

conserve when necessary, and the oil futures market. In the 1970s, an open land war in the Persian Gulf would likely have provoked a sharp, sustained escalation in crude oil prices. But the price-collapse lessons of the 1980s have been learned and, hopefully, will not be forgotten. The market has become wiser and, consequently, more stable.

The fundamental characteristics operating on the supply and demand side of any market ultimately determine the direction and development of that market. In the remainder of this section, we have attempted to isolate the supply and demand side fundamentals which underlie the evolution of the world oil market as we enter the next century.

Recent trends in oil supply and demand

Table 1 provides a summary of key indicators of world oil supply and demand over the past six years, as a benchmark for comparison with the long term outlook. The table indicates the following:

- Oil consumption of the OECD remained virtually unchanged in 1992 at 1991 levels and some 2.4 mmbd above 1987 levels.
- Demand growth in the non-OECD countries-- excluding the Commonwealth of Independent States (C.I.S), the former Soviet Union -- has been somewhat stronger than in the industrialized nations at 3.1% per year. The CIS consumption of petroleum has decreased during the last five years. The net effect is for a world oil consumption increase of only 1.2 % per year over the last five years.
- Year-over-year production of non-OPEC crude oil is expected to record a fifth consecutive year of decline, falling to 40.7 mmbd in 1992 versus 42.7 mmbd in 1987. Much of this decline can be accounted for by falling production in the C.I.S. In the other non-OPEC regions, volume gains in the emerging oil producing countries - such as Colombia, Yemen and Argentina - are managing to keep ahead of output declines in the older producing basins of Canada and the U.S., yielding a small net gain in output for this group.
- Total OPEC oil production is expected to show a gain of 700,000 bd in 1992, up 6.5 mmbd from the 17.7 mmbd produced in 1987. This leaves OPEC with just under 40% of the world market in 1992, versus 31% in 1987.