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978-1-107-04199-8 - *Globalizing Oil: Firms and Oil Market Governance in France, Japan, and the United States*

Llewelyn Hughes

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Globalizing Oil

Oil is the world's most important commodity. It is also its most politicized. Yet in *Globalizing Oil* Llewelyn Hughes shows that since the 1970s governments across the advanced industrial states liberalized oil markets by freeing prices, lowering trade barriers, and privatizing national oil companies. How did this come about? And why do some governments continue to intervene in support of domestic firms? In answering these questions, Hughes shows that the transformation of the international oil market in the 1970s changed the risks and opportunities facing firms. He also shows their ability to benefit was conditioned by previous attempts to shape the competitive landscape. Changes in oil market governance in the 1980s and 1990s can thus be understood as a temporal process, in which institutional legacies affected firm strategies towards liberalization. Hughes' study has important implications not only for the politics of oil, but also for the study of economic liberalization.

LLEWELYN HUGHES is Assistant Professor of Political Science and International Affairs at George Washington University.

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CAMBRIDGE UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom

Published in the United States of America by Cambridge University Press, New York

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning and research at the highest international levels of excellence.

www.cambridge.org

Information on this title: www.cambridge.org/9781107041998

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First published 2014

Printed in the United Kingdom by CPI Group Ltd, Croydon CR0 4YY

A catalogue record for this publication is available from the British Library

Library of Congress Cataloguing in Publication data

Hughes, Llewelyn, 1971–

Globalizing oil : firms and oil market governance in France, Japan, and the United States / Llewelyn Hughes.

pages cm. – (Business and public policy)

Includes bibliographical references and index.

ISBN 978-1-107-04199-8 (hardback)

1. Petroleum industry and trade–Government policy–France. 2. Petroleum industry and trade–Government policy–Japan. 3. Petroleum industry and trade–Government policy–United States. I. Title.

HD9560.6.H84 2014

338.2'7282–dc23

2013028332

ISBN 978-1-107-04199-8 Hardback

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Preface

I became interested in the political economy of oil while working in Tokyo in the early 2000s. An important part of my job was persuading policymakers of the merits of liberalizing Japan's electricity and natural gas markets, and I found that security of energy supplies was often raised by regulators and policymakers as an important reason why liberalization would be unwise. Tracing the origins of Japan's energy insecurities led me to oil and what makes it different.

As I began work on the project I found that rather than being different, the choices governments have made over the past few decades about how to govern oil markets have much in common with the changes implemented in other sectors. Just as quotas and tariffs have been cut in manufactured goods, services, and other areas, and firms across a wide range of industries have been privatized, so the barriers to market entry in the oil industry have also fallen across the advanced industrialized states. Why this happened despite the historical treatment of oil as qualitatively different from other products, and why some countries continue to treat oil as a strategic resource, was the puzzle that motivated me to begin work on this study.

I was also surprised that there has been little written that documents and explains how the governance of oil markets across the OECD countries has changed since the wave of research that followed oil market volatility in the 1970s. This strikes me as an important gap in our knowledge, given the importance and enormous value of oil and oil products traded globally. Although there is surely more work to be done, this book is thus also partly an attempt to reincorporate energy politics into the study of comparative and international political economy in the advanced industrialized states.

The study was completed with the support of many people. Richard Samuels, Suzanne Berger, and Kenneth Oye at the Massachusetts Institute of Technology (MIT) deserve special thanks for their intellectual support. They have each influenced the approach I took towards

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the study of political economy and I am grateful for their guidance. At MIT, J. Patrick Boyd, Edward Cunningham, Benjamin Friedman, Michael Glosny, Brendan Green, Yinan He, Shirley Hung, Colin Jackson, Jon Lindsay, Austin Long, Mike Lynch, Gautam Mukunda, William Norris, Joshua Rovner, and Paul Staniland all helped me shape the ideas in the book. Laurie Scheffler, Casey Johnson, and Anita Kafka also helped during the development of the project. Most of all, I owe Nathan Cisneros a great deal for his support throughout the initial research and writing of the first draft.

The book manuscript took shape while at the Mossavar-Rahmani Center for Business and Government at the Kennedy School of Government. William Hogan has my thanks for hosting me as I began revisions, as does Louisa Lund for helping me navigate matters large and small at Harvard. I also thank Meghan O'Sullivan for introducing me to the work on energy policy being done at the Kennedy School.

I am lucky to have been able to complete the book at the George Washington University. I could not have asked for a better environment for writing. All my departmental colleagues have my thanks for their comradeship, but especially Charlie Glaser, Stephen Kaplan, Gina Lambright, Eric Lawrence, Kimberly Morgan, Harris Mylonas, Elizabeth Saunders, and Caitlin Talmadge. Susan Sell also deserves special thanks for organizing and hosting a workshop at the Elliott School of International Affairs, where I received valuable suggestions from Charlie Ebinger, Harvey Feigenbaum, Jonah Levy, Mike Mochizuki, Adam Sheingate, Mireya Solis, Emmanuel Teitelbaum, Kenneth Vincent, and others, each of whom read the manuscript and offered advice. Alain Beltran of the Centre National de la Recherche Scientifique read parts of the manuscript and offered detailed and helpful comments. Stephen Kaplan, Francisco Flores-Macias, David Victor, and Cornelia Woll also read and offered comments on versions of the argument. Henry Farrell deserves special thanks for his intellectual support and mentorship during my time at GWU. I would also like to thank Forrest Maltzman, Barbara Miller, Paul Wahlbeck, and most of all Stephanie Camillo for helping keep me sane as I managed some important bureaucratic issues. Excellent research assistance was provided by Jennifer Brea, Laura Franzen, Lara Lupu, Chris Mitchell, and especially Elsa Savourey, who went beyond the call of duty in helping gather materials. They each have my gratitude.

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One of the best parts of research is learning how willing people are to lend their support, and how generous friends and strangers are with their time. In Tokyo I am particularly grateful to Kiyo Aburaki, Takeo Kikkawa, Ken Koyama, Masahisa Naito, Shigeru Sudo, Katsuhiko Suetsugu, and Toichi Tsutomu. Before and during my work in Paris I benefitted from the goodwill of Olivier Appert, Gilles Bellec, Dominique Charbit, Jean Marie Chevalier, Jean-Pierre Cordier, Nathalie Fokart, Erika Forzy, and Pierre Noel. In Washington, DC, Raelyn Campbell, Sarah Ladislaw, and Maureen Lorenzetti were generous with their help. I also thank all those interview subjects willing to share their experiences with me.

Institutional and financial support during the research for the project was provided by the Center for International Studies and the Laboratory for Energy and the Environment at MIT, the Smith Richardson Foundation, the Mossavar-Rahmani Center for Business and Government at the Kennedy School of Government, Harvard University, the Institute for Energy Economics Japan, the Japan Business Federation (Keidanren), and the Centre of Geopolitics of Energy and Raw Materials (CGEMP) at the Université Paris Dauphine. The final touches were made to the manuscript while I was a visiting fellow at the East-West Center, and I thank Satu Limaye for his hospitality.

I would like to thank John Haslam at Cambridge University Press. Aseem Prakash of the University of Washington and the series editor encouraged me throughout the submission and review process. I would also like to thank the two reviewers for their extended and excellent comments. I learned much from them, and their anonymous labors demonstrate the generosity that can make it so rewarding to be a part of this profession.

Lastly, I would like to thank Daniela and Leo, who put up with me throughout the research and writing of this book, and Tessa, who arrived part of the way through it. I dedicate this book to them, and to my parents, to whom I owe everything.