

non-OPEC developing countries seem likely to be enough to offset some short-term declines in other non-OPEC oil availability- notably from the U.S., China and the former U.S.S.R. Therefore, the additional call on OPEC will be small and of no consequence as far as price determination is concerned.

For the longer term (post 2000), assuming no major changes in OPEC policies, exports from Russia and other former Soviet Republics, and the continuing expansion of production in the non-OPEC developing countries will play a major role in meeting world oil demand. By the end of this century, as efficiencies in energy consumption and production improve, the oil and gas exports of the former USSR should be on a strong rising trend. It is generally agreed that relative to the rest of the world's potentially prospective hydrocarbons basins, those in the developing countries remain under explored and/or developed. Some economists⁶ estimate a 75% increase in oil supplies from the developing countries outside OPEC by 2020 from the current level of about 10 MMBD.

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 the C.I.S. production and/or a stronger recovery in domestic demand in that region 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 C.I.S. 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 the weak price trajectory.

Outlook for OPEC production

The critical assumption in any long-term projection of crude oil prices is the likely path of OPEC crude oil production. Indeed, the only surplus capacity in the world oil market is held by the OPEC members, centred largely in the Middle East countries. Therefore, the strategy assumed for OPEC regarding prices and volumes determines, in large part, the likely direction of future price movements. OPEC restricts production of oil to achieve, among other things, a market price which is higher than that which would exist in a deregulated market environment. In doing so, the organization also creates an incentive for its members to individually violate these output restrictions, achieving higher revenues at little cost.

⁶ Odell, "Prospects for Non-OPEC Supply".