

like Nigeria, which is now producing 1.4 million barrels a day, is moving slower than events, and the markets are moving against them. Nigeria will have to scale down their expectations of income, at the same time they are committed to high levels of spending.

Our view is that now demand will slow down in 1982. The previous expectation of an upswing in demand is now disappearing. Demand in 1982 will be far weaker than expected. The demand decline, in our view, could accelerate.

From a March 8 interview with Mr. Lippey, economist at British Petroleum's London headquarters:

Burdman: What is your estimated range of drawing down of stocks by the companies at this point?

Lippey: It's within the range of 1.5-4, it's uncertain exactly how much, but it's within that range. It *ought* to be near the higher end, that is traditionally what happens at this time of year, but I don't think it's being drawn down at such a high rate, since the demand is just not there for so much oil, and oil is being pumped out now as fast as the demand is there. There are 103 days of reserves now, significantly above the 90-day figure under the IEA [International Energy Agency] statutes, but demand is very low; my information is that Japanese and U.S. demand has fallen more than expected in comparison with European demand. . . .

Burdman: What effect would a war in the Mideast have on the price and production?

Lippey: A war would mean a giant yawn. If Iraq blows up, it makes no difference at all. It wouldn't matter if this happened anywhere, except for the Saudis. . . . the drop in production would be made up by the North African producers. . . . It's a dog-eat-dog picture in OPEC. There would simply not be enough money to go around if oil sold at \$28 a barrel at 18.5 mbd. If the Saudis can't go down in production, the other OPEC countries are in trouble. There are discreet discounts now being offered here, there, and everywhere. The BNOC [British National Oil Company] price cut has put the cat among the pigeons. . . . The action of non-OPEC producers—the U.S., OPEC. OPEC has lost its markets.

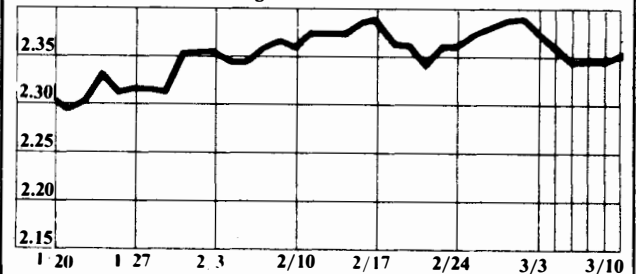
Burdman: What does this mean for the political stability of these countries?

Lippey: I wouldn't call them stable entities in the first place, would you? What keeps Saudi Arabia from going under? . . . Any of these regimes might just keel over. . . . The fall in the oil price could lead to instability. I wouldn't be surprised to see a coup d'état in Indonesia; the coup attempt in Nigeria was just the beginning, and a coup in Saudi Arabia cannot be excluded.

Currency Rates

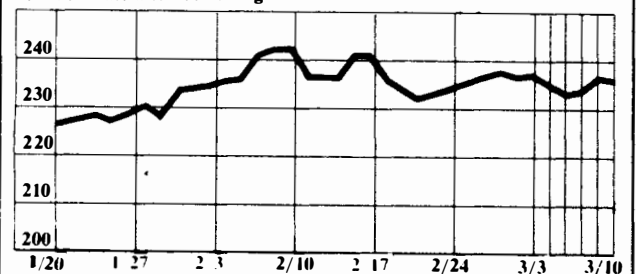
The dollar in deutschemarks

New York late afternoon fixing



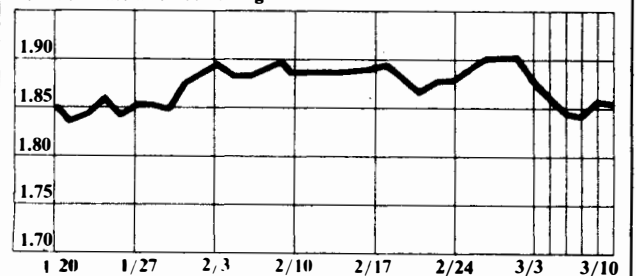
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

