock demonstrates that universal access to low-cost oil by the West was considered a "public good," although states could be excluded for unacceptable behavior.

In the early 1960s, the OEEC became the Organization for Economic Cooperation and Development (OECD), adding the United States, Canada, Japan, Australia and New Zealand to its list of members (Kapstein 1984, 102). As Western European, Japanese, and American dependence on foreign oil increased steadily, the Oil Committee of the OECD became the most important part of the organization. By 1966, OECD members consumed 1.1 million metric tons of oil each day, with Western Europe requiring 35 percent of the total (Kapstein 1984, 103). Western Europe and Japan were now importing over 95 percent of their petroleum requirements, while the United States purchased up to 21 percent of its oil from the Middle East. Hence, during the 1960s, the Oil Committee began recommending that members develop 90-day emergency reserve stocks in case of another crisis. The committee was also planning for crisis communication between the major oil companies and the OECD members to prevent a shortage panic (Kapstein 1984, 103).

SHOCK II

In 1967, Egypt, Jordan, Syria and Iraq signed a pact apparently in preparation for an attack on Israel. On June 5 of that year, Israel launched preemptive air strikes against Egypt and Jordan, destroying most of the Egyptian and Jordanian air power on the ground, and directed attacks against Syria. By June 10, Israel had won the war and gained vast territory (Kapstein 1990, 143). In retaliation, on June 6 the Arab oil producers agreed to cease all oil exports. This was the first time that all Arab nations had unanimously used an oil embargo as a weapon against the West (Kapstein 1990, 143). The IPC pipeline, the Saudi Tapline, and the Suez Canal were all blocked. The OECD was faced with a 5 mbd shortage of oil comprising 65 percent of its normal daily supply (Kapstein 1990, 144).

As in 1956, the United States relied on presidential leadership (this time from Lyndon Johnson), along with collaboration from the OECD and oil companies, to increase Texan production and develop alternate tanker schedules with a greater number of sea vessels. This was done under the auspices of the Emergency Petroleum Supply Committee (EPSC), which functioned much like the 1956 MEEC. By July 1956, shipments of crude oil from the Gulf coast were 650,000 barrels per day above the normal level (Kapstein 1990, 148).

The increase in U.S. supply can be seen through comparison of U.S. exports before, during, and after the crisis. U.S. crude oil exports in 1966 were around 1.5 million barrels. In 1967, the total had increased to over 26 million barrels, but fell back to 1.8 million barrels the following year (Kapstein 1990, 149). With the large increase in U.S. oil supply, OECD oil requirements were restored to virtually normal levels by early August 1967 (Kapstein 1990, 148).

The situation was also aided by several Arab states (Kuwait, Bahrain, Qatar). that unilaterally exported oil to make a quick profit after observing that the United States had successfully circumvented the embargo (Kapstein 1990, 148). Several months later, the rest of the Arab states ended the embargo. Although the Suez Canal remained closed, all other Arab petroleum exporting facilities began to function again at full capacity, and regional oil production and exports were restored to normal levels (Kapstein 1990, 107).

Once again, the U.S.-led oil regime expediently and effectively countered a potentially devastating oil shock. Although some allies (most notably France) distanced themselves from the United States' pro-Israeli stance, there was a common interest in keeping the Western supply of oil flowing at its normal rate and a shared faith that the regime was capable of equitably supplying its members with oil. As the leader of the regime, the United States acted as a "supplier of last resort" by convincing the OECD members that their energy needs would be met at all costs. The United States incurred the costs of the redistribution of sea vessels from other areas, the vast depletion of domestic reserves, and the cutbacks at home despite a low dependence on embargoed oil. Without such an asymmetrical U.S. contribution to the management of the crisis, OECD members would have acted unilaterally, decreasing the collective good.

Period II: Decline of Hegemony and OECD Autarky (1969-1973)

Following the 1967 shock, external and internal factors combined to cause a shift in power from U.S.-controlled Western oil companies to those of host countries in the Middle East, North Africa, and elsewhere. A decline in U.S. oil production capacity, increases in domestic demand for oil, and production shifts among foreign oil exporters weakened the traditional regime and contributed to its demise (Keohane 1984, 142). As U.S. asymmetrical capabilities in oil declined, the American role as "supplier of last resort" deteriorated, placing the United States in competition with its allies for foreign oil. In keeping with the state-power model of regime change, as the power of the leader diminished, the corresponding regime withered.

Domestically, several factors led to an increase in U.S. dependence on foreign oil. The most important was the Mandatory Oil Import Program (MOIP) devised in 1959 under President Eisenhower. The MOIP was an attempt to decrease U.S. dependence on oil imports, which had tripled between 1948 and 1957 (Keohane 1984, 174). To protect national security and the politically powerful domestic oil companies, the government set an import quota of 12 percent of total domestic use (Schlesinger 1988, 12). The MOIP did, for a time, increase domestic oil revenues and lessen U.S. dependence on foreign oil; this, however, was achieved at the expense of domestic reserves. The traditional oil regime paid the price for this policy at the end of the 1960s.

As a result of the reduction in U.S. domestic production capability, the MOIP finally was overturned in 1973. Due to the depletion of reserves under the MOIP, by 1973 the United States only had 10 percent excess production capacity, compared with 25 percent in 1967 (Keohane 1984, 147). In that year the United States imported over 35 percent of its oil, which came to almost 20 percent of its total energy supply. Clearly, the U.S. had lacked foresight in devising its energy policy in the 1950s and 1960s. An increase in U.S. dependence was also caused by lags in the completion of nuclear power plants, resistance by the environmental movement to the use of coal, and increased industrial energy demands (Darmstadter and Landsberg, 27-28).

The U.S. role as the crisis supplier of oil was, by 1973, almost negligible. American society consumed virtually all the oil it produced, while U.S. production capacity steadily diminished (Kapstein 1984, 162). In 1950, the United States had 53 percent of world petroleum production capacity; by 1976 its capacity had fallen to only 14 percent. External factors that contributed to the decline of U.S. oil power were the consolidations of oil production, operation, pricing and distribution by the host nations in the late 1960s and the early 1970s. Although OPEC was formed in 1960, it became capable of negating the traditional Western regime only after it achieved vast influence in production and pricing decisions.[2]

The United States publicly accepted this outcome for two reasons: (1) compensation was paid to the international oil companies in accordance with international law and (2) Arab regimes remained aligned with the United States rather than the Soviet Union. The traditional Western oil regime was based on the norm that the private sector would supply alliance oil needs at low cost. The oil companies stabilized the regime by following the rule of treating all consumers equally with respect to purchasing opportunities. Confident that the United States would supply them with oil during an emergency, states did not make unilateral side deals and spot purchases. Thus, supply and prices remained stable through normal and crisis periods (Kapstein 1984, 110-111).

With the dramatic rise in oil prices beginning in 1970 (prices rose almost 600 percent between 1970 and 1974), and the knowledge that supply was now in the hands of politically volatile Middle Eastern governments, members of the OECD began to view the act of purchasing oil as a zero-sum game. Since oil was limited in supply, one state's gain was another state's loss (Kapstein 1984, 111). By early 1973, bilateral deals between producer and consumer nations were increasing rapidly, drastically reducing OECD coordination and increasing the power of OPEC to raise prices at will.

A feeling of insecurity developed in the OECD. As predicted by the state-power model, dilemmas of common interest became apparent. In the spring of 1973, Japan, France, Italy, the United Kingdom, and West Germany initiated spot and bilateral deals in violation of the norms and principles of the oil regime (Kapstein 1984, 160). By May, the Western nations were involved in an "oil scramble." "The bilateral deals, designed to enhance national security through energy supplies, caused a rapid escalation in costs for all consuming nations." (Kapstein 1984, 111) The inevitable result was market chaos.

Members of the once stable regime now feared being exploited by other members and were faced by a classic prisoners' dilemma. Cooperation between all OECD importers would have kept prices down, increased the (bargaining) power of the OECD, and decreased the power of OPEC. Instead, dilemmas of common interest overwhelmed the situation as states began securing as much oil as possible. Many Western states distanced themselves from the United States and its pro-Israeli stance. Some states became emphatically pro-Arab, and actually made arms-for-oil deals with several anti-Western oil producers such as Libya and Egypt (Kapstein 1984, 160). To the OECD members, bilateral deals, a pro-Arab stance, and unilateral stockpiling of oil reserves appeared the only way to ensure a stable supply of oil. The United States, the former leader of the regime, now became viewed as an oil competitor and a threat to the Western oil supply because of its Middle East political agenda (Kapstein 1984, 162).

Although communication existed between the OECD oil committee, oil producers, and consumers, the strength of the traditional regime was at an all-time low by October 1973. The shift in norms (bilateral deals), principles (no oil company collaboration and U.S. reserves in case of a crisis), and rules (spot purchases and purchases from minor producers), left the regime very vulnerable. It appeared likely that the regime would fall apart at the first sign of trouble.

SHOCK III

In October 1973 another Arab-Israeli war erupted. The Middle Eastern OPEC nations launched an immediate embargo against the United States and the Netherlands and cut off supplies to other West European nations based on "the level of support they offered Israel." (Kapstein 1984, 111) In December, OPEC abruptly quadrupled the price of oil (Kapstein 1984, 111). As one Arab commentator said, "the situation presented an opportunity to make money and be a patriot at the same time." (Kapstein 1984, 165)

Because of OPEC's manipulation of the oil market, available world oil supply fell by 7 percent between October and December, and by March 1974, was still 5 percent below normal (Keohane 1984, 222). Arab leaders stated that they would not "harm any friendly state which assisted... the Arabs actively and materially." (Kapstein 1984, 165) In response, Western Europe and Japan, fearful of running out of oil, openly supported the Arab cause. Britain shipped arms to the belligerent Arab states in exchange for an oil agreement. France openly supplied weapons to Libya and Saudi Arabia that were subsequently sent to Egypt and Syria. All NATO nations except Portugal denied landing rights to the United States for transport planes to Israel (Kapstein 1984, 165). Japan also openly supported the Arab cause (Keohane 1984, 222).

The Western alliance was divided, and all remnants of the old regime were gone. Although the Arabs resumed normal deliveries to such pro-Arab Western states as Britain, France, Spain and Japan, intense competition for oil by the allies continued. Even though most OECD members had high reserves, nations were making ad-hoc and spot market purchases to gain as much oil as possible. This dilemma of collective action led OPEC to follow the spot market price and increase the official price of a barrel of oil from $3.00 before the war to $12.00 by the end of December (Keohane 1984, 223). The scramble-induced price increases led to a decline in total world production by 6 percent and a loss of almost $1 trillion in revenues.

In many ways, Western Europe's and Japan's response to the oil shock of 1973 is not surprising. In the absence of supply guarantees, interalliance coordination proved fruitless. Each state acted in accordance with its immediate self-interest, breaking agreements and turning against former allies. As Keohane said, "the 1973 crisis illustrates the severity of collective action when uncertainty is high and no institutions for reducing it exists." (Keohane 1984, 223) Each actor behaved in the crisis as if it were involved in the last play of a prisoners' dilemma, and defected in fear of a supply shortage (Keohane 1984, 223). While all would have profited from coordinating policies and a plan for stable purchasing to confront the OPEC extortion, the regime lacked an effective leader. Thus, because the traditional regime was no longer valid, a Pareto sub-optimal equilibrium was inevitable.

As in 1956, the crisis of 1973 was marked by differing strategic policies among allies. However, with the United States no longer powerful in the oil area, Washington was unable to insure a common solution to the crisis. Because power and leadership were absent in 1973, political differences resulted in a sub-optimal solution (Kapstein 1984, 192).

The 1970s were marked by a notable decline in the United States' relative economic power. The U.S. GNP was still 3 times that of its closest non-communist rival (Japan), but had decreased from over 60 percent of the world total in 1950 to 30 percent by 1976 (Keohane 1984, 199). Crude steel production was down from 53 percent of world total in 1950 to 14 percent by 1976, iron production declined from 42 percent to 10 percent, international financial reserves went from 50 percent to seven percent, and exports were down from 18 percent to 11 percent of world total. As shown above, the most dramatic decline of U.S. power came in the oil area. While the United States maintained vast power in many areas (military, trade, GNP, etc.), the decline in oil was relative and absolute.

In 1973, U.S. military intervention in the Middle East was less likely because the costs of such an operation, including the transfer of U.S. forces from elsewhere, would have been excessive (Business Week Team 1980, 95). Thus the oil producers did not perceive American military power as a viable or credible threat to their security. As stated above, a second U.S. power base was its vast economic strength. While this power could not foster a solution to the shock of 1973, it did bring the allies to the negotiating table in 1974 to devise a plan to prevent similar fiascos in the future.

Period III: An Attempt at a New Oil Regime for the West (1974–1980)

Beginning in early 1974, the United States held a series of international energy conferences which became the International Energy Agency (IEA) (Lantzke 1975, 225). The Europeans were originally cool towards the idea, fearing that the United States was pursuing its own political agenda. Finally, thinly veiled threats by Secretary of State Kissinger to reduce the role of the United States in the European security system eventually brought the OECD to the negotiating table (Gilpin 1974, 255). The IEA was signed by all 16 OECD members with the exception of France; but, because IEA headquarters were located in Paris, France maintained active involvement (Lantzke, 224).

The problem perceived at the Washington Conferences was correctly labeled "a dilemma of collective action." All members of the OECD shared an interest in maintaining access to oil at reasonable prices. Therefore, they agreed on the need for devising a regime to ensure purchasing policy cooperation. The IEA was thus created primarily as an emergency oil-sharing scheme to insulate members from supply shortages.

Functioning to replace the previous "security system," the emergency sharing plan consisted of three basic principles. The first required that each country build up its own emergency reserves to 60 days' worth of normal supply, providing a buffer to allow for policy coordination in case of a crisis. The second principle instituted an understanding that any crisis (defined as a supply shortfall of 7 percent or more by at least one member) would activate a allotment system that would aim for equitable burden sharing and distribution. The third called for immediate political consultation in the event of a crisis (Lantzke, 224).

In addition to the emergency scheme, the IEA had vital "everyday" functions. A full-time oil information system was devised to coordinate activities between the IEA, the oil companies, and the producers (Kapstein 1984, 113). This system was to provide reliable information to all members and thus overcome the collective action problems of information sharing (Kapstein 1984, 111). Each state also agreed to the concept of a yearly energy policy "audit" that would be published for all to see. Transparency would increase, free riders would be chastised, and compliant states would be lauded. Thus, peer pressure and reputation played a significant role. The IEA also had long-term functions such as researching alternative energy sources to decrease oil dependence.

As seen above, the IEA regime incorporated many of the recommendations of the "cooperation-under-anarchy" theories discussed earlier in the paper. There was a shared interest, clear and valued rules, low transaction costs, increased communication and information, a set number of players with a high level of transparency, and a penalty for deviant behavior.

In light of the fiasco of 1973, obviously the most important function of the IEA was to provide the basis of belief that external events would not affect the supply of oil. This attempt at crisis management in the absence of a leading power (Keohane 1984, 224) would be handled by the IEA

Secretariat. The Secretariat was charged with dictating the emergency distribution plan, and was to replace the United States as the leader of the regime. This time, members had to rely on the cooperation of all other states, rather than on the leadership of one. "Agreement" had replaced "assurance" for guaranteeing members a continued oil supply.

By the end of 1978, the IEA was an "operational organization clearly oriented toward facilitating cooperation among the advanced consuming countries." (Keohane 1984, 224) The IEA regime was complete with a central organization, the Governing Board, that members were obliged to follow. An Emergency Management Manual, handed out to all members in 1976, incorporated the plan of action in the event of a supply crisis (Keohane 1984, 225) This plan was tested when a crisis arose the following year.

SHOCK IV

In 1978, the contract between Iran's oil workers and the nation's foreign oil consortium expired. Because of wide differences between the parties over the new contract, strikes erupted at the major Iranian oil fields in September (Kapstein 1984, 185). The oil workers' strike fomented anti-Shah feelings in Iran. Government forces fired upon a crowd of peaceful demonstrators in late September, killing 4,500 people and providing the catalyst for the Iranian Revolution. Iranian exports ceased in January and February of 1979, leading to a total production decline of two mbd or 4 percent (Kapstein 1984, 185).

Despite the fact that oil supplies to OECD countries were not nearly as threatened as they had been in 1973 (when there was a 7 percent drop in supply), the West panicked. The IEA immediately attempted to restore confidence by reporting that market conditions were less severe than countries feared. The Governing Board provided continuous reliable information on set prices and spot fluctuations. The IEA, however, was unable to control the unilateral actions of its members. As Kapstein reports, "nations fervishly [sic] 'paid any price' for oil supplies. The oil scramble created a vicious circle leading to chaos. Member- states acted unilaterally in disregard of their obligations to the [IEA] and its guidelines. Consumed by domestic fears, IEA members failed to see the benefits of collective action." (Kapstein 1984, 185)

More than in 1973, the situation in 1979 was viewed as a zero-sum game. Two factors were responsible for this result. First, by 1979 the United States was 50 percent dependent on foreign oil (over 20 percent of total energy supply), and contributed as much to the scramble for oil as any other nation (Keohane 1984, 199). Far from being the leader of assured supply that it once was, the United States hoarded and conducted unilateral dealings.

The second factor was that the international oil companies controlled only 50 percent of the oil trade in 1979, whereas they had controlled 90 percent during the 1973 crisis (Keohane 1984, 226). Direct deals were more commonplace, and consuming states felt vulnerable to supply manipulation. With no real "equitable" oil company distribution, hoarding and spot purchases were common, causing official oil prices to rise along with the spot market.

Kapstein concludes that "despite common interest in containing the economic shocks caused by the Iranian Revolution, the allies were defecting from agreements and making a bad situation much worse." (Kapstein 1984, 190) Concerned that the others would take advantage of "the good" produced by its cooperation, each state adopted the rational policy of taking advantage of the common good. Without a leader to lend confidence by ensuring cooperation, the outcome was predictably Pareto suboptimal.

Iran previously had supplied IEA members with over 16 percent of their crude oil (over 3 million barrels per day). Even though Western states had built up large reserves, they were hesitant to draw on them. Instead, their scramble for oil led to drastic increases in spot prices, and increases in OPEC prices to $14 per barrel by November. Spot prices remained 20 percent above the official price, and as spot prices rose, OPEC's prices followed (Kapstein 1984, 185). By December 1979, prices reached $16.75 per barrel, and continued to rise throughout the spring of 1980 (Keohane 1984, 227).

The oil scramble brought a complete disregard of IEA rules by its members. While the Governing Board kept market information flowing to all members, recommended simultaneous stock drawdowns and reduced demand, members did not heed the advice of the "substitute leader" of the regime. On March 2, the Governing Board devised a scheme for members to reduce demand by 2 million barrels per day, or 5 percent of total consumption (Kapstein 1984, 187). Although the IEA agreed to the plan, most states failed to comply, hoping for a free ride on what they thought would be declining OPEC prices because of a glutted oil market (Kapstein 1984, 188). Not only were the IEA members neglecting to draw from reserves and decrease demand but, led by the United States, they were actually increasing demand to add to their already large stockpiles. During the first quarter of 1979, U.S. oil demand actually rose by 1.4 percent to 20.3 million barrels a day, the largest demand in US history (Kapstein 1984, 188).

Virtually the entire IEA membership behaved opportunistically. Spot market purchases, bilateral deals with producers, and purchases from ad-hoc suppliers were widespread, with each state buying as much oil as possible. As a result, prices doubled while production actually exceeded consumption (Keohane 1984, 129). As Keohane described, "the industrialized countries of the OECD inflicted on themselves one of the most disastrous events in their economic history." (Keohane 1984, 129). Although the IEA attempted to assuage the situation with accurate market information and rules regulating demand and stock draw-downs, its actions were largely ineffective. The IEA failed in its most important role as manager and "supplier of last resort" in an emergency sharing system.

For example, although overall supply for the OECD never fell below the 7 percent emergency-sharing system minimum, Sweden and Denmark requested emergency shares at the May IEA Governing Board meetings. The Governing Board assumed that these countries were experiencing a shortfall due to inflexible domestic price controls and unique winter shortages caused by ice buildup in their ports, and that these members were trying to take advantage of the regime and its sharing system (Keohane 1984, 229). Even when it found that Sweden's normal supply was down 7.7 percent, the Board did not implement the emergency sharing system (Keohane 1984, 230). The Governing Board failed to act because it feared that "actuation of the allocation mechanisms might cause panic and hoarding." (Kapstein 1984, 190) As Kapstein explains, this was "at odds with the very purpose of the emergency system to prevent a scramble for oil." (Kapstein 1984, 190) In actuality, the IEA realized that states would never accept the cuts involved with sharing. Thus even the Governing Board had no confidence in the IEA as a crisis manager.

Large reserve stocks, communication between states, agreed-upon rules to decrease demand, accurate market information, and "institutionalized" knowledge of how to work for the common interest were the only ways to achieve cooperation in the absence of a regime leader. In 1979, the institutionalized norms and procedures embodied in the IEA "regime" were universally overlooked. As in 1973, states could not act beyond their narrow self-interests to reap the benefits of cooperation. Each one feared being left in a worse position if it incurred the costs itself, or became vulnerable by cooperating while others took advantage of the benefits. In this case, a state's primary fear was to be left without oil in the long run, while others accumulated adequate supplies. Therefore, as predicted by the state-power model of regimes, without a hegemonic power in a vital issue area, a Pareto sub-optimal equilibrium ruled the day.

The 1979 crisis shows that cooperation without a preponderant power is unlikely in a vital area because of the absence of a "real" supplier of last resort. A common political agenda cannot overcome the dilemmas of collective action in such a case. Also, events in 1973 showed that despite the allies' shared interests in maintaining an adequate and cheap oil supply (the basis of the traditional regime), their difference over Middle East policy exacerbated the problem and divided a potentially strong group of consumers. In 1956, divergent policies did not affect the normal operation of the traditional regime because power and leadership were sufficient to keep the regime functioning. This comparison shows the ability of power in international relations to achieve preferred outcomes. When the United

States was dominant in resources and oil capabilities, it could influence the strategic policies of its allies. Although the United States remained the strongest global power in the early to mid-1970s, the relative decline in its capabilities in the oil area meant that it was unable to influence its allies towards a strategic policy during an oil crisis. By comparison, in 1979 there were no strategic conflicts among the allies. Without a leading power to foster cooperative behavior, however, common strategic economic interests could not ensure a preferred outcome for all members. As Kapstein concludes, "the IEA endured the (1979) crisis because the allies continued to have convergent interests, but it was ineffective because power and leadership were absent." (Kapstein 1984, 135)

In early 1980, the IEA met several times to devise a better way to handle a future shock and avoid the dramatic failure of 1979. The energy ministers agreed to raise stocks to a level that would cover at least 90 days' normal use (to increase Western bargaining power vis-à-vis OPEC) and prevent purchasing panics. To restrain demand, members committed themselves publicly to stated oil import targets, thereby putting their reputations on the line and providing incentives to comply. The IEA also set up a mandatory stock drawdown policy for any crisis of less than a 7 percent shortfall. Immediate consultation and coordination would now be expected to ease a 1979-type shock.

Even after the realignment, the IEA was still a weak regime. The OECD was heading into the next shock with the same confidence problems and unilateralism that underscored the 1973 and 1979 crises. States were unwilling to allow the IEA to assume any level of real power over their behavior. Stockpiling remained uncoordinated, still representing "national" rather than community interests. The supposed "binding" policy of demand restraint with set import numbers was useless. States declared numbers that were higher than their usual annual import figures to give themselves a "margin of safety." (Keohane 1984, 232)

SHOCK V

In September 1980, longstanding ideological and territorial disagreements between Iran and Iraq erupted into open hostilities. Since most of the opening battles of the Iran-Iraq War focused on the destruction of enemy oil production and distribution capabilities, the conflict soon removed 3.8 million barrels per day from the world oil market (around 4 percent).

The IEA acted decisively by meeting immediately and disseminating vital market and supply information to its members. State interests also acted quickly. Although stockpiles were at record high levels, uncertainty about market conditions and the duration of the crisis contributed to the fear of being caught in short supply, and resulted in an immediate surge in spot prices to over $40 per barrel (Kapstein 1984, 197). Despite immediate Governing Board recommendations for stock drawdowns (to decrease demand and steady the price rise), states once again went "purchasing crazy." Ad-hoc deals, such as Japan's agreement with Kuwait for guaranteed oil with a $5 premium per barrel, again caused market uncertainty and drastic price increases (Kapstein 1984, 198).

Still, the 1980 shock was not as lengthy or disruptive as the 1979 shock. By July 1981, prices were only 5 percent above the pre-war level (Keohane 1984, 197). Although the 1980 case is viewed by many institutionalists as an example of behavior modifications based on agreements, principles, and common interest, there were far too many other factors at work in 1980 to lead to such conclusions. In light of the evidence from the crisis, it appears that the IEA "regime" had, at best, only a minimal effect on the outcomes of state behavior.

Several factors were responsible for the easing of the 1980 crisis. First, by 1980 non-OPEC oil producers accounted for about 50 percent of the West's oil supply, not 10 percent as in 1973. This reduced Western dependence on OPEC and the influence of a Middle East supply shock on the oil market. Second, due to a global recession, the oil market in 1980 was very weak. Conservation policies in the West and enormous reserve stocks led to a supply glut and lower demand. Thus, the oil producers were the hardest hit by the recession. Combined with high interest rates in the recession economy, the oil glut resulted in a general consumers' market by the time of the crisis (Kapstein 1984, 114). By 1980, Nigeria and Venezuela, both hard hit by the recession, were at full production capacity. Third, by January 1981 Saudi Arabia had bolstered production in return for U.S. promises of protection against Iran and assured sales of U.S. AWACs (Kapstein 1984, 198). Finally, after the primary cutoff of supplies from Iran during the Revolution of 1979 (Shock IV), Iran added to the market glut by producing at maximum capacity in order to stimulate its economy. Following the initial battles of 1980, both Iran and Iraq were producing as much oil as possible to finance the war.

Keohane and Kapstein point to the 1980 crisis as an example of post-hegemonic cooperation due to institutionalized avenues of behavior. Keohane concludes that the IEA "facilitated coordination between governments and companies and reduced uncertainty by providing reliable information." The IEA's monitoring system and calm recommendations, Keohane suggests, "may have done as much to avoid a price rise as any other single measure." (Keohane 1984, 237) Kapstein concludes that the "establishment of the IEA signified a fundamental change in alliance energy management. In the absence of a supplier of last resort, the IEA members recognized that crisis prevention must be stressed. By providing market information and a pool of expert advice, the IEA helped alliance members to formulate appropriate energy policies. These policies contributed to the relatively successful weathering of the shortfall that accompanied the outbreak of the Iran-Iraq War." (Kapstein 1984, 177)

The IEA's contributions as an autonomous entity fostering mutually beneficial outcomes and a congruence of interests are questionable. The above four factors demonstrate the difficulty of making a direct causal link between IEA "regime" policy recommendations and crisis outcomes. It is true that several IEA recommendations were implemented : states drew down stocks at double the normal rate in the fourth quarter of 1980, oil companies sold rather than stockpiled oil, and ad-hoc purchases never reached the 1979 levels. It should be noted, however, that the IEA acted almost identically during the two crises by making the same recommendations. That the recommendations were "followed" in 1980 and disregarded in 1979 was less a product of IEA authority and more a result of unilateral initiatives in stock drawdowns, reduced spot purchases, and global economic factors. In fact, the use of stocks by members was never under direct IEA jurisdiction, and the large build-up of stocks (most members had at least 90 days of normal supply) was due to unilateral national security measures, not IEA rules (Keohane 1984, 232).

In 1980, the weakness of the IEA was shown by its inability to enact the emergency sharing plan. This time, Turkey was the country hardest hit by the supply shortage because 60 percent of its oil supply had been provided by Iran and Iraq. When it shortfall had crossed the 7 percent level, Turkey asked the IEA to initiate the sharing system. After prolonged talks (during which Turkey's oil supply dwindled to about five days' reserve), the Governing Board decided against initiating the sharing plan (Kapstein 1984, 198). Turkey was finally saved by the reopening of an Iraqi pipeline in early January 1981. Again the IEA failed in its primary task of fostering confidence in future oil supplies among its members, more evidence that states had no justification to place confidence in the IEA as a reliable leader of the Western energy supply.

There is no reason to believe that if the 1980 crisis had been as severe as the 1973 crisis (which involved a major political jolt and at least a 7 percent supply shortage) the actions of states and corresponding crisis outcomes would have been fundamentally different. The above analysis shows that interstate cooperation in the oil area remains very volatile. Cooperation is based more on external factors and conditions—and unilateral state responses to such factors—than on the principle of upholding agreements among states and the IEA.

Conclusion

In the years following WWII, the United States effectively served as the leader of the Western energy regime. With its preponderant power (domestic reserves, influence on oil companies, and distribution capabilities) and a willingness to lead, the United States directed the West through major crises in 1956 and 1967. Due to the dramatic decline in U.S. oil area capabilities in relation to OPEC and the West, the United States was unable to maintain this role in the shock of 1973. The traditional regime, still functioning on past momentum and continued common interest, became extremely frail and dissolved under the pressure of the first crisis it faced after the decline of the leading state (Proposition 1).

The attempts at a new energy regime following the decline in U.S. oil capabilities was unsuccessful due to the lack of a strong leader in the area (Proposition 2). Even continued American interest in upholding the regime, as well as U.S. global power, was not enough to stabilize the regime. Despite the fact that coordination can be mutually beneficial and cooperative policies have been embodied in the IEA "regime," states have acted in line with narrow self-interest in the oil area since the early 1970s. The IEA's emergency sharing system failed to inspire confidence in its members against the risk of running out of oil in 1973, 1979, and 1980. Thus, with no guarantor of supply, states took advantage of any situation and acted in their self interests (Proposition 1).

While access to oil at a reasonable price has remained the common interest of Western states, strategic policy has not always been the same among the members of the regime, as was the case in 1956 and 1973. In accordance with realist assumptions concerning the creation and enforcing of the rules of the game, the 1956 shock shows that power overrides conflicting interests. In 1973, when both power and common strategic policy were missing, the outcome was a pure conflict of interest. In 1979, when U.S. oil power was missing, but common strategic policy was present, the outcome was similar to that of 1973. This falls in line with the state-power realist model, which is based on an underlying assumption that power is the single most important variable in the international system.

The oil case confirms the assertion that regimes can function without a hegemonic leader in the absence of a crisis (1968-1972, 1974-1978). However, if that regime is confronted by a crisis of any magnitude (real or perceived), regime agreements break down as they did in 1973, 1979, and 1980.

Keohane argues that the most important function of the IEA should be to increase communication among states and act as a facilitator of agreements (Keohane 1984, 220). The United States, however, assumed a much larger responsibility in merging common interests as the postwar oil regime leader. Keohane's undemanding expectations of the IEA "regime" are overly optimistic as this case study casts doubt on the value of agreements made between states in the absence of a strong leader. It has shown that states in such situations are likely to defect on agreements. The IEA "regime" cannot be viewed as a structured traditional postwar regime because no leading state acted as a catalyst for the achievement of common interest.

The above case study has shown that because of the prisoners' dilemma, factors such as common interests, respected rules and norms, increased communication, decreased transaction costs, and costs of defection cannot achieve cooperation on their own. The key element in a regime is a strong power willing and able to assume responsibility for mutually beneficial international outcomes. The role of institutional factors is unequivocally weak.

Given the scenarios described above, what are the prospects for international cooperation? Institutionalist and liberal scholars state correctly that if cooperation is to take place in a more symmetrical international environment, it must be done through institutions. Cooperation theorists, on the other hand, have yet to find an adequate replacement for the power variable in achieving mutually beneficial outcomes. Abandoning the belief that states are independent and act to maximize their interests would require an unrealistic set of assumptions about the international system. Acknowledgement of state interest, concerns over relative gains, and the ever-present possibility of power as an end in itself, must be incorporated into any scheme for international cooperation.

Thus, we must return to the realist paradigm. Current international relations can be viewed as tragic; states would like to cooperate, and would be better off under cooperation, but the overriding condition of systemic anarchy makes this outcome difficult to achieve. Until the constraints of the prisoners' dilemma are mitigated, the problem of achieving cooperation in the international system will not be solved.

Notes

1 This is a methodological problem in general regime analysis, and not confined to just institutional analyses.

2 The Teheran and Tripoli Agreements of 1971, which allowed more host control over production and prices, led to full control as well as extremely high world oil prices.

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