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AYOUB, Antoine; *Le Pétrole – Economie et Politique*, Economica, Paris (1996), pp.396, FF250, ISBN 2-7178-3182-7.

Antoine Ayoub is a professor of economics at Laval University, Québec, who has been following closely the evolution of world petroleum markets for many years. This book brings together a collection of articles he wrote between 1973 and 1994. Hence it covers an exceptionally eventful period, and for this reason alone it is certainly useful to find these articles in a single volume.

The author has organized his papers in three parts: Price and Market Structure, Business Cycle and Oil Politics, and Oil and Economic Development. The first part starts with an article (*La situation pétrolière internationale: Caractéristiques et problèmes*, 1973) dealing with the Participation Agreement Yamani negotiated in New York at the end of 1972 which,

according to Yamani, was expected to be as stable as a 'catholic marriage' (p.13). By the end of 1973, however, the marriage had broken up. The evolutionary approach of participation which Yamani had promoted for several years, in opposition to nationalization and which still looked quite likely in 1972, had failed. Why?

No reference to this episode is to be found in later articles. This may not be surprising as the following breathtaking events required the full attention of analysts and commentators at that time. What had happened only yesterday – all of a sudden seemed to belong to a long-distant past. Nevertheless, it is in this kind of book that one would expect to find, albeit retrospectively, a more profound and less circumstantial analysis of events. The right place to do this could have been the Introduction, with the author himself working out the trends implicit in his writing over those two decades. All we are told, however, is contained under the subtitle 'In the Beginning, there was Nationalization' (p.5).

Nationalization was, of course, a new beginning but it was also the outcome, however unexpected, of a process. This is relevant to the analysis in a later article (*Le marché pétrolier international: Instabilité et restructuration*, 1988), where Ayoub expresses his belief in the trend towards (re-)integration of national and international oil companies in order to stabilize markets (p.109). However, less than two years later he expressed doubts about what had actually been achieved so far (*Le défi de l'OPEP: gérer le surplus*, 1989; p.241ff.). The question that comes immediately to mind is, of course, why this approach failed in the first place 25 years ago, even after an agreement had been negotiated successfully. The answer, whatever it may be, would undoubtedly contribute to the discussion on why, or why not, the situation today might be different.

Regarding oil prices, Ayoub gives his preference to traditional Ricardian rent theory, and rejects a Hotelling-type approach. Of course, this does not mean that oil prices can be understood by a straightforward application of this theory. As he points out in the same first article, Ricardian rent in world petroleum markets is, partially at least, the outcome of intervention by extra-market forces. The two forces he considers decisive are the United States and Saudi Arabia. Since the United States is interested in maintaining a high degree of self-sufficiency, the production costs in this country determine a price floor. Saudi Arabia, interested in the long-term maximization of the international oil rent, determines the ceiling. Within this interval oil prices are defined by politics, i.e. by these two countries forming a 'tandem' (p.6). In a later article (*Le pétrole: économie et politique*, 1994), he continues basically to maintain the same viewpoint, although the author now gives OPEC and industrialized countries other than the United States more significance in explaining the evolution of oil prices in the 1980s (p.149).

This persistent focusing on the United States and Saudi Arabia as manipulators of world markets was quite popular in French language literature in the 1970s. Although the approach never seemed very convincing to me, there was an argument that higher oil prices would affect France (or Europe, or Japan) much more seriously than the United States. But it is hard to

understand how this thesis can still be maintained, essentially unaltered, in the 1990s. If one thing has become obvious, with the benefit of hindsight, it is the continuous loss of importance of the United States in world petroleum. At the same time, the actions of Saudi Arabia have all been fundamentally defensive since nationalization. The same can be said of OPEC as a whole. No, the new trends in world petroleum were shaped elsewhere. Whereas in the 1950s the standards in international oil were set by the United States, today those standards are set by the (British) North Sea, the new, ultra-modern oil producing region. What is more, I would argue that the developments in the North Sea, including its legal and fiscal structure, are more important to an understanding of current and future price levels than is Saudi Arabia. In any case, the development of North Sea oil that took place precisely during the period this book covers can certainly not be ignored – as, sadly, happens to be the case.

What the book really reflects through its chronologically ordered papers, is the enchantment and hope of the (Arab) oil-exporting countries associated with the spectacular rise of oil revenues in the 1970s, and the disenchantment and deception of the 1980s and 1990s. It lacks, however, analytical strength.

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