from new discoveries, rather than from existing mature fields. These gains should offset the projected declines in oil output from the U.S., the North Sea and the former Centrally Planned Economies.

- From a global perspective, developments in the C.I.S. are a key ingredient to future price determination and to OPEC price/production strategy development. A delayed recovery in C.I.S. production and/or a stronger recovery in domestic demand would tend to tighten the world oil market relative to the projections, requiring further increases in OPEC production and placing upward pressure on prices. Alternatively, more aggressive foreign investment in the region and/or delayed domestic demand growth would tend to weaken prices, thereby forcing OPEC to accept a lower price or further restrict output to achieve even a weak price trajectory. Most of the experts expect that, over the medium term, former Soviet oil production will face continued difficulties.

- ***With oil demand likely rising at 1.4% annually and non-OPEC supply remaining flat over the next 18 years, there will be greater demands on OPEC to increase production from 24.0 MMBD in 1992 to over 30 MMBD by 2000.*** This would require significant increases in OPEC capacity. Presumably, the cartel is in a strong strategic position to influence prices, whenever the call for OPEC crude is at or in excess of its productive capacity. Currently, OPEC is operating at 82% of its capacity. According to the forecasts presented in this paper, OPEC will be producing at this rate of capacity utilization until 1995, after which the utilization rate is expected to increase to around 90%.

  Several leading OPEC members including Saudi Arabia, Iraq, Kuwait and Venezuela plan to increase their crude oil capacity. The problem of raising the capital necessary to undertake these projects is now a major hurdle facing OPEC members.

- ***Most of the forecasters project an environment of stable prices during the 1990s.*** After achieving an annual average real price of $24/bbl in 1995, the remainder of the decade is expected to see virtually flat real prices, as OPEC follows the policy of revenue growth through output gains, rather than price increases. The crude oil real price is expected to average $25-26 in 2000 and rise to around $30 by 2010.

- The key uncertainties that could affect developments in the world oil market include: oil supplies from the ex-Soviet Union, OPEC's ability to raise its