

The Strait of Hormuz at the entrance to the Persian Gulf correspondingly regained some of its strategic significance. The volume of oil transiting this narrow waterway had been declining since the late 1970s and reached a low of 29% of all internationally-traded oil in 1985. Recent IEA data indicate that 35% of internationally-traded oil – 7.6 million barrels/day – moved through the Strait in 1986. Approximately 6,500 merchant vessels, mostly tankers, navigated the Strait last year, an average of one ship every 80 minutes. About 70% of this tankered oil was destined for industrial countries, down from the peak share of 74% in 1978 but up sharply from the 61% low in 1985. This surge primarily resulted from the drive by Persian Gulf producers to regain market share through netback pricing and should moderate under the new OPEC accord.

Attacks on Gulf tanker traffic by both Iran and Iraq demonstrate the vulnerability of this shipping route. Expansion of the pipeline systems bypassing the Strait of Hormuz will principally serve larger sales to European customers. Rising sales to North America and Japan will probably continue to move via this waterway.

### ***E. Oil as a Strategic Commodity***

Oil has a strategic significance because of the dominant position it has attained in satisfying the world's requirements for energy, coupled with its irregular geographic distribution.

The world petroleum market is susceptible to manipulation for various reasons. OPEC controls about 68% of world conventional crude oil reserves; Saudi Arabia alone accounts for approximately one-quarter of world reserves. OPEC and the Communist bloc together hold nearly 80% of proved reserves. North America (Canada, the U.S. and Mexico) is estimated to hold only 12% of proved conventional reserves. Half of the world's total conventional reserves are considered to lie within four Middle Eastern countries, in a region wracked by the seven-year-old Gulf (Iran-Iraq) War.

A handful of Middle Eastern countries also holds most of the capacity to expand oil output in the near term. Figure 17 indicates that approximately 70% of the non-Communist world's spare oil-producing capacity – estimated recently by the U.S. Department of Energy at about 10 million barrels/day – lies in the Persian Gulf, and half of that in turn is held by Saudi Arabia. The remaining 30% is contained principally in other OPEC states. The CPEs are not included in this compilation, but there is little surplus producing capacity in the Communist bloc as the Soviet Union and China tend to lift as much oil as possible at any given time. A few non-OPEC countries such as Mexico and Norway could substantially raise their output over time by further developing their reserves, but the ability to increase production now, using facilities already in place, lies in the Persian Gulf and selected members of OPEC in other parts of the world.