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# International Agencies and the Art of the Possible:

*Robert O. Keohane*

THE CASE OF THE IEA

*Although contemporary international organizations are often perceived as rule-making and rule-enforcing bodies, their more important function is to serve as facilitators of agreement among governments. Actions of the International Energy Agency during 1979-1980 illustrate this point. In the oil crises of those years, the IEA did not make use of its formal emergency powers, nor did it develop new sets of rules governing state action. Instead, it engaged in extensive informal negotiations designed to persuade*

**Abstract** *governments and oil companies to restrain demand for oil, help to redistribute shortages equitably, and manage oil stocks in a stabilizing manner. This emphasis on informal bargaining reflected a sophisticated awareness, on the part of the IEA secretariat and many governmental representatives, both of the constraints on international organizations and of their value as a catalyst for coalitions of public and private officials. International organizations do not transform the interstate system; but they can contribute, at the margin, to increased cooperation.*

As every analyst knows, one of the most ubiquitous problems of public policy is how to control the free rider: the factory that dumps waste in the river, thus nullifying the efforts of others; the user that hoards oil in an emergency, thus adding to the costs of others. When the problem arises within a single country, a national system of regulations may provide an answer. When the problem arises in an international setting, politicians and pundits may be tempted to propose a similar approach: the creation of an international organization to make rules that will be applied on an international basis.

Such an organization may be viewed as a quasigovernment, capable of performing governmental functions, albeit in a limited manner. The most significant function of an international organization, according to this perception, is to serve as a device for

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limiting governmental autonomy, through the imposition of rules that deny governments the use of certain instruments to which they might otherwise resort.

Some international organizations operate this way, some of the time. The General Agreement on Tariffs and Trade (GATT) and the International Monetary Fund (IMF) have both done so in the past, although in both cases, the clarity of their rules has diminished over time. But the image is misleading. Although many international organizations are formally called upon by their charters to institute rules that bind governments, it is the governments themselves that control such organizations. Occasionally, they have invoked the rule-making power. But more typically, they have used international organizations as devices to facilitate agreement among them rather than as independent sources of restraint upon national actions.

International organizations, lacking enforcement powers, are not well placed to implement rules. On the other hand, they are often in a position to facilitate intergovernmental agreements. They occupy critical points in communications networks linking public and private actors, and can therefore play a significant role in forming coalitions of the like-minded. These coalitions may be transgovernmental, linking individuals and groups in various national bureaucracies; or they may be more broadly transnational, involving nongovernmental actors as well.<sup>1</sup> The effects of these coalitions may be felt less at the formal international level, in the deliberations of international organizations, than within policy councils of governments or corporations. They are more likely to affect what governments decide to do than to impose restraints on what governments may do.

Those with extensive experience in international organizations realize that this is the nature of most such entities. But too often, policymakers and policy analysts fail to take this reality into account. Merely to show that a certain policy would be cost effective if pursued by a group of countries by no means demonstrates that it would be wise to propose rules embodying such a policy in an international organization. Politically, it may be impossible to secure an agreement. Even if nominal agreement is reached, it will be predictable in many cases that the policy's purposes will not be attained in practice. By understanding the political constraints that govern international organizations in general, and by taking account of the characteristic operating style of the individual organization in particular, it may be possible to devise more informal, less rule-bound actions that hold greater promise of effectiveness.

**THE IEA IN 1979-1980:** The International Energy Agency illustrates my theme. Formed in November 1974, chiefly at the behest of the United States, the IEA was the organizational response of the western alliance to the oil production cutbacks, partial embargoes, and price rises of the preceding year.<sup>2</sup> It is affiliated with the Organization for Economic

Cooperation and Development (OECD) and located in the main OECD complex in Paris. Its basic charter is known as the International Energy Program; its most concrete operational accomplishment has been the construction, elaboration, and testing of detailed procedures for an emergency system by which oil would be shared among member countries in a crisis. The formal provisions of the International Energy Program provide substantial authority for the IEA secretariat in "triggering" this system, although it is recognized that the IEA would need to rely on governments to enforce its edicts.<sup>3</sup> The IEA secretariat may put the emergency plans into effect, subject only to a provision that a "special majority" of agency members may reverse the decision. In practice, it would be very difficult to overturn a secretariat decision. As the IEA Legal Advisor has commented:

In practical terms, this means that neither the United States nor the EEC countries as a group could block the trigger . . . It will thus be concluded that since blocking action is very difficult to achieve, the system was constructed to ensure that in the absence of significant opposition, the Secretariat's finding would be given operative effect under the Agreement.<sup>4</sup>

The IEA's charter makes it quite an impressive formal organization with considerable authority. The power to adopt binding decisions by less than unanimous vote is particularly striking, especially because the larger members of the organization are assigned much more voting power than the smaller ones. Yet, these formal characteristics of the organization can be misleading. In actual practice, the organization operates in a highly informal way. The most effective activities of the organization have taken place behind the scenes, without invoking the organization's rules. Formal votes almost never take place; the major IEA actors—the United States, Great Britain, Germany, and Japan—must agree on a policy before it can be adopted, and there must not be too much dissatisfaction on the part of the others. France, a nonmember, is informally consulted on some matters. Thus, the actual political process of the IEA is only indirectly connected with its formal voting arrangements.

In a period of many months during 1979 and 1980, the world underwent a "second oil shock," aftermath of the Iranian revolution and of the war between that country and Iraq. The major issues that arose in the organization during that period illustrate the organization's preference for informal persuasion over formal rule-setting.<sup>5</sup>

**Targeting Oil Import Levels** For targeting oil import levels, the IEA's formal powers make it an attractive instrumentality for use in an emergency. Its authority to issue legally binding rules and to operate in periods of severe supply disruption on the initiative of the secretariat is especially appealing to action-oriented policymakers. Furthermore, broad legal authorization is provided for other actions by the IEA if approved by all members. Thus, as new problems with the world

oil market are perceived by governments, there is a temptation to use the IEA to bind governments to new courses of action.

An outstanding example of an attempt of this sort was provided by the efforts of the United States, in cooperation with certain officials in the secretariat and with the sympathy of individuals in other governments, to establish individual country targets for petroleum imports. This targeting episode, which formed a major focus of IEA activity between March 1979 and May 1980, reveals the limitations of such a strategy. The strategy was successful in one respect: it helped create some useful informal coalitions that were transgovernmental in character. But it did not succeed in constraining governmental behavior through the imposition of rules.

Beginning in March 1979, the IEA attempted to implement a demand restraint policy, with the objective of reducing the import demand of its members by two million barrels per day. The proposed restraint was intended to counteract the effects of sharp cutbacks in Iranian production in the wake of its revolution, and thus to contribute to the stabilization of oil prices. But the resolution created a group objective, rather than objectives for individual countries; it therefore imposed on governments what one representative referred to as "a political not a legal obligation." After some debate, a phrase was inserted observing that "these policies are expected to achieve equivalent results in Participating Countries,"<sup>6</sup> but this phrase was neither self-explanatory nor self-enforcing. By the end of the year, indeed, it had become clear that the resolution's purpose had not been achieved. Most IEA countries increased their oil imports in 1979, some very substantially. By far the largest decline in imports came from the United States; but this was not sufficient to prevent more than a doubling of oil prices, as buyers competed for scarce supplies.<sup>7</sup> In December, officials of the IEA itself admitted that no real international coordination of energy demand had been realized.

The United States reacted to the vagueness, and then the clear failure, of the demand restraint policy. In a meeting of heads of government in Tokyo in June 1979, the U.S. government pushed for oil import targets on a country-by-country basis to cover the year 1980. In subsequent meetings of the IEA, U.S. representatives followed up the initiative. Such targets, it was thought, would be "politically compelling," although they would not be legally binding. Targets were duly agreed upon; but even as they were being arranged in December 1979, they were recognized by officials of the IEA and the OECD as being too high to be effective constraints on imports. Governments were careful to negotiate targets that provided them with a "margin of safety." In one case, the 1980 target was almost 70% above the 1978 import level. Essentially, targeting became an exercise in symbolic politics; having a set of targets was more important for the IEA and its members than their actual level. By October 1980 it appeared that the imports of IEA countries would be more than 12% below the targets, and that only

one country, Spain, would significantly exceed its target level. This, of course, was the result of the rapid 1979 price rise rather than of any governmental measures to restrain demand. That rise had reduced consumption, both directly (through substitution effects) and indirectly (through income effects, as the OECD economies went into recession).

During the winter and spring of 1980, the Governing Board of the IEA continued to discuss the targeting issue. In December 1979, it had agreed to quarterly monitoring of national import policies by the Governing Board. During the spring of 1980, the secretariat sought agreement on a set of objective criteria for the determination of country targets, rather than letting them be set through a political process of negotiation. This proposal was resisted by all important members of the organization except for the United States. It was eventually agreed that the secretariat on its own authority would prepare estimates of the expected oil requirements of each IEA country, but that these would not be regarded as ceilings unless or until ratified by ministerial action. No individual country targets were adopted for 1981 or 1982, despite the U.S. support for such targets.

By December 1980, the emphasis of the IEA's long-term strategy had shifted from country targeting to an encouragement of structural change; to that end, the emphasis moved back to the annual reviews of country energy programs rather than to the development of specific quantitative goals. The communique from the December 1980 ministerial meeting merely indicated that ministers planned to keep the world oil market situation under review, "and if necessary to consider further action, including the possible use of oil import ceilings in the manner they agreed in May 1980."<sup>8</sup> When the Reagan administration indicated that it did not care about individual country targets, some members of the IEA secretariat as well as some member countries breathed sighs of relief.

This does not mean that the targeting exercise was regarded as worthless. The secretariat believed that the exercise made IEA governments more willing to discuss seriously issues of structural change, and that it aided the creation within the secretariat of more rigorous and consistent analytical methods for projecting demand and exploring scenarios. Former Undersecretary of State Richard Cooper has argued that the support of the U.S. executive branch for the targeting exercise had been directed not so much at other IEA countries as at the U.S. policy process itself, as well as at the more moderate OPEC countries. Targets were useful because they raised the salience of energy questions in the U.S. government and provided political ammunition for officials who were serious about promoting energy conservation and other measures of import demand restraint. They also helped promote coalitions for oil conservation between U.S. officials and those in other IEA governments. Furthermore, targets provided a highly visible set of international commitments to energy conservation. This helped the Saudis, who had long pressed publicly for importing countries

to exercise some demand restraint. Indeed, targets constituted symbolic politics; but in this context, symbolism was important.<sup>9</sup>

This defense of the targetry exercise is persuasive. What is interesting, however, is that the asserted gains from the exercise have nothing to do with using an international organization to limit governmental autonomy. The principal political justification for the targeting exercise was not that it established binding controls on national oil imports, but that it provided a rhetorical environment in which transgovernmental coalitions could thrive behind the scene. The IEA was being used as a facilitator of agreement within and between states rather than as a quasigovernment.

**Triggering the Emergency Sharing System** For triggering the emergency sharing system, the International Energy Program provides that if any individual country in the IEA suffers an oil supply shortfall of more than 7%, it can request the secretariat to put into effect the emergency sharing system, which provides for reallocating petroleum supplies in order to share the deficiency among member states. This provision was included to enable the organization to counteract selective embargoes by oil producers, such as various OPEC countries directed toward the United States and Holland in 1973–1974. Yet because the meaning of a deficiency is so unclear, this selective triggering provision does not necessarily serve the purpose of equalizing burdens among IEA members. Countries with strong price controls, for example, could create the appearance of a deficiency, because such controls would stimulate consumption while turning away sellers. The shortages experienced by any such country, therefore, would be a self-inflicted consequence of national policy. From the market-oriented perspective of dominant members of the IEA and of the secretariat, it did not seem appropriate to use the IEA's emergency procedures to deal with such supply deficiencies; but no caveats regarding price controls are to be found in the language of the International Energy Program.

The issue became relevant in the winter of 1979. In February of that year, Sweden, which maintained a system of oil price controls, complained that it was suffering a 17% shortfall of supplies for the first quarter. The secretariat's reaction was to argue that a nominal shortfall was normal for Sweden during the winter, due to seasonal variations: Because ports in northern Europe may become blocked by ice, these countries normally build up stocks in the summer and draw them down during the winter. From February to May 1979, the secretariat negotiated with the Swedish government to adjust its calculations of supply patterns, in an attempt to avoid a formal request that the emergency system be triggered.

Finally, in May 1979, Sweden did call for activation of the emergency system, noting a reduction in first-quarter supply of 9.8%, after adjustment for seasonal factors. Four days later, the Governing Board declined to accept this request, but it called on the secretariat "to examine the case of Sweden further and to

consult with oil companies as provided in Article 19.6 of the International Energy Program Agreement in order to obtain their views regarding the situation and the appropriateness of the measures to be taken." The secretariat took the view that there had indeed been a 7.7% shortfall in Swedish first-quarter supplies, after a 12% seasonal adjustment; and that in strictly statistical terms this should trigger the system. But its "qualitative judgment" was that the situation was improving and that the trigger was therefore not necessary. Informal discussions were taking place with the companies. Clearly, the secretariat was engaging in a delicate process of bargaining, with the intention of persuading Sweden to relax its price controls somewhat, and the companies to make some compromises on price. During the summer, the issue disappeared.

The question of whether to activate the emergency sharing system had broader implications. Even if the demand of Sweden for selective triggering of the emergency system were rejected, it could be argued that the IEA allocation system should be activated, on an organization-wide basis, to increase equity in supplies and decrease price pressures on spot markets. At the ministerial meeting of the Governing Board, May 21–22, 1979, this question was raised: Should the allocation system be put into operation in order to re-establish some control over a confused market in which prices were climbing rapidly? Denmark and Sweden argued that this should be done even in the absence of the 7% general shortfall specified in the International Energy Program. Price increases would be restrained because buyers would no longer be willing to buy oil in the spot market at premium prices, in view of the risk that the oil thus acquired might eventually be reallocated under the terms of the sharing system at lower prices.<sup>10</sup>

In a subsequent analysis, the secretariat concluded that the Governing Board of the Agency, acting under Article 22 of the Agreement on an Internal Energy Program, had the legal authority to activate the allocation system. But from the secretariat's perspective, such action would have been a huge gamble. A number of major problems could arise. Hoarding and panic could be the initial reaction, worsening the situation. In the absence of clear rules on costs and prices, it might be difficult to reach price agreements that would restrain spot markets; some countries might not have legal authorization to participate in a reallocation system that was activated by a shortfall of less than 7%, and producers could be goaded to counteraction. If the system did not work, confidence in the IEA's emergency system as a response to larger-scale disruptions could be lost; and the IEA itself might be in danger.

All of the major powers in the agency agreed with the secretariat's conclusion. For the rest of the year, and again during the Iran–Iraq war in the fall of 1980, the IEA relied on informal consultations with oil companies and governments, persuading holders of oil to make *ad hoc* adjustments, rather than seriously considering formal implementation of either the selective or the

general sharing arrangements. By early 1981, there appeared to be little prospect that the sharing system would be formally activated in a crisis involving a shortfall of less than 7%. *Ad hoc* solutions were seen in the IEA as more prudent, avoiding difficult logistical issues and possible political strains. As in the targeting episode, the IEA as an organization did not seek to take formal action in accord with its formal powers, but rather sought to find courses of action that depended on negotiation and coalition-building behind the scenes.

**Stockpiling Oil** The stocking of oil by governments and enterprises was the other major issue before the IEA during 1979 and 1980. That issue also illustrates the organization's predilection for informal procedures. Member governments and the secretariat were slow to recognize the importance of the stockpiling that was taking place during the spring of 1979, both in privately owned and official stocks. In the second and third quarters of 1979, stocks were increased sharply, putting strong upward pressure on prices. In June of that year, at the Tokyo summit, the danger was recognized; but this did not lead immediately to coordinated action. In fact, during 1979, stockpile acquisitions were uncoordinated in timing and amounts. By the end of the year, members of the IEA had apparently reached a general consensus that the uncoordinated stockpiling actions of the private sector could present a problem. Not only would they raise spot market prices, but they could also lead to increases in the prices contained in longer-term contracts.

In response to a proposal from the secretariat, the IEA Governing Board agreed, in December 1979, to "seek to develop a system of consultation on stock policies among governments within the IEA and between governments and oil companies, evaluate the 90-day emergency reserve level; and develop other proposals for an effective and flexible stock policy."<sup>11</sup> This agreement led to rather intensive discussions and planning during the next nine months.

During this time, the secretariat staff developed a wide range of proposals in a series of working papers. In February, a working paper suggested an "international 'pool' of oil stocks to be used under some degree of IEA control"; and in March, it was proposed that order could be brought into the spot market through registration of trading entities and the development of a code of conduct for participants. The possibility of establishing an international buffer stock to be managed by the agency was explored.

All of these possibilities entailed formal action, including the building of institutions and the application of rules. Reactions by the major governments—and apparently by top officials of the secretariat as well—were negative. Member governments feared excessive bureaucratic interference with markets, and an inordinate increase in power for the IEA secretariat. Instead, in May 1980, the Governing Board agreed to an informal system, presented in an options paper as the "minimum option." This involved the development of an information system and the scheduling of regular discussions of the stocking problems in the Standing

Group on the Oil Market, but it did not provide for clear criteria governing the use of national stocks, much less for stocks controlled by the IEA itself. The core of the policy was a complex, informal system in which governments, the secretariat, and the companies would consult one another in order to harmonize IEA and government policies with those of the oil industry.

During the summer of 1980, the secretariat initiated such consultations in an effort to encourage the companies to maintain their high stock levels in spite of a growing softness in the demand for oil. The secretariat sought to encourage an anticyclical stocks policy—building during slack periods and drawing down during tight markets—rather than the opposite behavior that had been so evident in 1978–1979. In the secretariat's view, it was important to initiate these consultations early in the cyclical process, when conflicts of interest between governments and companies were relatively low. The Governing Board was unable to agree on a forthright statement supporting high stock levels, but it did endorse the secretariat's consultative efforts.

Despite the rather vague and uncertain character of the agreements reached by the Governing Board, the fact that discussions had taken place proved important. In September 1980, the Iran–Iraq war erupted. In October, IEA member countries agreed on a number of points for action. They would urge public and private market participants to refrain from “abnormal purchases” on the spot market; they would consult with oil companies to encourage the drawing down of stocks; and they would consult among themselves to ensure that these measures were implemented in a fair and consistent way. In particular, they agreed to “the use of political influence” to convince market participants that they should follow the IEA's advice. No explicit rules were laid down; stress was placed on the informal exercise of persuasion by the secretariat and by member governments.

During the next three months, the IEA monitored the situation and took action along two sets of distinct but complementary lines. Consultations took place with companies and reassuring public statements were made. At the same time, extensive efforts were made to deal with the supply problems of particular countries and companies. Imbalances were thought to be dangerous because the most severely affected companies would be tempted to purchase oil on the spot markets, thus driving prices up. But no formal rules were laid down for secretariat action; measures were to be *ad hoc*. In particular, the secretariat sought to avoid rigid rules about price. It was the strongly expressed view of top IEA officials that prices should be left to informal secretariat negotiation or to a Disputes Settlement Center that had previously been established on the initiative of the oil industry.<sup>12</sup> In their view, rigid price rules would discourage companies from cooperating voluntarily with the IEA system.<sup>13</sup>

The problem of Turkey drew particular attention during this period. The Turks were threatened with serious shortages due to a combination of factors, including shutdowns in the pipeline from

Iraq, Turkish inability or unwillingness to pay market prices for oil, and disorganization and confusion in the Turkish government itself. The secretariat worked closely with a number of governments, including especially the United States, to devise *ad hoc* ways to provide the Turks with oil. But the Turks refused to buy the supplies that these efforts produced, balking at the price. The crisis was ultimately solved not by IEA action but by the arrival of additional supplies from the belligerents, aided particularly by the reopening of the pipeline from Iraq. Thus, the informal *ad hoc* practices of the IEA did not prove successful in this instance.

It is difficult to assess how much IEA policy contributed to the successful resolution of the supply problems caused by the Iran–Iraq war. General weakness in demand, plus the production policies of Saudi Arabia, provided favorable conditions for price restraint. The least that can be said is that the IEA was leaning in the right direction. Stocks were drawn down at double the normal rate in the fourth quarter of 1980, and spot prices rose 25–30% in the first few months after the outbreak of hostilities. Soon, spot prices fell, leaving largely undisturbed the prices that were contained in longer-term contracts between producers and purchasers. This is not to say that the IEA's informal consultations were entirely effective. Some companies did not cooperate fully with the secretariat, and some spot purchases took place that the IEA regarded as "abnormal." From the agency's standpoint, more cooperation by companies would have been desirable.

All three of the major 1979–1980 episodes—targetry, triggering, and stocking policy—illustrate the informal operating style of the IEA. Many of the members of the IEA would have resisted initiatives for rule-making. Much time, effort, and political capital would have been wasted in trying to force the organization into following a more formal mode of action. Its distinctive accomplishments as a knowledgeable participant in transnational networks and as a shaper of policy consensus could easily have been imperiled.

**THE IEA'S EXTERNAL RELATIONS** Like all intergovernmental organizations, the IEA reflects the interests and views of its members. Secretariat officials have some leeway in influencing governmental attitudes and in taking independent action within general guidelines offered by the Governing Board; but the constraints are obvious. Less obvious, but equally important, is the relationship between the IEA and the oil companies that contribute to the IEA's information system. These companies actually control the transportation and marketing of oil, and by their decisions greatly influence the world levels of oil stocks.

The companies do not have direct representation in the Governing Board of the IEA. But the companies are involved in the IEA system through an industry advisory group and a variety of informal contacts. Because the cooperation of the companies is

essential, the secretariat is careful not to engage in confrontations with them; indeed, it tends to take the companies' side in discussions with some of the more critical governments in the Governing Board. Given the companies' desire for flexibility and lack of publicity, the process of consultation and cooperation with the secretariat is best achieved through an emphasis on informal action and quiet negotiation. Thus, the IEA's need to cooperate with companies reinforces its typical operating style.

IEA contacts, however, extend in other directions as well. The IEA was founded after the oil crises of 1973 as part of an effort by the United States to revitalize the Atlantic alliance and the U.S.–Japanese alliance. It should not therefore be viewed exclusively as a means to develop and execute energy policy, but should also be assessed in terms of its contribution to this wider purpose. It is part of a network that includes the OECD and the periodic summit meetings of the largest OECD countries. The complementarity between the IEA process and what goes on at summit meetings can be important. Coalition-building in and around the IEA can affect the agendas of the summit meetings and their results, while summit decisions may lead to extensive attempts at the agency to implement agreed policies.

IEA actions also take place as part of a larger bargaining game involving oil producers as well as consumers. Actions that producers actually or nominally applaud, such as encouraging conservation and demand restraint, are encouraged, since they do not raise problems of producer retaliation. Actions with ambiguous results for producers, or that some producers favor but others oppose, have to be taken delicately, with much diplomatic preparation. This reinforces the predisposition of the organization toward informal rather than formal practices, as illustrated by stock draw down policies. Actions that threaten producer interests are strongly discouraged, since the IEA has invested considerable effort in trying to persuade members of OPEC that it is not an instrument of confrontation, and since in periods of shortage, as in 1979–1980, the IEA countries are characteristically in weak bargaining positions *vis-à-vis* the producers.

Even the triggering of the emergency system can only be considered within the context of what the producers might do in response; and that is the way the issue is considered within the IEA. As we have seen, this is one reason why the system was not triggered in 1979. Indeed, these discussions imply that the system may *never* be triggered, at least in the absence of a catastrophic oil shortfall, inasmuch as the arguments used in 1979 against triggering would probably apply in future crises as well. Thus, the pervasive pressures toward informal, behind-the-scenes, and *ad hoc* action in the agency could even extend to the emergency sharing system. To be sure, to the extent that national laws require formal IEA action before national sharing plans can go into effect, informal procedures could create special problems of enforcement. But in a world of second-best choices, informal procedures may be the best available option.

**CONCLUSION** In recommending policies to be followed by international organizations, policy analysts need to be aware of the characteristic functions and limitations of these entities. What international organizations can be expected to do depends not merely on their legal authority, but on the constraints imposed by their members and by their own characteristic operating styles. In general, international organizations are better at facilitating agreement among governments than at instituting rules or enforcing them on governments. Policy analysis with respect to international organizations will be most effective when the analyst has creatively considered ways in which the information-providing and agreement-facilitating attributes of the organizations can be fully utilized.

The International Energy Agency illustrates these points in an exemplary way. Although it has relatively strong formal powers, as international organizations go, it rarely implements rules that constrain governmental autonomy; and when it is pressed to do so, the exercise tends rapidly to become a symbolic one. The IEA's true value, limited though it may be, is as a participant in elite networks and a mobilizer of transnational and transgovernmental coalitions. To insist that the IEA focus on enacting rules is to engage in a futile exercise. The IEA is in need of good ideas that it can use to make its informal consultations and negotiations more effective; but it will not benefit from being told to go out and make some more rules that will force governments to toe the line.

A corollary to this demand for realism is a demand for comparable sophistication in assessing the value of international organizations. In a world characterized by large and assertive states, international organizations will remain weak: adjuncts to power rather than wielders of it. The test of their efficacy is not whether they can transform the international system; this is altogether unlikely. The question is whether they make a positive contribution that is sufficient to outweigh their political and economic costs. Like other international organizations, the IEA will be of only marginal significance in the handling of international problems. Nevertheless, one should judge it by reference to the alternatives. In view of the multiple constraints on effective international policy coordination, analysts should apply appropriately modest thresholds in assessing the performance of international organizations.

The author is indebted to members of the secretariat of the International Energy Agency for interviews, and for comments on an earlier draft of this manuscript.

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- NOTES**
1. For a more complete discussion, see Keohane, Robert O., Nye, Joseph S., "Transgovernmental Relations and International Organizations," *World Politics*, XXVII (October 1974):1.
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4. Scott, Richard, "Innovation in International Organization: the International Energy Agency," *Hastings International and Comparative Law Review*, 1 (Spring 1977):1–56; see also Agreement on an International Energy Program, TIAS No. 8278, 14 ILM 1 (1975), or in Committee Print, Committee on Interior and Insular Affairs, U.S. Senate, 93rd Cong., 2nd Sess., November 1974. For commentary, see Willrich, Mason, and Conant, Melvin A., "The International Energy Agency: An Interpretation and Assessment," *American Journal of International Law*, 71 (1977):199–223; Keohane, Robert O., "The International Energy Agency: State Influence and Transgovernmental Politics," *International Organization*, 32(4) (Fall 1978):929–951; and Maull, Hans, *Europe and World Energy* (London: Butterworths, 1980), pp. 153–172.
5. My descriptions of IEA policies and discussions during 1979–1980 are based principally on a comprehensive review of the minutes of the IEA Governing Board for the period between March 1, 1979, and February 3, 1981, and on interviews in May 1981, with five officials of the agency. I was given access to IEA documents on the conditions that I would not cite particular documents and that I would submit my IEA-related notes to the agency for factual review before publication. Access on similar terms has been granted to Professor Peter Cowhey of the University of California, San Diego. For a more complete statement of the terms under which I operated, in 1981 as in 1977, see Keohane, "The International Energy Agency," *op. cit.* p. 933.
6. IEA/Press (79) 4, p. 3 (March 2, 1979).
7. For discussions of this period, see Deese, David A., and Nye, Joseph S., Eds. *Energy and Security* (Cambridge, MA: Ballinger, 1981); *Oil Diplomacy: The Atlantic Nations in the Oil Crisis of 1978–79* [Philadelphia: Foreign Policy Research Institute, 1980 (no editor listed, introduction by Alexander M. Haig, Jr.)], especially the contributions by Paul Kemezis, Richard B. Mancke, Hans W. Maull, and Richard Bissell; and Lieber, Robert J., "Middle East Oil and the Industrial Democracies," paper prepared for Middle East Core Seminar, International Security Studies Program, Woodrow Wilson International Center for Scholars, Washington, D.C., March 24, 1981.
8. IEA/Press (80) 20, p. 5 (December 9, 1980).
9. Comments by Richard N. Cooper, Energy Security Seminar, John F. Kennedy School of Government, Harvard University, July 23, 1981.
10. This argument was open to question, since IEA test runs have been conducted without specifying transactions prices, and no policy existed in 1979 for the authoritative determination of prices under the allocation system.
11. IEA/Press (79) 28, p. 5.
12. The Disputes Settlement Center was established in the summer of 1980 to facilitate voluntary arbitration on commercial issues arising out of oil supply transactions under the IEA's emergency allocation procedures.
13. Quiet but serious discussions of stronger measures for dealing with stocks and the spot market did take place during the fall of 1980. It is possible that, had the situation worsened, such measures might have been put into place; but in view of the informal operating style of the IEA and the pressures for maintaining this pattern, this seems unlikely except as a last resort.