Oil Crisis (Oil Price Revolution) of 1973 and the United States' Response to the Crisis: The International Energy Agency

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This work was initially prepared as the Final Paper of the course "HIST 577- Seminar in U.S. Diplomatic and Military History" offered at Bilkent University and it was later revised. It analyses the reasons that caused the Oil Crisis of 1973 (or as it is called by some writers, the Oil Price Revolution) and how the United States responded to the crisis by pushing for cooperation among the oil consuming industrialized countries. In addition to a brief summary of the Yom Kippur War, during which the Oil Crisis occurred, the diplomacy that followed the war and the establishment of the International Energy Agency are included in this work. Mostly secondary sources are used but a few primary sources such as newspapers and magazines from the times when these events happened are also taken into account in the preparation of this work.

Keywords: oil crisis of 1973, Yom Kippur War, OPEC, IEA

INTRODUCTION

Speaking to *New York Times*, Dr. Henry A. Kissinger, the famous US Secretary of State, revealed the magnitude of the crisis two months after the oil producing nations of the Middle East imposed unprecedented limitations on oil production and sales, in plain words: "No one nation can solve the crisis, not even the USA." (Walton, 1976)

United States, the leader of the Western industrialized countries and the world's largest economy, was seemingly unable to cope with the effects of the consequent crisis when the Arab states and other oil producing states challenged the status quo of the world oil market in October 1973. How could the United States, and the Western bloc it led, which solved the earlier crises of 1956 and 1967 with relative ease, be so vulnerable to such actions of these backward Arab countries, whose only strength was the "oil weapon"? And how did the West (chiefly the United States) respond to this crisis given their weakened position?

Before moving on to these questions, we shall first mention these defiant oil producing nations of the Middle East. In 1950s and 1960s, oil producing nations came closer to strengthen their position against the oil companies (major international oil companies or the so-called Seven Sisters were Esso, Mobil, Gulf, Shell, BP, Texaco and Socal) and also the oil importing nations. In 1960 this cooperation resulted in the establishment of Organization of the Petroleum Exporting Countries (OPEC), which was not an Arab-only organisation. Members of OPEC were Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the UAE and Venezuela. Organization of Arab Petroleum Exporting Countries (OAPEC), another international entity to increase the cooperation between the oil producing nations, was also established in the same decade (in 1968) by several members of OPEC but was a separate entity that contained solely the Arab states of the Middle East. Members of OAPEC were Algeria, Bahrain, Egypt, Iraq, Kuwait, Libya, Saudi Arabia, Syria and the UAE. Both of these international organisations (i.e. OPEC and OAPEC) rather slowly but confidently united the producers of the oil market to a certain degree and thus (in an atmosphere where the consumers of the market were divided), as the first Executive Director of the IEA Dr. Ulf Lantzke put it, "world oil industry shifted from a buyers' to a sellers' market" (Lantzke, 1975, p. 218).

As it is known to any person, who has a basic knowledge of international relations, countering Israeli expansion and imposing their superiority in the region (that is to say, Middle East) have been very (perhaps the most) central aims of the Arab states' foreign policy since the end of the World War II. In yet another confrontation with Israel (the Yom Kippur War or alternatively the October War) in October 1973, Arab states (belligerent Arab States were Egypt, Syria and Jordan) failed to achieve a decisive military victory (Arabs had important achievements in the first few days of the war but as we will see in the later sections of this work, Israel turned the tide of the war after suffering from early blows). Therefore they resorted to the "oil weapon" which targeted the supporters of Israel (most notably the United States) (Rustow, 1974). Being aware of the vital importance of the commodity they produced so vastly, oil producing Arab states effectively employed measures to target, inter alia, the United States, which staunchly supported Israel and provided it weapons during the Yom Kippur War.

The measures of the Arab states were: increasing the price of oil (the Saudi light crude) from $3.01 to $5.12 on October 16, 1973 (spot prices even reached $17 in the following months), imposing embargoes on "unfriendly states" (most notably the United States, the Netherlands and Denmark) later that month, and production cuts of 25 per cent for the following month. Iraq went even further and nationalized some US interests in Basrah Petroleum's southern Iraqi production (Lantzke, 1975).

One can readily imagine that, with OPEC's dominant role in the world oil market (70 per cent of world reserves, 54 per cent of the production, an astonishing 84 per cent of the exports in 1973) in mind, an embargo (even if it was not an OPEC-wide embargo) by the leading Arab nations within OPEC to be imposed on the largest consumer of oil in the world (i.e. the United States) would be very unsettling for the world oil markets (Issawi, 1978). Indeed, with this embargo in place, average oil prices sharply rose from $3.29 per barrel in 1973 to $11.58 in 1974 and by realizing its power to set prices in the world market, OPEC "took over the responsibility of setting oil prices from the international companies". (Ramady and Wael, 2015, p.33) Hence, as Nasr (1984) and Willrich and Melvin (1977) accurately describe it, "the oil price revolution" of the oil producing nations was complete. And the United States' response, as we will see in the following sections of this work, was to push for more cooperation among the oil consuming nations and, as a result of this improved cooperation, the International Energy Agency (IEA) was established.

Before moving on to the details of the Oil Price Revolution and the Yom Kippur War, we should first analyse how these historical events, which we are considering for this work, fit into the general pattern of the history of the United States in 1970s. Many historians conclude that the inability of the United States to limit the Oil Crisis of 1973 and effectively control the Arab states exemplified the decline of the US power in the late 1960s and early 1970s. For example, Davies (2014) mentions: "The American psyche, battered by Vietnam and destabilised by the unfolding Watergate scandal, accepted this contradiction because conceding that backward Arab countries were presenting a very real problem was a step too far in the decline and transformation narrative." (Davies, 2014, p. 53)

It is actually quite surprising to see the United States, which very much designed the post-World War II world order, to struggle with few tiny sheikdoms and several other Arab countries (most powerful of them being Saudi Arabia, a country that is considered as a US ally). Painter (2012) also reaches similar conclusions after describing the role of oil in the world history of the 20th century. He points out: "The oil crises of the 1970s evoked images of a weakened United States, especially since those crises coincided with the U.S. withdrawal from Vietnam, the Watergate crisis, a wave of revolutions in the Third World, and the Soviet Union's achievement of nuclear parity with the United States." (Painter, 2012, p. 35) Painter (2012) also shows the year 1974 saw the Soviet Union surpass the United States in oil production, and thus in that year Soviet Union became the largest oil producer in the world.

After mentioning opposing energy policies of the United States and some Western European countries (especially France) in the diplomatic meetings after the Arab states announced the embargo, Türk (2014) cites the reduced influence of the United States over its European allies. With this pattern of the decline of US power in mind, we shall now see how actually the Oil Price Revolution of 1973 occurred and how the United States responded to it by pushing for the establishment of the International Energy Agency.

BUILD-UP TO THE OIL PRICE REVOLUTION OF 1973 AND HOW OPEC ESTABLISHED ITS POSITION AS A PRODUCERS' CARTEL

In the period that followed the World War II, the Middle East still suffered from major territorial disputes. After the collapse of the Ottoman Empire following the World War I, and the conquest of the Middle East by the Allied Powers (under the command of Field Marshal Allenby) almost half a millennium period of Ottoman rule ended and the region was divided into different spheres of influences among the Allied Powers (that is to say, Great Britain and France). That period of direct rule did not last very long and following the World War II the Middle Eastern states gained their independence. This post-World War II era was when the aforementioned disputes occurred.

As Ramady and Wael (2015) describes in detail, after World War II Arab-Israeli relations saw many armed conflicts but Arabs, until 1973, could not effectively employ the deadliest of weapons: the "oil weapon". Even though, the direct rule from the Western countries came to an end some decades ago, Arab states still had to deal with the international oil companies, which were major remnants of the colonial rule. Virtually all production in the Middle Eastern countries was done by the international oil companies or the so-called *Seven Sisters* (if Compagnie Francaise des Petroles was counted as well, eight). The major oil companies were so dominant in the production of oil; the Middle Eastern countries could not impose embargoes when they wished to economically attack the supporters of Israel.

Just to give a few figures: 100 per cent of Saudi Arabia's production (Exxon 30%, Texaco 30%, SoCal 30%, Mobil 10%) 100 per cent of Kuwait's production (Gulf 50%, BP 50%) and approximately 90 per cent of Iran's production (BP 40%, Shell 14%, followed by other companies) were done by the international oil companies in 1970 (Ramady and Wael, 2015) The countries hosting these companies could only collect taxes and royalties from the prices set by the companies.

During the Suez Crisis of 1956 and the Six Day War of 1967 the Arab states imposed an embargo against Western powers and thus the "oil weapon" was utilised (Issawi, 1978). Nevertheless, the better cooperation of the industrialized countries, ample resources of the United States (which was not the case in 1973 because of the increased domestic consumption in the US), and disunited Arab power left no prospects of success for the Arab states that initiated the embargoes. Learning from their mistakes, Arabs (and also other oil producing nations, such as Venezuela pursuing their own interests) decided to join their forces to form a united front of the oil producers. This united front (i.e. OPEC) was formally established in 1960 but through the 1960s it mostly aimed for consolidating the unity among its members and strengthening the overall power of the organisation. (Issawi (1978) describes OPEC in this period as a newly formed labour union.) OPEC failed to play any major role in the 1967 Crisis but would later become the "most successful cartel in the world history" as an article in Time Magazine (1977) described it.

While the producers of the market were joining forces, the consumers of the market were moving away from each other. The Organisation for Economic Co-operation and Development (OECD), the main platform for communication and collaboration in the industrialized world, became rather dysfunctional because of the differences between its members. The predecessor of the OECD, the Organisation for European Economic Cooperation (OEEC), was established to allocate the Marshall Aid funding in 1948 (Türk, 2014).

OEEC was turned into a platform for transatlantic cooperation with the addition of the United States and Canada in 1961. Much before the oil producing countries started to dominate the world oil markets after the Oil Price Revolution; Oil Committee of OEEC, and also the United States' Middle East Emergency Committee (MEEC) were quite successful in managing the 1956 Crisis (Türk, 2014). (Agreements between MEEC and Oil Committee of OEEC helped to counter the fall in the oil supplies during the 1956 crisis.

Also OEEC's close cooperation with the oil industry contributed to the recovery of the world oil markets after the closing of the Suez Canal.) With the cooperation within OECD (specifically the Oil Committee) and also United States' swift response by permitting the use of its resources, the Crisis of 1967 was also successfully managed. However, as the US delegate in the OECD Oil Committee on January 8, 1970 regretfully announced, the US oil reserves were not high enough anymore to also provide for other countries in the OECD (Türk, 2014).

What was even more negative for the Western bloc was that the allies were rather divided on oil and energy matters as the 1970s started, with France drifting away from the bloc. For two main reasons (the fear of growing US hegemony over Europe, and the belief that France could itself reach better bilateral deals with the producing countries) France was not following the US lead in international matters pertaining to the oil crises as wholeheartedly as the rest of the bloc (Türk, 2015). After taking into consideration all the above mentioned events (oil producers uniting, US oil reserves diminishing, and France distancing itself from the US lead) it seems that the conditions were set for a major change in the oil market. And the change came in the wake of the Yom Kippur War of 1973.

YOM KIPPUR WAR AND THE OIL PRICE REVOLUTION

Yom Kippur War of October 1973 was only one of the major conflicts between Israel and its Arab neighbours. After a series of remarkable victories (especially the humiliating defeat inflicted after the near complete destruction of the Arab air forces in the Six-Day War of 1967) Israel stood invincible. Its Arab neighbours were repeatedly overwhelmed by the military discipline of Israel and also by the superior equipment provided by the US to Israel. However, in October 1973, Arabs were still eager to initiate a surprise offensive after strengthening their military power with Soviet tanks and also SCUD missiles (Whetten and Johnson, 1974). When Egyptians hit the Bar-Lev Line in Sinai with five divisions and Syrians attacked the Golan Heights on October 6, 1973 (Scherer, 1978), both the Yom Kippur War and the final chain of events that led to the Oil Price Revolution were initiated.

In the previous sections of this article, we have seen that, international oil companies and the colonialism-like system they established were still present in oil producing Arab countries as of 1973. While sympathizing with the Arab cause to reinstate an independent Palestinian state within the territory occupied by Israel, other Arab countries (whose economies were dependent upon the oil revenues) were also wishing to get rid of the influence of the oil companies. Although there were earlier nationalizations in oil sectors (e.g. in Algeria and Iran),[1] the companies were still in position to set the global oil price.[2] It seems that the Yom Kippur War came before the Arab countries (and also OPEC in general) as a perfect opportunity to defeat the dominance of the international oil companies and to get the control of the oil sector.

Explaining military history is not an aim of this work but still we shall mention the main events of the Yom Kippur War in order to understand the origins of the Oil Price Revolution. As said above, the Yom Kippur War started when Egyptians and Syrians initiated a combined attack on Israel on October 6, 1973. Jordanians, with their highly trained 40th Armoured Brigade (According to Whetten and Johnson (1977) this unit is the best tank unit in the whole Middle East), supported the offensive on Israel. Although the Arabs have suffered major defeats in the earlier conflicts (e.g. Six-Day War), now with better preparations and with the element of surprise they (especially Egyptians in the Sinai) had remarkable achievements in the early stages of the Yom Kippur War.

Because of the ongoing Yom Kippur (an important Jewish holiday), Israeli state had difficulties in mobilising its forces. Also the successful crossing of the Suez Canal contributed to the early Arab achievements in the war.[3] In Israeli Prime Minister Golda Meir's words "Israel nearly lost the war in the first two days" (Whetten and Johnson, 1974, p. 102). Nonetheless, after mass mobilisation of the Israeli forces, the Arab offensive lost its momentum. Better capabilities of the US equipment used by the Israeli military (e.g. M-60 tanks) were effective in halting the offensive initiated with less developed Soviet equipment (e.g. T-62 tanks) (Whetten and Johnson, 1974). On October 15, after stopping the Egyptian drive into Sinai, Israelis were now ready to initiate a counter-offensive with 10.000 troops (Scherer, 1978). Consequently, the strategic 3rd Army of Egypt was trapped and the Israeli forces were only fifty miles away from Cairo. In such a critical atmosphere, the United States, which had supported Israel with military equipment throughout the war, announced that it will provide a military assistance package of $2.2 billion to Israel on October 19 (Scherer, 1978). Although the intensity of the war slowly subsided and a US-Soviet sponsored cease-fire went into effect on October 24 (Scherer, 1978), the chain of events that led to one of the core subjects of this essay the (i.e. Oil Price Revolution) had already begun.

Although Saudi Arabia, the heartland of the Arabic world, was of course sympathizing with the Arab cause of limiting Israeli influence and reinstating an independent Palestinian state; it was not a belligerent party in the Yom Kippur War. Still, as it was mentioned above, the war helped the Saudi goal (which was shared by the rest of the oil producing countries) of getting control of the oil sector. Saudi Arabia, biggest exporter of oil in the whole world at that time, was also delivering a significant amount of oil to the United States (12 per cent of US crude oil imports in 1973) (Caldwell, 1977). This dependency of United States on Saudi oil and also on OPEC oil in general (70 per cent of US crude oil imports were from OPEC and 22 per cent [4] from OAPEC in 1973) gave these producing countries a significant economic and political leverage (Caldwell, 1977). Words of James Akins, director of State Department Office of Fuels and Energy, prove how vulnerable the United States has become to disruptions of the oil supply that might be caused the Arab states. Before the Yom Kippur War started he said he "could not sleep for worry over the possibility of a supply crisis caused by even one Arab nation stopping oil production" (Adelman, 1972, p. 90).

When the Yom Kippur War began, OPEC countries (and the central power of the Arab wing of the cartel, Saudi Arabia) had this deadly tool that could be employed to manipulate the policies of the United States and fears of Akins were about to come true. As we have seen above, Arabs had initial successes at the beginning of the war but later Israel turned the tide of the war, they trapped the Egyptian 3rd Army and they were almost at the doors of Cairo. In such an atmosphere, Arabs (Saudi Arabia dominating the western side of the Persian Gulf where massive oil production took place) decided to employ a weapon that is not able to directly kill enemy soldiers but can have a significant impact on the ground: the oil weapon.

Of course, it was not easy to dare to initiate such a major action on a superpower for a country (or a group of countries if we refer to OAPEC or OPEC in general), especially if the country (i.e. Saudi Arabia) received $442 million of US exports only in 1973 (Caldwell, 1977). Therefore, before employing measures that might cause significant tensions with the United States, Saudi Arabian officials had repeatedly warned of a possible employment of the "oil weapon" and even there were four Arab ministers that visited Kissinger on October 17 when the first oil sanctions were about to occur (Scherer, 1978). Nevertheless, the United States was committed to support Israel and the Arab countries took unprecedented decisions in the OAPEC meeting in Kuwait on October 17. They decided on a general 5 per cent cut to be followed by another 5 per cent increase each month "until the Israeli withdrawal is completed from the whole Arab territories occupied in 1967 and the legal rights of the Palestinian people are restored"(Garavini, 2011, p.480). And a total OAPEC embargo on the delivery of oil to "unfriendly" nations supporting Israel (e.g. the United States and the Netherlands) followed that first decision as well.[5]

The results of this embargo outlasted the Yom Kippur War. Combined with several OPEC decisions to increase the price of oil (e.g. OPEC decision on December 23, 1973 increased the price to $11 per barrel) (Davies, 2014), the events of late 1973 (continuing into 1974) had sweeping consequences on the world oil markets. The United States was still world's largest producer of oil[6] but it was also the largest consumer, which imported 5.9 million barrels a day or 35 per cent of its consumption in 1973 (Caldwell, 1977). As we have pointed out earlier, oil imports from the OAPEC countries was a significant amount for the United States. And when that amount was embargoed as a result of the US actions in the Yom Kippur War, the US energy sector suffered a serious blow. In January and February 1974, US energy supplies (including natural gas, coal and oil) dropped 2.4 per cent (Rustow, 1974). This might seem like a small figure first but the description of Davies explicitly conveys how dire the effects of the embargo were on the United States: "enormous lines at service stations, barren superhighways, fuel siphoned from parked cars, calls to drill the wilderness, and the Secretary of State without strategy" (Davies, 2014).

Effects in Western Europe and Japan were even worse. The United States could still count on its domestic production but European countries and Japan had very limited domestic oil reserves. According to Rustow (1974), before the embargo countries in the European Community imported 98.7 per cent of their oil and the figure in Japan equalled to almost complete dependency on imported oil at 99.7 per cent. More importantly, for Europe 66 per cent of the oil came from Arab sources and for Japan percentage of Arab oil was at 42 per cent. With these figures in mind, one can easily realize the effects the OAPEC embargo on the world oil markets. As we will see in the following section of this work, these drastic effects on the world market led to an improved cooperation of the industrialized, oil consuming countries, which later resulted in the establishment of the International Energy Agency.

Before wrapping up this section, we shall mention another very significant result of the OAPEC and OPEC decisions of late 1973 regarding the oil production and sales (the embargo, production cutbacks, increased prices). After OPEC raised the prices following the Arab measures during the Yom Kippur War, the world oil markets experienced a dramatic change and the international oil companies (i.e. the Seven Sisters) were removed from their throne. Starting from the events of 1973-1974 OPEC, not the companies, began to set the world oil prices.

As oil prices rose higher and higher, revenues of the producing countries skyrocketed. As opposed to \$4 billion current account surplus of OPEC countries in 1973, this figure was at the astonishing level of \$66 billion in 1974 (Caldwell, 1977). With these increased earnings the producing countries bought back the company-owned concession rights and established national companies. Producing countries owned around 70 per cent of their oil industries in 1979 from only 10 per cent in 1970 (Painter, 2012). Consequently, the "marriage", as once described by Sir David Barran (head of Shell), of international oil companies and the producing countries was over, as the producing countries could both set the prices via OPEC and also almost single-handedly controlled the production in their countries (Adelman, 1972). Hence, the Oil Price Revolution of the producing countries was complete but as for the consumers, the consequences of the crisis of 1973 required intense cooperation, as we will see in the next section.

THE FOUNDATION OF THE IEA AND THE PRIOR DIPLOMACY

Dr. Kissinger described the International Energy Agency (IEA) as "one of the great success stories of the last decade and a half" (Willrich and Conant, 1977, p.201). Kissinger himself was the chief architect of the IEA but these words should not be considered as exaggeration. Certainly, the creation of IEA does not fall short of being a remarkable success both for Kissinger and the United States (also for the Western industrialized countries).

In the previous sections of this work, we have seen how dramatically the OAPEC embargo and the OPEC price raises disrupted the world oil markets. Kissinger, assuming the position of the United States Secretary of State (or the chief diplomat of the Western world) only days before the Yom Kippur War, did his best to manage the crisis that unfolded following the war. Just like his numerous meetings with the leaders from the Middle East (e.g. Saudi King Faisal, Egyptian President Sadat, Israeli Prime Minister Golda Meir), he quite often met with the leaders of the Western world to solve the unprecedented world oil crisis. For example, in his speech at the Pilgrims' Society dinner in London on December 12, 1973, Kissinger reiterated the importance of cooperation in the industrialized world to solve the Oil Crisis of 1973. He said: "This is a challenge which the United States could solve alone with great difficulty and that Europe cannot solve in isolation at all. We strongly prefer and Europe requires a common enterprise" (Walton, 1976, p.184). As it will be repeatedly mentioned in the remaining parts of this section, cooperation (or common enterprise in Kissinger's words) was a key word in the United States' (or the industrialized world's) response to the Oil Crisis of 1973.

While trying to solve the crisis, Kissinger realized the existing diplomatic mechanisms (e.g. Oil Committee of OECD) were not efficient enough to manage the crisis. The first new platform he proposed was the Energy Action Group. In his aforementioned speech in London, Kissinger made it clear that a new platform for cooperation in energy matters (i.e. Energy Action Group) shall consist of high-ranking representatives from North America, Western Europe, and Japan (Türk, 2014). With such efforts on the cooperation between the oil consuming industrialized countries, Kissinger was pushing for a united approach that could counter the strong cartel of the oil producing countries (i.e. OPEC). One of the most important conferences on the Oil Crisis was soon to follow these initial responses from Kissinger. And as Stein claims the IEA was the "outgrowth" of this important conference, which was the Washington Energy Conference of February 1974 (Stein, 1975).

Knowing that the United States needed solidarity with Europe to solve the crisis, President Nixon (after consulting with Kissinger) sent formal invitations to the governments of Italy, Canada, France, West Germany, UK, Japan, the Netherlands and Norway on January 10, 1974 for a conference that will be held in Washington (Walton, 1976). Although he had assumed his position very recently, Dr. Kissinger was also very well aware of the fact that without ensuring Europe's assistance the US position will be weakened against the united front of the oil producing countries. Therefore, he applied a very aggressive strategy before and during the Washington Energy Conference to crush the dissenting views of the European delegates.

In the conference that was held on February 11-13, 1974, Kissinger made it clear that should the conference fail, the United States would hold bilateral negotiations with the oil producing countries. Thus, the United States, being the world's biggest consumer of oil, could reach better arrangements for itself and the position of the rest of the oil consuming countries would be weakened (Türk, 2014). This aggressive strategy proved to be successful and all of the delegates from countries present in the Washington Energy Conference (with the exception of French Foreign Minister Michel Jobert) aligned with the US proposals.[7] For example, the German Finance Minister emphasized in his speech on the second day of the conference: "only the United States would bring about an armistice in the Middle East, only the United States could defend Europe" (Walton, 1976, p.188).

Given the supportive approach of the European delegates, the following points were agreed upon in the conference: high- ranking officials from the participating countries should meet to increase cooperation in; the conservation of energy, a system of allocating oil supplies in times of emergency, the acceleration of development of additional energy sources, the acceleration of energy research programmes (Türk, 2014). As we are yet to see, these decisions of the Washington Energy Conference will be echoed in the founding documents of the IEA. But before the IEA was officially founded; the Energy Coordinating Group was the mechanism, which was established following the Washington Energy Conference, and it aimed to find a solution to the Oil Crisis.

The main function of the Energy Coordinating Group was to oversee the development of the International Energy Program (IEP) (Katz, 1981). Energy Coordinating Group's first meeting at the ministerial level (the US delegation in this meeting was led by William H. Donaldson, Under Secretary of State) was held in Brussels on March 12, 1973 and no major disagreements between the participating countries occurred (Walton, 1976). The pressing concerns resulting from the chaotic situation of the world oil markets (as these negotiations were continuing the oil prices continued to soar and the oil embargo on the United States was not lifted until March 1974), fastened the processes that would normally take longer.

By June 1974, the negotiations in the Energy Coordinating Group resulted in the Integrated Emergency Program, which included provisions to share oil supplies and limit demand in case of emergencies. Just two months later, Integrated Emergency Program was expanded into International Energy Program, which also included a system for obtaining information from oil companies (Willrich and Conant, 1977). Finally, one year after the Yom Kippur War and only nine months after the Washington Energy Conference, OECD members met in Paris and adopted the decision on "Establishing an International Energy Agency of the Organisation" on November 15, 1974 (OECD, 1974). Only Finland, France and Greece abstained and the remaining sixteen countries agreed to the foundation of the IEA.[8] Same sixteen countries became the founding members of the IEA when they signed the Agreement on an International Energy Program (IEA was the mechanism that was founded to implement the program) on November 19, 1974 in Paris (Willrich and Conant, 1977).

The establishment of the IEA signalled the creation of a very strong front against the oil producing countries' cartel (i.e. OPEC). The member countries of the IEA imported a vast amount of oil (80 per cent in 1981) that was available in the world oil markets (Katz, 1981). With the only important exception of France, all of the major industrialized countries (e.g. the United States, Japan, the United Kingdom, West Germany) were represented in the IEA. Even France, which stayed out of this international organisation for the reasons we have noted on page four of this work, maintained its relations with the IEA through its EEC participation. (It is also worthy of note that the headquarters of the IEA were in France, a non-member until 1992.)

The essential aim of the IEA was fostering the cooperation of the industrialized oil importing countries or creating a "consumer's cartel" as the organisation was described by Katz (1981). More specifically, the aims of the International Energy Program (which will be carried out by the IEA) were listed in the Article 6 of the OECD decision on "Establishing an International Energy Agency of the Organisation": development of a common level of emergency self-sufficiency in oil supplies, establishment of common demand restraint measures, measures for allocation of oil in emergencies, development of a long-term co-operation programme to reduce dependence on imported oil, development of a system of information on the international oil market (OECD 1974). The IEA, an independent international organisation, was founded with important attachments to OECD (for instance, the budget of the IEA formed a part of the OECD's budget and the headquarters of IEA and OECD were both in Paris) but the IEA had its own organs (e.g. Governing Board, Standing Groups, Executive Director) to implement the aims of the International Energy Program and to increase cooperation between the oil importing countries.

The most significant difference of the IEA from OECD (also the main reason Kissinger and the United States pushed for the establishment of the IEA) was its voting methods. Unlike the OECD, IEA was not bound by the principle of unanimity (Lantke, 1975). Majority was needed for most decisions taken by the Governing Board (the main decision-making body of the IEA) and the weighted votes needed to reach the majority were distributed according to the oil consumptions of the member countries. Hence, the United States, which was the largest consumer of oil in the world in 1974 (also naturally in the IEA), had the most votes and could direct the IEA according to its interests. In such a critical period, in which oil producing countries were applying massive pressures on the world oil markets, this simplified voting method allowed for a fastened decision-making process among the oil importing countries.

All in all, the IEA was founded after the oil producing countries challenged the status quo of the world oil markets and pushed for dramatic changes. Oil importing countries (under the US leadership) reacted to this major shift and decided cooperate with each other under the new umbrella of the IEA. Although all of the sixteen founding members consented to the IEA, the United States had the central role in the establishment of this international organisation. Van de Graaf and Lesage (2009) mention the significance of the United States (and its Secretary of State, Kissinger) by saying the IEA was set up "at the behest" of Kissinger. Willrich and Conant (1977) state that the creation of the IEA was an American initiative. Regardless, of the US influence on the organisation, the IEA proved to be a successful enterprise that still stands strong after forty five years.

CONCLUSION

Throughout this work, we have actually seen a chain of events, which resulted with the establishment of the IEA. First the oil producing countries joined their forces and founded two important international organizations (i.e. OPEC and OAPEC). At the same time, we have witnessed the disunity in the oil consuming countries and also increased oil consumption in the United States, which limited the extra oil reserves that could be used in emergencies. Then the Yom Kippur War came. The oil producing Arab countries did not miss this perfect opportunity to attack the supporters of Israel and also take control of the world oil markets. OAPEC embargo and OPEC price raises dramatically shifted the world oil markets. The Oil Price Revolution was now complete when oil producing nations overtook the responsibility to set world oil prices from the international oil companies. Following the war, led by Dr. Kissinger, the United States initiated a rapid international diplomacy to tackle the unfolding crisis. Energy Action Group, Washington Energy Conference, Energy Coordinating Group, International Energy Program were all mechanisms and platforms established in order to improve cooperation among the oil consuming countries. Finally, this chain of events ended with the establishment of the IEA on November 19, 1974.

I believe the speed and determination of the United States in establishing the IEA showed that the decline narrative of late 1960s and early 1970s was only temporary. The United States proved that it was still the leader of the industrialized Western bloc and it could force the rest of the bloc (with the exception of France) to join an international organization it designed. Of course, through the years that followed the establishment of the IEA, both the United States and the bloc it led (along with the institutions of this bloc such as the IEA) had to walk down a bumpy road but the United States preserved its position as a superpower. After the dissolution of the Eastern bloc in the 1990s, the United States became "the" superpower and its international organizations enjoyed an era of expansion and strength. And only the future will show us how the international organizations (the IEA among them) will position themselves in today's multi-centered world, in which no omnipotent superpower exists.

ENDNOTES

1. Zaki Yamani, the Saudi Oil Minister, put forward the proposal of "participation" to create a more moderate structure. For more on "participation" see also Field (1972) and Adelman (1972).
2. In addition to the nationalizations, OPEC had major achievements in 1971 that significantly increased the revenues of producing countries. Nevertheless, international oil companies remained superior over the producing countries. See also Field (1972).
3. Egyptian President Anwar el-Sadat was honoured by his people with the title of "Hero of the Crossing" for his role in the crossing of the Suez Canal. See also Garavani (2011).
4. Rustow sets this figure even higher at 29.4 per cent. See also Rustow (1974).
5. Total embargo by the Saudi Arabia came on October 20 and was followed by the rest of the OAPEC. See also Davies (2014).
6. US production of 9.2 million barrels a day was followed by 8.5 million barrels of the Soviet Union and 7.3 million barrels of Saudi Arabia in 1973. See also Rustow (1974).
7. In a private conversation, Nixon and Kissinger agreed that Europeans "learned their lesson" after the conference. And because the Europeans failed to (and did not have the means to) resist to this aggressive strategy of Kissinger, he said Europeans now knew "who's got muscle". It seems that this increased influence of the United States serves as a stark contrast to the decline trend of the US power, which we mentioned in the Introduction section of this work. See also Türk (2014).
8. The sixteen participating countries were: Austria, Belgium, Canada, Denmark, West Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

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