

in less than three decades, since new reserves will continue to be found. But it does mean that the scarcity value of oil has been increasing and will continue to do so unless consumption and/or oil production trends are changed significantly.

Another reason for concern is the narrow distribution range of known reserves. Ninety per cent of them are located in only 14 countries. In addition, outside the Middle East, the Soviet Union holds the largest known oil reserves. But there are growing doubts that the U.S.S.R. can maintain production levels to meet its needs as well as those of Warsaw Pact allies. Hence, the possibility arises that certain of these countries, for the first time, could become significant purchasers on the international market during this decade. Responsible political leaders must be concerned when so few precious eggs are in so few baskets, during an age when virtually no part of the globe has been immune to drastic political, social and military change.

Simultaneous with the changes in supply and demand dynamics, has been a radical restructuring of the international oil market. Until a decade ago, more than 90 per cent of the oil traded internationally was controlled by a very few, very large private companies -- the seven sisters as they have come to be called. By the beginning of the seventies, however, an increasing number of smaller independent companies became more significant in the international market. Changes were further accelerated by the events of 1973-74. A number of governments in producer countries assumed legal ownership of their petroleum resources and imposed controls over production and pricing. Increasing amounts of oil were marketed through inter-governmental agreements, a number of oil-importing countries themselves have created state-owned oil companies to conduct oil marketing transactions and, as we pointed out earlier, there was the increasing role of the small independent companies, often as third parties. As a result of these changes in market structure, which are still under way, less than half of the internationally traded oil is now controlled by the major companies.

But apart from the changes of the past decade in the supply-demand balance and in market structures, other broader considerations made price increases for oil inevitable. The trend is likely to continue through the remainder of this century. In reviewing these other factors, I would point out, first, that it is important to recognize