published in The Oil and Gas Journal, "only an enormous cut in Russian consumption can prevent the Republic from becoming a net oil importer by the mid 1990s and a big importer by 2000. The effect on world oil markets could be significant. Moscow may be forced to return to its cold war policy of trading arms for Iranian and Libyan crude".[10]

It is unlikely that the decline in Soviet oil output can be reversed without a massive infusion of financial and technological resources into oil industry. Until the former Soviet economy emerges from its current crisis, these resources will have to come from elsewhere. This leaves the outlook for this region's production clouded with uncertainty. The former Soviet Union has already sought assistance from various countries. The degree to which such assistance will be forthcoming and the form it will take are quite uncertain. The estimates for financial requirements of the Russian oil industry in the period to the end of this century are in the range of $30 billion. Currently, foreign investment in the former Soviet Union is influenced by a variety of issues, including a battle among the former republics over property rights, the lack of appropriate and relevant laws, and the lack of a convertible currency.

If Russia and the other CIS republics are successful in: 1) attracting much needed foreign capital and technology that could reverse the decline in oil production, and 2) improving energy efficiency and conservation, one may see a dramatic increase in net crude exports from this region. This may force OPEC to constrain output and face declining prices.

2) OPEC's Capability to Influence Oil Markets

Over the past 30 years of its existence, OPEC has enjoyed neither unconditional success nor inglorious failure. It is likely that OPEC will maintain some market power for quite a few more years. The strongest empowering factors for OPEC appear to be the huge monetary cost to members if it were to collapse, the ability of Saudi Arabia to enforce discipline through credible production-related threats, and the external support OPEC enjoys from producers who like high petroleum prices. The strongest enfeebling factors for OPEC arise from the differing production costs and economic goals of OPEC members and the high long-run elasticities of world demand and supply external to OPEC.

Oil and Gas Journal, December 7, 1992.