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INSTITUT D'ECONOMIE ET  
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Avenir du pétrole du Moyen-Orient et mondialisation

The future of Middle East oil in a globalized world

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**Upstream reorganisation in the Middles East  
Could it lead to a more stable international oil industry ?**

Résumé

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## OUTLINE

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### 1. Regimes and petroleum regimes

- A. A regime is a set of implicit and/or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations (Krasner)
- B. Petroleum regimes are constituted by the actors, assumptions, structures, practices, and values that manage the production of petroleum and its distribution to consumers (Bull-Berg; Tétreault)
- C. Petroleum regimes and their associated philosophies
  - i. The "natural monopoly" problem (Frankel)
    - a. the two oligopolies--the entrepreneurs and the landlords (Johany; Klapp)
    - b. the market "solution" (Penrose; Adelman)

### 2. Regime failures

- A. Free riders--"uncontrolled" production
- B. Distributional equity
  - i. between oil-producing countries (OPCs) and international oil companies (IOCs)
  - ii. between OPCs and oil-importing countries (OICs)
  - iii. between producers (OPCs + IOCs) and consumers
  - iv. between consumers and OICs
- C. Other market failure
  - i. lack of transparency (Stevens)
  - ii. choke point vulnerability
  - iii. futures markets--the dog-wagging tail (Tétreault; Mabro)
    - a. volatility
    - b. backwardation and contango

### 3. System failures

- A. the Veblenian dilemma
  - i. business vs. industry--profit vs. technology

- ii. business + industry vs. finance--wet vs. paper barrels
- B. Hobbesian vulnerability--oil as a strategic weapon
- C. environmental vulnerability--the other "futures"

#### 4. Kantian remedies

- A. cosmopolitan values (Kant; Nussbaum)
  - i. hospitality to the stranger
  - ii. liberty of action in the context of connectedness and common purpose
  - iii. reason as a faculty of moral choice--not "rational choice"
  - iv. the supreme importance of justice in decision making
  - v. morality as superior to expediency
- B. a "republic of hydrocarbons" (Tétreault)
  - i. expanded transparency
  - ii. reconstruction of interests
- C. one practical approach--the KPC model (Nader Sultan)
  - i. the sharing of risk--IOC capital/OEC income (only known reserves will be developed)--liberty of action in the context of a common purpose
  - ii. the separation of roles--operator/owner--hospitality without a loss of identity
  - iii. the structure of rewards--common purpose
    - a. faithful performance benefits both
    - b. Inefficient performance is not rewarded
  - iv. protections against dependency--technology transfer--justice and morality as opposed to expediency

#### 5. Some flaws and pitfalls

- A. Limited reach--consumers (national representatives, technical experts, NGO participation) are missing leading to problems of justice; OICs are omitted leading to problems of expediency
- B. Legacies of the past--mistrust between companies and countries and between different agents of the state--especially problematic with regard to the key role of the National Assembly
- C. Continued malfunction of markets and likely corrosive effects on the attitudes and behavior of the partners.